

Company Code: 600689 900922

Abbreviation of the Company: Shanghai Sanmao Sanmao B Share

# Shanghai Sanmao Enterprise (Group) Co., Ltd. Annual Report 2016

## 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. The Company's 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 pre-plan or pre-plan for capital reserve transfer to increase capital stock as reviewed by the board**

As audited by Shanghai Shu Lun Pan Certified Public Accountants LLP, net profit of the parent company in the year 2016 being 84,871,405.15 yuan. Undistributed profit of parent company is as follows:

Starting undistributed profit: -92,742,654.27 Yuan;

Net profit report year: 84,871,405.15 yuan;

Undistributed net profit at period end 2016: -7,871,249.12 yuan

Considering the fact that the undistributed profit of parent company at period end 2016 is negative, it is therefore proposed: for the year 2016 not to distribute profit, or increase capital stock with capital reserve.

### VI. Forward-looking risk statements

applicable  inapplicable

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-operational 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

applicable  inapplicable

The company has a detailed description of the presence of industry risk, market risk, etc in this report, thus please check the relevant contents of risk factors in the "Discussion and Analysis of Future Development of the Company" in Chapter IV "Discussion and Analysis of Operation by the Management".

### X. Miscellaneous

applicable  inapplicable

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## Chapter I Definitions

### I. Definitions

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

Definition of frequently used terms		
CSRC	refers to	China Securities Regulatory Commission
Shanghai Stock Exchange	refers to	Shanghai Stock 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.
Sanjin Import&Export Company	refers to	Shanghai Sanjin Import and Export Co., Ltd.
Sanmao Security	refers to	Shanghai Sanmao Security Service Co., Ltd.
Jia Yi Venture	refers to	Shanghai Jia Yi Venture Investment Co., Ltd.
Sales Branch	refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd. Sales Branch
Baoji Lingyun	refers to	Shaanxi Baoji Lingyun Wanzheng Circuit Board Co., Ltd.
yuan	refers to	RMB yuan
report period, report year	refers to	the year 2016

## 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	Zou Ning (acting)	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	zoun@600689.com	wuxy@600689.com

### III. Basic information of the Company

Registered address	Room 1401-1415, No. 1476 and 1482, Pudong Avenue, China ( Shanghai) Pilot Free Trade Zone
Post code	200135
Office address	No. 51, Lane 200 Xiasha New Street, Pudong New Area, Shanghai (Note)
Post code	201317
Website	www.600689.com
Email	sanmaogroup@600689.com

Note: The Company headquarters moved, on March 27, 2017 to Xietu Road No. 791, Shanghai Huangpu District (see related announcements published on March 25, 2017 in the Shanghai Securities News, Hongkong Wen Wei Po and the Shanghai Stock Exchange website www.sse.com.cn)

**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	The Company headquarters office

**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	
B-share	Shanghai Stock Exchange	Sanmao B-share	900922	

**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	Zhuang Jining, Wu Haiyan

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

Unit: RMB yuan

Major accounting data	2016	2015	Growth over same period prior year (%)	2014
Operating revenue	1,151,221,576.68	1,128,476,975.39	2.02	1,284,936,742.95
Net profit attributable to shareholders of the listed company	92,489,820.23	-38,768,776.04	n.a.	60,007,420.97
Net profit after deducting non-recurring gains/losses attributable to shareholders of the listed company	-43,360,776.46	-36,625,257.12	n.a.	-38,592,286.11
Net cash flow from operating activities	19,538,843.61	40,813.10	47,773.95	-5,960,237.53
	End of 2016	End of 2015	Growth over same period prior year (%)	End of 2014
Net asset attributable to shareholders of the listed company	423,832,441.54	328,975,159.02	28.83	406,069,919.50
Total assets	793,013,053.46	764,006,974.95	3.80	826,222,983.46

**(II) Major financial indicators**

Major financial indicators	2016	2015	Growth over same period prior year (%)	2014
Basic EPS (yuan/share)	0.46	-0.19	n.a.	0.30
Diluted EPS (yuan/share)	0.46	-0.19	n.a.	0.30
Basic EPS after deducting non-recurring gains/losses (yuan/share)	-0.22	-0.18	n.a.	-0.19
Weighted average net assets earnings ratio (%)	24.49	-10.37	n.a.	16.46
Weighted average net assets earnings ratio after deducting non-recurring gains/losses (%)	-14.00	-9.79	n.a.	-10.59
Net asset per share attributable to shareholders of the listed company (yuan/share)	2.11	1.64	28.66	2.02

Remarks on major accounting data and financial indicators of the last three years at period end:

□ applicable √ inapplicable

**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

**(III) Explanation to accounting data difference domestic and international accounting standards**

applicable  inapplicable

**IX. 2016 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	307,323,643.36	230,420,192.57	277,243,081.27	336,234,659.48
Net profit attributable to shareholders of the listed company	-8,114,047.80	-9,270,542.9	12,736,210.85	97,138,200.08
Net profit after deducting non-recurring gains/losses attributable to shareholders of the listed company	-8,557,409.79	-9,714,599.63	-7,903,698.85	-17,185,068.19
Net cash flow from operating activities	46,880,272.50	-29,281,142.80	49,536,961.77	-47,597,247.86

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 2016	Amount 2015	Amount 2014
Gains/losses from disposal of non-current assets	130,461,967.44	954,400.78	124,029,773.62
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	2,126,099.29	1,107,099.05	1,447,946.47
Funds occupation fee received from non-financial enterprises through profit and loss			
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	509,274.40		
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	
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	495,580.18	56,677,216.30	4,990,010.84
Impairment of receivables separate impairment test back	193,937.32		
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	-157,238.35	-17,042.44	-320,476.61
Other profit and loss items in line with the definition of non-recurring gains and losses (Note)	4,333,280.57		
Minor shareholders' equity impact	129,985.90	58,081.39	-7,224.10
Income tax impact	-2,242,290.06	-923,274.00	-31,540,323.14
Total	135,850,596.69	-2,143,518.92	98,599,707.08

Note: The joint venture of the Company, Shanghai Bohua Gene Chip Technology Co. Ltd., produced non-recurring gains and losses in this period, and this refers to the Company's confirmation of the current investment income according to the shareholding ratio.

#### XI. Items calculated by fair value

applicable  inapplicable

Unit: RMB yuan

Item name	Starting balance	Closing balance	Current movement	Impact on current profit
1. Financial assets measured by fair value whose movement into current P&L (excluding derivative financial assets)	629,375.00	360,925.00	-268,450.00	178,715.30
2. Financial assets available for sale	11,510,478.17	11,889,534.00	379,055.83	0.00
Total	12,139,853.17	12,250,459.00	110,605.83	178,715.30

#### XII. Miscellaneous

applicable  inapplicable

## 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 Company was engaged in the main business of import and export trade, security services, park property leasing management and manufacturing of printed boards.

Import and export trade focused on clothing, wool fabrics, chemical products, glass products and wood products, covering more than 40 countries and regions throughout the United States, Japan, Russia, Australia, New Zealand, Hongkong and others. A wholly owned subsidiary of the Company, Shanghai Sanjin Import and Export Co., Ltd. and its sales branch companies, conducted transactions through the design, customs clearance, transportation, production, quality control and logistics and other services. During the reporting period, the Company continued to strengthen the import and export business risk management and control, focusing on maintaining the construction of qualified personnel, import and export business to maintain a stable development trend, the annual total import and export amount reaching \$138 million.

The security services mainly lies in civil defense operations, with service provided by a wholly owned subsidiary Shanghai Sanmao Security Services Co., Ltd., and service provided to such units as large amusement parks, government departments and universities, the world's top 500 enterprises in Shanghai and so on. During the reporting period, the through the industry mergers and acquisitions, the Company expanded the field of security services to the financial sector, while achieving the breakthrough of zero in the field of technology protection. The company's security service, both of civil defense business and technological security service operations, has obtained the qualification of Shanghai Level II.

The Company's property leasing management is mainly composed of four major industrial parks, providing property management services for more than 40 thousand square meters of parks.

The Company's manufacturing industry consists mainly of PCB production. In recent years, effected by the continuing impact of increased production costs, the proportion of the total size of the Company declined year by year. Subordinate enterprises, through the timely adjustment of business strategy, the technical research and process upgrades, preserved strength for continued operation.

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

applicable  inapplicable

### III. Analysis of the core competitiveness of the reporting period

applicable  inapplicable

The Company's main business is still focusing on import and export services and trade. After years of business operation, it cultivated a team of experienced and professional management, but the import and export trade acted as a low-threshold but fully competitive industry. In recent years the Company, through business review and strengthening risk control, has

constantly promoted the adjustment and optimization of the structure of import and export business. During the reporting period, the Company's core competitiveness is mainly reflected in the Company's stock of resources: land resources and brand resources. Regarding the land resources, the Company possesses 5 lots of land in Shanghai and the surrounding area, for the purpose of industrial and commercial office land, construction area of about 40 thousand square meters; regarding the brand resources, in recent years, through the periodic industry adjustment, the Company created a backbone team in the modern service industry security services, accumulated high quality customer resources, and established the "Sanmao" security service brand. During the reporting period, through industry mergers and acquisitions, the Company pushed the person-defense business into the financial services industry, and achieved a breakthrough of zero in the field of technology-defense, which laid the foundation for the future collaborative development of person-defense and technology-defense business.

## Chapter IV Discussion and Analysis of Operations

### I. Discussion and analysis of Operations

The year 2016 is the beginning year of the "13th Five-Year Plan", and also the key year of Shanghai Sanmao Group for reform and adjustment. According to the Company development strategy at the present stage and the controlling shareholder's strategic development plan, the Company accelerated the adjustment and optimization of industrial structure, promoted the integration of internal resources and configuration, timely accomplished acquisition of industry-related quality targets, in the reform and adjustment of the advance and retreat of the overall planning, and created favorable conditions for the future development of the Company.

### II. Key Operational status of the reporting period

In the year 2016, the Company completed a total operating income of 1.151 billion yuan, representing a slight increase of 2.02% over the same period last year, total profit of 95.24 million yuan, net profit attributable to shareholders of the listed company of 92.49 million yuan.

In recent years, concerning foreign trade structure adjustment and industrial manufacturing contraction, during the reporting period, through external mergers and acquisitions, the Company is not affected in its business scale against the background of industry adjustment; regarding profit, during the reporting period, the Company promoted the cleanup work of the "shells or zombies" companies, which effectively reduced recurring losses, making the existing industrial structure optimized. However, the 2016 profit is mainly non-operating income derived from the purchase and sale of land. During the reporting period, the Company's main tasks are as follows:

#### 1. Cleaning shell or zombie enterprises, compressing management levels

According to the Company's current development strategy, the Company conducted a comprehensive combing of the existing business, and achieved the goal of industrial structure optimization and resource intensive management through shutting down or transferring or mergers of business with high risk, or lack of growth or in the incubation period, thereby having reduced recurring losses. During the reporting period, the Company completed the cancellation of a total of 6 shell or zombie companies. In addition, the Company organized the implementation of compression of the existing management levels. During the reporting period, the Company completed the management level compression, and adjusted 2 companies of Level 2 and Level 3 into subsidiaries of Level 2 for management. Compressing the management level helps to enhance the actual control of the subsidiary companies, but also helps the Company to form a hierarchy of competent, reasonable governance structure and control mode, and further enhances the efficiency and quality of capital.

#### 2. Investment control and consolidation of industrial chain

During the reporting period, the Company combed the existing investment structure, which saw resolute investment in projects with high industry relevance and high degree of strategic fit but timely exit of projects in which investment has been made but is difficult to achieve investment objectives within a short term or with poor performance.

##### ● Acquisition of security services related projects

During the reporting period, the Company has a total of 3 external investment projects, which all cover the investment in the security services industry. In addition to the completion of payment of the paid in capital for the annual capital addition to the security company, in 2016 the Company acquired 100% stake of Shanghai Heyin Security Services Co., Ltd. (hereinafter referred to as Heyin) and Shanghai Yindun Electronic Information Technology Co., Ltd. (hereinafter referred to as Yindun), and the two security service companies are included in the consolidated financial statements. The security service has nurtured a backbone team for the company to the modern service industry in the process of transformation of the development of better business, and has accumulated more high-quality customer resources. The acquisition of Heyin and Yindun companies made the security business service extend to the field of financial industry, and to achieve a breakthrough of zero in the field of security and protection technology, which lays the foundation for the Company to reinforce the security industry chain.

##### ● Withdrawal of partial investment projects

During the reporting period, the Company transferred its equity in Ancheng Insurance and Kunaka.

Ancheng Insurance is a non-listed financial enterprise the Company invested in 2009. In view of the said cross-industry financial investment which did not produce dividends in the investment period, the Company timely transferred the equity and gained an investment income of 20 million yuan. As of the end of the reporting period, due to the failure of the insurance company in completion of the relevant changes in industrial and commercial registration of the shareholders, this part of proceeds are not included in the 2016 annual revenue.

Kunaka was incorporated by the Company in 2012 jointly with Kunaka Corporation and since its foundation, due to influence of the industry environment, the enterprise's performance is far away from expectation. In order to reduce operating losses, optimize the investment structure, the Company withdrew from the company through the transfer of Kunaka's equity, which reduced the negative impact from the losses of the enterprise on the Company's financial statements.

### 3. Revitalizing the stock of assets for transformation

During the reporting period, due to changes in land use planning, Putuo District government revoked for reserve the land of the Company which is located in Qilianshan Road. With the implementation of Putuo District's reconstruction planning, combined with the Company's need to promote their own transformation and to further revitalize the assets, the Company promptly convened a meeting of the board of directors and the shareholders meeting to review and approve the land's revoking for compensation reserve, and guided the management orderly and steadily push forward the process of implementation of project purchasing. The compensation from the said revoking of the land has played a positive role in improving the operating conditions of the Company and reserved energy for the Company's future development.

### 4. Subordinate enterprises focused on industry

Trade enterprises stuck closely around business risk control, strengthened team construction, and yielded an annual operating income of 952.57 million yuan; while manufacturing enterprises faced factors like rising costs, timely adjusted business strategy, based on technical research and process upgrading to maintain smooth operation of the enterprise; type-transformed enterprise Sanmao Security achieved steady development, after mergers and acquisitions of Heyin company for the defense business, achieved an annual operating income of 101.75 million yuan, net profit of 3.36 million yuan, having maintained good growth momentum. At the same time, Sanmao Security passed the assessment of security service enterprise Level II qualification, and achieved ISO9001 quality management system and GB/T28001 occupation health and safety management system certification certificate.

### 5. Improving organization establishment and setting up management platform

During the reporting period, the Company further optimized the enterprise management system, adjusted the internal management organization, straightened out the functions and responsibilities of various departments, to lay a solid foundation for more efficient and orderly carrying out tasks. At the same time, the Company set up and improved the budget management, asset management, investment management, risk management and management of the four major platforms, and constantly consolidated the management foundation.

## (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	1,151,221,576.68	1,128,476,975.39	2.02
Operating cost	1,067,637,724.08	1,050,755,487.35	1.61
Selling expenses	45,183,396.20	38,171,858.21	18.37
General expenses	61,836,814.47	70,895,201.74	-12.78
Financial expenses	7,285,529.69	2,459,230.37	196.25
Net cash flow from operating activities	19,538,843.61	40,813.10	47,773.95
Net cash flow from investment activities	241,951,633.39	3,308,543.25	7,212.94
Net cash flow from financing activities	-123,884,393.57	-2,383,056.31	-5,098.55
Investment income	2,482,450.48	55,662,897.90	-95.54
Non-operating income	133,314,791.55	2,214,516.80	5,920.04
Non-operating expenses	395,434.38	60,170,059.41	-99.34

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 receipt in reporting period of tax refunds on export applied in previous period.

Net cash flow from investment activities: mainly due to receipt of compensation for land revoked by the government and the receipt of payment for the transferred stake of Ancheng Insurance.

Net cash flow from financing activities: mainly due to repayment of bank loans in reporting year.

Investment income: due to impact from receipt of income from sales of stocks of Pudong Development Bank etc. as compared to reporting period.

Non-operating income: mainly due to receipt of compensation for land revoked by the government.

Non-operating expenses: due to the bearing of guaranty responsibility amounting to 60 million yuan in prior period.

### 1. The analysis of income and cost

√ applicable □ inapplicable

In the reporting period, the company's main business income is increased by 23 million yuan over a year earlier, up 2.03% year on year, mainly as follows:

(1) in the modern service industry, the scale of security services enlarged through external mergers and acquisitions, in 2016 an operating income of 102 million yuan generated, an increase of 53 million yuan or an increase of 106.83% over the 49 million yuan of the same period last year;

(2) in the circuit board processing business in 2016, operating income 16.9224 million yuan completed, a decrease of

8.6298 million yuan or down by 33.77% over the 25.5522 million yuan of the same period last year, mainly due to 1) as affected by the high cost of production factors, the Company's product price competitiveness in the market is at a disadvantage, resulting in a large number of civil-use printing board orders lost; 2) as affected by factors like Lingyun Electric Appliances and Fenghuo Corporation completing the task of "increasing, reforming and installing" of customers of military products, and the military internal rectification this year and other factors, number of orders of the military market with a higher gross margin declined; 3) the overall size of trade enterprises fell slightly, the main reason: operating income from woolen fabric in 2016 being 48.0219 million yuan, while same period prior year being 65.5254 million yuan, a decrease of 17.5035 million yuan, or down 26.71%.

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

Unit: RMB yuan

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	76,458,027.11	55,059,517.72	27.99	7.79	-8.58	Up 12.90 percentage points
commerce	952,553,073.49	914,205,005.71	4.03	-3.40	-2.77	Down 0.62 percentage points
security service	101,551,176.08	89,270,478.19	12.09	106.45	113.37	Down 2.85 percentage 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 (%)
textiles	768,727,047.77	722,828,304.62	5.97	-5.30	-6.13	Up 0.83 percentage points
steel	17,195,087.28	15,712,204.62	8.62	-18.95	-19.31	Up 0.40 percentage points
machinery & hardware	148,314,246.44	142,527,633.04	3.90	35.15	33.48	Up 1.20 percentage points
security service	101,551,176.08	89,270,478.19	12.09	106.45	113.37	Down 2.85 percentage points
others	94,774,719.11	88,196,381.15	6.94	-17.11	-15.37	Down 1.91 percentage 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 (%)
sales overseas	909,660,575.09	860,426,988.38	5.41	-3.98	-5.33	Up 1.35 percentage points
sales domestically	220,901,701.59	198,108,013.24	10.32	39.02	48.39	Down 5.66 percentage points

Remarks on main business operations in sector, product and region

□ applicable √ inapplicable

### (2) Production and sales breakdown

□ applicable √ inapplicable

### (3) 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	production purchase cost	55,059,517.72	5.20	60,226,211.92	5.78	-8.58
commerce	purchase cost	914,205,005.71	86.37	940,292,108.44	90.21	-2.77
security service	labor cost	89,270,478.19	8.43	41,838,830.75	4.01	113.37
Total		1,058,535,001.62	100	1,042,357,151.11	100	1.55
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 ratio over same period prior year(%)
textiles	production purchase cost	722,828,304.62	68.29	770,054,346.71	73.88	-6.13
steel	purchase cost	15,712,204.62	1.48	19,471,915.03	1.87	-19.31
machinery &	production	142,527,633.04	13.46	106,774,822.05	10.24	33.48

hardware	purchase cost					
security service	labor cost	89,270,478.19	8.43	41,838,830.75	4.01	113.37
Others	production purchase cost	88,196,381.15	8.33	104,217,236.57	10.00	-15.37
Total		1,058,535,001.62	100	1,042,357,151.11	100	1.55

Remarks on other factors concerning cost statements:

applicable  inapplicable

#### (4) Key sales customers and key suppliers

applicable  inapplicable

The top five customers sales: 266.4701 million yuan, accounting for the total annual sales of 23.15%, of which among the top five customers in sales the related party sales being 0 yuan, accounting for the total annual sales of 0%.

The top five suppliers purchase amount being 164.6526 million yuan, accounting for the total annual procurement of 15.42%, of which among the top five suppliers in the procurement related party purchases being 0 yuan, accounting for the total annual purchase of 0%.

## 2. Expenses

applicable  inapplicable

## 3. R&D investment

### R&D Statements

applicable  inapplicable

### Explanation

applicable  inapplicable

## 4. Cash flow

applicable  inapplicable

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

applicable  inapplicable

### (III) Assets and liabilities

applicable  inapplicable

#### 1. 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 fund	215,820,415.03	27.22	81,565,546.52	10.28	164.60
Financial assets measured by fair value and whose movement booked into current P&L	360,925.00	0.05	629,375.00	0.08	-42.65
Notes receivable	23,433,782.77	2.96	10,733,846.05	1.35	118.32
Other receivables	14,850,492.44	1.87	48,213,326.03	6.08	-69.20
Inventory	15,069,940.03	1.90	35,072,845.65	4.42	-57.03
categorized as held-to-be-sold assets	57,030,496.06	7.19	0	0.00	100.00
other current assets	1,315,046.79	0.17	2,971,445.73	0.37	-55.74
Assets available for sale	64,352,492.64	8.11	116,166,436.81	14.64	-44.60
Long term equity investment	6,511,846.20	0.82	4,687,456.51	0.59	38.92
Construction in progress			203,750.09	0.03	-100.00
long-term prepaid expenses	2,499,837.55	0.32	1,888,521.99	0.24	32.37
Short-term loans	13,000,000.00	1.64	108,200,000.00	13.64	-87.99
Salary payable to employees	11,778,934.13	1.49	6,922,141.06	0.87	70.16
Interest payable	17,279.16	0.00	195,811.66	0.02	-91.18
Non-current liabilities due within one year	2,215,816.00	0.28	13,291,420.43	1.68	-83.33
Long-term loans			10,672,599.27	1.35	-100.00
Deferred income tax liabilities	2,378,788.20	0.30	1,583,996.70	0.20	50.18
Other comprehensive income	8,136,364.60	1.03	5,768,902.31	0.73	41.04
Undistributed profits	-35,688,469.91	-4.50	-128,178,290.14	-16.16	-72.16

## Other description

Monetary fund: due to receiving compensation for land reserve and the sale of Ancheng Insurance premium this period;  
 Financial assets measured at fair value and whose changes are recorded in the profits and losses of the current period: the changes in the market value of trading assets held in the current period;  
 Notes receivable: due to the increase in settlement transactions;  
 Other receivables: due to the receiving of the export tax refund applied for in prior period;  
 Inventory: due to the reduction in the stock of top this period;  
 Categorized as held-to-be-sold assets: due to transfer-in of the stake of Ancheng Insurance and the net value of property No. 7 in Qilianshan Road;  
 Other current assets: due to the decrease in the amount of tax payable on the debit's side;  
 Available for sale financial assets: in the current period Ancheng Insurance shares transferred into the assets held for sale;  
 Long term equity investment: due to loss of joint venture in reporting period;  
 Construction in progress: due to transfer upon settlement of construction in progress of prior period;  
 Long term prepaid expenses: due to the increase in operating leased-in fixed assets;  
 Short term loans: return of bank loans;  
 Employee compensation payable: in this period, 2016 annual performance appraisal compensation is accrued;  
 Interest payable: due to reduced bank loans;  
 Non-current liabilities due within one year: due to the repayment of the mortgage loan of Shanghai Pudong Development Bank;  
 Long term loans: due to the repayment of corporate mortgage loans from Shanghai Pudong Development Bank;  
 Deferred income tax liabilities: due to an increase in the market value of financial assets available for sale;  
 Other comprehensive income: due to the increase in the market value of financial assets available for sale;  
 Undistributed profits: increase in net profit during the reporting period.

**2. As of the end of reporting period, the main asset constraints**

applicable  inapplicable

**3. Other descriptions**

applicable  inapplicable

**(IV) Business operating information analysis**

applicable  inapplicable

**(V) Investment analysis****1. General analysis of external equity investment**

applicable  inapplicable

Investment amount reporting period	32.08 million yuan
Investment amount recovered reporting period	0 yuan
Movement of investment amount	-27.14 million yuan
Investment amount same period prior year	59.22 million yuan
Growth of investment amount	-45.83%

Name of Company Invested in	Business Activities	Ratio of equity in invested-in company (%)	Investment amount (*10,000 yuan)
Shanghai Yindun Electronic Information Technology Co., Ltd.	security service	100.00	1,120
Shanghai Heyin Security Service Co., Ltd.	security service	100.00	88
Shanghai Sanmao Security Service Co., Ltd. (Note)	security service	100.00	2,000

Please refer to Chapter V. Significant Events/XVI. Description of other significant events for investment status during the reporting period;

Note: in December 2015, the Company held the sixth interim meeting of the eighth session of the board of directors which reviewed and passed the proposal for capital increase of 20 million yuan to Shanghai Sanmao Security Service Co., Ltd.; during the reporting period, the Company completed the payment of capital contributions.

**(I) Significant equity investment**

applicable  inapplicable

**(2) Significant non-equity investment**

applicable  inapplicable

**(3) Financial assets measured by fair value**

√ applicable □ inapplicable

**(1) Securities investment breakdown**

No.	Stock Code	Stock Abbr.	Initial Investment (yuan)	Shares held (share)	Starting market value (yuan)	Closing market value (yuan)	Ratio in closing securities investment (%)	Gains/losses in report period (yuan)
1	002563	Selma Finery	427,125.00	25,500.00	316,200.00	261,885.00	72.56	-47,815.00
2	601558	Huarui Wind Power	540,000.00	36,000.00	153,720.00	84,240.00	23.34	-69,480.00
3	601677	Mingtai Aluminium	20,000.00	1,000.00	16,000.00	14,800.00	4.10	-1,090.00
Gains/losses from sale of securities in report period			/	/	/	/	/	297,100.30
Total			987,125.00	2,500.00	485,920.00	60,925.00	100.00	178,715.30

**(2) Shares held of other listed companies**

Securities Code	Abbr.	Initial Investment (yuan)	Closing book value	Gains/losses in report period	Equity movement in report year	Accounting entry	Share origin
600610	Zhong Yida	380,000.00	5,343,624.00		-876,475.60	Financial assets available for sale	Corporate shares
780229	Bank of Shanghai (Note)	2,193,000.00	6,545,910.00		3,264,682.50	Financial assets available for sale	Corporate shares
Total		2,573,000.00	11,889,534.00		2,388,206.90	/	/

Note: after the listing of Bank of Shanghai, the investment in the Bank of Shanghai measured on cost basis adjusted to that measured at fair value, the lock period being from November 16, 2016 to November 15, 2017

**(3) Equity held of non-listed financial enterprises**

Equity of	Initial Investment cost (yuan)	Shares held (share)	Ratio in capital stock (%)	Closing book value (yuan)	Gains/losses in report period (yuan)	Equity movement in report year (yuan)	Accounting entry	Share origin
Ancheng Property Insurance Co., Ltd.	50,000,000.00	50,000,000		50,000,000.00	0.00	0.00	Financial assets available for sale	Corporate share

**(VI) Material asset and equity sale**√ applicable  inapplicable

Revoking of land lot at Qilianshan Road

Because of change of planning of Shanghai Putuo District's original Taopu Industrial Zone, Shanghai Putuo District Land Development Center and Shanghai Taopu Smart Technology Town Development and Construction Co., Ltd. (hereinafter referred to as the "purchaser") intend to reserve the Company's real estate property located in Qilianshan Road No. 380 (Block 7 and 8 of No. 655, Taopu Town, Putuo District). The first interim meeting of the ninth session of the board of directors in 2016 and the 2<sup>nd</sup> provisional general meeting of the shareholders in 2016 convened and adopted the proposal of the said Qilianshan Road land revoking for storage. The transaction involves a total of 200.72 million yuan of land reserve compensation (among which 42.9 million yuan for the land at No. 7, Street 655; 15.782 million yuan for No. 8 Street 655).

As of the date of this report, Qilianshan Road No. 380 (No. 7 and No. 8 blocks) land purchasing and storage work has been completed, and the corresponding land reserve compensation has been fully compensated.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai Stock Exchange website [www.sse.com.cn](http://www.sse.com.cn) on May 20, May 21st, July 16th, August 2nd, September 30th, October 15th, December 10th, 2016 and January 18, January 26th and March 22, 2017.)

**(VII) Key controlled subsidiaries and joint-stock companies**√ applicable  inapplicable

(1) 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	Net profit (prior year)
Shanghai Sanmao Security Service Co., Ltd.	100	Service	Security service	3,000	4,678.40	3,371.82	335.92	241.23
Baoji Lingyun Wanzheng Circuit Board Co., Ltd.	65.44	industry	Production and sale of various print boards	1,189.84	3,283.61	3,044.28	-184.94	143.24

(2) 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	Operating income
Shanghai Sanjin Import and Export Co., Ltd. (Note)	100	Commerce	Import and export of textiles etc.	500	15,408.07	371.81	90,454.34

Note: Operating income of this company in reporting period is 904.5434 million yuan, accounting for about 78.57% of the consolidated operating income of the Company.

**(VIII) Organizational entity controlled by the Company** applicable √ inapplicable**III. Discussion and analysis of the Company's future development by the Company****(I) Sector competition pattern and developing tendency**√ applicable  inapplicable

The Company's main business is still mainly in import and export trade; the continued depreciation of the RMB is in theory to the advantage of exports, but the import and export trade is of low threshold and fully competitive industry, thus the market competition pressures facing the Company's export business is very large, especially the production base being shrinking, thus offsetting the advantage from the devaluation of the renminbi. Regarding the import and export trade, the Company's current focus is to adjust the business structure, and control the risk of trade.

**(II) Development strategy of the Company**√ applicable  inapplicable

The present stage of development strategy for the Company focuses on the controlling shareholder's strategic development plan, relies on existing resources to deepen the internal adjustment of industrial structure, conducts rational allocation of external investment projects, bases on modern service industry, and combines the existing business transformation, to gradually cultivate the Company's core business, achieve transformation and development, and improve the quality of management.

**(III) Business plan**√ applicable  inapplicable

In 2017, on the basis of sound operation, the Company will focus on driving the two main structural reform and innovation, deepening the industrial structure adjustment, with internal adjustment and external expansion, promoting the "2-Wheel-driven Industrial + Investment" strategy, to promote the sustainable and healthy development of the company.

1. Solidifying the industrial base: to further deepen the industrial structure adjustment, starting from the basis in 2016 to continue to promote the optimization and integration of industrial structure.
2. Optimizing the investment layout: to make a good balance of short, medium and long-term investment; to optimize the structure of the existing investment, withdraw from investment projects from which no returns have been obtained for a long time or which are not in compliance with the industrial development orientation, such as pension industry; for new investment projects, to emphasize industry relevance and strategic fit, giving priority to extending or enhancing existing industries, such as security services, integrated services trade, modern property management etc.
3. Support the modern service industry: in 2016 the Company enhanced the strength in the modern service industry of security service sector through mergers and acquisitions, and in 2017 it will accelerate the integration of the security industry, balance person-defense and technology-defense collaborative development, and consolidate the security industry chain.
4. Stimulating the vitality of the existing enterprises: regarding the core industry at this stage, emphasizing the risk control, innovation and development ideas, and constantly improve the ability to resist risks; regarding production enterprises, focusing on the upgrading of the processes and technical problem tackling; regarding trade-oriented enterprises, stressing product research and development, business innovation as the starting point, and continuing to stimulate the vitality of the stocking enterprises.
5. Promoting management improvement: further rationalizing and consolidating the "budget - internal control - assessment and evaluation" management framework, and improving the regulatory mechanism to promote management.

#### **(IV) Possible risks faced**

applicable  inapplicable

The Company's current main business is the import and export trade, the main business accounting for about 80%. However, because of the import and export business being of low threshold, and being a fully competitive industry, its gross profit is very low, making very small profit contribution to the Company's main business, which failed to produce enough profits, caused long-term losses, and mainly relied on non-recurring gains for proceeds. It will need to optimize the structure and cultivate the core business to achieve the fundamental changes in the main business losses.

In addition, the Company in recent years has expanded many new businesses; although owning a mature management team and business advantages, they belong to different areas of industry, which increases the difficulty for the Company management, and has new business integration risks. The Company needs to establish a set of management system to adapt to the size of the assets, and further improve the internal control system, and with the appropriate assessment measures to strengthen the overall risk management of new business development.

#### **(V) Miscellaneous**

applicable  inapplicable

#### **IV. Remarks on status and reasons for the Company's failure of release subject to the standards due to stipulations of the standards or due to special reasons like national security or commercial secrets**

applicable  inapplicable

## **Chapter V Substantial Events**

### **I. Ordinary shares profit distribution or capital reserve to increase capital stock pre-plan**

#### **(I) Cash dividend policy formulation, implementation or adjustments**

applicable  inapplicable

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](http://www.sse.com.cn).)

During the reporting period, the Company held the 12<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors, 2015 Annual General Meeting and adopted the "Company 2015 Annual Profit Distribution Plan": Given the company's undistributed profits is negative at the end of 2015, the Company is not to distribute profit for the year 2015, nor capitalize capital reserves according to the "Articles of Association".

**(II) The Company's ordinary shares profit distribution plan or pre-plan, capital capitalizing of common reserves plan or pre-plan 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 (%)
2016	0	0	0	0	92,489,820.23	
2015	0	0	0	0	-38,768,776.04	
2014	0	0	0	0	60,007,420.97	

**(III) In the case of cash tender offer of shares included in the cash dividend** applicable  inapplicable**(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****(I) (a) commitment made by the actual controller of the Company, the shareholders, the related parties, the acquirer and the Company and other commitment parties in the reporting period or lasting to the reporting period** applicable  inapplicable**(II) In case there is a profit forecast for the company's assets or projects, and the reporting period is still in the period of profit forecast, whether the original profit forecast achieved and explain the reasons** achieved  not achieved  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'** applicable  inapplicable**V. Illustration of the Company to the reasons and impact of changes in accounting policies, accounting estimates or significant accounting errors****(I) Illustration of the Company to the reasons and impact of changes in accounting policies, accounting estimates** applicable  inapplicable**(II) Illustration of the Company to the causes and effects of significant accounting error correction** applicable  inapplicable**(III) Communications with former CPA's** applicable  inapplicable**(IV) Other explanations** applicable  inapplicable**VI. Appointment and dismissal of accounting firms**

Unit: 10,000 yuan Currency: RMB

	Current appointment	
Domestic accounting firm	Shanghai Shu Lun Pan Certified Public Accountants LLP	
Domestic accounting firm payment		85
Domestic accounting firm audit period		15
	Name	Reward
Internal control audit accounting firm	Shanghai Shu Lun Pan Certified Public Accountants (LLP)	30

Illustration of appointment and dismissal of accounting firm

applicable  inapplicable

The 2015 annual shareholders general meeting of the Company held on June 7, 2016, considered and adopted the Proposal on the Company Hiring Accounting Firm for 2016 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 2016, for an employment period of one year. For the year 2016 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

applicable  inapplicable

## VII. Conditions of facing the risk of suspension of listing

### (I) Causes of the suspension of listing

applicable  inapplicable

### (II) Measures the Company taken to eliminate the suspension of listing

applicable  inapplicable

## VIII. Conditions of facing the risk of cancelation of listing and the causes

applicable  inapplicable

## IX. Restructuring on bankruptcy

applicable  inapplicable

## X. Substantial lawsuits, arbitrations

the company has major law suits and arbitration matters  the company does not have any major law suits and arbitration matters

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

applicable  inapplicable

Events overview	Index
<p>The joint venture of the Company Shanghai Bohua Gene Chip Technology Co., Ltd. (hereinafter referred to as "Bohua") in March 2001, and Shanghai Boxing Gene Chip Co., Ltd. (hereinafter referred to as "Boxing") signed a technology transfer contract, but Boxing failed to fulfill the obligation of having the hepatitis gene chip manufacturing technology transfer to Bohua after receiving the payment. In 2003, Bohua, due to the above reasons, applied to Shanghai Arbitration Commission for arbitration; the Arbitration Commission of Shanghai issued Award [2003 Hu Cai (Jing) No. 0070] ruling that Boxing return to Bohua technology transfer fees and other expenses amounting to 21.1548 million yuan. In March 2004, Bohua applied to Shanghai Second Intermediate People's Court (hereinafter referred to as "Second Intermediate Court") for the enforcement of the ruling. In June 2006, Bohua received from the court RMB 2.1628 million yuan of enforcement payment. Since there is no enforcement of property clues, the court ruling has not been fulfilled.</p> <p>In May 2012, because of having acquired property clues of Boxing, Bohua applied to the Second Intermediate Court for enforcement. On October 21, 2016, Bohua received from the Second Intermediate Court the implementation of 20.4337 million yuan.</p>	<p>(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange <a href="http://www.sse.com.cn">www.sse.com.cn</a> on October 26, 2016)</p>

### (II) Substantial lawsuits and arbitrations not disclosed in the provisional announcement and with changes or progresses of follow-up implementation

applicable  inapplicable

### (III) Other notes

applicable  inapplicable

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

applicable  inapplicable

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

applicable  inapplicable

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.

**XIII. Equity incentive plan, employee stock ownership plans or other employee incentive and its impact****(I) Incentive plans disclosed in interim announcements but no follow-up implementation progress or changes**

applicable  inapplicable

**(II) Incentive plans not disclosed in interim announcements or with follow-up implementation progress**

Equity incentives

applicable  inapplicable

Other explanation

applicable  inapplicable

Employee stake holding plan

applicable  inapplicable

Other incentive measures

applicable  inapplicable

**XIV. Magnificent related transactions****(I) Related transactions concerning everyday operation****1. Events disclosed in interim announcements but no follow-up implementation progress or changes**

applicable  inapplicable

**2. Events disclosed in interim announcements and with follow-up implementation progress or changes**

applicable  inapplicable

**3. Events not disclosed in interim announcements**

applicable  inapplicable

**(II) Related transactions arising from the acquisition or sale of assets or equity****1. Events disclosed in interim announcements but no follow-up implementation progress or changes**

applicable  inapplicable

**2. Events disclosed in interim announcements and with follow-up implementation progress or changes**

applicable  inapplicable

**3. Events not disclosed in interim announcements**

applicable  inapplicable

**4. When involving the performance agreement, the performance fulfillment of the report period should be disclosed**

applicable  inapplicable

**(III) Significant related party transactions in joint external investment****1. Events disclosed in interim announcements but no follow-up implementation progress or changes**

applicable  inapplicable

**2. Events disclosed in interim announcements and with follow-up implementation progress or changes**

applicable  inapplicable

**3. Events not disclosed in interim announcements**

applicable  inapplicable

**(IV) Associated debt and credit accounting****1. Events disclosed in interim announcements but no follow-up implementation progress or changes**

applicable  inapplicable

**2. Events disclosed in interim announcements and with follow-up implementation progress or changes**

applicable  inapplicable

**3. Events not disclosed in interim announcements**

applicable  inapplicable

**(V) Miscellaneous**

applicable  inapplicable

**XV. Major contracts and their implementation****(I) Entrusting, contracting and leasing events****1. Entrusting events**

applicable  inapplicable

**2. Contracting events**

applicable  inapplicable

**3. Leasing events**

applicable  inapplicable

**(II) Guaranty**

applicable  inapplicable

Unit: 10,000 yuan

External guaranties of the Company (excluding those for subsidiaries)	
Real amount of guaranties reporting period (excluding those for subsidiaries)	0.00
Total guaranty balance of the reporting period (A) (excluding subsidiaries)	0.00
Guaranty provided to subsidiaries of the Company and its subsidiaries	
During the reporting period, the total amount of guaranty for the subsidiaries	9.12
Total guaranties for subsidiary balance at report period end (B)	9.12
Total guaranties of the Company (including those for subsidiaries)	
Total guarantee amount (A+B)	9.12
Proportion of net assets of the Company (%)	0.02
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)	9.12
Amount of total guarantee exceeding 50% of net assets (E)	0.00
Total amount of the three guarantees above (C+D+E)	9.12
Joint liability involving immature guarantees may undertake	
Explanations	Above guarantees on the subsidiaries approved by the company's eighth, ninth 8 <sup>th</sup> board of directors meeting, and the Company 2014 Annual General Meeting of Shareholders, authorized guarantee amount of 20 million yuan; as of the end of the reporting period not exceeding the actual balance of the authorized amount. (see related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on February 17 and June 24, 2015).

**(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

**(IV) Other major contracts**

applicable  inapplicable

**XVI. Other significant events**

applicable  inapplicable

**1. Subsidiaries cooperation fund set up progress**

On November 2, 2015 the company held the eighth session of the board of directors in 2015 fifth extraordinary meeting which examined and adopted the bill On the Establishment of the Ningbo Meishan Bonded Port Softbank Liyu Innovation One Investment Management Partnership, according to which the company's wholly-owned subsidiary Shanghai Jiayi Venture Investment Co., Ltd. (hereinafter referred to as the "Jiayi Venture") invest 50 million yuan to cooperatively set up Ningbo Meishan Bonded Port Softbank Liyu Innovation One Investment Management Partnership (limited partnership) [in the operation stage was renamed Ningbo Meishan Bonded Port Zone Linyi Innovation One Investment Management Partnership (limited partnership)] (hereinafter referred to as the "Innovation One Fund", the business license unified social credit code: 91330206MA2815672L), for special investment in Hujiang Web project.

In June 2016, the company received the fund manager's notice via Jiayi Venture. According to Innovation One Fund partnership agreement, Jiayi Venture has completed through the Innovation One Fund special investment in Hujiang Web project, related industrial and commercial registration work completed.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn November 3, 2015, January 9, and June 4 2016)

**2. Ancheng Insurance shares transfer**

The company, via the board of directors and the general meeting of the company, agreed to transfer 50 million equity held in the non-listed financial enterprise Ancheng Property Insurance Co., Ltd. (hereinafter referred to as "Ancheng Insurance") and other related matters, and the company agreed to the above equity transfer at 1.4 yuan/share to Ancheng Insurance's another shareholder Chongqing Yufu Assets Management Group Company Limited (hereinafter referred to as "Yufu Group"). The above-mentioned matter involved book value equity of 50 million yuan, a total transaction amount of RMB 70 million yuan. Since then, the parties completed the relevant examination and approval and stock delivery, transfer procedures of the transfer of shares. During the reporting period, the company has received payment of all the shares from Yufu Group, a total of 70 million yuan. The terms of the equity transfer agreement signed by the company and Yufu Group have been fulfilled. As of the reporting period, Ancheng Insurance has not yet completed the relevant matters such as industrial and commercial registration related to the transfer of equity.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn February 4, February 6th, June 8th, July 26th, September 10th and September 22, 2016)

**3. Certain subordinate enterprises adjustment****(1) Clearing off Shanghai Sanmao Enterprise (Group) Co., Ltd.'s Asahi Garment branch**

Shanghai Sanmao Enterprise (Group) Co., Ltd.'s Asahi Garment branch (hereinafter referred to as the "Asahi branch") was engaged in the main business of the production and sale of suit. Since its inception, due to labor costs and market environment and many other reasons, the enterprise had been in a state of loss, and there were difficulties in continuing operations. In order to avoid losses caused by the Asahi branch to the company, the company decided to cancel the implementation of Asahi branch upon liquidation. As of the reporting period, Asahi branch has completed the cancellation of industrial and commercial registration procedures.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on July 16, 2016)

**(2) Liquidation & cancellation of Shanghai Yizhi Investment Co., Ltd.**

According to the company's property industry park planning and layout and the authorization of the board of directors to the chairman for acting part of the decision-making authority, the company had in the second half of 2015 started to invest one million yuan (20%) by way of a subsidiary Shanghai Jiayi Venture Investment company to jointly set up a joint venture company with an external enterprise, and intended to the build up the "Internet plus cultivation education" "Ant Nest Base" at Xietu Road Park. After the completion of the industrial and commercial registration, the parties failed to reach consensus on the direction of enterprise development and subsequent cooperation model. The shareholders agreed: to shut off Shanghai Yizhi Investment Management Co., Ltd. In addition to the completion of the business registration, the parties did not have any economic dealings between shareholders; there is no debt or credit transaction. As of the end of the reporting period, Shanghai Yizhi Investment Management Co., Ltd. has completed the cancellation of business registration.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on July 16, 2016)

**(3) Cancellation upon liquidation of Shanghai Shenyi Top Co., Ltd.**

Shanghai Shenyi Top Co., Ltd. was jointly funded in 2002 by the Company and Shanghai Shanhe Investment Co., Ltd., with the Company actually investing 49.5 million yuan by way of fixed assets and current assets, accounting for 90% of its registered capital. In 2007, to cooperate with the implementation of Shanghai city environmental protection planning and combined with the country's western development strategy, the Company started the gradient transfer of manufacturing industry, thus Shenyi Top had stopped operation until now, and owns no sustainable management capacity; as a result the Company decided to implement the company's liquidation and cancellation. As of the end of the reporting period, Shanghai Shenyi Top Co., Ltd. has completed the cancellation of industrial and commercial registration procedures.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Aug. 27, 2016)

(4) Cancellation upon liquidation of Shanghai Maofeng Property Management Co., Ltd.

Shanghai Maofeng Property Management Co., Ltd. is a third-tier subsidiary of the Company. The Company indirectly holds a 90% stake in the company through the controlled subsidiary Shanghai Maofa Property Management Co., Ltd. In order to reduce the management level, while taking into account the requirements of resource intensive management, the Company decided to implement the cancellation upon liquidation of the Company. At the end of the reporting period, Shanghai Maofeng Property Management Co., Ltd. has completed the cancellation of industrial and commercial registration procedures.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Aug. 27, 2016)

(5) Cancellation upon liquidation of Shanghai Shanyun International Trade Co., Ltd.

Shanghai Shanyun International Trade Co., Ltd. is a wholly owned subsidiary of the Company, founded in June 2013, the registered capital being 5 million yuan. After the establishment, the company started to operate in e-commerce business, but as affected by the impact of macroeconomic policy and market development and other factors, the company has not been able to meet performance standards since the establishment and has been suffering continuous loss. In view of the above, Shanyun stopped business operations since May 30, 2015, in a state of closure. In order to promote the adjustment of the industrial structure and improve the efficiency of the use of funds, the Company decided to implement the cancellation upon liquidation of the company. As of the reporting period, Shanghai Shanyun International Trade Co., Ltd. has completed the cancellation of industrial and commercial registration procedures.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Oct. 29, 2016)

(6) Cancellation upon liquidation of Shanghai Sanmao Enterprise (Group) Co., Ltd. Sanxiang Wool Knitting Mill

Shanghai Sanmao Enterprise (Group) Co., Ltd. Sanxiang Wool Knitting Mill (hereinafter referred to as the "Sanxiang Wool Knitting Mill") is a branch of the Company, purchased in 1996 by the Company, the main products ranging in cashmere, yak hair etc.. With the overall decline in the wool textile industry, Sanxiang Wool Knitting Mill stopped production since 1999, and the current daily operating functions of the company lying in part of the park's lease and property management. To promote the centralized management of property resources, the Company decided to implement the cancellation upon liquidation of the company. As of the end of the reporting period, Sanxiang Wool Knitting Mill has completed the cancellation of industrial and commercial registration procedures.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Oct. 29, 2016)

#### 4. Acceptance of equity transfer of a wholly owned subsidiary

To improve the corporate governance structure, reduce the management level, the second meeting of the ninth session of the board of directors reviewed and approved that at the assessed price the Company accept the transfer of Shanghai Yi Top Chongqing Textile Co., Ltd. (hereinafter referred to as the "Chongqing Yi Top") 100% stake and Taicang Sanmao Textile Company Limited (hereinafter referred to as the "Taicang Sanmao") 100% stake, among which Chongqing Yi Top 100% equity at the trading price of 74.0452 million yuan, Taicang Sanmao 100% equity at the trading price of 14.4518 million yuan. At the end of the reporting period, the Company has completed the transfer of equity ownership of the two companies. The two companies have now upgraded to two subsidiaries of the Company. The transaction will not change the scope of consolidated statements.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Aug. 27, Sep. 24 and Sep. 30, 2016)

#### 5. Acquiring Shanghai Heyin Security Service Co., Ltd. 100% stakes

This Company's fully-owned subsidiary Shanghai Sanmao Security Service Co., Ltd. (following referred to "Sanmao Security"), to achieve business expanding and volume expansion, through Shanghai Joint Property Exchange public bid, participated in accepting transfer of Shanghai Heyin Security Service Co., Ltd. (following referred to as "Heyin Security") 100% equity. Heyin Security's main business is provides security service for Bank of Shanghai offices and business places, vault security guard, and cash-box carriers (non-armed escort).

By approval of Shanghai United Assets and Equity Exchange, Sanmao Security on August 23, 2016 got the delivery bill of transfer from Shanghai United Assets and Equity Exchange, and thereby Sanmao Security company, at transfer price of 880,000 yuan, purchased the 100% stake of Heyin Security.

According to the authorization of the chairman for partial acting authority of decision-making authority from the ninth session of the Board of Directors, as approved by the Chairman, Sanmao Security signed share transfer agreement on August 23. As of the reporting period, Heyin Security has completed the amendment of information related to industrial and commercial registration.

#### 6. Acquiring Shanghai Yindun Electronic Information Technology Co., Ltd. 100% stakes

To promote the development of the Company to move from the security service industry into the technology security area, on October 27, 2016 the Company held the third meeting of 2016 of the ninth session of the strategic committee of the board, which reviewed and passed "Bill on Intending to Participate in the Auction of 100% stake of Shanghai Yindun Electronic Information Technology Co., Ltd.". The strategy committee authorized the Company to participate in applying for purchasing the 100% shares of Shanghai Yindun Electronic Information Technology Co., Ltd. (hereinafter referred to as the "shield") to Shanghai United Assets and Equity Exchange with a price not exceeding the maximum of 8.5 million yuan. The Yindun 100% stake starting listing price is 8 million yuan.

In November 2016, the Company received from Shanghai United Assets and Equity Exchange the qualification confirmation, stating the Company succeeded in buying the 100% shares of Shanghai Yindun Electronic Information Technology Co., Ltd. at the listing price of 8 million yuan.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Nov. 18, 2016)

In the same month, the Company added a capital of RMB 3.2 million yuan to Yindun for the purpose of applying for the technology project practitioners' qualification Level II. After the capital increase, the registered capital of Yindun was 5 million yuan, with the Company holding 100% stake.

The above investment decision was conducted according to the ninth session of the board of directors' authorization of the chairman to exercise the power of making decisions mandate to perform the relevant procedures. As of the end of the reporting period, Yindun has completed the relevant business information registration work.

#### 7. The transfer of 50% stake of Shanghai Kunaka Clothing Co. Ltd.

In order to further optimize the Company's assets and business structure, third meeting of ninth session of the board of directors approved that, to use the assessed price as the basis, the whole equity the Company held of Shanghai Kunaka Clothing Co., Ltd. (hereinafter referred to as "the Kunaka"). In view of the target equity's assessed valuation as of the valuation date is negative, the transaction price is 1 yuan. Kunaka's another shareholder, Huzhong Co., Ltd. exercised the priority right of purchasing the equity target.

As of the end of the reporting period, the Company has received from the counterparty the payment for the equity transfer, and thus equity trading on both sides of the target has completed the change of business registration, and the Company's holding of 50% Kunaka stake has been registered in the name of Huzhong. After the completion of the change, the Company no longer holds any share of Kunaka.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Oct. 29, Dec. 1, 2016)

#### 8. Subsequent event

In order to improve the efficiency of the use of company funds, first interim meeting in 2017 of ninth session of the board of directors examined and adopted the bill on capital reduction to the wholly owned subsidiary Shanghai Yi Top Textile Chongqing Co., Ltd. (hereinafter referred to as the "Chongqing Yi Top"). Chongqing Yi Top has a registered capital of 70 million yuan, and the proposed reduction of the registered capital is 32 million yuan; after the reduction, the registered capital of Chongqing Yi Top has a registered capital of 38 million yuan, still a wholly owned subsidiary of the Company. At present, Chongqing Yi Top capital reduction program is in progress.

(See related announcements published in the "Shanghai Securities News", "Hongkong Wen Wei Po" and the Shanghai stock exchange website www.sse.com.cn on Mar. 11, 2017)

9. For other important matters, please refer to Financial Report Note XIII Other Important Events.

### **XVII. Actively fulfilling the social responsibility of work**

#### **(I) Status of listed company helping the poor**

applicable  inapplicable

#### **(II) Social liability fulfillment**

applicable  inapplicable

The Company actively undertakes the responsibility of stakeholders and the whole society, combines social responsibility consciousness with all aspects of the Company's development. The Company always adheres to legitimate business, paying tax according to the law, and promoting the construction of the local construction; it attaches great importance to the construction of talent team, and realizes the common growth of employees and the Company; it maintains the basic rights and interests of employees, improves employee welfare, pays attention to employee life, helps employees in need with sending warmth to them, creates a people-oriented, harmonious social atmosphere, promotes the harmonious enterprise and society, and realizes sustainable, stable and healthy development of the Company.

#### **(III) Explanation of environment protection in case the company included in the list of important pollution emission units issued by the environment protection authorities**

applicable  inapplicable

#### **(IV) Other explanations**

applicable  inapplicable

### **XVIII. Convertible Corporate Bonds**

#### **(I) Issuing of Convertible Corporate Bonds**

applicable  inapplicable

#### **(II) Convertible bonds holders and guarantor status in reporting period**

applicable  inapplicable

**(III) Convertible bonds changes in reporting period**

applicable  inapplicable

Accumulated conversions of convertible bonds in reporting period

applicable  inapplicable

**(IV) Historical changes of convertible bonds prices**

applicable  inapplicable

**(V) the Company's liabilities, changes in credit and cash arrangements for future debt clearance**

applicable  inapplicable

**(VI) Explanation of other status concerning 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

applicable  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)

applicable  inapplicable

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

applicable  inapplicable

**(II) Changes of restricted shares**

applicable  inapplicable

**II. Securities issuance and listing****(I) Securities issuance till reporting period**

applicable  inapplicable

Note to the issue of securities during the reporting period (in case the interest rate is different for the duration of the bond, please specify):

applicable  inapplicable

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.

**(II) Total number of ordinary shares of the Company and the changes in the structure of the shareholders and the changes in the structure of the company's assets and liabilities**

applicable  inapplicable

**(III) Current internal employee shares**

applicable  inapplicable

**III. Particulars about shareholders and effective controller of the Company****(I) Total number of shareholders**

Number of shareholders at period end (accounts)	31,002	(A-share 22941 shares; B-share 8061 shares )
Total shareholders end of last month of current annual report(accounts)	32,021	(A-share 23903 shares; B-share 8118 shares )

**(II) Shareholding profile of top 10 shareholders, top 10 circulating shareholders (or shareholders of shares without sale limitations) as of end of reporting period**

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 PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH	0	5,000,000	2.49	0	Unknown		other
Jin Zhangxian	236,403	3,816,403	1.90	0	Unknown		domestic natural person
Shanghai Textile Holding (Group) Co., Ltd.	-550,000	2,804,194	1.40	0	No	0	state legal person
Li Lin	1,800,000	1,800,000	0.90	0	No	0	domestic natural person
China Construction Bank Corp – Huaan Hongli Hybrid Securities Investment Fund	1,790,283	1,790,283	0.89	0	No	0	other
Sun Baowei	1,690,000	1,690,000	0.84	0	No	0	domestic natural person
Li Wen	1,570,299	1,570,299	0.78	0	No	0	domestic natural person
Guohai Liangshi Futures Co., Ltd. – Guohai Liangshi Tongfu No. 1 Asset Management Scheme	1,150,000	1,150,000	0.57	0	No	0	other
Liu Shuzhen	913,500	913,500	0.45	0	No	0	domestic natural person
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				
Chongqing Textile Holdings (Group) Co., Ltd.	3,816,403	B-share	3,816,403				
Chongqing Textile Holdings (Group) Co., Ltd.	2,804,194	A-share	2,804,194				
Li Lin	1,800,000	A-share	1,800,000				
China Construction Bank Corp – Huaan Hongli Hybrid Securities Investment Fund	1,790,283	A-share	1,790,283				
Sun Baowei	1,690,000	A-share	1,690,000				
Li Wen	1,570,299	A-share	1,570,299				
Guohai Liangshi Futures Co., Ltd. – Guohai Liangshi Tongfu No. 1 Asset Management Scheme	1,150,000	A-share	1,150,000				
Liu Shuzhen	913,500	A-share	913,500				
Elaboration on related relationship or consistent action among shareholders above	Whether there is an association between shareholders or whether they belong to the concerted action is unknown.						
The number of preferred shareholders and the number of shares held by the restoration of voting rights							

Particulars about top 10 shareholders of shares with sales limitations and the sales conditions

 applicable  inapplicable**(III) Strategic investors or legal persons who become the top 10 shareholders due to placing of new shares** applicable  inapplicable**IV. Controlling shareholders and actual controllers****(I) Particulars about the corporate controlling shareholder****1. Legal person** applicable  inapplicable

Name	Chongqing Textile Holdings (Group) Co., Ltd.
The person in charge of the unit /legal representative	XieYingming
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	No
Other notes	No

**2. Natural person**

applicable  inapplicable

**3. Special notes to it that there are no controlling shareholders**

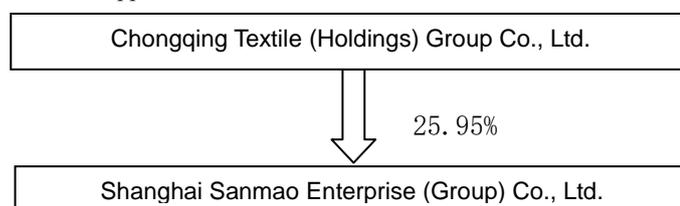
applicable  inapplicable

**4. Date and index of changing in the controlling shareholders during reporting period**

applicable  inapplicable

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

applicable  inapplicable

**(II) Actual controller****1. Legal person**

applicable  inapplicable

Name	State-Owned Assets Supervision & Administration Commission of Chongqing
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**2. Natural person**

applicable  inapplicable

**3. Special notes to it that there are no actual controlling shareholders**

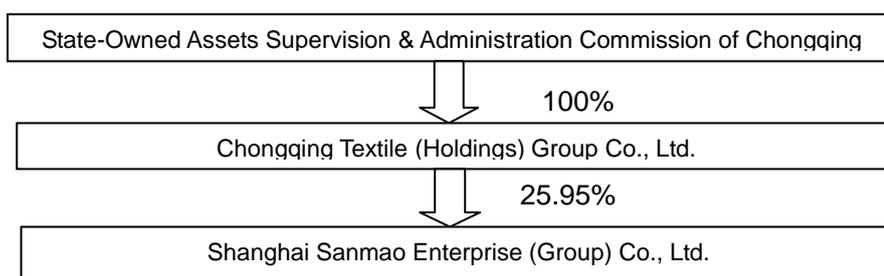
applicable  inapplicable

**4. Date and index of changing in the actual controlling shareholders during reporting period**

applicable  inapplicable

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

applicable  inapplicable

**6. Actual controller controls the company through a trust or other asset management**

applicable  inapplicable

**(III) Other briefing of controlling shareholders and actual controllers**

applicable  inapplicable

**V. Other corporate shareholders holding over 10% of stock**

applicable  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	Work 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)	Whether on the payroll of related parties
ZouNing	Chairman of the Board, secretary of the board (acting)	M	48	2016-06-07	2019-06-07	0	0	0		36	No
Liu Jie	board director, vice president	M	48	2016-06-07	2019-06-07	0	0	0		47	No
Hu Yu	board director	M	43	2016-06-07	2019-06-07	0	0	0		0	Yes
Zhou Zhiyu	board director, CFO	M	54	2016-06-07	2019-06-07	0	0	0		53	No
Zhao Xiaolei	Independent Director	M	62	2016-06-07	2019-06-07	0	0	0		10	No
Qian Liming	Independent Director	M	46	2016-06-07	2019-06-07	0	0	0		10	No
Xu Feng	Independent Director	M	44	2016-06-07	2019-06-07	0	0	0		10	No
Cao Yongxiang	Chairman of the Supervisory Board	M	59	2016-06-07	2019-06-07	0	0	0		0	Yes
He Guiyun	Supervisor	M	48	2016-06-07	2019-06-07	0	0	0		0	Yes
Zhang Tianxue	Supervisor	M	43	2016-06-07	2019-06-07	0	0	0		0	Yes
Cao Guangci	Staff supervisor	M	55	2016-06-07	2019-06-07	3,000	3,000	0		26	No
Cai Zhiwei	Staff supervisor	M	56	2016-06-07	2019-06-07	0	0	0		25	No
Zhang Ping	Former chairman of the Supervisory Board	F	59	2013-06-07	2016-06-07	10,000	0	-10,000	Reduction after end of lock term	43	No
Gu Shunliang	former supervisor	M	63	2013-06-07	2016-06-07	0	0	0		0	No
Shen Lei	former secretary of the board	F	46	2016-06-07	2016-09-29	500	500	0		43	No
<b>Total</b>	/	/	/	/	/	<b>13,500</b>	<b>3,500</b>	<b>-10,000</b>	/	<b>303</b>	/
Names	Main Work Experiences										
Zou Ning	Chairman of the 9 <sup>th</sup> Board of the Company; deputy general manager with Chongqing Textile Holding (Group) Co., Ltd.; Used to be director of Assets Department with Chongqing Foreign Trade Holding (Group) Co., Ltd.; vice director and director of Assets Operating Office with Chongqing Foreign Trade Holding (Group) Co., Ltd.; Chongqing Textile										

	Holding (Group) Co., Ltd.; board director of the 7 <sup>th</sup> board of directors of the Company, board director and chairman of the board of the 8 <sup>th</sup> board of directors.
Liu Jie	now director of the 9 <sup>th</sup> board of directors and President of the Company; executive director (legal representative), general manager, and Secretary of the Party committee of Shanghai Yi Top Textile Co., Ltd.; executive director of Taicang Sanmao Textile Co. Ltd.; Chairman of Shanghai Sanmao Shanchuhui Investment Management Co., Ltd. (legal representative); executive director of Shanghai Sanmao Asset Management Co., Ltd. (legal representative); executive director of Shanghai Jiayi Venture Company Limited (legal representative); chairman (legal representative) of Baoji Lingyun Wanzheng Circuit Board Co., Ltd.; executive director of Shanghai Yinfeng Garment Co. Ltd. ;u used to be board director of the eighth board of directors and vice president of the Company.
Hu Yu	Now director of Capital Operation Department of Chongqing Textile Holding (Group) Co., Ltd., director of the ninth board of directors of the Company; used to be Chongqing Beer (Group) Co., Ltd. deputy secretary of Youth League, Chongqing Textile Holding (Group) Co., Ltd. business executive of Discipline Audit Department, vice director of enterprise management department, vice director of capital operation; board director of eighth board of directors of the company.
Zhou Zhiyu	Now board director of the ninth board of directors, chief financial officer, and financial management manager of the Company; used to be Finance Manager of Shanghai Changkai Information Technology Co., Ltd.; supervision and examination department vice manager, financial manager, CFO.
Zhao Xiaolei	Is now teacher, professor of Shanghai University of Finance and Economics; board director of 9 <sup>th</sup> board of the Company; used to be president of Shanghai University of Finance and Economics Finance Research Institute; and independent director of the 8 <sup>th</sup> board of directors of the Company.
Qian Liming	Now general manager of Junze Investment (Shanghai) Co., Ltd. and independent director of the 9 <sup>th</sup> board of directors of the Company; used to be Suzhou Municipal Taxation Bureau special supervisor, Jiangsu Donghua Futures Brokerage Co., Ltd. and Shanghai Metal Futures Exchange (now Shanghai Futures Exchange) marketing representative, Daide Liangxing (Shanghai) Co., Ltd. manager of Market Research Department, Shanghai Huayan Real Estate Planning manager of the marketing department, Jin Dayuan (Shanghai) Co., Ltd. Deputy General Manager, independent director of the 8 <sup>th</sup> board of the Company.
Xu Feng	Chairman of the board of directors of Zhuke Network Technology (Shanghai) Co., Ltd., independent director of the ninth board of directors; used to be deputy director of Shanghai Knitting Factory, deputy general manager of Shanghai Sanqiang (Group) Co., Ltd., General Manager of Shanghai Hailuo Garments Co., Ltd., vice principal of Shanghai International Fashion Education Center; independent director of the 8 <sup>th</sup> board of directors
Cao Yongxiang	now vice Party secretary and Party Secretary of Disciplinary Committee of Chongqing Textile Holding; Chairman of 9 <sup>th</sup> Board of Supervisors of the Company; 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; assistant to President of Chongqing Textile Holding, supervisor and chairman of the 7 <sup>th</sup> and 8 <sup>th</sup> Supervisory Board of the Company
He Guiyun	Currently, Chongqing Textile Holding (Group) Company Audit Office (board of supervisors Office) director; supervisor of the ninth board of supervisors of the Company; used to be Chongqing Nantong Mineral Company audit office director, supervisor (also as board of supervisors office director); Chongqing Textile Holding (Group) company audit office deputy director (board of supervisors office); member of the eighth session of the board of supervisors.
Zhang Tianxue	Now deputy director of the finance department of Chongqing Textile Holding (Group) Company; supervisor of the ninth board of supervisors of the Company; used to be Chongqing Textile Holding (Group) company audit supervision office deputy director, deputy director of the finance department, business director
Cao Guangci	Now the company's ninth board of supervisors staff supervisor, risk management department (board of supervisors office, discipline inspection and supervision office, audit office) manager; used to be Shanghai Pacific Mechatronic (Group) Co. Ltd., financial department office and company office clerk; Shanghai Sanmao Enterprise (Group) Co., Ltd. financial department business manager and general manager office vice director
Cai Zhiwei	Currently the company's Property Management Center Deputy Secretary of the Party Committee, commission for Discipline Inspection, trade union chairman, personnel manager, staff supervisor of the ninth board of supervisors; used to be director of the office of the company's integrated business division; the company's property management center personnel manager, trade union preparation initiator, staff supervisor of the seventh, the eighth board of supervisors.
Zhang Ping	used to be director of the company's seventh, the eighth session of the board of directors, party secretary, chairman of the 8 <sup>th</sup> board of supervisors
Gu Shunliang	used to be staff supervisor of the company's sixth, the seventh, the eighth board of supervisors
Shen Lei	used to be the sixth board of directors securities affairs representative; Secretary of the seventh, the eighth, the ninth board of directors of the Company

Other notes:√ applicable □ inapplicable

Note: since June 2016, Zou Ning, chairman of the board Zou Ning has simultaneously been deputy general manager of the controlling shareholder Chongqing Textile Holding (Group) Co., Ltd., and thus the Company put him on the payroll of the controlling shareholder since July 2016, to be compensated by the controlling shareholder.

**(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.	deputy general manager	June, 2016	
Hu Yu	Chongqing Textile Holdings (Group) Co., Ltd.	director of capital operations	Aug. 2016	
Cao Yongxiang	Chongqing Textile Holdings (Group) Co., Ltd.	Deputy Secretary of the Party committee, Secretary of the Discipline Inspection Commission	May 2011	
He Guiyun	Chongqing Textile Holdings (Group) Co., Ltd.	Director of the Audit Office (and the Office of the Supervisory Board)	March 2015	
Zhang Tianxue	Chongqing Textile Holdings (Group) Co., Ltd.	vice director of finance department	Dec. 2016	
Directions about office-holding with shareholding companies	n.a.			

**(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	
Qian Liming	Junze Investment (Shanghai) Co., Ltd.	General manager	2010-1	
Xu Feng	Zhuke Network Technology (Shanghai) Co., Ltd.	chairman of the board of directors	2015-8	
Directions about office-holding with other companies	n.a.			

**III. Remuneration of directors, supervisors and senior executives**

√ applicable □ inapplicable

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 amounts to 3.03 million yuan.

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

√ applicable □ inapplicable

Name	Title	Change	Reason
Zou Ning	9th board chairman	elected	renewal upon expiration
Liu Jie	9th board director	elected	renewal upon expiration
Liu Jie	president	appointed	9th board appointed
Zhou Zhiyu	9th board director	elected	renewal upon expiration
Zhou Zhiyu	CFO	appointed	9th board appointed
Hu Yu	9th board director	elected	renewal upon expiration
Zhoa Xiaolei	9th board independent director	elected	renewal upon expiration
Qian Liming	9th board independent director	elected	renewal upon expiration
Xu Feng	9th board independent director	elected	renewal upon expiration
Cao Yongxiang	9th supervisory board chairman	elected	renewal upon expiration
He Guiyun	9th supervisory board supervisor	elected	renewal upon expiration
Zhang Tianxue	9th supervisory board supervisor	elected	renewal upon expiration
Cao Guangci	9th supervisory board staff supervisor	elected	renewal upon expiration
Cai Zhiwei	9th supervisory board staff supervisor	elected	renewal upon expiration
Zhang Ping	8th supervisory board supervisor	resigned	tenure ended
Gu Shunliang	8th supervisory board staff supervisor	resigned	tenure ended
Shen Lei	9th board secretary	resigned	resigned from the post of board secretary due to personal reasons

**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	37
Number of employees of key subsidiaries in service	890
Total headcount in employment	927
Number of retired personnel on the payroll of the parent company and key subsidiaries	5
The constitution of specialties	
Classification	Number
Production staff	706
Selling staff	46
Technicians	70
Financial staff	23
Administrative staff	42
Others	40
Total	927
Educational level	
Educational Level	Number (head count)
Master	11
Bachelor	78
Junior full time college	159
Senior high school or below	679
Total	927

**(II) Remuneration policies**

applicable  inapplicable

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**

applicable  inapplicable

In 2016, the company developed training plans and training practice in accordance with the relevant requirements of the company's internal control system.

**(IV) Labor outsourcing**

applicable  inapplicable

**VII. Miscellaneous**

applicable  inapplicable

## Chapter IX Corporate Governance

### I. Corporate governance practice

applicable  inapplicable

#### (I) Corporate governance status

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 reporting period, the Company amended the Company's Articles of Association, Board of Directors' Working Procedures, Working Procedures of the Supervisory Board and other systems, according to related regulatory guidelines, combined with the actual situation of the Company, and the establishment of the Information Disclosure Suspension and Exemption Affairs Management System.

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) Establishment and implementation of insider registration management system

The Company has developed Insiders Registration Management System, strengthened the Company's confidentiality management of insider information, maintained the principle of fairness of information disclosure, performed well in the insiders registration management based on insider information circulation, prevented insider from trading of inside information and from the misuse of the right of insider information. During the reporting period, the Company acted strictly in accordance with the requirements of the implementation of the system, truthfully and completely recorded the Company's the list of all insiders know with knowledge of insider information before the publication of the report, transfer, preparation, review, and disclosure, the time when the insider knows the insider information and other inside information related files, and made good filing of summarizing of the files of the insiders of inside information that know the Company's inside information.

Whether there is a significant difference between the corporate governance and the requirements of the relevant provisions of the CSRC; if there are significant differences, the reasons shall be explained

applicable  inapplicable

As of end of the reporting period, there is no discrepancy between the corporate governance and the requirements in the Company Law or the China Securities Regulatory Commission.

### 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
2016 First Interim Shareholder's General Meeting	2016-01-19	www.sse.com.cn	2016-01-20
2015 Annual Shareholder's General Meeting	2016-06-07	www.sse.com.cn	2016-06-08
2016 Second Interim Shareholder's General Meeting	2016-08-01	www.sse.com.cn	2016-08-02

#### Particulars about Shareholders' Meeting

applicable  inapplicable

2016 first interim general meeting adopted the following motions:

1. Motion on the Revision of the Use of Funds Raised Management Approach
2. Motion on the Addition of the Eighth Session of the Board of Directors Candidate Directors

Items considered at the 2015 Annual Shareholder's General Meeting:

1. Work Report 2015 of the Board of Directors
2. 2015 Financial Final Account
3. 2015 Profit Sharing Plan
4. Motion on Asset Impairment Reserve for 2015
5. Motion on 2015 Accrual of Bad Debt Special Reserve
6. The 2015 Annual Report and Highlights
7. Motion on Hiring of CPA Accounting Firm for Annual Audit and Audit Body for Internal Control Audit 2016
8. Motion on the Company's Loan Quota for 2016
9. Motion on the Company's Equity Transfer of Ancheng Insurance
10. Work Report 2015 of the Supervisory Board
11. Motion on Amending the Rules of the Supervisory Board

12. Motion on Amending the Articles of Association  
 13. Motion on Amending the Rules of the Board of Directors  
 14. Motion on the Company's Independent Directors' Allowance  
 15. Motion on Election of Directors  
 16. Motion on Election of Independent Directors  
 17. Motion on Election of Supervisors

2016 second interim general meeting adopted the following motion:

1. Motion on the Government Revoking and Reserving Part of Land Use Rights of the Company

### 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	6	6	2	0	0	No	3
Liu Jie	No	6	6	2	0	0	No	3
Hu Yu	No	6	6	2	0	0	No	1
Zhou Zhiyu	No	4	4	2	0	0	No	1
Zhao Xiaolei	Yes	6	6	2	0	0	No	2
Qian Liming	Yes	6	6	2	0	0	No	3
Xu Feng	Yes	6	5	2	1	0	No	3

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

applicable  inapplicable

Number of board meetings in report year	6
Including: number of field meeting	4
Number of meeting by correspondence	2
Number of meeting field & by correspondence	0

#### (II) Dissent expressed by Independent Directors on related issues of the Company

applicable  inapplicable

#### (III) Miscellaneous

applicable  inapplicable

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

applicable  inapplicable

The board of directors governs four special committees: the strategic committee, the audit committee, the nomination committee and the remuneration and assessment committee. In 2016, the special committees acted according to the Articles of Association, and the detailed rules for the implementation of the special committee to actively carry out the work, conscientiously perform their duties to the company's annual report audit and internal control implementation, regular reporting, compensation scheme, renewal upon expiration, strategic investment layout and other major issues published expert opinion, having played a positive role in the company's board of directors in regard of scientific decision-making, standardized operation and healthy development.

During the reporting period, the Committees under the board of directors expressed their support to all motions, not raised objections to any related matters.

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

applicable  inapplicable

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 respective of business, personnel, assets, organization and finance etc.**

applicable  inapplicable

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

applicable  inapplicable

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

applicable  inapplicable

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 2016 annual payroll plan according to the evaluation results, squared the senior management of the company 2017 annual remuneration after reviewed and approved by the board of directors.

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

applicable  inapplicable

The 4<sup>th</sup> meeting of the 9<sup>th</sup> board of directors examined and adopted the "2016 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](http://www.sse.com.cn) March 25, 2017.

Significant defect of the Internal Control during report period

applicable  inapplicable

**IX. Deliberation of internal control audit report**

applicable  inapplicable

Commissioned by the Company, ShuLun Pan Certified Public Accountants (special general partnership) (hereinafter referred to as "the ShuLun Pan") audit on the effectiveness of our internal control the financial report on December 31, 2016. the ShuLun Pan believe that, as of December 31, 2016, 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 "2016 Annual Internal Control Audit Reports " [Xin Kuai Shi Bao Zi (2017) No. ZA10890] ShuLun Pan issued about the Company on Shanghai Stock Exchange Web site [www.sse.com.cn](http://www.sse.com.cn) published on March 25, 2017.

Whether the internal control audit report disclosed or not: Yes

**X. Miscellaneous**

applicable  inapplicable

## Chapter X Corporate Bonds

applicable  inapplicable

## Chapter XII Reference Available

Documents for Reference	(I) 2016 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

Chairman of the Board: Zou Ning

Delivery date approved by the Board of Directors: March 23, 2017

### Revised information

applicable  inapplicable

# SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

## AUDITORS' REPORT AND FINANCIAL STATEMENTS

(From January 1, 2016 to December 31, 2016)

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# AUDITORS' REPORT

PCPAR (2017) No.ZA108889

## 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, 2016, 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, 2016, 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: March 23, 2017

*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, 2016**

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes 5	As at December 31, 2016	As at December 31, 2015
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5.1	215,820,415.03	81,565,546.52
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	360,925.00	629,375.00
Notes receivable	5.3	23,433,782.77	10,733,846.05
Accounts receivable	5.4	53,378,011.37	47,468,704.25
Advances to suppliers	5.5	80,188,273.75	107,866,780.80
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Interests receivable			
Dividends receivable			
Other receivables	5.6	14,850,492.44	48,213,326.03
Inventories	5.7	15,069,940.03	35,072,845.65
Redemptory monetary capital for sale	5.8	57,030,496.06	
Non-current assets maturing within one year			
Other current assets	5.9	1,315,046.79	2,971,445.73
<b>TOTAL CURRENT ASSETS</b>		461,447,383.24	334,521,870.03
<b>NON-CURRENT ASSETS</b>			
Loans and payments on behalf			
Available-for-sale financial assets	5.10	64,352,492.64	116,166,436.81
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	5.11	6,511,846.20	4,687,456.51
Investment properties	5.12	190,476,215.35	216,604,848.88
Fixed assets	5.13	58,903,925.28	80,499,809.01
Construction in progress	5.14		203,750.09
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and natural gas assets			
Intangible assets	5.15	7,295,808.80	8,051,892.72
Research and development costs			
Goodwill			
Long-term deferred expenses	5.16	2,499,837.55	1,888,521.99
Deferred tax assets	5.17	1,243,044.40	1,062,388.91
Other non-current assets	5.18	282,500.00	320,000.00
<b>TOTAL NON-CURRENT ASSETS</b>		331,565,670.22	429,485,104.92
<b>TOTAL ASSETS</b>		793,013,053.46	764,006,974.95

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, 2016**

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and owners' equity (or shareholders' equity)	Notes 5	As at December 31, 2016	As at December 31, 2015
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	5.19	13,000,000.00	108,200,000.00

Financial liabilities held for trading			
Notes payable			
Accounts payable	5.20	40,422,345.78	47,005,329.73
Advances from customers	5.21	191,041,760.15	147,100,170.24
Employee benefits payable	5.22	11,778,934.13	6,922,141.06
Taxes and surcharges payable	5.23	6,187,811.71	5,126,645.61
Interests payable	5.24	17,279.16	195,811.66
Dividends payable	5.25	716,561.13	716,561.13
Other payables	5.26	25,384,621.13	31,901,195.98
Non-current liabilities maturing within one year	5.27	2,215,816.00	13,291,420.43
Other current liabilities	5.28	17,004,458.83	
<b>TOTAL CURRENT LIABILITIES</b>		307,769,588.02	360,459,275.84
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	5.29		10,672,599.27
Long-term payables	5.30	1,553,100.00	1,553,100.00
Long-term employee benefits payable	5.31	9,068,643.31	8,980,872.36
Specific items payable	5.32	8,460,000.00	8,460,000.00
Estimated liabilities	5.33	4,000,000.00	4,000,000.00
Deferred income	5.34	23,144,495.88	24,618,736.55
Deferred tax liabilities	5.17	2,378,788.20	1,583,996.70
Other non-current liabilities			
<b>TOTAL NON-CURRENT LIABILITIES</b>		48,605,027.39	59,869,304.88
<b>TOTAL LIABILITIES</b>		356,374,615.41	420,328,580.72
<b>OWNERS' EQUITY (or shareholders' equity)</b>			
Paid-in capital (or share capital)	5.35	200,991,343.00	200,991,343.00
Capital reserves	5.36	211,783,201.47	211,783,201.47
Minus: Treasury Stock			
Other comprehensive income	5.37	8,136,364.60	5,768,902.31
Special reserve			
Surplus reserves	5.38	38,610,002.38	38,610,002.38
General risk provisions			
Undistributed profit	5.39	-35,688,469.91	-128,178,290.14
Total owners' equity belongs to parent company		423,832,441.54	328,975,159.02
Minority shareholders' equity (B/S)		12,805,996.51	14,703,235.21
<b>TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)</b>		436,638,438.05	343,678,394.23
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		793,013,053.46	764,006,974.95

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, 2016

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes 14	As at December 31, 2016	As at December 31, 2015
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		122,238,361.79	42,753,170.92
Financial assets held for trading		89,700.00	182,595.00
Notes receivable		1,984,150.00	
Accounts receivable	14.1	1,648,187.11	3,068,855.77
Advances to suppliers		2,226,500.00	2,048,341.91
Interests receivable			
Dividends receivable			
Other receivables	14.2	24,448,094.29	25,980,041.35
Inventories		3,023,947.55	3,779,042.58
Redemptory monetary capital for sale		57,030,496.06	
Non-current assets maturing within one year			

Other current assets		367,591.26	
<b>TOTAL CURRENT ASSETS</b>		213,057,028.06	77,812,047.53
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets		12,352,492.64	59,173,326.64
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	14.3	372,787,825.23	329,996,841.87
Investment properties		130,158,535.74	166,092,208.89
Fixed assets		8,007,582.04	9,262,093.34
Construction in progress			118,280.00
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and natural gas assets			
Intangible assets		145,541.67	662,075.47
Research and development costs			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
<b>TOTAL NON-CURRENT ASSETS</b>		523,451,977.32	565,304,826.21
<b>TOTAL ASSETS</b>		736,509,005.38	643,116,873.74

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, 2016

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and Owners' Equity (or Shareholder's Equity)	Notes 14	As at December 31, 2016	As at December 31, 2015
<b>CURRENT LIABILITIES</b>			
Short-term borrowings		13,000,000.00	108,000,000.00
Financial liabilities held for trading			
Notes payable			85,036.42
Accounts payable		8,775,470.56	10,002,685.01
Advances from customers		77,455,070.02	5,861,137.70
Employee benefits payable		6,423,747.95	4,403,148.56
Taxes and surcharges payable		2,981,184.81	3,017,536.04
Interests payable		17,279.16	195,811.66
Dividends payable		716,561.13	716,561.13
Other payables		147,491,082.18	102,927,316.60
Non-current liabilities maturing within one year		2,215,816.00	13,291,420.43
Other current liabilities		17,004,458.83	
<b>TOTAL CURRENT LIABILITIES</b>		276,080,670.64	248,500,653.55
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings			10,672,599.27
Long-term payables		1,553,100.00	1,553,100.00
Long-term employee benefits payable		7,308,427.31	7,220,656.36
Specific items payable		8,460,000.00	8,460,000.00
Estimated liabilities		4,000,000.00	4,000,000.00
Deferred income		6,773,446.82	6,955,284.33
Deferred tax liabilities		2,378,788.20	1,583,996.70
Other non-current liabilities			
<b>TOTAL NON-CURRENT LIABILITIES</b>		30,473,762.33	40,445,636.66

Liabilities and Owners' Equity (or Shareholder's Equity)	Notes 14	As at December 31, 2016	As at December 31, 2015
<b>TOTAL LIABILITIES</b>		306,554,432.97	288,946,290.21
<b>OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)</b>			
Paid-in capital (or share capital)		200,991,343.00	200,991,343.00
Capital reserves		191,088,111.55	202,539,157.71
Other comprehensive income		7,136,364.60	4,772,734.71
Specific reserves			
Surplus reserves		38,610,002.38	38,610,002.38
Undistributed profit		-7,871,249.12	-92,742,654.27
<b>Total Owners' Equity (Or Shareholder's Equity)</b>		429,954,572.41	354,170,583.53
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		736,509,005.38	643,116,873.74

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 2016

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
1. Overall sales		1,151,221,576.68	1,128,476,975.39
Including: Sales from operations	5.40	1,151,221,576.68	1,128,476,975.39
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
2. Overall costs		1,191,243,713.25	1,170,999,443.66
Including: Cost of operations	5.40	1,067,637,724.08	1,050,755,487.35
Taxes and surcharges	5.41	3,419,067.33	2,431,673.65
Selling and distribution expenses	5.42	45,183,396.20	38,171,858.21
General and administrative expenses	5.43	61,836,814.47	70,895,201.74
Financial expenses	5.44	7,285,529.69	2,459,230.37
Impairment loss on assets	5.45	5,881,181.48	6,285,992.34
Plus: Gain or loss from changes in fair value	5.46	-141,735.00	-1,947,582.18
Investment income	5.47	2,482,450.48	55,662,897.90
Including: Investment income from joint ventures and affiliates		1,824,389.69	-2,961,900.58
Gain or loss on foreign exchange transactions			
3. Profit from operations		-37,681,421.09	11,192,847.45
Plus: Non-operating profit	5.48	133,314,791.55	2,214,516.80
Including: Gain from disposal of non-current assets		610,928.63	974,913.93
Less: Non-operating expenses	5.49	395,434.38	60,170,059.41
Including: Loss from disposal of non-current assets		72,415.01	20,513.15
4. Profit Before Tax		95,237,936.08	-46,762,695.16
Less: Income tax expenses	5.50	3,779,922.51	-8,325,121.21
5. Net profit		91,458,013.57	-38,437,573.95
Net profit belonging to parent company		92,489,820.23	-38,768,776.04
Minority shareholders' equity		-1,031,806.66	331,202.09
6. Net other comprehensive income after tax		2,369,486.25	-38,328,008.40
Net other comprehensive income after tax belonging to parent company		2,367,462.29	-38,325,984.44
6.1 Other comprehensive income can't be reclassified into gain or loss in future		-20,744.61	
Other comprehensive income can't be reclassified into gain or loss in future under equity method		-20,744.61	
6.2 Other comprehensive income can be reclassified into gain or loss in future		2,388,206.90	-38,325,984.44
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		2,388,206.90	-38,325,984.44
Net other comprehensive income after tax ,which attributable to minority shareholders		2,023.96	-2,023.96
7. Total Comprehensive Earnings		93,827,499.82	-76,765,582.35
Net Comprehensive Earnings belonging to parent company		94,857,282.52	-77,094,760.48
Net Comprehensive Earnings belonging to Minority shareholders		-1,029,782.70	329,178.13
8.Earnings per share (EPS)			
Basic EPS		0.46	-0.19
Diluted EPS		0.46	-0.19

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 2016

(Amounts are expressed in RMB unless otherwise stated)

Item	Notes 14	Current year	Prior year
1.Overall sales	14.4	56,832,829.58	79,677,359.32
Less: Cost of operations	14.4	47,906,647.15	63,854,250.98
Taxes and surcharges		788,758.70	745,490.00
Selling and distribution expenses		1,660,739.55	3,221,652.29
General and administrative expenses		29,773,036.89	35,623,899.86
Financial expenses		4,421,349.57	5,388,528.79
Impairment loss on assets		20,699,910.02	7,419,657.79
Plus: Gain or loss from changes in fair value		-62,055.00	109,697.00
Investment income	14.5	5,006,294.76	55,104,626.13
Including: Investment income from joint ventures and affiliates		2,212,074.42	-2,889,404.77
2.Profit from operations		-43,473,372.54	18,638,202.74
Plus: Non-operating profit		130,550,120.71	181,837.50
Including: Gain from disposal of non-current assets		970.87	
Less: Non-operating expenses		315,540.08	60,123,223.48
Including: Loss from disposal of non-current assets		64,963.93	890.00
3.Profit Before Tax		86,761,208.09	-41,303,183.24
Less: Income tax expenses		1,889,802.94	-9,923,801.04
4.Net profit		84,871,405.15	-31,379,382.20
5.Net other comprehensive income after tax		2,363,629.89	-38,322,152.04
5.1 Other comprehensive income can't be reclassified into gain or loss in future		-20,744.61	
Other comprehensive income can't be reclassified into gain or loss in future under equity method		-20,744.61	
5.2 Other comprehensive income can be reclassified into gain or loss in future		2,384,374.50	-38,322,152.04
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		2,384,374.50	-38,322,152.04
Total Comprehensive Earnings		87,235,035.04	-69,701,534.24
Earnings per share (EPS)			
Basic EPS		0.42	-0.16
Diluted EPS		0.42	-0.16

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 2016**

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
<b>Cash flows from operating activities</b>			
Cash receipts from the sales of goods and the rendering of		1,090,642,243.52	1,133,732,159.94
Receipts of tax refunds		165,713,687.70	146,068,656.12
Other cash receipts relating to operating activities	5.51	36,390,376.14	42,444,259.51
Sub-total of cash inflows from operating activities		1,292,746,307.36	1,322,245,075.57
Cash payments for goods purchased and services received		1,055,974,682.71	1,141,551,456.55
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		128,216,983.12	85,346,148.43
Payments of all types of taxes		13,218,134.95	17,160,062.79
Other cash payments relating to operating activities	5.51	75,797,662.97	78,146,594.70
Sub-total of cash outflows from operating activities		1,273,207,463.75	1,322,204,262.47
<b>Net cash flows from operating activities</b>		19,538,843.61	40,813.10

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 2016**

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
<b>Cash flows from investing activities</b>			
Cash receipts from disposals and withdraw on investment		191,165,320.00	276,257,468.01
Cash receipts from returns on investments		20,637,316.18	57,624,798.48
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		173,299,864.29	854,992.04
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	5.51	1,742,906.20	
Sub-total of cash inflows from investing activities		386,845,406.67	334,737,258.53
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		4,499,628.14	2,345,070.28
Cash payments to acquire investments		136,038,605.00	329,083,645.00
Net increase in secured loans			
Net cash payments for acquisitions of subsidiaries and other business units		4,355,540.14	
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		144,893,773.28	331,428,715.28
<b>Net cash flows from investing activities</b>		241,951,633.39	3,308,543.25
<b>Cash flows from financing activities</b>			
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		108,000,000.00	108,200,000.00
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities	5.51		60,000,000.00
Sub-total of cash outflows from financing activities		108,000,000.00	168,690,000.00
Cash repayments of amounts borrowed		224,948,203.70	102,303,408.84
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		6,936,189.87	8,769,647.47
Including: Subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities	5.51		60,000,000.00
Sub-total of cash outflows from financing activities		231,884,393.57	171,073,056.31
<b>Net cash flows from financing activities</b>		-123,884,393.57	-2,383,056.31
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		-2,155,414.92	4,018,884.54
<b>Net increase in cash and cash equivalents</b>		135,450,668.51	4,985,184.58
Plus: Cash and cash equivalents at beginning of period		80,172,446.52	75,187,261.94
<b>Cash and cash equivalents at end of period</b>		215,623,115.03	80,172,446.52

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 2016

(Amounts are expressed in RMB unless otherwise stated)

Items	Current year	Prior year
<b>Cash flows from operating activities</b>		
Cash receipts from the sales of goods and the rendering of services	58,587,742.07	80,158,857.80
Receipts of tax refunds		
Other cash receipts relating to operating activities	333,429,885.79	250,271,912.84
Sub-total of cash inflows from operating activities	392,017,627.86	330,430,770.64
Cash payments for goods purchased and services received	52,349,671.81	70,326,115.74
Cash payments to and on behalf of employees	19,837,500.74	16,580,054.15
Payments of all types of taxes	2,058,383.49	1,551,893.61
Other cash payments relating to operating activities	293,330,546.80	280,313,015.12
Sub-total of cash outflows from operating activities	367,576,102.84	368,771,078.62
<b>Net cash flows from operating activities</b>	24,441,525.02	-38,340,307.98
<b>Cash flows from investing activities</b>		
Cash receipts from disposals and withdraw on investment	250,231,871.38	285,222,918.19
Cash receipts from returns on investments	26,111,766.02	57,895,232.30
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	171,666,736.88	70.00
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	448,010,374.28	343,118,220.49
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	16,969.56	204,128.81
Cash payments to acquire investments	270,132,835.00	285,647,525.00
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	270,149,804.56	285,851,653.81
<b>Net cash flows from investing activities</b>	177,860,569.72	57,266,566.68

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 2016**

(Amounts are expressed in RMB unless otherwise stated)

Items	Current year	Prior year
<b>Cash flows from financing activities</b>		
Cash receipts from investors in making investment in the enterprise		
Cash receipts from borrowings	108,000,000.00	108,000,000.00
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities		60,000,000.00
Sub-total of cash outflows from financing activities	108,000,000.00	168,000,000.00
Cash repayments of amounts borrowed	224,748,203.70	100,303,408.84
Cash payments for distribution of dividends or profits, or cash payments for interest expenses	6,068,733.87	7,999,729.69
Other cash payments relating to financing activities		60,000,000.00
Sub-total of cash outflows from financing activities	230,816,937.57	168,303,138.53
<b>Net cash flows from financing activities</b>	-122,816,937.57	-303,138.53
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	33.70	28.53
<b>Net increase in cash and cash equivalents</b>	79,485,190.87	18,623,148.70
Plus: Cash and cash equivalents at beginning of period	42,753,170.92	24,130,022.22
<b>Cash and cash equivalents at end of period</b>	122,238,361.79	42,753,170.92

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 2016**  
(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		5,768,902.31		38,610,002.38		-128,178,290.14	14,703,235.21	343,678,394.23
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		5,768,902.31		38,610,002.38		-128,178,290.14	14,703,235.21	343,678,394.23
Adjustments for current year				2,367,462.29				92,489,820.23	-1,897,238.70	92,960,043.82
Total comprehensive income				2,367,462.29				92,489,820.23	-1,029,782.70	93,827,499.82
Capital contributed or reduced by owners										
Capital contributions by owners										
Amount of share payment registered into owners' equity										
Others										
Distributed profit									-867,456.00	-867,456.00
Extract for surplus reserve										
Extract for general risk reserve										
Distribute to Owners' (or shareholders)										
Others									-867,456.00	-867,456.00
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		8,136,364.60		38,610,002.38		-35,688,469.91	12,805,996.51	436,638,438.05

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 2016**  
(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	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
mount of share payment registered into owners' equity										
Others										
Distributed profit										
Extract for surplus reserve									-769,200.00	-769,200.00
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**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2016**  
(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		4,772,734.71		38,610,002.38	-92,742,654.27	354,170,583.53
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		4,772,734.71		38,610,002.38	-92,742,654.27	354,170,583.53
Adjustments for current year		-11,451,046.16		2,363,629.89			84,871,405.15	75,783,988.88
Total comprehensive income				2,363,629.89			84,871,405.15	87,235,035.04
Capital contributed or reduced by owners		-11,451,046.16						-11,451,046.16
Capital contributions by owners								
mount of share payment registered into owners' equity								
Others		-11,451,046.16						-11,451,046.16
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	191,088,111.55		7,136,364.60		38,610,002.38	-7,871,249.12	429,954,572.41

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 2016**  
(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		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								
Amount 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  
FOR THE YEAR ENDED DECEMBER 31, 2016  
NOTES TO THE FINANCIAL STATEMENTS

Amounts are expressed in RMB unless otherwise stated

## 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, 2016, 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, 2016, registered capital of the Company was RMB 200,991,343.00. The legal representative is Zou Ning. The main scopes of business were: investments in areas permitted by law; lease of the Company's own property, property 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 March 23, 2017.

### 1.2 The scope of consolidated financial statements

As at December 31, 2016, the scope of consolidated financial statements is as follows:

Name of the subsidiaries	Notes
Shanghai Maofeng Property Management Co., Ltd	Has Cancelled in 2016
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	Has Cancelled in 2016
Shanghai Shanhe Investment Administration Co., Ltd	
Shanghai Sanmao Asset Management Co., Ltd	
Shanghai Shanyun International Trade Co.,Ltd	Has Cancelled in 2016
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	
Shanghai Yindun Technical Electronics Information Co., Ltd	Subsidiaries acquired in 2016
Shanghai Heyin Security Services Co., Ltd	Subsidiaries acquired in 2016

The changes in the scope of the consolidated financial statements are as follows: "6. Changes in scope of consolidation" and "7. Interest in other entities".

## **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 and accounting estimates**

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 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

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 "3.13 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

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.

**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
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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 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) Packing 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 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 deal 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 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

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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.

**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.

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 “5.33- 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.

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 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 is recognized

The Company provides security services and obtains security services revenue. The Company provides labor services in accordance with the relevant items the contract or agreement, calculates and recognizes the security service income.

The company and the entities which need security services signed a service agreement, then sent security personnel to be responsible for security work, regularly make settlement with the entities which need security services employers on security services, and recognize security service revenue during service delivery.

### 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.

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.

For government grants not clearly defined as income-related government or asset-related, the Company classified as income-related government or asset-related government grants: whether for the acquisition of assets or construction of other long-term assets

#### 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

#### Operating lease accounting treatment

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 Significant changes in principal accounting policies and estimates

#### 1) Significant changes in principal accounting policies

Implementing < Provisions Concerning the Accounting Treatments on Value-Added Tax >

On Dec 3, 2016, Ministry of Finance released Rules of the accounting treatments of Value Added Tax Finance Department Announcement 2016 NO.22, which has the effect on the related business activities from May 1 2016. According to it, we have the adjustments as below shown:

Contents and reasons of Significant changes in principal accounting policies	procedures for examination and approval of projects	Affected report items and amount
(1) Change the item Business Tax and surcharges to the item Tax and surcharges;	The company has completed the internal decision-making procedures;	Tax and surcharges
(2) Reclassify the transactions of House tax, Tenure tax, Vehicle tax, Stamp duty between May 1 2016 and Dec 31 2016 from General and administrative expenses to Tax and surcharges. The transactions before May 1 2016 and comparing data will not be adjusted;	The company has completed the internal decision-making procedures;	Increase tax and surcharges of 1,809,879.82, decrease general and administrative expenses 1,809,879.82

#### 2) Significant changes principal estimates

There were no significant changes in principal estimates during the reporting period

### 3.29 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、5、3)
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%
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 and Taicang Sanmao Textile Co., Ltd have satisfied the criteria of small enterprises with low profit, income reduced by 50% included in the taxable income 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, 2016	As at December 31, 2015
Cash in hand	88,424.59	103,821.73
Cash in bank	215,534,690.44	80,068,624.79
Other	197,300.00	1,393,100.00
Total	215,820,415.03	81,565,546.52

Categories of other cash equivalents:

Items	As at December 31, 2016	As at December 31, 2015
Deposit for Letter of Credit	197,300.00	1,193,100.00
Export margin		200,000.00
Total	197,300.00	1,393,100.00

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

Items	As at December 31, 2016	As at December 31, 2015
Deposit for Letter of Credit	197,300.00	1,193,100.00
Export margin		200,000.00
Total	197,300.00	1,393,100.00

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

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

Items	As at December 31, 2016	As at December 31, 2015
Trading financial assets	360,925.00	629,375.00
Including: Equity instruments investment	360,925.00	629,375.00

**5.3 Notes receivable**

**1) Classification of notes receivable**

Items	As at December 31, 2016	As at December 31, 2015
Bank acceptance note	23,433,782.77	10,608,358.62
Trade acceptance note		125,487.43
Total	23,433,782.77	10,733,846.05

2) There were no pledged notes receivables as at December 31, 2016.

3) The notes receivable undue but had been endorsed or discounted as at December 31, 2016:

Item	Amount of de-recognition as at December 31, 2015	Amount of continued recognition as at December 31, 2015
Bank acceptance note	438,161.75	

4) There were no notes receivable transferred into accounts receivable because the drawer was unable to pay the notes as at December 31, 2016.

**5.4 Accounts receivable**

**1) Disclosure by the category of accounts receivable**

Category	As at December 31, 2016					As at December 31, 2015				
	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	54,524,153.06	95.74	1,146,141.69	2.10	53,378,011.37	48,606,350.37	97.02	1,137,646.12	2.34	47,468,704.25
Individually immaterial accounts receivable with separately-made provision for bad debts	2,426,357.40	4.26	2,426,357.40	100.00		1,490,675.93	2.98	1,490,675.93	100.00	
Total	56,950,510.46	100.00	3,572,499.09		53,378,011.37	50,097,026.30	100.00	2,628,322.05		47,468,704.25

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

Aging	As at December 31, 2016		
	Accounts Receivable	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1 year)	53,839,281.43	1,076,785.63	2.00
1-2 years (including 2 years)	676,182.63	67,618.26	10.00
2-3 years (including 3 years)	8,689.00	1,737.80	20.00
Total	54,524,153.06	1,146,141.69	

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

The amount of provision of bad-debt provision was RMB 857,963.55 in FY 2016; the amount of reversal and withdrawal of bad-debt provision was RMB 0.00 in FY 2016. The amount of the addition of bad-debt provision triggered by the expansion of the consolidated range of the Company was RMB 96,423.69 in FY 2016.

3) The amounts of accounts receivables actually written-off was RMB 10,210.20 in FY 2016.

**4) Top five of accounts receivable as at December 31, 2016**

Name	As at December 31, 2016		
	Accounts receivable	Portion (%)	Provision for bad debt
No. 1	7,819,680.00	13.73	156,393.60
No. 2	7,650,926.86	13.43	153,018.54
No. 3	6,703,863.23	11.77	134,077.26
No. 4	2,918,050.26	5.12	58,361.01
No. 5	1,616,175.84	2.84	32,323.52
Total	26,708,696.19	46.89	534,173.93

5) There was no accounts receivable derecognized due to transfer of financial assets in FY 2016.

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

## 5.5 Advance payment

### 1) Aging analysis of Advance payment

Aging	As at December 31, 2016		As at December 31, 2015	
	Ending Balance	Proportion (%)	Ending Balance	Proportion (%)
Within 1 year (including 1 year)	76,801,229.32	95.78	107,214,205.35	99.40
1-2 years (including 2 years)	3,379,044.43	4.21	605,953.85	0.56
2-3 years (including 3 years)	8,000.00	0.01		
Over 3 years			46,621.60	0.04
Total	80,188,273.75	100.00	107,866,780.80	100.00

2) The total number of top 5 advance payment payer is up to RMB 35,905,699.82, which accounting for 44.78% of the summation of Advance payment on December 31, 2016.

## 5.6 Other receivables

### 1) Disclosure by the category of other receivables

Items	As at December 31, 2016					As at December 31, 2015				
	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		13,829,313.37	21.17	13,829,313.37	100.00	
Other receivable with provision for bad debts on a risk portfolio basis	15,511,801.86	48.90	661,309.42	4.26	14,850,492.44	48,840,767.61	74.79	627,441.58	1.28	48,213,326.03
Individually immaterial other receivable with separately-made provision for bad debts	2,383,550.43	7.51	2,383,550.43	100.00		2,640,041.75	4.04	2,640,041.75	100.00	
Total	31,724,665.66	100.00	16,874,173.22		14,850,492.44	65,310,122.73	100.00	17,096,796.70		48,213,326.03

Individually material other receivables with separately-made provision for bad debts as at December 31, 2016:

Debtors	As at December 31, 2016			
	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 (8).

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

Aging	As at December 31, 2016		
	Book Balance	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1 year)	13,174,323.27		
1-2 years (including 2 years)	61,700.00	6,170.00	10.00
2-3 years (including 3 years)	275,941.50	55,188.30	20.00
Over 3 years	1,999,837.09	599,951.12	30.00
Total	15,511,801.86	661,309.42	

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

The amount of provision of bad-debt provision was RMB -28,686.16 in FY 2016; the amount of reversal and withdrawal of bad-debt provision was RMB 193,937.32 in FY 2016.

3) There were no other receivables actually written-off in FY 2016.

### 4) Other receivables classified by their properties

Properties of other receivables	As at December 31, 2016	As at December 31, 2015
Export rebates	12,725,903.24	46,097,094.02
Current account	5,704,584.89	5,245,225.15
Advance payment	5,546,580.42	5,740,517.74
Cooperative profit	6,569,692.60	6,569,692.60
Deposit	491,556.10	397,639.00

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Properties of other receivables	As at December 31, 2016	As at December 31, 2015
Temporary payment	454,854.85	1,057,977.43
Petty cash	147,520.50	176,945.84
Others	83,973.06	25,030.95
Total	31,724,665.66	65,310,122.73

5) Top five of other receivables as at December 31, 2016

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	12,725,903.24	Within 1 year	40.11	
Blue Ribbon International Yule Business Co., Ltd.	Cooperative profit	6,569,692.60	Over 3 years	20.71	6,569,692.60
Zhangjiagang Hengtong Maotiao Co. Ltd.	Advance payment	4,950,517.74	1-2 年	15.60	4,950,517.74
Shanghai Sanmao Import & Export Co. Ltd.	Current account	2,309,103.03	Over 3 years	7.28	2,309,103.03
Jianhe Li	Current account	1,000,000.00	Over 3 years	3.15	1,000,000.00
Total		27,555,216.61		86.85	14,129,313.37

6) There was no subsidy due from government as at December 31, 2016.

7) There were no other receivables derecognized due to transfer of financial assets as at December 2016.

8) There were no other receivables transferred and continually involved into formed assets or liabilities as at December 2016.

5.7 Inventories

1) Inventory category

Items	As at December 31, 2016			As at December 31, 2015		
	Carrying amounts	Provision for impairment	Net book values	Carrying amounts	Provision for impairment	Net book values
Raw materials	3,632,155.48	122,247.41	3,509,908.07	4,582,141.44		4,582,141.44
Work in process	985,552.18		985,552.18	108,400.77		108,400.77
Merchandise inventory	11,576,244.65	1,001,764.87	10,574,479.78	31,856,526.14	1,474,222.70	30,382,303.44
Total	16,193,952.31	1,124,012.28	15,069,940.03	36,547,068.35	1,474,222.70	35,072,845.65

2) Provision for inventory devaluation

Item	As at December 31, 2015	Increase		Decreases		As at December 31, 2016
		Provision	Others	Reversal or Written-off	Others	
Raw materials		122,247.41				122,247.41
Merchandise inventory	1,474,222.70	684,738.55		1,157,196.38		1,001,764.87
Total	1,474,222.70	806,985.96		1,157,196.38		1,124,012.28

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, 2016.

5.8 Redemptory monetary capital for sale

Items	Book value as at December 31, 2016	Fair value	Expected disposal expense	Expected disposal time	Note
Land to be purchased and stored	7,030,496.06	42,900,000.00	578,594.96	Year 2017	Note 1
Equity to be sold	50,000,000.00	70,000,000.00		Year 2017	Note 2
Total	57,030,496.06	112,900,000.00	578,594.96		

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Note 1: As described at Note 13.6.1), as at December 31, 2016, the event of land purchase and storage related to Estate No.7, Neighbor 655, Putuo District has not been completed. The company classified the investment properties with net value of RMB 7,030,496.06 related to 5.8 Redemptory monetary capital for sale.

Note 2: For more detail please refer to Note 13.6 2).

**5.9 Other current assets**

Items	As at December 31, 2016	As at December 31, 2015
Input VAT to be deducted	1,315,046.79	2,660,597.65
Pre-payment of Corporate income tax		310,848.08
Total	1,315,046.79	2,971,445.73

**5.10 Available-for-sale financial assets**

**1) Details of available-for-sale financial assets**

Items	As at December 31, 2016			As at December 31, 2015		
	Carrying Amounts	Provision for asset impairment	Net book Value	Carrying Amounts	Provision for asset impairment	Net book Value
Available-for-sale equity instruments	71,430,754.09	7,078,261.45	64,352,492.64	118,251,588.09	7,078,261.45	111,173,326.64
Among: Calculated by fair value	11,889,534.00		11,889,534.00	6,517,368.00		6,517,368.00
Calculated by cost	59,541,220.09	7,078,261.45	52,462,958.64	111,734,220.09	7,078,261.45	104,655,958.64
Other (Note)				4,993,110.17		4,993,110.17
Total	71,430,754.09	7,078,261.45	64,352,492.64	123,244,698.26	7,078,261.45	116,166,436.81

**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, 2016**

Classification of Available-for-sale financial assets	Available-for-sale equity instruments	Other	Total
The cost of equity instruments	2,573,000.00		2,573,000.00
Fair Value	11,889,534.00		11,889,534.00
The cumulative amount included in the changes in fair value of other comprehensive income	9,316,534.00		9,316,534.00

**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
Shanghai Zhongyida Co.,Ltd	514,800.00	380,000.00	5,343,624.00
Bank of Shanghai	1,533,000.00	2,193,000.00	6,545,910.00
Total		2,573,000.00	11,889,534.00

**3) Available-for-sale financial assets calculated by cost as at December 31,2016**

Investees	Carrying Amounts			Provision for impairment				Cash dividend as at December 31, 2016
	As at December 31, 2015	Increase	Decrease	As at December 31, 2016	As at December 31, 2015	Increase	Decrease	
Bank of Shanghai (Note 1)	2,193,000.00		2,193,000.00					
ANCHENG Property and Casualty Insurance Co., Ltd.(Note 2)	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
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
<b>Total</b>	<b>111,734,220.09</b>		<b>52,193,000.00</b>	<b>59,541,220.09</b>	<b>7,078,261.45</b>			<b>7,078,261.45</b>

Note 1: The Company measured the investment of Bank of Shanghai as cost method, however, when Bank of Shanghai started initial public offerings at Shanghai Stock Exchange, the company changed the measurement to fair value.

Note 2: For more details please refer to Note 13.6.2).

**4) Details of the variation of impairment of the available-for-sale financial assets as at December 31, 2016**

Items	Available-for-sale equity instruments
Calculated Accruals for impairment as at December 31, 2015	7,078,261.45
Increase	
Decrease	
Calculated Accruals for impairment as at December 31, 2016	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, 2016.**

5.11 Long-term equity investment

Name of Investee	As at December 31, 2015	Increase /decrease							As at December 31, 2016	Impairment provision in FY 2016	Impairment provision provided for 2016
		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	925,523.62			4,336,503.12					5,262,026.74		
Shanghai KONAKA Co., Ltd (Note 1)	2,124,428.70			-2,124,428.70							
Subtotal	3,049,952.32			2,212,074.42					5,262,026.74		
2. Associate											
Shanghai Wantuyi Investment and Development Co., Ltd.(Note 2)	1,637,504.19			-387,684.73					1,249,819.46		
Subtotal	1,637,504.19			-387,684.73					1,249,819.46		
Total	4,687,456.51			1,824,389.69					6,511,846.20		

Note 1: For more details please refer to Note 13.6.4).

Note 2: For more details please refer to Note 13.6.5).

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**5.12 Investment Properties**

**Investments Properties measured at cost**

Items	Buildings and Constructions
1. The original value of the book	
(1) As at December 31, 2015	264,790,958.01
(2) Increase	18,188,833.12
—Purchase	
—Transferred from fixed assets (Note 1)	18,188,833.12
(3) Decrease	44,544,350.00
—Others (Note 2)	44,544,350.00
(4) As at December 31, 2016	238,435,441.13
2. Accumulated depreciation and accumulated amortization	
(1) As at December 31, 2015	48,186,109.13
(2) Increase	12,383,807.37
—Provision and accrual	8,063,959.37
—Transferred from fixed assets	4,319,848.00
(3) Decrease	12,610,690.72
—Others (Note 2)	12,610,690.72
(4) As at December 31, 2016	47,959,225.78
3. Provision for impairment of assets	
(1) As at December 31, 2015	
(2) Increase	
—Provision	
(3) Decrease	
—Disposal	
(4) As at December 31, 2016	
4. Book Value	
(1) As at December 31, 2016	190,476,215.35
(2) As at December 31, 2015	216,604,848.88

**Explanation of the Investment Properties:**

Note 1: In FY 2016, due to the change of holding purpose, the company classified properties which cost 18,188,833.12 and accumulated depreciation which cost 4,319,848.00 from fixed assets to investment properties.

Note 2: The net book value of Investment Properties used as guarantees is RMB 5,581,365.26. For details please refer to Notes 11.1.6).

**5.13 Fixed Assets**

**1) Details of Fixed Assets**

Items	Buildings and constructions	Machinery equipment	Transportation and other equipment	Total
1. The original value of the book				
(1) As at December 31, 2015	75,226,031.53	48,893,978.79	16,277,722.58	140,397,732.90
(2) Increase		358,974.36	2,690,364.96	3,049,339.32
—Purchase			1,197,577.10	1,197,577.10
—transferred from construction in progress		358,974.36		358,974.36
—increase due to company combination (Note 1)			1,492,787.86	1,492,787.86
(3) Decrease	18,188,833.12	662,924.27	1,723,440.88	20,575,198.27
—Disposal or Obsolescence		662,924.27	1,723,440.88	2,386,365.15
—Others (Note 2)	18,188,833.12			18,188,833.12
(4) As at December 31, 2016	57,037,198.41	48,590,028.88	17,244,646.66	122,871,873.95
2. Accumulated depreciation				
(1) As at December 31, 2015	18,650,898.26	28,487,364.65	10,476,886.05	57,615,148.96
(2) Increase	1,555,091.40	2,887,578.83	2,228,552.40	6,671,222.63
—Accrual	1,555,091.40	2,887,578.83	1,404,012.00	5,846,682.23
—Increase due to company combination (Note 1)			824,540.40	824,540.40
(3) Decrease	4,319,848.00	155,952.84	2,032,944.99	6,508,745.83
—Disposal or Obsolescence		155,952.84	2,032,944.99	2,188,897.83
—Others (Note 2)	4,319,848.00			4,319,848.00
(4) As at December 31, 2016	15,886,141.66	31,218,990.64	10,672,493.46	57,777,625.76
3. Provision for impairment of assets				

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Items	Buildings and constructions	Machinery equipment	Transportation and other equipment	Total
(1) As at December 31, 2015		2,254,001.29	28,773.64	2,282,774.93
(2) Increase		3,674,036.82	239,830.43	3,913,867.25
—Accrual		3,674,036.82	234,818.63	3,908,855.45
—Increase due to company combination			5,011.80	5,011.80
(3) Decrease			6,319.27	6,319.27
(4) As at December 31, 2016		5,928,038.11	262,284.80	6,190,322.91
4. Book Value				
(1) As at December 31, 2016	41,151,056.75	11,443,000.13	6,309,868.40	58,903,925.28
(2) As at December 31, 2015	56,575,133.27	18,152,612.85	5,772,062.89	80,499,809.01

Note 1: In FY 2016, fixed assets and accumulated depreciation increased 1,492,787.86 and 824,540.40 respectively due to company combination.

Note 2: In FY 2016, due to the change of holding purpose, the company classified properties which cost 18,188,833.12 and accumulated depreciation which cost 4,319,848.00 from fixed assets to investment properties. The net book value of Investment Properties used as guarantees is RMB 2,260,661.13. For detail please refer to Note 11.1.6).

## 2、Fix assets of temporary idle

Items	Amount	Accumulated depreciation	Provision of impairment	Book value
Buildings and constructions	34,996,162.78	6,918,293.52		28,077,869.26
Machinery equipment	12,468,726.67	6,797,887.54	4,950,360.87	720,478.26
Total	47,464,889.45	13,716,181.06	4,950,360.87	28,798,347.52

From the stop production of Shanghai No.1 Mill Textile (Chongqing) Co., Ltd in 2015, the valuation was assessed according to the actual situation of fixed assets, thus, the related accrual impairment provision of equipment and machine can be made.

3、There were no fixed assets acquired from finance lease as at December 31, 2016.

4、There were no fixed assets without property right certificate as at December 31, 2016.

## 5.14 Construction in progress

### 1) Details of Construction in progress

Items	As at December 31, 2016			As at December 31, 2015		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
14500 Technology improvement project				118,280.00		118,280.00
Equipment for Electro-coppering				85,470.09		85,470.09
Total				203,750.09		203,750.09

## 5.15 Intangible assets

Items	Land usage right	Patent Right	Software	Total
1. The original value of the book				
(1) As at December 31, 2015	10,873,148.00	530,000.00	577,908.04	11,981,056.04
(2) Increase			42,574.53	42,574.53
—Purchase			42,574.53	42,574.53
(3) Decrease			271,075.29	271,075.29
(4) As at December 31, 2016	10,873,148.00	530,000.00	349,407.28	11,752,555.28
2. Accumulated amortization				
(1) As at December 31, 2015	2,578,209.26		358,453.90	2,936,663.16
(2) Increase	204,598.68		64,059.77	268,658.45
—Accrual	204,598.68		64,059.77	268,658.45
(3) Decrease			271,075.29	271,075.29
(4) As at December 31, 2016	2,782,807.94		151,438.38	2,934,246.32
3. Asset impairment				
(1) As at December 31, 2015	992,500.16			992,500.16
(2) Increase		530,000.00		530,000.00
(3) Decrease				
(4) As at December 31, 2016	992,500.16	530,000.00		1,522,500.16
4. Book Value				
(1) As at December 31, 2016	7,097,839.90		197,968.90	7,295,808.80
(2) As at December 31, 2015	7,302,438.58	530,000.00	219,454.14	8,051,892.72

There were no intangible assets for mortgage or guarantee as at December 31, 2016.

## 5.16 Long-term deferred expenses

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Items	As at December 31, 2015	Increase	Amortization	Other decrease	As at December 31, 2016
Improvement on fixed assets acquired under operating lease	1,888,521.99	1,097,331.52	486,015.96		2,499,837.55

### 5.17 Deferred tax assets and deferred tax liabilities

#### 1) Deferred tax assets before being offset

Items	As at December 31, 2016		As at December 31, 2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment losses on assets	1,403,671.62	281,709.77	1,119,321.63	236,460.22
Deductible losses	1,893,791.53	284,068.73		
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	2,709,063.61	677,265.90	2,999,580.88	749,895.22
Total	6,006,526.76	1,243,044.40	4,625,792.34	1,062,388.91

#### 2) Deferred tax liabilities before being offset

Items	As at December 31, 2016		As at December 31, 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of available-for-sale financial assets	9,515,152.80	2,378,788.20	6,137,368.00	1,583,996.70

### 5.18 Other non-current assets

Items	As at December 3, 2016	As at December 3, 2015
The prepayment for purchasing fixed assets	282,500.00	320,000.00

### 5.19 Short-term borrowings

#### 1) Category of Short-term borrowing

Items	As at December 31, 2016	As at December 31, 2015
Mortgaged loan (Note)	3,000,000.00	70,000,000.00
Guaranteed loan	5,000,000.00	18,000,000.00
Unsecured loan	5,000,000.00	20,000,000.00
Discounted bills		200,000.00
Total	13,000,000.00	108,200,000.00

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, 2016.

### 5.20 Accounts payable

#### 1) Details of Accounts payable

Items	As at December 31, 2016	As at December 31, 2015
Payments for goods	26,985,812.82	40,197,650.17
Account payables for purchasing the Binjiang International Plaza	5,000,000.00	5,000,000.00
Labor cost	8,436,532.96	1,807,679.56
Total	40,422,345.78	47,005,329.73

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

Company	As at December 31, 2016	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	

### 5.21 Advances from costumers

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1) Details of Advances from costumers

Items	As at December 31, 2016	As at December 31, 2015
Payment for goods	120,973,683.51	146,352,911.16
Unearned payment for equity transfer (Note)	70,000,000.00	
House rent	68,076.64	747,259.08
Total	191,041,760.15	147,100,170.24

Note: For details please refer to Note 13.6.2).

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

Company	As at December 31, 2016	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	

5.22 Employee benefits payable

1) Details of Employee benefits payable

Items	As at December 31, 2015	Increases	Decreases	As at December 31, 2016
Short-term employee benefits	3,488,226.01	123,419,132.17	116,794,572.38	10,112,785.80
Post-employment benefits-Defined Contribution Plan	95,580.53	9,109,332.00	9,109,601.30	95,311.23
Termination benefits	3,338,334.52	473,916.32	2,241,413.74	1,570,837.10
Total	6,922,141.06	133,002,380.49	128,145,587.42	11,778,934.13

In FY 2016, the employee benefits payable increased 623,733.46 due to extension of company merger.

2) Short-term compensation

Items	As at December 31, 2015	Increases	Decreases	As at December 31, 2016
1 Salary, bonus and allowance	3,413,400.00	114,616,555.03	107,985,755.03	10,044,200.00
2. Welfare expenses for staff		1,670,804.45	1,670,804.45	
3. Social insurance fees	48,822.77	3,629,549.89	3,630,142.49	48,230.17
Including:(1) Medical insurance	47,585.47	3,220,971.34	3,221,463.54	47,093.27
(2) Work injury insurance	412.40	141,325.95	141,447.05	291.30
(3) Maternity insurance	824.90	267,252.60	267,231.90	845.60
4. Housing accumulation fund		2,729,964.00	2,729,964.00	
5. Labor union expenditure and personnel education fund	26,003.24	772,258.80	777,906.41	20,355.63
Total	3,488,226.01	123,419,132.17	116,794,572.38	10,112,785.80

3) Defined Contribution Plan

Items	As at December 31, 2015	Increases	Decreases	As at December 31, 2016
Basic old-age insurance	88,909.90	7,524,484.52	7,524,393.62	89,000.80
Unemployment insurance	6,670.63	331,248.13	331,608.33	6,310.43
Annuity payment		1,253,599.35	1,253,599.35	
Total	95,580.53	9,109,332.00	9,109,601.30	95,311.23

5.23 Tax and surcharge payable

Items	As at December 31, 2016	As at December 31, 2015
VAT	1,363,356.83	364,416.19
Business tax		2,068,923.50
Corporate Income tax	3,316,226.91	1,291,898.63
Individual income tax	349,605.50	134,176.26
City maintenance and construction tax	184,169.93	113,539.60
Land and housing property tax	844,422.04	1,076,576.14
Educational tax and surcharges	99,893.61	60,345.74
Channel management fee	26,004.69	12,740.63
Foundation for water works	2,886.22	2,694.66

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Stamp duty	1,245.98	1,334.26
Total	6,187,811.71	5,126,645.61

**5.24 Interests payable**

Items	As at December 31, 2016	As at December 31, 2015
Long-term loan interest payable		43,858.88
Short-term loan interest payable	17,279.16	151,952.78
Total	17,279.16	195,811.66

**5.25 Dividends payable**

Name of investor	As at December 31, 2016	As at December 31, 2015
Common stock dividends	716,561.13	716,561.13

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

**5.26 Other payables**

**1) Details of other payables classified by their usages:**

Items	As at December 31, 2016	As at December 31, 2015
Current Account	7,370,313.91	6,789,888.71
Service charge	5,770,544.22	4,723,385.48
Attorney fee		2,950,000.00
Deposits	6,869,525.00	8,540,971.12
Suspense credits	2,680,237.66	2,053,858.99
Consulting Fees		4,430,000.00
Compensation for workers	1,721,108.43	1,791,590.43
Withholding of pension and personnel income tax	667,866.76	621,501.25
Others	305,025.15	
Total	25,384,621.13	31,901,195.98

**2) Material other payables aged more than one year**

Items	As at December 31, 2016	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 over 3 years
Shanghai Bo De Genetic Development Co. Ltd.	543,774.00	Current Account over 3 years
Total	4,433,611.04	

**5.27 Non-current liabilities maturing within one year**

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

Items	As at December 31, 2016	As at December 31, 2015
Long-term borrowing maturing within one year	1,778,416.00	12,854,020.43
Long-term payable maturing within one year	437,400.00	437,400.00
Total	2,215,816.00	13,291,420.43

**2) Long-term loan maturing within one year**

Items	As at December 31, 2016	As at December 31, 2015
Mortgaged loan (Note 1)		11,075,604.43
Guaranteed loan (Note 2)	1,778,416.00	1,778,416.00
Total	1,778,416.00	12,854,020.43

**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.

**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, 2016	As at December 31, 2015
Special fund loan for pollution source treatment	437,400.00	437,400.00

**5.28 Other current liabilities**

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Items	As at December 31, 2016	As at December 31, 2015
Land compensation of Estate No.7, Qilianshan Road	17,004,458.83	

Note: For details please refer to Note 13.6.1).

### 5.29 Long-term borrowings

#### The long-term loan classification

Loan classification	As at December 31, 2016	As at December 31, 2015
Mortgaged loan (Note1)		10,672,599.27

**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 paid off in advance.

### 5.30 Long-term payables

Items	As at December 31, 2016	As at December 31, 2015
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.

### 5.31 Long-term employee benefits payable

Items	As at December 31, 2016	As at December 31, 2015
Termination benefits	9,068,643.31	8,980,872.36

### 5.32 Specific items payable

Items	As at December 31, 2015	Increase	Decrease	As at December 31, 2016
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, 2016, the project had not been completed yet.

### 5.33 Estimated liabilities

Items	As at December 31, 2016	As at December 31, 2015	Reasons
The obligation of deliver property(Note)	4,000,000.00	4,000,000.00	Note

**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).

### 5.34 Deferred Income

Items	As at December 31, 2015	Increase	Decrease	As at December 31, 2016	Reasons
Deferred income 1	6,955,284.33		181,837.51	6,773,446.82	Note 1
Deferred income 2	17,163,452.22		792,403.16	16,371,049.06	Note 2
Deferred income 3	500,000.00		500,000.00		Note 3
Total	24,618,736.55		1,474,240.67	23,144,495.88	

Items referred to governmental subsidy:

Liabilities	As at December 31, 2015	The new amount of subsidies	Confirmed as non-operating income	Other changes	As at December 31, 2016	Associated with the asset or benefits
Deferred income 1	6,955,284.33		181,837.51		6,773,446.82	Associated with the asset
Deferred income 2	17,163,452.22		792,403.16		16,371,049.06	Associated with the asset
Deferred income 3	500,000.00		500,000.00			Associated with the profits
Total	24,618,736.55		1,474,240.67		23,144,495.88	

**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,

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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 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, 2016, according to the period of housing depreciation, the Company had been recognized RMB 7,455,337.51 as non-operating income. The remaining balance was RMB 6,773,446.82.

**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, 2016, the deferred income has transferred RMB 4,754,418.91 to non-operating income according to relevant property depreciation period and the remaining amount of RMB 16,371,049.06 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, 2016, the project has been completed, relative cost expense has occurred, therefore, deferred income is carried down to non-operating income.

**5.35 Paid-in capital**

Item	As at December 31, 2015	Increase (+) / Decrease (-)					As at December 31, 2016
		IPO	Stock bonus	Transfer from Surplus reserves	Others	Total	
Shares	200,991,343.00						200,991,343.00

**5.36 Capital reserves**

Items	As at December 31, 2015	Increases	Decreases	As at December 31, 2016
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

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**5.37 Other comprehensive income**

Items	As at December 31, 2015	Amount incurred in FY 2016					As at December 31, 2016
		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	-20,744.61			-20,744.61		1,000,000.00
Among which: Other comprehensive income can't be reclassified into gain or loss in future under equity method.	1,020,744.61	-20,744.61			-20,744.61		1,000,000.00
2. Other comprehensive income can be reclassified into gain or loss in future.	4,748,157.70	3,179,166.00	-6,889.83	795,824.97	2,388,206.90	2,023.96	7,136,364.60
Among which: Gain arising from the change of fair value on Available-for-sale financial assets.	4,748,157.70	3,179,166.00	-6,889.83	795,824.97	2,388,206.90	2,023.96	7,136,364.60
Total	5,768,902.31	3,158,421.39	-6,889.83	795,824.97	2,367,462.29	2,023.96	8,136,364.60

**5.38 Surplus reserves**

Items	As at December 31, 2015	Increases	Decreases	As at December 31, 2016
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

**5.39 Undistributed profit**

Items	2016	2015
Undistributed profit brought forward for opening balance	-128,178,290.14	-89,409,514.10
Add: Net profit attributed to shareholders of parent company	92,489,820.23	-38,768,776.04
Undistributed profit for ending balance	-35,688,469.91	-128,178,290.14

**5.40 Sales from operations and cost of operations**

**1) Sales from operations and cost of operations**

Items	2016		2015	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Principal activities	1,130,562,276.68	1,058,535,001.62	1,106,233,738.75	1,042,357,151.11
Other activities	20,659,300.00	9,102,722.46	22,243,236.64	8,398,336.24
Total	1,151,221,576.68	1,067,637,724.08	1,128,476,975.39	1,050,755,487.35

**5.41 Taxes and surcharge**

Items	2016	2015
Business Tax	788,213.96	1,673,634.48
City maintenance and construction tax	440,105.05	407,286.30
River maintenance surcharges	59,951.43	26,115.10
Education surcharges	195,670.01	217,201.26
Local education surcharges	125,247.06	107,436.51
Property tax	999,276.01	
Land royalties	313,823.91	
Vehicle and vessel tax	104,550.00	
Stamp duty	392,229.90	
Total	3,419,067.33	2,431,673.65

**5.41 Selling and distribution expense**

Items	2016	2015
Transportation expense	5,641,751.46	6,014,820.24
Serving charges	21,107,497.27	18,005,861.05

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Lump sum charge	5,138,275.61	5,239,045.34
Travelling expense	3,163,451.45	3,305,751.51
Business funds	992,542.17	800,959.82
Others	9,139,878.24	4,805,420.25
Total	45,183,396.20	38,171,858.21

**5.43 General and administrative expense**

Items	2016	2015
Employee benefits	37,796,910.63	32,179,382.00
Office supplies	2,041,719.04	2,997,084.90
Depreciation cost	5,283,846.85	6,868,737.67
Entertainment expense	2,038,417.91	1,837,415.21
Travelling expense	1,325,574.37	1,540,227.28
Intermediary service expense	1,328,188.41	6,909,014.24
Others	12,022,157.26	18,563,340.44
Total	61,836,814.47	70,895,201.74

**5.44 Financial expense**

Items	2016	2015
Interest expense	5,890,201.37	7,715,645.88
Minus: Interest income	1,512,425.35	1,906,035.37
Gain or loss on foreign exchange	2,155,414.92	-4,018,884.54
Bank Charges	752,338.75	668,504.40
Total	7,285,529.69	2,459,230.37

**5.45 Impairment loss on assets**

Items	2016	2015
Loss on bad debts	635,340.07	6,219,547.96
Loss on diminution in value of inventory	806,985.96	66,444.38
Loss on impairment of fixed Assets	3,908,855.45	
Loss on impairment of intangible Assets	530,000.00	
Total	5,881,181.48	6,285,992.34

**5.46 Gain or loss from changes in fair value**

Source of gain on changes in fair value	2016	2015
Financial assets measured in fair value and the changes charged to the current gain or loss.	-141,735.00	-1,947,582.18

**5.47 Investment income**

**1) Details for investment income**

Items	2016	2015
Investment income from long-term equity investment under equity method	1,824,389.69	-2,961,900.58
Investment income from disposal of long-term equity investment	20,745.61	
Investment income from holding financial assets calculated by the fair value, which variation was credited to the current profit and loss.	7,210.00	6,775.00
Investment income from holding available-for-sale financial assets.		367,920.00
Investment income from disposal of financial assets calculated by the fair value, which variation was credited to the current profit and loss.	313,240.30	3,568,354.43
Investment income from disposing available-for-sale financial assets.		53,572,188.13
Others (Note)	316,864.88	1,109,560.92
Total	2,482,450.48	55,662,897.90

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

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

Items	2016	2015
BiowordGenechip Inc., Shanghai	4,336,503.12	-13,833.47
Shanghai KONAKA Co., Ltd.	-2,124,428.70	-2,875,571.30
Shanghai Wantu Yunyi Investment Advisory Management Co., Ltd	-387,684.73	-72,495.81
Total	1,824,389.69	-2,961,900.58

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

Name of investee	2016	2015
Shanghai KONAKA Co., Ltd (Note)	20,745.61	

Note: For details please refer to Note 13.6.4).

**5.48 Non-operating profit**

Items	2016	2015	Amount included in non-recurring profit or loss
Gain on disposal of non-current assets	610,928.63	974,913.93	610,928.63
Among which: Gain on disposal of fixed assets	610,928.63	974,913.93	610,928.63
Compensation earnings of land purchase and storage (Note 1)	129,902,708.21		129,902,708.21
Government subsidy	2,126,099.29	1,107,099.05	2,126,099.29
Earnings of subsidiary acquisition (Note 2)	509,274.40		509,274.40
Others	165,781.02	132,503.82	165,781.02
Total	133,314,791.55	2,214,516.80	133,314,791.55

Note 1: For details please refer to Note 13.6.1).

Note 2: When the company purchased subsidiary of Shanghai Yindun Technical Electronics Information Co., Ltd and Shanghai Heyin Security Services Co., Ltd, the negative difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired was recognized in profit or loss for the current period.

Government subsidy included in current profit or loss:

Items	2016	2015	Related with assets or profit
Deferred income amortization from Bingjiang building	181,837.51	181,837.50	Related with assets
Development support fund	364,000.00		Related with profits
Incentive funds for integration compensation	6,288.48	2,858.40	Related with profits
Compensation for relocation	792,403.16	792,403.15	Related with assets
Incentive funds for integrated management system	500,000.00		Related with profits
Incentive funds for integrated management system	280,000.00	130,000.00	Related with profits
Staff education allowance from Pudong New District	1,570.14		Related with profits
Total	2,126,099.29	1,107,099.05	

**5.49 Non-operating expenses**

Items	2016	2015	Amount included in non-recurring profit and loss
Loss on disposal of non-current assets	72,415.01	20,513.15	72,415.01
Among which: Loss on disposal of fixed assets	72,415.01	20,513.15	72,415.01
Donation and sponsorship	21,500.00	25,675.04	21,500.00
Guarantee expenditure		60,000,000.00	
Others	301,519.37	123,871.22	301,519.37
Total	395,434.38	60,170,059.41	395,434.38

**5.50 Income tax expenses**

**1) Income tax table**

Items	2016	2015
Current income tax expenses	3,961,611.47	-8,242,091.73
Deferred tax expenses	-181,688.96	-83,029.48
Total	3,779,922.51	-8,325,121.21

**2) Process of adjustment between accounting profit and income tax**

Items	2016
Profit before tax	95,237,936.08
Income tax expense calculated by legal rate	24,472,932.63
Influence from different tax rate on subsidiaries	
Influence from adjustment on income tax at previous period	44,884.16
Influence on non-taxable income	-1,205,563.42
Influence on non-deductible cost, expense and loss	2,204,993.19

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Items	2016
Influence on using deductible loss from preliminary unconfirmed deferred income tax assets	-23,520,559.10
Influence on the unconfirmed deferred income tax assets attributable to the deductible temporary difference or deductible losses at current period	1,783,235.05
Income tax expenses	3,779,922.51

**5.51 Notes to cash flow statements**

**1) Other cash receipts relating to operating activities**

Items	2016	2015
1. Current account collected and paid on behalf	6,385,068.29	7,946,036.22
2. Special subsidy and government subsidy	651,858.62	632,858.40
3. Rental income	18,992,789.62	24,938,064.00
4. Interest income	1,512,425.35	1,906,035.37
5. Non-operating income	65,176.90	15,774.50
6. Deposit recovery	7,274,483.18	5,635,912.00
7. Others	1,508,574.18	1,369,579.02
Total	36,390,376.14	42,444,259.51

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

Items	2016	2015
1. Current account collected and paid on behalf	3,091,032.21	6,332,137.24
2. Selling expenses	39,406,024.33	37,453,267.32
3. General and administrative expenses	22,204,923.76	22,367,295.42
4. Non-operating expenses	92,789.37	149,546.26
5. Financial expenses	752,338.75	668,504.40
6. Deposit payment	6,078,683.18	4,720,012.00
7. Operating lease expense	4,171,871.37	6,455,832.06
Total	75,797,662.97	78,146,594.70

**3) Other cash receipts relating to investment activities**

Items	2016	2015
Net cash from purchasing subsidy and other companies (Note)	1,742,906.20	

Note: the difference between the net cash of Shanghai Heyin Security services Co., Ltd at purchase day and purchase value paid by the company.

**4) Other cash receipts relating to investment activities**

Items	2016	2015
Deposit received for funds frozen by the court		60,000,000.00

**5) Other cash payments relating to financing activities**

Items	2016	2015
Deposit certificate frozen by the court		60,000,000.00

**5.52 Supplementary information of the statement of cash flows**

**1) Supplementary information of cash flow statements**

Items	2016	2015
1. Net profit adjusted to cash flow from operating activities		
Net profit	91,458,013.57	-38,437,573.95
Plus: Provision for impairment loss on assets	5,881,181.48	6,285,992.34
Depreciation of fixed assets	13,910,641.60	15,134,135.75
Amortization of intangible assets	268,658.45	369,011.05
Amortization of long-term deferred expenses	486,015.96	742,513.33
Losses on disposal of fixed assets, intangible assets and other long-term assets (deduct: Gains)	-130,441,221.83	-954,400.78
Losses on scrap of fixed assets (deduct: Gains)		
Losses on changes in fair value (deduct: Gains)	141,735.00	1,947,582.18
Financial expenses (deduct: Income)	8,045,616.29	3,696,761.34
Losses arising from investments (deduct: Gains)	-2,482,450.48	-55,662,897.90
Decrease in deferred tax assets (deduct: Increase)	-181,688.96	-83,029.48
Increase in deferred tax liabilities (deduct: Decrease)		
Decrease in inventories (deduct: Increase)	20,306,697.82	5,034,053.71

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Items	2016	2015
Decrease in operating receivables (deduct: Increase)	47,066,342.08	40,902,427.42
Increase in operating payables (deduct: Decrease)	-36,116,497.37	21,066,238.09
Others	1,195,800.00	
Net cash flows from operating activities	19,538,843.61	40,813.10
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	215,623,115.03	80,172,446.52
Minus: Beginning balance of cash	80,172,446.52	75,187,261.94
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	135,450,668.51	4,985,184.58

2) Net cash of subsidy paid by the company

Items	Shanghai Yindun Technical Electronics Information Co., Ltd	Shanghai Heyin Security Services Co., Ltd
Cash and cash equivalent paid and company combined in FY 2016	8,000,000.00	880,000.00
Minus: Cash and cash equivalent held by subsidy at purchase day	3,644,459.86	2,622,906.20
Add: Cash and cash equivalent paid in TY 2016 and company combined before year 2016		
Net cash paid by subsidy	4,355,540.14	-1,742,906.20

3) Composition of cash and cash equivalents:

Items	2016	2015
1. Cash	215,623,115.03	80,172,446.52
Among which: Cash in treasury	88,424.59	103,821.73
Unrestricted cash in bank	215,534,690.44	80,068,624.79
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	215,623,115.03	80,172,446.52

5.53 Assets of ownership or use right restrict

Items	Book value(as at December 31, 2016)	Restrict reason
Cash and cash equivalents (others)	197,300.00	Deposit for Letter of Credit
Investment property	5,581,365.26	Assets mortgage for borrowing
Fixed assets	2,260,661.13	Assets mortgage for borrowing
Total	8,039,326.39	

5.54 Foreign currency monetary items

Items	Foreign currency in ending balance	Discount rate	Discounted to RMB in ending balance
Cash and cash equivalents			
Among which: Dollars	1,848,211.70	6.9370	12,821,044.56
Accounts receivable			
Among which: Dollars	1,688,570.16	6.9370	11,713,611.20
Euro	6,455.76	7.3068	47,170.95
Advance from suppliers			
Among which: dollars	15,424,947.76	6.9370	107,002,862.61
Yen	64,405,259.00	0.0596	3,838,553.44
Pound	3,869.00	8.5094	32,922.87
Euro	3,598.53	7.3068	26,293.74

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Items	Foreign currency in ending balance	Discount rate	Discounted to RMB in ending balance
Accounts payable			
Among which: dollars	445,866.81	6.9370	3,092,978.06
Advance to customers			
Among which: Dollars	1,739,488.23	6.9370	12,066,829.85
AUD	39,397.64	5.0157	197,606.74
Euro	177,433.26	7.3068	1,296,469.33

**6. Changes in scope of consolidation**

**6.1 No business combination under different control in FY 2016.**

Items	Time point of getting equity	Cost of getting equity	Proportion (%)	Method of getting equity	Purchase day	Proof of confirmation on purchase day	Revenue of acquiree from purchase day to December 31, 2016	Net profit of acquiree from purchase day to December 31, 2016
Shanghai Yindun Technical Electronics Information Co., Ltd	November 23, 2016	8,000,000.00	100.00	Acquisition of equity	November 31, 2016	Date of equity transfer, date of assets transfer, later of equity purchase	45,425.00	-318,751.17
Shanghai Heyin Security Services Co., Ltd	September 1, 2016	880,000.00	100.00	Acquisition of equity	September 1, 2016	Date of equity transfer, date of assets transfer, later of equity purchase	12,689,704.67	14,342.39

Note 1: On November 15, 2016, the company signed < Shanghai equity transaction contract > with Shanghai Feirong Shiye Development Co., Ltd. The company transferred 100 percent of equity to Shanghai Yindun Technical Electronics Information with RMB 8,000,000.

Shanghai Yindun Technical Electronics Information completed the registration of administration of industry and commerce relating to the change of equity on November 23, 2016 and completed the procedure of profile transfer on November 30, 2016. Shanghai Yindun Technical Electronics Information has become the subsidiary of the company on November 30, 2016, included in scope of consolidation.

In December, 2016, the company increased capital RMB 3,200,000 by Shanghai Sanmao Enterprise (Group) Co., Ltd. After the capital increase, the registered capital of Shanghai Yindun Technical Electronics Information increased from RMB 1,800,000 to RMB 5,000,000. The company has still held 100 percent of equity. The capital increase completed in December of the year 2016.

Note 2: In August, 2016, the subsidiary Shanghai Sanmao Security Services Co., Ltd and the Council of Trade Unions of Bank of Shanghai and Shanghai Feirong Shiye Development Co., Ltd signed <Shanghai Property trade Contract>. the Council of Trade Unions of Bank of Shanghai and Shanghai Feirong Shiye Development Co., Ltd transferred 100 percent of equity of Shanghai Heyin Security Services Co., Ltd to the Company. Shanghai Heyin Security Services Co., Ltd completed the procedure of transferring of property trade on August 31, 2016 and completed the registration of administration of industry and commerce on September 1, 2016. Thus, Shanghai Heyin Security Services Co., Ltd became the subsidiary of Shanghai Sanmao Security Services Co., Ltd on September 1, 2016 and was included in the scope of consolidation.

**6.1.1 Combination Cost and goodwill**

Items	Shanghai Yindun Technical Electronics Information Co., Ltd	Shanghai Heyin Security Services Co., Ltd
Combination Cost		
—Cash	8,000,000.00	880,000.00
Subtotal	8,000,000.00	880,000.00
Minus: the fair value of the identifiable net assets acquired from the acquired	8,485,750.56	903,523.84
The difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired	-485,750.56	-23,523.84

**6.1.2 Identifiable assets and liabilities at purchase day**

	Shanghai Yindun Technical Electronics Information Co., Ltd		Shanghai Heyin Security Services Co., Ltd	
	Fair value on purchase day	Book value of purchase day	Fair value on purchase day	Book value of purchase day
Assets:	9,478,526.22	8,918,179.93	3,493,467.05	3,493,467.05
Cash and cash equivalent	3,644,459.86	3,644,459.86	2,622,906.20	2,622,906.20
Account receivable	3,854,199.86	3,854,199.86	870,560.85	870,560.85
Other receivables	41,543.00	41,543.00		

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	Shanghai Yindun Technical Electronics Information Co., Ltd		Shanghai Heyin Security Services Co., Ltd	
	Fair value on purchase day	Book value of purchase day	Fair value on purchase day	Book value of purchase day
Inventory	1,110,778.16	1,110,778.16		
Other current assets	164,309.68	164,309.68		
Fixed assets	663,235.66	102,889.37		
Liabilities:	992,775.66	992,775.66	2,589,943.21	2,589,943.21
Account payable	772,966.67	772,966.67	1,315,265.50	1,315,265.50
Advance to customers	45,425.00	45,425.00		
Employee benefits payable	78,367.76	78,367.76	545,365.70	545,365.70
Tax payable	95,550.67	95,550.67	683,072.69	683,072.69
Other payables	465.56	465.56	46,239.32	46,239.32
Net assets	8,485,750.56	7,925,404.27	903,523.84	903,523.84
Minus: Rights of minority shareholders				
Net assets	8,485,750.56	7,925,404.27	903,523.84	903,523.84

**6.2 No business combination under common control occurred in FY 2016.**

**6.3 There was no reverse takeover in FY 2016.**

**6.4 There was no disposal of subsidiaries**

**6.5 Other reasons for the change of consolidated scope**

In FY 2016, three subsidiaries quit from the scope of consolidation due to cancellation of registration of administration of industry and commerce: Shanghai Maofeng Property Management Co., Ltd, Shanghai Shenyi Mill Co., Ltd and Shanghai Shanyun International Trade Co., Ltd.

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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 1)	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 (Note 1)	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	Shanghai	Shanghai	Investment and Administration	51.00		Set up
Shanghai Yindun Technical Electronics Information Co., Ltd (Note 4)	Shanghai	Shanghai	Security service	100.00		Combination under different control
Shanghai Heyin Security Services Co., Ltd (Note 4)	Shanghai	Shanghai	Security service		100.00	Combination under different control

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Note 1: These companies completed the liquidation and cancellation of registration of administration of industry and commerce.

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 at the beginning of the year. On August 25, 2016, the company signed equity transfer contract with Shanghai No.1 Mill Textile Co., Ltd that the 100 percent of equity interests of Shanghai No.1 Mill Textile (Chongqing) Co., Ltd held by Shanghai No.1 Mill Textile Co., Ltd transferred to the company at assessed value RMB 74,045,200 and completed the change procedure of registration of administration of industry and commerce on September 27, 2016. After the procedure, the company held 100 percent 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 at the beginning of the year. On August 25, 2016, the company signed equity transfer contract with Shanghai No.1 Mill Textile (Chongqing) Co., Ltd that the 100 percent of equity interests of Taicang Sanmao Textile Co., Ltd held by Shanghai No.1 Mill Textile (Chongqing) Co., Ltd transferred to the company at assessed value RMB 14,451,800 and completed the change procedure of registration of administration of industry and commerce on September 2, 2016. After the completion, the company held 100 percent of equity interests of Taicang Sanmao Textile Co., Ltd.

Note 4: For more details please refer to Note 6.1

- 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.**

**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	5,262,026.73	3,049,952.32
Amount calculated according to the shareholding proportions		
—Net profit	4,336,503.12	-2,210,881.05
—Other comprehensive income		
—Total comprehensive income	4,336,503.12	-2,210,881.05
Joint ventures:		
Total book value of investment	1,249,819.46	1,637,504.19
Amount calculated according to the shareholding proportions		
—Net profit (Note)	-252,976.57	-72,495.81
—Other comprehensive income		
—Total comprehensive income	-252,976.57	-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	Fair value	Fair value	

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	measure in level 1	measure in level 2	measure in level 3	
<b>1、 Fair value measured persistently</b>				
(1) Financial assets measured in fair value and the changes charged to the current profit or loss	360,925.00			360,925.00
Trading financial assets	360,925.00			360,925.00
Among which: Equity instruments investment	360,925.00			360,925.00
(2) Available-for-sale financial assets	11,889,534.00			11,889,534.00
Among which: Equity instruments investment	11,889,534.00			11,889,534.00
<b>Total assets measured in fair value persistently</b>	12,250,459.00			12,250,459.00

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 (%)
Chongqing Light Industry and Textile Holdings and Textile Holdings	Chongqing	Operating and administrate state-owned assets	RMB 180,000.00	25.95	25.95

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 (not associates after equity transfer on November 22, 2016)
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	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, 2016	As at December 31, 2015
Shanghai KONAKA Co.,Ltd	Procurement of goods		1,358.12
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, 2016	As at December 31, 2015
Shanghai KONAKA Co.,Ltd	Sales of goods	40,824.95	114,785.92

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

3) Leasehold to related parties

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Names of Lessor	Names of Lessee	Types of leasing assets	Lease rental in current year	Lease rentals in last year
Shanghai SanMao Enterprise (Group) Co., Ltd	Shanghai Wantuyunyi Investment and Development Co., Ltd.	Buildings and constructions	734,603.16	97,539.84
Shanghai Sanmao International E-commerce Life Square Trade Co., LTD.	Shanghai SanMao Enterprise (Group) Co., Ltd	Buildings and constructions		55,846.37

**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.	20,000,000.00	Jan 15, 2015	Jan 5, 2016	Yes
Shanghai Sanmao Enterprise (Group) Co., Ltd.	Shanghai Sanjin Import and Export Co., Ltd.	20,000,000.00	Jan 27, 2016	Jan 18, 2017	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	May 27, 2015	May 27, 2016	Yes
Shanghai Sanmao Asset Management Co., Ltd	Shanghai Sanmao Enterprise (Group) Co., Ltd.	45,000,000.00	Sep 12, 2014	Sep 12, 2016	Yes
Shanghai Jiayi Venture Capital Co., Ltd	Shanghai Sanmao Enterprise (Group) Co., Ltd.	18,000,000.00	July 20, 2016	July 14, 2017	No

**5) The short-term loan between related parties**

(a) There is no capital borrowed from related party

(b) Capital lent to related party

Related party	Amount	Starting date	Maturing date
Shanghai Sanjin Import and Export Co., Ltd.	15,000,000.00	2016-1-4	2016-12-28

**Note:**

As at December 31, 2016, 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, 2016		As at December 31, 2015	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables					
	Shanghai Sanmao International E-commerce Life Square Trade Co., LTD			37,230.91	

**2) Payables due to related parties:**

Items	Related party	As at December 31, 2016	As at December 31, 2015
Other payables			
	Bioword Genechip Inc., Shanghai	76,160.16	80,023.12
	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 2016.

**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 2016 was as follows:

Property for rent	Original Value of investment property	Net value of investment property as at December 31, 2016	Leasehold income as at December 31, 2016
No. 51, Lane 200, Hangtou, Xiasha New Street, Nanhui	8,077,541.96	5,581,365.26	520,159.70
No. 380 Qi Lian Shan Road	9,810,896.30		1,102,417.00
No 369 Lihang Road	20,942,324.81	2,193,345.30	1,270,615.71
No. 781-783, Xietu Road	18,188,833.12	13,221,007.94	2,415,204.86
6#(D), No. 791, Xietu Road	5,368,197.10	4,188,871.01	1,505,321.46
4#, 5#, 10#, No. 791, Xietu Road	42,527,488.00	34,194,758.83	4,974,210.86
No. 3019 West Gaoke Road	9,907,880.00	6,519,696.53	1,809,501.09
No. 1058 Yangshupu Road	130,791,459.27	122,249,141.97	734,603.16

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 Room 1401-1415, No.1476, No.1482, Pudong Avenue [real estate certificate number: HFDPPZ (2008) No. 62338] and the real estate on No. 51, 200 Lane, Xiashaxin Street, Hangtou 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, 2016, the total book value of the two real estates was RMB 12,669,230.13 and the net value was RMB7,842,026.39.

ii) 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 December 31, 2016, the company has paid off all borrowings and relieved all procedures of property mortgage.

## 11.2 Contingency

Contingent liabilities arising from guarantee for other parties and relevant financial impact as at December 31, 2016

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 13,236.57	2017-1	No material effects

Note: It refers to the actual amount guaranteed as at December 31, 2016.

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, 2016, 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.

## 12. Post balance sheet events

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

As at December 31, 2016, there was no significant post balance sheet events which have no need to be adjusted.

12.2 Note to profit distribution

In accordance with 2016 profit distribution plan passed by the 4th meeting of the 9th session of the Board of Directors on March 23, 2017, 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) Events of land purchased and storage at Land No.7 and No.8, Block 655, Shanghai Taopu Science and Technology City

The company signed <The Compensation Agreement of Land purchase and storage at Estate No.7, Neighbor 655, Putuo District> and < The Compensation Agreement of purchased and storage at Land No.7, No.8, Block 655, Shanghai Taopu Science and Technology City, Putuo District > with Shanghai Land Development Centre of Putuo District and Shanghai Taopu Science and technology City and Development Co., Ltd with total price of RMB 200,720,000 (Land No.7, Block 655: RMB 42,900,000; Land No.8, Block 655: RMB 157,820,000). The state-owned land use right located at No.380, Qi Lianshan Road (including buildings and affiliated facilities) was transferred to Shanghai Land Development Centre of Putuo District and Shanghai Taopu Science and technology City and Development Co., Ltd to purchase and storage.

Situation of land and buildings above:

Numbers	Estate No.7, Neighbor 655	Estate No.8, Neighbor 655
Number of Property ownership Certificate	HFDPZ (2004) No. 048136	HFDPZ (2004) No. 048135
Source of	Appropriated	Appropriated
Usage	Industrial land	Industrial land
Parcel area (m <sup>2</sup> )	4,403	16,187
Construction area (m <sup>2</sup> )	2,171.50	14,303.80
Price of purchase and storage	42,900,000	15,782,000
Amount of investment property corresponding with land purchase and storage	9,810,896.30	34,733,453.70

As at December 31, 2016, the Company received compensation of Land No.8 at RMB 157,820,000 and transferred to Shanghai Taopu Science and Technology City and Development Co., Ltd. The event of land purchase and storage has been completed. The Company confirmed the amount of land purchased and storage at RMB 157,820,000, deducting the net value of investment property purchased at RMB 24,903,163.22 and the concerning resettlement fees, as net profit of at RMB 129,902,708.21 as current profits.

As at December 31, 2016, the company received the first payment of compensation of Land No.7 at RMB 17,160,000. Due to the incompleteness of land purchase and storage, the company confirmed the balance (RMB 17,004,458.83) of first payment deducted resettlement fees (RMB 155,541.17) incurred as other current liabilities. Meanwhile, the company classified the net value at December 31, 2016 of investment property at RMB 7,030,496.06 corresponding with buildings and constructions as available-for-sale assets.

Until the report date, the company has transferred land of Land No.7 to Shanghai Taopu Science and Technology City and Development Co., Ltd and has received all compensation of land purchased and storage of Land No. 7.

##### 2) Event of transferring the equity of Ancheng Asset Insurance Co., Ltd

The company signed equity transformation agreement with Chongqing Yufu Assets Management Group Co., Ltd (hereinafter referred to as Yufu Group) that the company transferred 5,000 shares (account for 1.2267%) held by non-marketable financial firms Ancheng Asset Insurance Co., Ltd to Yufu Group at RMB1.40 per share. The whole trading amount was RMB 70,000,000.

As at December 31, 2016, the company received all equity transformation payment paid by Yufu Group at RMB 70,000,000. Since Ancheng Asset Insurance Co., Ltd has not completed the procedure of registration of administration of industry and commerce, the company classified equity investment of Ancheng Asset Insurance Co., Ltd which is included in available-for-sale financial assets at RMB 50,000,000 as available-for-sale assets. The company recognized equity transfer payment of RMB 70,000,000 as advances from customers.

Until the report date, Ancheng Asset Insurance Co., Ltd completed the procedure of change of registration of administration of industry and commerce.

##### 3) 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(JZ) 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 Xietu Road for the event.

On January 8, 2016, Shanghai No.2 Intermediate People's Court received the payment of Shanghai Bohu Investment Consultation Company at RMB 20,433,700.

On October 21, 2016, Bioword Company received the execution payment paid by Shanghai No.2 Intermediate People's Court with profile [HEZZZ(2004) No.202] at RMB 20,433,700.

The book balance of the mentioned accounts receivable was RMB 17,437,700 and the provision for bad debt was RMB 15,694,000. After receiving the payment above, Bioword Company recovered the provision for bad debt of 15,694,000 and confirmed the excess portion of the book balance( RMB 17,437,700.00) as non-operating incomes (RMB 2,995,990.71), the concerning attorney's fees had been booked as current fees.

#### **4) Events of shares transformation of Shanghai Konaka Costume and Clothing Ltd. :**

The Company signed a "Protocol of Shares Transformation" during October, 2016 which appointed to transfer 50% shares of Konaka held by the Company to the Konaka., Ltd at the price as 1 CNY per share. The Company would not hold the shares of Shanghai Konaka Costume and Clothing Ltd any more after the shares transformation accomplished. Meanwhile, the Company credited CNY 20,745.61 to its investment income account.

#### **5) Events of shut the Company's branch offices and subsidiary corporations :**

For the Company's adjustment of its industrial structure and resources reassignment of its branch offices and subsidiary corporations, the Company this year has shut down its following branch offices and subsidiary corporations: Shanghai Sanmao Enterprise (Group)Co.,Ltd Zhaori Branch Office, Shanghai Sanmao Enterprise (Group)Co.,Ltd Sanxiang Woolen and Knitting Mill, Shanghai Shenyimaotiao Co. Ltd., Shanghai Shanyun International Trading and Commerce Co. Ltd., Shanghai Maofeng Property Management Co. Ltd.. As at December 31, 2016, the process of shutting down the companies mentioned have been all completed.

Shanghai Yizhi Investment Management Co. Ltd was established in January 2016 which jointly invested by Shanghai Jiayi Venture Capital Co. Ltd., Shanghai Mayi Xiongbin Investment Management Co. Ltd., Shanghai Aizhi Culture Communication Co. Ltd.. And Shanghai Yizhi Investment Management Co. Ltd, one of its shareholders, owns 20% of its shares. As the shareholders couldn't reach an agreement on the management direction of Shanghai Yizhi Investment Management Co. Ltd and subsidiary corporations, Shanghai Yizhi Investment Management Co. Ltd was agreed to be shut down. The process of cancellation of Shanghai Yizhi Investment Management Co. Ltd has been accomplished due to December 31, 2016.

#### **6) 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, 2016, the Company had not received this payment for goods. The book balance of the receivables of the Company due from Fenhua 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.

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

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.

As at December 31, 2016, Shanghai Sanmao Import and Export Co., Ltd. is still in the process of bankruptcy liquidation.

#### **8) 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, 2016, 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.

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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, 2016					As at December 31, 2015				
	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	33.95	1,058,099.76	100.00		1,058,099.76	23.17	1,058,099.76	100.00	
Accounts receivable with provision for bad debts on a risk portfolio basis	1,681,823.58	53.95	33,636.47	2.00	1,648,187.11	3,131,485.48	68.57	62,629.71	2.00	3,068,855.77
Individually immaterial accounts receivable with separately-made provision for bad debts	377,155.72	12.10	377,155.72	100.00		377,155.72	8.26	377,155.72	100.00	
Total	3,117,079.06	100.00	1,468,891.95		1,648,187.11	4,566,740.96	100.00	1,497,885.19		3,068,855.77

Individually material accounts receivable with separately-made provision for bad debts as at December 31, 2016:

Accounts receivable (by company)	As at December 31, 2016			
	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, 2016		
	Accounts receivable	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1year)	1,681,823.58	33,636.47	2.00

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

The amount of provision of bad-debt provision was RMB -28,993.24 in FY 2016.

3) There are no accounts receivable actually written off in FY 2016

4) Top 5 debtors of accounts receivable as at December 31, 2016

Company	As at December 31, 2016		
	Accounts receivable	Proportion of total accounts receivable (%)	Provision for bad debt
First	1,058,099.76	33.95	1,058,099.76
Second	867,402.80	27.83	17,348.06
Third	571,462.60	18.33	11,429.25
Forth	266,996.00	8.57	266,996.00
Fifth	138,354.00	4.44	2,767.08
Total	2,902,315.16	93.12	1,356,640.15

- 5) There were no receivables derecognized due to transfer of financial assets in 2016.  
 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, 2016					As at December 31, 2015				
	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	32.38	13,829,313.37	100.00		13,829,313.37	31.37	13,829,313.37	100.00	
Other receivables with provision for bad debts on a risk portfolio basis	24,789,547.45	58.05	341,453.16	1.38	24,448,094.29	26,294,203.27	59.65	314,161.92	1.19	25,980,041.35
Individually immaterial other receivable with separately-made provision for bad debts	4,086,446.97	9.57	4,086,446.97	100.00		3,958,011.99	8.98	3,958,011.99	100.00	
<b>Total</b>	<b>42,705,307.79</b>	<b>100.00</b>	<b>18,257,213.50</b>		<b>24,448,094.29</b>	<b>44,081,528.63</b>	<b>100.00</b>	<b>18,101,487.28</b>		<b>25,980,041.35</b>

Individually material other receivables with separately-made provision for bad debts as at December 31, 2016:

Other receivables (by company)	As at December 31, 2016			
	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
<b>Total</b>	<b>13,829,313.37</b>	<b>13,829,313.37</b>		

Other receivables with provision for bad debts made by aging analysis method within the portfolio:

Aging	As at December 31, 2016		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	23,544,018.41		
1-2 years (including 2 years)	47,500.00	4,750.00	10.00
2-3 years (including 3 years)	227,055.50	45,411.10	20.00
Over 3 years	970,973.54	291,292.06	30.00
<b>Total</b>	<b>24,789,547.45</b>	<b>341,453.16</b>	

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

The amount of provision of bad-debt provision was RMB 349,663.54 in FY 2016. The recovery of provision of bad-debt provision was RMB 193,937.32.

3) **There are no other receivables actually written off in FY 2016.**

4) **Other receivables classified by payment properties**

Items	As at December 31, 2016	As at December 31, 2015
Current account	29,829,091.65	30,510,662.65
Advances to suppliers	5,546,580.42	5,740,517.74
Cooperative profit	6,569,692.60	6,569,692.60
Deposit	213,478.10	184,403.00
Temporary payment	413,916.52	952,404.14
Pretty cash	132,548.50	123,848.50
Total	42,705,307.79	44,081,528.63

5) **Top 5 debtors of other receivable as at December 31, 2016**

Company name	Nature	As at December 31, 2016	Aging	Proportion of total receivable accounts (%)	Ending balance of provision for bad debts
Shanghai Jiayi Venture Capital Co., Ltd.	Current account	23,421,610.22	Within 1 year	54.84	
Blue Ribbon International Yule Business Co., Ltd	Cooperative profit	6,569,692.60	Over 3 years	15.38	6,569,692.60
Zhangjiagang Heng Tong Mill Textile Co., Ltd.	Advances to suppliers	4,950,517.74	1-2 years	11.59	4,950,517.74
Shanghai Sanmao Import and Export Co., Ltd.	Current account	2,309,103.03	Over 3 years	5.41	2,309,103.03
Shanghai No.1 Mill Textile Co., Ltd.	Current account	2,281,744.70	Within 2 years	5.34	2,281,744.70
Total		39,532,668.29		92.56	16,111,058.07

6) **There was no subsidy due from government as at December 31, 2016.**

7) **There were no other receivables derecognized due to transfer of financial assets in 2016.**

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, 2016			As at December 31, 2015		
	Ending balance	Provision for bad debts	Book value	Ending balance	Provision for bad debts	Book value
Subsidiary	413,246,013.77	45,720,215.28	367,525,798.49	359,500,059.93	32,553,170.38	326,946,889.55
Associates and joint ventures	5,262,026.74		5,262,026.74	3,049,952.32		3,049,952.32
Total	418,508,040.51	45,720,215.28	372,787,825.23	362,550,012.25	32,553,170.38	329,996,841.87

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1) Investment to subsidiary

Name of invested Company	As at December 31, 2015	Increase	Decrease	As at December 31, 2016	Provision in current period	Provision as at December 31, 2016
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	19,180,000.00	19,180,000.00
Shanghai Shenyi Mill Co., Ltd	49,500,000.00		49,500,000.00			
Shanghai Shanhe Investment Administration Co., Ltd.	27,000,000.00			27,000,000.00	530,000.00	14,870,489.17
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	20,000,000.00		30,000,000.00		
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		
Shanghai No.1 Mill Textile (Chongqing) Co., Ltd		68,640,034.83		68,640,034.83		
Taicang Sanmao Textile Co., Ltd		8,405,919.01		8,405,919.01		
Shanghai Yindun Technical Electronics Information Co., Ltd		11,200,000.00		11,200,000.00		
Total	359,500,059.93	108,245,953.84	54,500,000.00	413,246,013.77	19,710,000.00	45,720,215.28

2) Investment on Associates and Joint Ventures

Name of invested Company	As at December 31, 2015	Increase/Decrease							As at December 31, 2016	Provision in current period	Provision as at December 31, 2016
		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	925,523.62			4,336,503.12					5,262,026.74		
Shanghai KONAKA Co.,Ltd (Note)	2,124,428.70			-2,124,428.70							
Total	3,049,952.32			2,212,074.42					5,262,026.74		

Note: For more details please refer to Note 13.6.4).

#### 14.4 Sales from operations and cost of operations

Items	2016		2015	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Principal activities	48,505,564.38	44,646,310.90	67,491,943.79	61,244,144.51
Other activities	8,327,265.20	3,260,336.25	12,185,415.53	2,610,106.47
Total	56,832,829.58	47,906,647.15	79,677,359.32	63,854,250.98

#### 14.5 Investment income

##### 1) Details for Investment Income

Items	2016	2015
Investment income from long-term equity investment under cost method	5,130,662.81	2,516,943.77
Investment income from long-term equity investment under equity method	2,212,074.42	-2,889,404.77
Investment income from disposal of long-term equity investments	-2,926,705.33	
Investment income from holding financial assets calculated by the fair value, which variation was credited to the current profit and loss.	1,600.00	1,525.00
Investment income from holding available-for-sale financial assets.		367,920.00
Investment income from disposal of financial assets calculated by the fair value, which variation was credited to the current profit and loss.	286,577.88	500,145.40
Investment income from disposal of available-for-sale.		53,572,188.13
Other (Note)	302,084.98	1,035,308.60
Total	5,006,294.76	55,104,626.13

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

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

Items	2016	2015
Baoji Lingyun Wanzheng Circuit Board Co., LTD	1,642,544.00	1,456,600.00
Shanghai Sanmao Security Service Co., Ltd.	2,171,036.28	1,060,343.77
Shanghai Sanlian Textile and Dye Co., Ltd	1,317,082.53	
Total	5,130,662.81	2,516,943.77

##### 3) Investment income from long-term equity investment under equity method

Items	2016	2015
Bioword Genechip Inc., Shanghai	4,336,503.12	-13,833.47
Shanghai KONAKA Co., Ltd.	-2,124,428.70	-2,875,571.30
Total	2,212,074.42	-2,889,404.77

##### 4) Return on investment generated by long-term equity disposal

Items	2016	2015
Shanghai Shenyi Mill Co., Ltd (Note 1)	-42,300.94	
Shanghai Shanyun International Trade Co.,Ltd (Note 1)	-2,905,150.00	
Shanghai KONAKA Co., Ltd (Note 2)	20,745.61	
Total	-2,926,705.33	

Note 1: Shanghai Shenyi Mill Co.,Ltd and Shanghai Shanyun International Trade Co., Ltd cancelled during year 2016.

Note 2: For more details please refer to Note 13.6.4).

#### 14.6 Supplementary information of the statement of cash flows

##### 1) Supplementary information of cash flow statements

Items	2016	2015
1. Net profit adjusted to cash flow from operating activities		
Net profit	84,871,405.15	-31,379,382.20
Plus: Provision for impairment loss on assets	20,699,910.02	7,419,657.79
Depreciation of fixed assets	4,920,316.18	5,439,365.35
Amortization of intangible assets	29,108.33	162,504.19
Amortization of long-term deferred expenses		63,335.17
Losses on disposal of fixed assets, intangible assets and other long-term assets (deduct: Gains)	-129,840,215.15	890.00
Losses on scrap of fixed assets (deduct: Gains)		
Losses on changes in fair value (deduct: Gains)	62,055.00	-109,697.00
Financial expenses (deduct: Income)	5,182,245.79	6,813,698.17
Losses arising from investments (deduct: Gains)	-5,006,294.76	-55,104,626.13
Decrease in deferred tax assets (deduct: Increase)		

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Items	2016	2015
Increase in deferred tax liabilities (deduct: Decrease)		
Decrease in inventories (deduct: Increase)	755,095.03	-1,073,760.76
Decrease in operating receivables (deduct: Increase)	-6,392,704.88	37,687,469.68
Increase in operating payables (deduct: Decrease)	49,160,604.31	-8,259,762.24
Others		
Net cash flows from operating activities	24,441,525.02	-38,340,307.98
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	122,238,361.79	42,753,170.92
Minus: Beginning balance of cash	42,753,170.92	24,130,022.22
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	79,485,190.87	18,623,148.70

## 15 Supplementary materials

### 15.1 Non-recurring gain or loss in the current year

Items	2016	2015
Profit and loss of non-current assets disposal	130,461,967.44	954,400.78
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	2,126,099.29	1,107,099.05
The negative difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired.	509,274.40	
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	495,580.18	56,677,216.30
Recovery of account receivables with separately-made provision for impairment	193,937.32	
Other operating revenues and expenditures in addition to the above items	-157,238.35	-17,042.44
Other profit or loss items accordance with the definition of non-recurring profit or loss (Note)	4,333,280.57	
Influence of income tax	-2,242,290.06	-923,274.00
Influence of minority shareholders' profit and loss(after tax)	129,985.90	58,081.39
Total	135,850,596.69	-2,143,518.92

Note: As it is said in 13.6.4), joint venture of the company named Bioword Genechip Inc., Shanghai generated non-recurring profit or loss during the year 2016, the company recognized investment income according to proportion of shareholding.

### 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	24.49	0.46	0.46
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss	-14.00	-0.22	-0.22

Shanghai SanMao Enterprise (Group) Co., Ltd.

March 23, 2017