

Company Code: 600689 900922 Abbreviation of the Company: *ST Sanmao *ST Sanmao B

Shanghai Sanmao Enterprise (Group) Co., Ltd. **Annual Report 2014**

Important Notice

I. Hereunder, the Board of Directors, the Supervisory Board, directors, supervisors and senior executives of the Company guarantee that the Annual Report is of authenticity, accuracy and integrity; it contains no major omission, false record or serious misleading statement; they will be responsible both individually and jointly for any of above guaranty.

II. All directors attended the Board meeting.

III. Shanghai Shu Lun Pan Certified Public Accountants LLP produced for the Company a standard unqualified auditor's report.

IV. Company responsible person Zhang Wenqing, responsible person for accounting Zhu Jianzhong (note) and Chief of financial department (accounting chief) Zhou Zhiyu hereby declare that the financial report in the annual report is true, accurate and complete.

Note: Mr. Zhu Jianzhong resigned from the Company's posts of board director and CFO, on December 23, 2014; until the board of directors of the Company appoints the new CFO, Mr. Zhu Jianzhong will still perform related duties.

V. Report period profit distribution preplan or preplan for capital reserve transfer to increase capital stock as audited by the board

As audited by Shanghai Shu Lun Pan Certified Public Accountants LLP, net profit of the parent company in the year 2014 being 56,556,837.27 yuan.

Undistributed profit of parent company is as follows:

Starting undistributed profit: -117,920,109.34 yuan;

Net profit report year 56,556,837.27 yuan;

Undistributed net profit at period end 2014: -61,363,272.07 yuan

Considering the fact that the undistributed profit of parent company at period end 2014 is negative, it is therefore proposed: for the year 2014 not to distribute profit, or increase capital stock with capital reserve.

VI. Forward-looking risk statements

Any prospective statement in this report concerning future planning, strategic development etc. shall not constitute any substantial promise of the Company to its investors. Investors please be reminded of such.

VII. Non-recurring fund occupation by the controller or its related parties exists or not?

No

VIII. External guaranty violating related procedures exists or not?

No

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Chapter I Definition and Substantial Risk Reminding

I. Definition

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

Definition of frequently used terms		
CSRC	Refers to	China Securities Regulatory Commission
Securities Regulatory Bureau	Refers to	China Securities Regulatory Commission Shanghai Regulatory Authority
Shanghai Stock Exchange	Refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd.
The Company, Shanghai Sanmao, Sanmao Group, the Group	Refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd.
The controlling shareholder, Chongqing Textile	Refers to	Chongqing Textile Holdings (Group) Co., Ltd.
Yi Top Company	Refers to	Shanghai Yi Top Textile Co., Ltd.
Sanmao Online Purchase Compant	Refers to	Shanghai Sanmao International Online Purchase Life Plaza Trading Co., Ltd.
Baoji Lingyun	Refers to	Shaanxi Baoji Lingyun Wanzheng Circuit Board Co., Ltd.
Sanmao Security	Refers to	Shanghai Sanmao Security Service Co., Ltd.
Sanmao Import and Export, Old Sanjin	Refers to	Shanghai Sanmao Import and Export Co., Ltd.
New Sanjin	Refers to	Shanghai Sanjin Import and Export Co., Ltd.
KONAKA	Refers to	Shanghai KONAKA clothing Co., Ltd.
Yitiao Company	Refers to	Shanghai Yitiao Textile Co., Ltd.
yuan	Refers to	RMB yuan

II. Substantial Risk Reminding

1. As audited net profit of the Company for the years 2012 and 2013 was negative, upon the release of the 2013 annual report the Company was listed on the delisting risk warning plate by Shanghai Stock Exchange. In 2014 the Company's audited net profit is positive, conditions for the implementation of the delisting risk warning have thus been eliminated, and the Company will apply to Shanghai Stock Exchange for the lifting of the delisting risk warning upon release of the annual report, while SSE will determine whether to cancel the implementation of the delisting risk warning to the Company based on the actual situation.

2. As for other risks, the Company has carried out a detailed description in this report. Please refer to the analysis and discussion by the board of directors about the future development of the Company in the report by the board of directors.

Chapter II Company Profiles

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	*ST三毛
English name of the Company	SHANGHAI SANMAO ENTERPRISE (GROUP) CO., LTD.
English abbreviation of the Company	SMEG
Legal representative	Zhang Wenqing

II. Contact information

	Board secretary
Name	Shen Lei
Address	No. 791 Xietu Road
Tel.	021-63059496
Fax	021-63018850
Email	shendby@600689.com

III. Basic information of the Company

Registered address	Room 1401-1405, No. 1476 and 1482, Pudong Avenue, Pudong New Area
Post code	200135
Office address	No. 791 Xietu Road
Post code	200023
Website	www.600689.com
Email	sanmaogroup@600689.com

IV. Information disclosure media and placemen

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	http://www.sse.com.cn
Annual Report placed at	No. 791 Xietu Road

V. Company stock information

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

VI. Business registration alterations in report period

(I) Basic information

Registration Date	2014-11-27 (note)
Registration location	Shanghai Industrial and Commercial Administrative Bureau
Corporate business license registration number	310000400072008
Tax Registration Number	State tax Hu Zi No. 310115607251498
Organization code	607251498

Note: According to the State Administration for Industry and Commerce Notice on the Introduction of the New Version of Business License and Related Issues (Gong Shang Qi Zi No. [2014]30), the Company replaced its business license for the new version on November 27, 2014, with registered information unchanged.

(II) Index to the Company's initial registration

For details please refer to Basic Information in Annual Report 2011.

(III) Major business operation changes since listing

In January 2004, the Company's business scope changed as follows: production and sales of wool tops, wool yarn, textiles and apparel, sales of self-made products; wool textile technology consulting; investment business in line with State industrial policies (operating subject to licensing in case of such requirement)

In December 2008, business scope changed as follows: in the field of investment State policy permits, conduct investment in accordance with law; external rental and management of real estate Company possesses; production of wool tops, wool yarn, textiles and clothing; sales of self-made products and related technology consulting; software, Web design and development, Web development, system integration, enterprise information technology services.(operating subject to administrative approval in case of such requirement)

In March 2012, business scope changed as follows: in the field of investment State policy permits, conduct investment in accordance with law; external rental and management of real estate Company possesses; production of wool tops, wool yarn, textiles and clothing; sales of self-made products and related technology consulting; software, Web design and development, Web development, system integration, enterprise information technology services; minerals (including iron ore), metal material (except for precious metals), steel products wholesale. (Not concerning State restricted trading goods, involving quotas, licenses products, subject to application according to relevant State provisions; operating subject to administrative approval in case of such requirement.)

In July 2012, business scope changed as follows: in the field of investment State policy permits, conduct investment in accordance with law; external rental and management of real estate Company possesses; production of wool tops, wool yarn, textiles and clothing; sales of self-made products and related technology consulting; software, Web design and development, Web development, system integration, enterprise information technology services; minerals (including iron ore), metal material (except for precious metals), steel products wholesale; pre-packaging food (excluding cooked food, salted meat and frozen food), dairy (including infant formula milk powder) (for food, only limited to wholesale in non-physical way), edible agricultural products (except for livestock products such as grains, pigs, cattle, and sheep etc.), communications equipment and related products, and computer hardware and software (excluding audio and video products, electronic publications), commodities, crafts (except relics), hardware, building materials (except cement), decoration material, auto accessories, cosmetics, stationery, watches, clocks and glasses (except contact lenses), photography equipment, jewelry (except raw diamond, bare diamonds), wholesale, retail, import/export, commission agents on the Internet of Class-A medical devices (excluding auction) and after-sales service; communications equipment (except those with specific control) maintenance; warehouse storage (except food and hazardous goods); ticket agent (except air ticket agency). (Not concerning State restricted trading goods, involving quotas, licenses products, subject to application according to relevant State provisions; operating subject to administrative approval in case of such requirement.)

No changes during the reporting period.

(IV) The successive change of the controlling shareholders since listing

The Company is a joint-stock company as approved in July 1993 by the Shanghai Municipal Economic Commission, reorganized on the basis of Shanghai No. 3 Woolen Mill, with issuance of stock to the public; it was listed on Shanghai Stock Exchange in the same year. The controlling shareholder was Shanghai Textile Holding (Group) Company.

On February 26, 2006, Shanghai Textile Holding (Group) Company and Chongqing Textile Holdings (Group) Co., Ltd. signed the Agreement on Transfer of State-owned Equity of Shanghai Sanmao Enterprise (Group) Co., Ltd., according to the agreement, Shanghai Textile Holding (Group) Company should transfer 72,572,143 shares of the Company it held with authorization from Shanghai State-owned Assets Commission, accounting for 36.11% of the total share capital of the Company, free to Chongqing Textile Holdings (Group) Co., Ltd. With completion of this equity transfer, Chongqing Textile Holdings has become the Company's largest shareholder.

VII. 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	Shi Guoliang, Wu Haiyan
Financial adviser to perform the duties of continuous supervision and guidance During the reporting period.	Title	Guojin Securities Co., Ltd.
	Office address	23 F 1088 International Building Shichiku Fang Dian Road, Pudong New Area, Shanghai
	CPAs to sign	Xie Zhengyang, Yang Qin
	The period of continuous supervision and guidance	2014-12—2015-12

Chapter III Summary of Accounting Data and Operational Indicators

I. Major accounting data and financial indicators of the last three years as of report period end

(I) Major accounting data

Unit: RMB yuan

Major accounting data	2014	2013		Growth over same period prior year (%)	2012
		After adjustment	Before adjustment		
Operating revenue	1,284,936,742.95	1,657,210,234.22	1,657,210,234.22	-22.46	2,623,465,610.36
Net profit attributable to shareholders of the listed company	60,007,420.97	-47,148,670.13	-47,182,653.98	227.27	-47,409,990.79
Net profit after deducting non-recurring gains/losses attributable to shareholders of the listed company	-38,592,286.11	-114,219,074.43	-114,253,058.28	n.a.	-96,591,562.16
Net cash flow from operating activities	-5,960,237.53	-136,994,229.18	-136,968,174.16	n.a.	-56,201,357.30
	End of 2014	End of 2013		Growth over same period end prior year (%)	End of 2012
		After adjustment	Before adjustment		
Net asset attributable to shareholders of the listed company	406,069,919.50	322,947,750.53	318,415,161.18	25.74	362,555,641.40
Total assets	826,222,983.46	890,194,884.03	885,896,558.44	-7.19	1,183,003,580.00

(II) Major financial indicators

Major financial indicators	2014	2013		Growth over same period prior year (%)	2012
		After adjustment	Before adjustment		
Basic EPS (yuan/share)	0.30	-0.23	-0.24	230.43	-0.24
Diluted EPS (yuan/share)	0.30	-0.23	-0.24	230.43	-0.24
Basic EPS after deducting non-recurring gains/losses (yuan/share)	-0.19	-0.57	-0.48	n.a.	-0.48
Weighted average net assets earnings ratio (%)	16.46	-13.76	-12.31	Increased by 30.22 percentage points	-12.31
Weighted average net assets earnings ratio after deducting non-recurring gains/losses (%)	-10.59	-33.32	-25.09	n.a.	-25.09
Net asset per share attributable to shareholders of the listed company (yuan/share)	2.02	1.61	1.80	25.47	1.80

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

√ applicable □ inapplicable

Unit: RMB yuan

Items of non-recurring gains/losses	Amount 2014	Amount 2013	Amount 2012
Gains/losses from disposal of non-current assets	124,029,773.62	56,843,332.20	6,517,407.30
Government subsidy into current profit except for government subsidy related to the Company's operation, enjoyed by certain state standard or certain quota	1,447,946.47	4,169,201.13	62,199,892.53
Funds occupation fee received from non-financial enterprises through profit and loss		56,925.33	
Gains/losses from contingencies irrelevant to the company's normal operation		-16,761,485.70	-34,455,357.02
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	4,990,010.84	2,427,317.08	1,884,149.14
Non-operating income/expense apart from above	-320,476.61	21,060,985.16	15,400,361.53
Minor shareholders' equity impact (after tax)	-7,224.10	-225,997.10	-524,299.81
Income tax impact	-31,540,323.14	-499,873.80	-1,840,582.30
Total	98,599,707.08	67,070,404.30	49,181,571.37

IV. Items calculated by fair value

Unit: RMB yuan

Item name	Starting balance	Closing balance	Current movement	Impact on current profit
Financial assets				
1. Financial assets measured by fair value whose movement into current P&L (excluding derivative financial assets)	5,395,942.50	8,484,097.00	3,088,154.50	4,339,374.64
2. Derivative financial assets	903,586.00		-903,586.00	-1,248,183.80
3. Financial assets available for sale	40,897,912.00	59,819,756.00	18,921,844.00	1,898,820.00
Total	47,197,440.50	68,303,853.00	21,106,412.50	4,990,010.84

Chapter IV Report of the Board of Directors

I. Discussion and analysis of the operating status in report period of the Company by the management

Influenced by the "Meisuo Cashmere" case concerning the supplier in early 2013, the Company retrospectively adjusted the reported 2012 annual data, made full provision of bad debt losses and expected liabilities, leading the Company to losses for two consecutive years, and being included in the SSE delisting risk warning plate, while the associated risks having been fully disclosed. During the reporting period, the Company was filed by the Securities Regulatory Bureau for inspection; the CPA accounting firm issued an "unqualified audit report with emphasis paragraph" for the 2013 annual report; CITIC Bank sued the Company claiming the Company bearing joint responsibilities. Facing a series of difficulties and obstacles including what mentioned above, the Company endeavored to carry out reorganization, to digest the negative factors, and strived to ensure to turn to profit in 2014, to win some time for the future development layout. In 2014, the Company achieved an operating income of 1.285 billion yuan, total profit of 70.41 million yuan, net profit attributable to shareholders of the listed Company of 60.01 million yuan.

(I) Made pro-active communication, resolute decisions to win the adjustment space by means of exchanging assets for fund

1. In order to ensure profitability in 2014, and at the same time to raise funds and reduce financial burden, the Company transferred the 100% stake of Sanmao Online Shopping Company by means of public bidding.

The "Meisuo Cashmere" case caused large provision for bad debts loss for two consecutive years thus entering *ST* status, with the Company at the serious risk of being delisted. At the same time, as it had been filed by CSRC for inspection, Sanmao Group would be temporarily restricted from the possibility of merger and reorganization through issuance of shares. Through careful consideration, the Company transferred the 100% stake of Sanmao Online Shopping Company through public bidding on July 21, 2014, which had laid the foundation for ensuring turning to profitability from loss.

2. Seized the opportunities of "North Bund" development, and achieved maximized asset value addition

After negotiations with the government of Yangpu District Land Development Center, the port quay held by Yitiao Company was transferred to the government at the price of 13.2198 million yuan for storage, and at the same time the loans Yitiao Company held from the Group was recovered.

(II) Moved with the trend and timely recovered investment

1. Xiefeng Factory finished the work of land transfer, liquidation and cancellation

Shanghai Xiefeng Combing Factory, a diversified-investment subordinate of the Company, is located on a lot facing government relocation. The Company overcame the difficulties such as different land governance, coordinated multi-party benefits, and eventually realized the goal of liquidation, got relocation compensation and yielded in the same year an investment income of 6.09 million yuan as per the proportion of shareholding.

2. Terminated business suffering risks and recovered part of the funds from Asahi branch

Asahi branch used part of the funds for raw wool trade business. The Company conducted comprehensive evaluation of trade risk and in order to prevent possible risks required the branch to terminate the business and timely recovered the business fund.

(III) Responded rapidly to suit to secure the interest of the Group

CITIC Bank Shanghai branch sued to Pudong New Area Court over financial loan contract dispute, requesting the court to order former Sanjin Company return the bill amount of \$9644014.96 plus the payment of overdue interest, and to order the Company assume joint guaranty responsibility for Sanjin Company. The Company earnestly responded to the suit. The first-trial court dismissed the pleading of CITIC Bank concerning the Company assuming joint guaranty responsibilities.

(IV) Took the initiative to reorganize assets and eliminate major uncertain factors

During the reporting period, through a major reorganization of assets, the Company transferred the equity it held of Shanghai Sanmao Import and Export Co., Ltd. to a third party in order to completely divest non-performing assets. At the same time, the Company reached agreement with the new shareholders that in case upon liquidation Shanghai Sanmao Import and Export Co., Ltd. still has surplus funds, 90% of the funds belong to the original shareholders, while 10% belong to the new shareholders.

(V) Conducted systematic coordinating, supported enterprises to leave room for adjustment and development

1. Financial support

During the reporting period, although once suffered a shortage of funds and loans problems, the Company still focused on improving the utilization of funds and effective allocation of the limited funds. In the premise of strictly controlling the management expenses, the Company tried various devices to give liquidity support to subordinate enterprises.

2. Resources support

To the subordinates on the way of transformation and development, the Company offered certain support in

vehicles, overseas exhibition, office space and other resources, helping to expand its customer resources and to realize the transformation of development as soon as possible.

(VI) Adjusted rules, improved assessment, and encouraged everyone to full play

1. Strengthened budget evaluation adjustment

The Company detailed annual budget, emphasized the combination of operating performance evaluation and budget execution, and the fundamental interests of the shareholders.

2. Amended and supplemented the incentive system

The Company worked out special assessment system, strengthened the openness and transparency of the systems, and guided the staff to increase revenue and reduce expenditure for the Company.

(VII) Continued to improve and strengthen internal audit, combined prevention with supervision

In 2014 the Company further strengthened internal audit. Throughout the year it completed a total of 57 items of internal audit, including 2 items of routine audit, 1 item of outgoing audit, 5 items of special audit, 3 items of internal control system, 12 items of audit in securities investment, 12 items of accounts receivable tracking analysis, 12 items of accounts receivable two-level control, 1 item of perfection of the system, 1 item of other audit matters; participated in 8 items of project final accounts evaluation, with a reduction of project funds by 210500 yuan, reduction rate 8.80%; put up 36 proposals, issued 2 audit reports. This year the internal audit work focused on dynamic supervision of operational risk index especially of accounts receivable, and on the basis of the audit of accounts receivable regarding aging, major debtor customers, reasons and main structure, particular emphasis was made on it that the enterprises should be clear about arrears accounts receivable regarding recovery period, personnel accountable, an solving countermeasures. Tracking supervision was also conducted over the implementation of the two-level management system of accounts receivable.

During the reporting period, the Company learned experiences and drew lessons from Meisuo Cashmere case, formulated the Special Audit Rules on Major Routine Operations. For the timely detection of internal defects in major procurement and sales operation of the enterprises, regarding the subordinate enterprises with annual sales income reaching 30000000 yuan, the Company conducted supervision focusing on business activities with big customers to avoid possible serious losses. The Supervision and Audit Office of the Company has carried out two special audits over the new Sanjin Company, detailed audit made aiming at four aspects including business transfer procedures in the process of operation, timely found the weak link of risk prevention and put forward corresponding rectification suggestions.

(VIII) Operation of branches and subsidiaries

1. Transformation projects in service industry has gradually grown. Subsidiary Shanghai Sanmao Security Service Co., Ltd., during the reporting period, saw rapid increase of the volume of business, with its personal protection business service covering domestic and foreign enterprises and institutions, government agencies, schools, consulates and other types. Shanchuhui e-commerce website, facing fierce competition in the field, did not blindly follow the fashion, but concentrated on the layout, to construct the integrated retail channel featuring both online and offline. Although the current sales scale is not worth mentioning, a beneficial attempt was made on electric operation.

2. Brand building has made gratifying pace. Asahi branch, in the overall cooling trend of clothing retail industry, made great efforts to keep growth of the traditional suits customization business, while piloting cooperation with the designer in the "Sandie" dress brand operation, with the first store started in the report period. A joint venture brand Konaka with Japanese, due to high cost of retail outlets, encountered some operational difficulties, and the Company is studying the adjustment of the mode of cooperation, and hopes that through the introduction of more fashion the Konaka brand will gradually grow into a store brand instead of a commodity one.

3. Steady development was seen in the manufacturing industry. Baoji Lingyun Wanzheng Circuit Board Co., Ltd. actively developed high value-added production of military products, at the same time, facing the pressure of downward manufacturing, seized the opportunity to upgrade equipment to meet the high-end market demand. During the reporting period, the company developed a nickel chromium high frequency micro strip special PCB, Teflon plate HTP technology and other new technology through technical research. Shanghai Yi Top Textile Co., Ltd. also actively took measures, paid close attention to business adjustment attempting to control risks through production base adjusting and inventory compression.

4. In view of foreign trade business environment being in deterioration, the Company's foreign trade business featured strict control over risks; while maintaining a relatively stable operation, the risk control management system has been actively implemented, with high risk business being combed or eliminated, emphasizing systemization and standardization of business contracts. As the Company's main business, the transformation and adjustment of the pattern of foreign trade will be the focus of the Company's future thinking.

(I) Major operation analysis

1. P&L and Cash Flow Statements related item movement analysis

Unit: RMB yuan

Item	Report Year	Prior Year	Growth (%)
Operating revenue	1,284,936,742.95	1,657,210,234.22	-22.46
Operating cost	1,210,516,336.65	1,547,194,031.60	-21.76
Selling expenses	31,064,602.25	36,489,659.96	-14.87
General expenses	86,120,391.96	83,753,379.89	2.83

Financial expenses	13,985,522.90	23,141,165.96	-39.56
Net cash flow from operating activities	-5,960,237.53	-136,994,229.18	95.65
Net cash flow from investment activities	146,023,171.06	-30,132,102.73	584.61
Net cash flow from financing activities	-139,461,205.75	76,085,466.98	-283.30
Asset impairment loss	3,241,953.93	67,028,918.55	-95.16
Investment income	129,595,102.77	47,943,413.30	170.31
Non-operating income	1,794,154.90	25,751,183.96	-93.03
Non-operating expenses	622,764.73	18,171,898.43	-96.57

Operating revenue, operating cost, selling expenses: as a result of shrinking of business volume;
 General expenses: as a result of increase of non-recurring medium expenses;
 Financial expenses: as a result of decrease of foreign exchange gains and losses;
 Net cash flow from operating activities: as a result of increase of tax refunds received and decrease of purchase payment;
 Net cash flow from investment activities: as a result of receipt of cash from disposal of subsidiary;
 Net cash flow from financing activities: as a result of decrease of loans;
 Asset impairment loss: as a result of change of scope of consolidated statements.
 Non-operating income: as a result of receipt of large amount of compensation in prior period;
 Non-operating expenses: as a result of provision of estimated debts in prior period due to tax preservation.

2. Revenue

(1) Analysis of the factors driving the business income changes

During the reporting period, the Company's main business revenue decreased by 373 million yuan against last year, a decrease of 22.86%, mainly including: decrease of commerce and trade revenue of 402 million yuan, a decrease of 26.22%. Meanwhile, service revenue in the main business revenue saw an increase of 22.09 million yuan, or 147.21% against same period prior year. The main factors driving business income changes: (1) considering the current market environment factors, to avoid risks, the Company in report period suspended trade financing business related to foreign trade business; (2) considering Australian dollar exchange rate trend factors, it reduced the import of wool from Australia, leading to a trend of decline in wool tops production and sales; (3) considering the multiple business models development, it expanded the service trade business, leading to a significant increase of related revenue in reporting year.

(2) Major customers of sales

In reporting period, total sales amount of the Company to its top 5 customers is 234.1112 million yuan, accounting for 18.61% of its total annual sales of the Company in reporting year.

3. Cost

(1) Cost analysis statements

Unit: yuan

In sector						
Sector	Cost composition	Report period amount	Report period rate in total cost (%)	Same period prior year Amount	Same period prior year rate in total cost (%)	Report period amount over same period prior year movement ratio (%)
Industry	Production purchase cost	78,581,417.64	6.49	74,730,492.57	4.83	5.15
Commerce	Purchase cost	1,088,991,011.07	89.96	1,448,177,441.59	93.60	-24.80
Others	Labor cost	31,449,597.62	2.60	12,455,298.56	0.81	152.50
Total		1,199,022,026.33	99.05	1,535,363,232.72	99.24	-21.91
In product						
Product	Cost composition	Report period amount	Report period rate in total cost (%)	Same period prior year Amount	Same period prior year rate in total cost (%)	Report period amount over same period prior year movement ratio (%)
textile	Production purchase cost	909,871,691.19	75.16	1,329,479,826.50	85.93	-31.56
steel	Purchase cost	21,416,378.72	1.77	75,360,305.61	4.87	-71.58
Machinery & hardware	Production purchase cost	113,973,223.86	9.42	103,074,085.33	6.66	10.57
Others	Production purchase cost	153,760,732.56	12.70	27,449,015.28	1.78	460.17
Total		1,199,022,026.33	99.05	1,535,363,232.72	99.24	-21.91

(2) Details of major suppliers

Details of major suppliers: in report period, total purchase amount from top 5 suppliers of the Company is 256.28714974 million yuan, accounting for 21.37% of the total purchase amount.

4. Expenses

Unit: yuan

Item	current period amount	prior period amount	Change ratio (%)	Change reason
Selling expenses	31,064,602.25	36,489,659.96	-14.87	Due to decrease of business volume in report period
General expenses	86,120,391.96	83,753,379.89	2.83	as a result of increase of non-recurring medium expenses
Financial expenses	13,985,522.90	23,141,165.96	-39.56	as a result of decrease of foreign exchange gains and losses

5. Cash flow

Unit: yuan

Item	current period amount	prior period amount	Change ratio (%)	Change reason
Net cash flow from operating activities	-5,960,237.53	-136,994,229.18	95.65	as a result of increase of tax refunds received and decrease of purchase payment
Net cash flow from investment activities	146,023,171.06	-30,132,102.73	584.61	as a result of receipt of cash from disposal of subsidiary
Net cash flow from financing activities	-139,461,205.75	76,085,466.98	-283.30	as a result of decrease of loans

6. Miscellaneous

(1) Detailed description of significant change in the Company's profit composition or source

Unit: yuan

Item	current period amount	prior period amount	Change ratio (%)	Change reason
Investment income	129,595,102.77	47,943,413.30	170.31	As a result of income increase from disposal of non-current assets

(2) Explanation on the progress of prior financing and significant asset restructuring events implementation
During the reporting period, through major reorganization of assets, the Company Stripped off Shanghai Sanmao Import and Export Co., Ltd. from the listed corporation, and transferred it to unrelated third party; as of December 31, 2014, the matter has been completed. (For related announcements, refer to that published respectively on November 5, November 12, November 19, November 26, December 3, December 9, December 18, December 25, December 30 and December 31, of 2014, on Shanghai Securities News and Hongkong Wen Wei Po and Shanghai Stock Exchange Web site.)

On January 26, 2015, the counterparty of the deal, Shanghai Zeshuang Medical Instrument Co., Ltd., established a liquidation group against Shanghai Sanmao Import and Export Co., Ltd. and proceeded with all archival formalities at Shanghai Pudong New Area Market Supervision and Administration according to the requirements of the contract.

(3) Explanation on the development strategy and operating plan progress

In 2014, the Company came across many uncertain factors, and therefore the core target set at the beginning of the year was to ensure the turn from loss to profitability and try to digest the negative factors. At the end of the report period, after making its best effort, the Company has been basically completed the expected goal.

(II) Analysis of operation by sector, product or region

1. Major business by sector and product

Unit: RMB yuan

Major business by sector						
By sector	Operating revenue	Operating cost	Gross margin (%)	Operating revenue increase over prior year (%)	Operating cost increase over prior year (%)	Gross margin increase over prior year (%)
Industry	89,621,442.79	78,581,417.64	12.32	8.67	5.15	Up 2.93 percentage points
Commerce	1,131,648,380.45	1,088,991,011.07	3.77	-26.22	-24.80	Down 1.82 percentage points

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Others	37,091,430.99	31,449,597.62	15.21	147.21	152.50	Down 1.78 percentage points
Total	1,258,361,254.23	1,199,022,026.33	4.72	-22.86	-21.91	Down 1.16 percentage points
Major business by product						
By product	Operating revenue	Operating cost	Gross margin (%)	Operating revenue increase over prior year (%)	Operating cost increase over prior year (%)	Gross margin increase over prior year (%)
textile	946,749,055.75	909,871,691.19	3.90	-32.73	-31.56	Down 1.64 percentage points
steel	22,313,064.90	21,416,378.72	4.02	-71.91	-71.58	Down 1.09 percentage points
Machinery & hardware	118,745,189.10	113,973,223.86	4.02	9.17	10.57	Down 1.22 percentage points
Others	170,553,944.48	153,760,732.56	9.85	376.77	460.17	Down 13.42 percentage points
Total	1,258,361,254.23	1,199,022,026.33	4.72	-22.86	-21.91	Down 1.16 percentage points

2. Major operation in regions

Unit: RMB yuan

Regions	Operating income	Growth over the previous year (%)
Export	1,053,338,250.95	-24.08
Domestic	205,023,003.28	-15.93
Total	1,258,361,254.23	-22.86

(III) Assets and liabilities analysis

1. Assets/liabilities statements

Unit: yuan

Item	Report period end	Report period end over total assets (%)	Prior period end	Prior period end over total assets (%)	Report period end amount over prior period end amount change ratio (%)
Monetary fund	136,057,261.94	16.47	92,739,987.82	10.42	46.71
Financial assets measured by fair value and whose movement booked into current P&L	8,484,097.00	1.03	6,299,528.50	0.71	34.68
Notes receivable	21,677,389.88	2.62	16,313,604.21	1.83	32.88
Prepayment	97,291,253.81	11.78	71,030,356.55	7.98	36.97
Inventory	40,173,343.74	4.86	74,589,729.70	8.38	-46.14
Long term equity investment	939,357.09	0.11	4,147,201.25	0.47	-77.35
Construction in progress	144,780.00	0.02	117,853,510.94	13.24	-99.88
Deferred income tax asset	978,325.96	0.12	1,903,058.04	0.21	-48.59
Short-term loans	92,000,000.00	11.14	187,496,388.00	21.06	-50.93
Notes payable	0.00	0.00	171,770.00	0.02	-100.00
Accounts payable	26,646,729.08	3.23	62,079,451.42	6.97	-57.08
Salary payable to employees	7,517,489.28	0.91	5,400,317.24	0.61	39.20
Taxes payable	20,615,220.13	2.50	6,522,722.21	0.73	216.05
Other payables	28,486,457.33	3.45	20,551,531.53	2.31	38.61
Long-term loans	21,748,203.67	2.63	82,941,612.54	9.32	-73.78
Long-term remuneration payable to employees	10,954,810.91	1.33	17,382,268.11	1.95	-36.98
Deferred income tax liabilities	13,587,549.47	1.64	8,857,088.47	0.99	53.41
Other comprehensive income	44,094,886.75	5.34	29,903,503.75	3.36	47.46
Other non-current assets	39,270.09	0.00	0.00	0.00	100.00

Monetary fund: due to cash received from the disposal of subsidiaries
 Financial assets measured by fair value and whose movement booked into current P&L: market price of trading financial assets at period end increased
 Notes receivable: due to the increase of bank notes settlement
 Prepayment: trade business not due for final settlement
 Inventory: due to the volume reduction in the purchase and sale of the business
 Long term equity investment: joint venture loss incurred
 Construction in progress: due to carrying out of Binjiang Square project upon completion of construction
 Deferred income tax assets: caused by reduced deductible loss amount available to compensate the loss
 Short term borrowings: due to the reduction in bank borrowings
 Notes payable: notes settled
 Accounts payable: due to the decrease in the amount of purchase and sale
 Employee salary: some long-term benefits of retirement and termination due within 1 year transferred into short-term benefits of retirement and termination
 Taxes payable: corporate income tax payable increased
 Other payables: due to increase of intermediary fee payable to the third party not settled at the end of the year
 Long term loans: subsidiaries disposed of excluded from the scope of the consolidated financial statements
 Long term employee compensation payable: some long-term benefits of retirement and termination due within 1 year transferred into short-term benefits of retirement and termination
 Deferred income tax liabilities: market value of financial assets available for sale increased at year end
 Other comprehensive income: market value of financial assets available for sale increased at year end
 Other non-current assets: due to advance payment for the purchase of fixed assets

2. Explanation of assets measured by fair value and key assets measurement property change

In reporting period, assets of the Company measured by fair value mainly refer to the holding of stocks of listed companies.

Name of Item	Starting balance	Closing balance	Movement
1. Financial assets measured by fair value and whose movement booked into current P&L	6,299,528.50	8,484,097.00	2,184,568.50
2. Financial assets available for sale	40,897,912.00	59,819,756.00	18,921,844.00
Total	47,197,440.50	68,303,853.00	21,106,412.50

(IV) Core competitiveness analysis

Being based in Shanghai and perfecting trade service is the goal of pursuit of the Company for its main business sector. Because the Company falls in an industry which shares low threshold and full competition, and under full competition conditions, the Company needs more attention to explore and cultivate their own core competitiveness, in order to avoid the homogenization of competition. But until now, considering the current situation of foreign trade industry featuring generally price competition as the main means of competition, the Company only holds cost advantage in fixed assets including main operation site. Therefore, the Company must consider how to comb up and strengthen the core competitiveness in the process of main business reengineering, and strive to avoid the trap of price competition caused by homogenization in competition.

(V) Investment analysis

1. External equity investment overall analysis

(1) Securities investment

No	Securities	Code	Abbr.	Initial Investment cost (yuan)	Shares held (share)	Closing book value (yuan)	Ratio in closing securities investment (%)	Gains/losses in report period (yuan)
1	Stock	Bank of Communications	601328	2,873,023.98	600,000.00	4,080,000.00	48.09	1,932,000.00
2	Stock	50ETF	510050	2,477,990.84	1,400,000.00	3,572,800.00	42.11	1,433,600.00
3	Stock	Huarui Wind Power	601558	540,000.00	36,000.00	111,600.00	1.32	12,960.00
4	Stock	Senma Finery	002563	435,500.00	6,500.00	216,125.00	2.55	47,840.00
5	Stock	Bailong Oriental	601339	258,400.00	19,000.00	201,400.00	2.37	12,806.00
6	Stock	Jixin Science and Technology	601218	180,000.00	17,600.00	120,032.00	1.41	51,744.00
7	Stock	Cixing Share	300307	105,000.00	6,000.00	51,780.00	0.61	-12,180.00
8	Stock	Jiashi Science and Technology	300193	39,750.00	1,500.00	22,710.00	0.27	900.00
9	Stock	ASD	002403	37,600.00	2,000.00	23,700.00	0.28	5,340.00
10	Stock	Mingtai Aluminum	601677	20,000.00	1,000.00	12,820.00	0.15	4,840.00
Other securities investment held at period end				53,715.00	/	71,130.00	0.84	26,285.00
Gains/losses from sale of securities in report period				/	/	/	/	475,741.08
Total				7,020,979.82	/	8,484,097.00	100%	3,991,876.08

(2) Shares held of other listed companies

Unit: yuan

Securities Code	Abbr.	Initial Investment cost (yuan)	Ratio in capital stock (%)	Closing book value (yuan)	Gains/losses in report period	Equity movement in report year	Accounting entry	Share origin
600000	SPD Bank	563,302.96		37,122,540.00	1,561,560.00	14,811,160.00	Financial assets available for sale	Corporate shares
600843	SGSB	2,413,380.23		18,620,000.00		4,284,000.00	Financial assets available for sale	Corporate shares
600610	*ST CHINATEX	380,000.00		4,077,216.00		-173,316.00	Financial assets available for sale	Corporate shares
Total		3,356,683.19	/	59,819,756.00	1,561,560.00	18,921,844.00	/	/

Explanation of the holdings of other listed companies' equity

As of January 2015, the Company had sold a total holdings of 1400000 shares of stock of Shangong Shenbei (600843) and 2366000 shares of Shanghai Pudong Development Bank (600000), after deducting costs and transaction taxes and fees, the actual income about 52570000 yuan. (Related announcements published in Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange on January 16, 2015)

(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
Shanghai Bank	950,000.00	1,050,000		2,193,000.00	337,260.00	0.00	Financial assets available for sale	Corporate share
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
Total	50,950,000.00	51,050,000	/	52,193,000	337,260.00	0.00	/	/

(4) Purchase and sale of the shares of other listed companies

During the report period, the total investment income arising from sales of subscribed new shares reached 394129.08 yuan.

2. Non-financial companies entrusted investment financing and derivatives

(1) Entrusted financing

There incurred no such event in report period.

(2) Entrusted loans

In report period the Company has no such event.

(3) Other investment financing and derivatives

In report period the Company has no such events as other investment financing and derivatives.

3. Use of raised funds

(1) Overall use status of raised funds

applicable inapplicable

(2) Promised projects of raised funds

applicable inapplicable

(3) Changed projects of raised funds

applicable inapplicable

4. Key subsidiaries and joint-stock companies

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

Unit: 10,000 yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Sanmao Security Service Co., Ltd.	100	Service	Security service	1000	1398	1118	192
Baoji Lingyun Wanzheng Circuit Board Co., Ltd.	65.44	industry	Production and sale of various print boards	1189.84	3813	3560	131

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

Unit: 10,000 yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Yi Top Textile Co., Ltd. (Note)	100	Industry	Production and sales of wool tops, wool yarn etc.	11832	10844	9854	-1851

Note: As affected by both Australian dollar exchange rate drop and domestic market weakening, the company concerned suffered constant slide in manufacturing and sales. Net profit of 2015 suffered an added loss by 61.52% on year-on-year basis.

(3) Remarks on significant impact of operating income of individual subsidiary or joint-stock company on the consolidated operating performance of the Company:

Unit: RMB yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Sanjin Import and Export Co., Ltd. (Note)	100	Commerce	Import and export of textiles etc.	500	15701	542	12

Note: Operating income of this company in reporting period is 1.08708 billion yuan, accounting for about 84.60% of the consolidated operating income of the Company.

5. Non-raised fund items

applicable inapplicable

II. Discussion and analysis of the Company's future development by the Board of Directors

(I) Sector competition pattern and developing tendency

In 2014, the development of China's foreign trade is still in a grim and complex situation. Although some policies in support of steady growth of foreign trade and strengthening of import have been introduced, confusion in the existing patterns and low management standards still restricts the healthy development of foreign trade. Therefore, the Board believes that, on the basis of summarizing the Meisuo Cashmere case, the Company shall continue to strengthen business sorting of the foreign trade enterprise, improve structural adjustment and resource sharing of existing industry and make the long line layout of industry of the future on the basis of steady development.

(II) The Company's development strategy

According to the present practical situation of Shanghai Sanmao, the board of directors believes that the Company should set the maintenance and addition of the value of equity as the goal, rely on the means of market management, integrate, restructure and reengineer the main business through continuous issuance and mergers and acquisitions, and strive to build Shanghai Sanmao into an industrial investment platform based on strategic cooperation.

(III) Business plan

1. To comprehensively promote the strategic restructuring of the company, for the early realization of the constant increase of merger and acquisition targets (finalized program and plan not yet made);

2. To make comprehensive adjustment to the internal management mode, and realize the increase of revenue and reduction of expenditure through the management reform and reallocation of resources;

3. To improve daily management, focus on strengthening management process and system, to ensure the effectiveness of budget control. Exercise the implementation of project manager responsibility system, make investment, risk control and audit management on the basis of menu and mode, thus to improve the scientific management level;

4. To further move advantage resources to the advantageous enterprises, in an attempt to promote the upgrading of existing industry; Continue to regard return on investment as the main evaluation object of subordinate enterprise operators, with strong incentive and strict constraints.

5. To promote cross training, and reserve forces according to the company's future function as the industrial investment management platform.

(IV) Funds needed to sustain current business and complete construction investment in progress
At present, the company's business operation is normal, no major projects under construction. At the end of the report period, the company's assets and liabilities rate is at 49%, cash in books at 75 million yuan, sufficient to meet the day-to-day business needs. In case merger and reorganization occur in the future, according to the specific situation, the Company will determine its fund demand plan.

(V) Possible risks faced
The foreign trade environment is increasingly complex, so the company is like skating on thin ice in its operation. After all, the enterprise is a business entity, and profit level in foreign trade is extremely meager, control and risk restrain needs to find the best balance between costs, benefits and policies and regulations. At present, the company has taken the following measures: to carefully comb up specific businesses one by one, when there is no fundamental improvement in the environment, or when risk control cost is hard to drop, better to cut business than to take unnecessary risks.

III. Explanation of the Board about the "Non-Standard Auditor's Report" from the CPAs Firm

(I) Remarks from the Board of Directors and the Supervisory Board of the Company on the "Non-standard Audit Report" provided by the CPA firm
 applicable inapplicable

(II) Specification by the Board of Directors on the causes and effects of changes in accounting policies, accounting estimates and accounting method
 applicable inapplicable

(III) Specification by the Board of Directors on cause and effect of important corrections of prior period errors
 applicable inapplicable

IV. Pre-plan for profit distribution or capital reserve transfer to increase capital stock

(I) Cash dividend policy formulation, implementation and adjustment

The sixth provisional meeting of the seventh session of the board of directors in 2012 made amendments to the "Articles of Association", having amended the corresponding profit distribution policy, which was approved by the first provisional shareholders meeting in 2012.

In 2014, the Company held the 4th meeting of the 8th board of directors, and the 2014 annual shareholders' general meeting, which approved the Company's 2013 Annual Profit Distribution Preplan: Considering it that the undistributed profit of the Company at the end of 2013 is negative, as prescribed by the Articles of Association, for the year 2013 distribution of profits shall not be performed, nor capital reserve to be transferred into capital stock.

(II) Profit distribution pre-plan or plan, capital reserve converted into share capital plan or preplan of the Company for last three years (including report period)

Year	Bonus shares for every 10 shares (share)	Dividend for every 10 shares (yuan) (before tax)	Shares converted for every 10 shares (share)	Cash dividend amount (before tax)	net profit attributable to listed company shareholders in profit-sharing year	Ratio in net profit attributable to listed company shareholders (%)
2014	0	0	0	0	60,007,420.97	
2013	0	0	0	0	-47,148,670.13	
2012	0	0	0	0	-47,409,990.79	

The 2014 annual profit distribution plan:

As audited by BDO China Shu Lun Pan CPAs' LLP, the parent company of the Company yielded in 2014 a net profit of 56556837.27 yuan.

Undistributed profits of the parent company as follows:

The undistributed profits at year start: -117920109.34 yuan;

Net profit of the year: 56556837.27 yuan

At the end of 2014 undistributed profit is: -61363272.07 yuan

In view of it that the parent company at the end of 2014 has a negative undistributed profit, no distribution of profits is to be made, nor capital reserve to be transferred into capital for the annum of 2014.

Chapter V Substantial Events

I. Substantial lawsuits, arbitrations and media generally questioned events

√ applicable □ inapplicable

(1) Substantial lawsuits, arbitrations and media generally questioned events disclosed in the provisional announcement and without changes or progresses of follow-up implementation

Events overview	Index
<p>1. The Tianjin Fanhua case</p> <p>On January 22, 2014, the former subsidiary, Shanghai Sanmao Import & Export Co., Ltd, controlled by the Company, filed a lawsuit to Shanghai Maritime Court, sued Tianjin Fanhua International Logistics Co., Ltd. Shanghai Branch (hereinafter referred to as the "Defendant A") and Tianjin Fanhua International Logistics Co., Ltd. (hereinafter referred to as "Defendant B") for the change of the plaintiff consignee information without permission, causing the goods to be extracted by others, leading to the failure of collecting payment by the plaintiff. From October 30, 2012 to January 25, 2013, Defendant A, being a NVOCC (non-vessel carrier), accepted entrustment by the plaintiff to the identity of the carrier, and exported the plaintiff's goods of cashmere yarn to the following three consignees through shipping method: YAKIHYO KABUSHIKI KAISHA (YAKIHYO Company), TAKIHYO KABUSHIKI KAISHA (TAKIHYO Company) and SHIMAMURA, KABUSHIKI KAISHA (SHIMAMURA Company), a total of goods worth \$40,236,230.60, entrusted to the actual carrier (Defendant A) for carrying. However, Defendant A, without consent of Shanghai Sanmao Import and Export Co., Ltd, changed the consignee information, replacing the consignee with the consignee EASTERN NETWORK FORWARDERS PET LTD in the marine bills of lading issued by the actual carrier. Because of the deeds of Defendant A, the above goods are extracted by others, and Shanghai Sanmao Import & Export Co. Ltd is unable to collect the payment, leading to a loss of US\$40,236,230.60. The behavior of Defendant A has seriously damaged the rights and interests of the plaintiff; Defendant A is the branch company of Defendant B, therefore the latter should bear civil liability jointly with Defendant B. In order to safeguard the legitimate rights and interests of the plaintiff, we sued to:</p> <p>Request the court to order Defendant A and Defendant B a joint compensation on the plaintiff at \$40236230.60 (RMB 252683528.168 yuan); litigation costs on the defendants.</p> <p>As of the report date, with Sanmao Shanghai Import & Export Co., Ltd. stripped off the Company, the case has been handled by the new shareholder Shanghai Zeshuang Medical Instrument Co., Ltd.</p>	<p>Related announcements published on January 23, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.</p>
<p>2. Case of interest and liability dispute</p> <p>On May 12, 2014, the Company received a Notice of Suit Response from Shanghai Xuhui District People's Court (2014) Xu Min Er (Shang) Chu Zi No. 793, saying that Shanghai Boxing Gene Chip Co., Ltd, Shanghai Bode Gene Development Co Ltd and Dong Hai had sued to Xuhui District People's Court on disputes over harming the interests and liability of shareholders, the defendants being Ni Zhihua, Liu Chenglong and Shanghai Sanmao Enterprise (Group) Co., Ltd.</p> <p>Claim: the three defendants jointly compensate the three plaintiffs investment return loss of 23,115,300 yuan.</p> <p>During the submission of the bill of defense, jointly commissioned agent by the Company and the other defendants proposed jurisdiction objection to Xuhui District People's Court, requesting the case be transferred to Shanghai Pudong New Area People's Court in the company's domicile. The Court on May 19th ruled: the case be transferred to Shanghai Pudong New Area People's Court.</p> <p>On October 11, 2014, the Company received the civil judgment of the People's Court of Pudong New Area (2014) Pu Min Er (Shang) Chu Zi No. 3029, judging: to reject the claims of the plaintiffs Shanghai Boxing Gene Chip Co., Ltd, Shanghai Bode Gene Development Co., Ltd. and Dong Hai.; case acceptance fee of 162377 yuan on the plaintiffs Shanghai Boxing Gene Chip Co., Ltd, Shanghai Bode Gene Development Co., Ltd. and Dong Hai; If the verdict not to be accepted, appeal should be made within fifteen days from the date of verdict to the court, and put forward duplicates according to the number of parties involved, to Shanghai No. 1 Intermediate People's Court.</p> <p>As of the report date, the three plaintiffs did not appeal. This case already settled.</p>	<p>Related announcements published on May 14, May 27 and October 14, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.</p>
<p>3. CITIC Bank case</p> <p>In June 2014, the Company and the original controlled subsidiary Shanghai Sanmao Import and Export Company Limited (hereinafter referred to as "Sanmao Import and Export") received notice of suit response from Shanghai Pudong New Area People's</p>	<p>Related announcements published on June 12, June 26, June 28,</p>

<p>Court, saying CITIC Bank had filed a lawsuit at Shanghai Pudong New Area People's Court on financing loan contract dispute, requesting the court to order Sanmao Import and Export to return the \$9644014.96 documentary bill and the payment of overdue interest, and requesting the court to order the Company to assume joint responsibility to Sanmao Import and Export. As judged by the first trial of Pudong New Area People's Court, Sanmao Import and Export was to return the amount owed and the payment of overdue interest, also the rest of the litigant request of CITIC bank rejected.</p> <p>On November 5, 2014, the Company received from CITIC Bank Shanghai Branch the civil petition, saying that because of objections of CITIC Bank against Shanghai Pudong New Area People's Court civil judgment coded (2014) Pu Min Liu (Shang)Chu Zi No. 6604, put forward an appeal,request the court to order: to revoke the third item of the civil judgment coded (2014) Pu Min Liu (Shang) Chu Zi No. 6604, to re-rule that Shanghai Sanmao Enterprise (Group) shall assume the joint and several liability over Shanghai Sanmao Import and Export; the second trial litigation costs borne by the appellee.</p> <p>By report day, the case is still in the second trial phase.</p>	<p>July 18, October 14 and Nov. 6, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.</p>
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II. Reporting period funds occupancy and debts clearing progress

applicable inapplicable

III. Restructuring on bankruptcy

No events like bankruptcy reorganization occurred in the report period.

IV. Assets trading and business combination events

applicable inapplicable

(I) Asset acquisition and disposal events and business combination events disclosed in the provisional announcement and without changes or progresses of follow-up implementation

Events overview	Index
<p>1.Port related rights purchase and reserve</p> <p>The first provisional meeting of the Eighth session of the board of directors in 2014 approved Bill on the Government Purchasing Related Interests of the Port for Reserve, agreed to transfer the port ownership and use right of all ancillary facilities and terminal buildings, structures located in West of Huangpu River from Yangpu Bridge to Nanpu Bridge under the name of the Company's formerly owned controlled subsidiary Shanghai Yitiao Textile Co., Ltd., to Shanghai Yangpu District Land Development Center for storage. On June 12, 2014 the Company signed contract with Shanghai Yangpu District Land Development Center, the Shanghai Yangpu District Port and Dock Purchase and Reserve Contract, the compensation cost being 13219800 yuan. On July 7, 2014 Shanghai Yitiao Textile Co., Ltd. received the compensation fee of RMB 13219800 yuan.</p>	<p>Related announcements published on June 10, June 14, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.</p>
<p>2. Sanmao Import and Export share transfer matters</p> <p>The fourth provisional meeting of the Eighth Session of the board of directors in 2014 examined and approved significant asset reorganization and related bills involving the sale of 100% of the equity of Shanghai Sanmao Import and Export Company Limited (hereinafter referred to as the "Sanmao Import and Export"), held by the Company and its controlled subsidiary Shanghai Shenyi Wool Top Co., Ltd., and on December 3, 2014 disclosed the "Shanghai Sanmao Enterprise (Group) Co., Ltd.Report on Sale of Major Asset". According to the post audit opinions provided by Shanghai Stock Exchange on the major asset report of the Company, the Company revised the restructuring part of the report, and on December 9th released the announcement of relevant content.</p> <p>On December 24th, the Company held its 2014 second provisional shareholders' meeting, which examined and adopted the motions related the major reorganization of assets.</p> <p>As of December 29, 2014, the Company and Shenyi Wool Top had received full transfer amount of 2 yuan from Shanghai Shuangze Medical Instrument Co., Ltd. The underlying assets of Shanghai Sanmao Import and Export Co., Ltd. 100% equity had been transferred to Shanghai Shuangze Medical Instrument Co., Ltd.on December 29, 2014.Upon completion of the change of business registration, Shanghai Shuangze Medical Instrument Co., Ltd.will be the sole shareholder of Shanghai Sanmao Import and Export Co., Ltd. On December 31st the Company disclosed the "Shanghai Sanmao Enterprise (Group) Co., Ltd.Report on the Progress of Implementation of Major Asset Sales".</p>	<p>Related announcements published on November 5th, November 12th, November 19th, November 26th, December 3rd, December 9th, December 18th, December 25th, December 30th and December 31st, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.</p>

V. Company's equity incentive in report period

□ applicable √ inapplicable

VI. Magnificent related transactions

√ applicable □ inapplicable

(I) Related transactions involving asset acquisition and disposal

1. Events disclosed in the provisional announcement and without changes or progresses of follow-up implementation

Events overview	Index
<p>Online Shopping equity transfer matters</p> <p>The fifth meeting of the eighth session of the board of directors and the 2013 annual shareholders' general meeting adopted the Bill on the Transfer of Equity the Company held of Shanghai Sanmao International Online Shopping Life Square Trade Co., Ltd., granted the Company to transfer the 100% equity the Company held of Shanghai Sanmao International Online Shopping Life Square Trade Co., Ltd. (hereinafter referred to as "Sanmao Online Shopping ") at the appraised value of 149375700 yuan for the reserve price, through public listing at Shanghai United Assets and Equity Exchange. When the listing notice period ended, upon audit by Shanghai United Assets and Equity Exchange, Shanghai Yu Mao Asset Management Company Limited (hereinafter referred to as "Yu Mao Company") was confirmed as the only eligible intending transferee. Because Yu Mao Company is the wholly-owned subsidiary of the Company's controlling shareholder Chongqing Textile Holding (Group) Co., Ltd. the transfer of shares mentioned above constitutes a related transaction.</p> <p>The Company convened its third interim meeting in 2014 of the eighth session of the board of directors and the first provisional shareholders general meeting of 2014 respectively on August 22 and September 10th, 2014 and, according to the related party transaction procedures, considered and passed the related bill. Both sides of the transaction signed Shanghai Equity Transaction Contract.</p> <p>As of September 30, 2014, Sanmao Online Shopping 100% stake had been transferred to Yu Mao Company, and the Company had duly received full amount of the transfer payment of 149375700 yuan. In addition, the guarantor for the fixed asset loan contract of Sanmao Online Shopping has been changed to Chongqing Textile Holding (Group) Co., Ltd., and thereby the Company's guaranty liability for the debt has been lifted. So far, the Shanghai Equity Transaction Contract signed between the Company and Yu Mao Company has been completely fulfilled.</p>	<p>Related announcements published on April 30th, May 24th, August 20th, August 23rd, September 11th, September 23rd, September 25th, October 10th, 2014, on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange</p>

(II) Related credits and liabilities

1. Events disclosed in the provisional announcement and without changes or progresses of follow-up implementation

On July 17, 2014, the Company held the 2014 second interim meeting of the eighth session of the board of directors, which considered and approved the Bill Regarding to Applying for Short-term Borrowing from the Controlling Shareholder. The company applied to the controlling shareholder Chongqing Textile Holding (Group) Co., Ltd. for 60000000 yuan of short-term borrowing, to be used to supplement the Company's operating liquidity required. The loan interest rate was not higher than the benchmark lending rate of the same period stipulated by the People's Bank of China. The Company bore no corresponding collateral or guarantees for the loan. The Company has settled the related debts on Sep. 24. (Related announcements published on July 18, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the Shanghai Stock Exchange Web site.)

2. Events not disclosed in provisional announcements

Unit: 10,000 yuan

Related party	Incidence relation	The Company providing fund to related party			Related party providing fund to the Company		
		Beginning balances	Current amount	Closing balance	Beginning balances	Current amount	Closing balance
Chongqing Textile Holdings (Group) Co., Ltd.	controlling shareholder					4,000	
Total						4,000	
the current amount of funding during the reporting period the Company provided to its controlling shareholder and its subsidiaries (yuan)							
the balance funding the Company provided to its controlling shareholder and its subsidiaries (yuan)							
Reasons for the related credits and liabilities		Related party provides working capital loans to the listed company.					

Debt settlements associated with related credits and liabilities	The Company had paid off the working capital loans in September 24, 2014.
Commitments associated with related credits and liabilities	Term of loan beginning from Jan. 9, 2014 till Jan. 9, 2015, according to benchmark interest rate in the same period interest-bearing bank loans
Impact of related credits and liabilities on operational results and financial status of the Company	It helps to alleviate the liquidity of the Company

VII. Major contracts and their implementation

(I) Entrusting, contracting and leasing

applicable inapplicable

(II) Guaranty

applicable inapplicable

Unit: 10,000 yuan

Guaranties for subsidiaries	
Total guaranties for subsidiaries incurred in report period	564.49
Total guaranties for subsidiary balance in report period (B)	564.49
Total guaranties of the Company (including those for subsidiaries)	
Total guarantee amount (A+B)	564.49
Proportion of net assets of the Company (%)	1.39

(III) Other substantial contracts

The company has no other substantial contracts in report period.

VIII. Implementation of commitments

applicable inapplicable

IX. Appointment and dismissal of accounting firm

Unit: 10,000 yuan

Whether to hire other accounting firms	No
	Current appointment
Domestic accounting firm	Shanghai Shu Lun Pan Certified Public Accountants LLP
Domestic accounting firm payment	85
Domestic accounting firm audit period	13

	Name	Reward
Internal control audit accounting firm	Shanghai Shu Lun Pan Certified Public Accountants LLP (Limited Liability Partnership)	30
Financial adviser	Guojin Securities Co., Ltd.	200

Illustration of appointment and dismissal of accounting firm

The 2013 annual shareholders general meeting of the Company held on May 23, 2014, considered and adopted the Proposal on the Company Hiring Accounting Firm for 2014 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 2014. For the year 2014 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.

X. Punishment and rectification of the listed company and its directors, supervisors, senior management personnel, shareholders holding over 5% of the shares, the actual controller, acquirers

During the reporting period, the Company received, from China Securities Regulatory Commission Shanghai Regulatory Committee (hereinafter referred to as the "Securities Regulatory Office"), the Written Decision on Administrative Penalty (Hu [2014] No. 4), stating that because of not having timely disclosed the events such as export tax rebates suspension, large amounts of overdue accounts receivable of the former controlled subsidiary Shanghai Sanmao Import and Export Co., Ltd., and thus having violated the Securities Law Article Sixty-Seven which prescribes that listed companies shall timely disclose its major events, having constituted the illegal acts as prescribed in the first paragraph of Article 193 of the Securities Law. Han Jiahong and Cai Bocheng were considered as the competent persons directly responsible, and Zhu Jianzhong as the other directly responsible personnel. According to the illegal facts regarding the facts, nature, plot and the extent of social harm, on the basis of the provisions of the Securities Law Article 193, the Securities Regulatory Office decided: (I) to give warning to Shanghai Sanmao, and impose a fine of 300000 yuan. (II) to give a warning to Han Jiahong, Cai

Bocheng, who were punishable by a fine of 100000 yuan each. (III) to give a warning to Zhu Jianzhong, and impose a fine of 50000 yuan. (Related announcements published on December 24, 2014 on Shanghai Securities News, Hongkong Wen Wei Po and the Shanghai Stock Exchange Web site.) The above-mentioned three executives, Cai Bocheng on April 10, 2014, Han Jiahong and Zhu Jianzhong on December 23, 2014, submitted to the board of directors their resignation respectively from the post of the Company's board director, and senior executives. The Company, in the revision of the information disclosure system, organized the top management to seriously study information disclosure rules to improve the level of information disclosure, communicate and consult more frequently with the regulators in daily work.

In addition to the above items, none of the listed company or its directors, supervisors, senior management personnel, shareholders holding over 5% of the shares, the actual controller, acquirers has been punished as to be taken compulsory measures on, transferred to judicial organs or investigated for criminal responsibility by the judicial organ or the discipline inspection departments, or forbidden from entering the market, believed to be the improper person by CSRC or punished by the other administrative departments, or publicly condemned by Shanghai Stock Exchange in the reporting period.

XI. Convertible corporate bonds

applicable inapplicable

XII. Effects of the implementation of the new accounting standards on the consolidated financial statements

The Company has performed the following new and revised accounting standards for business enterprises issued by the Ministry of Finance in 2014: Enterprise Accounting Standards - Basic Standards (Amended), Enterprise Accounting Standards No. 2 - Long-term Equity Investment (Amended), Enterprise Accounting Standards No. 9—Employee Remuneration (Amended), Enterprise Accounting Standards No. 30 - Presentation of Financial Statements (Amended), Enterprise Accounting Standards No. 33 - Consolidated Financial Statements (Amended), Enterprise Accounting Standards No. 37 - Presentation of Financial Instruments (Amended), Enterprise Accounting Standards No. 39 - Fair Value Measurement, Enterprise Accounting Standards No. 40 - Joint Venture Arrangement, and Enterprise Accounting Standards No. 41—Disclosure of Equity in other Entities. The influence as follows:

(Related motions for the implementation of new accounting standards have been considered and adopted at the seventh meeting of the eighth session of the board of directors.)

(I) Influence of changes in long-term equity investment guidelines on consolidated financial statements (I)

Unit: RMB yuan

Investee	2013-12-31	
	Long-term equity investment (+/-)	Financial Assets available for sale (+/-)
Bank of Shanghai	-2,193,000.00	2,193,000.00
Guangdong Fotao Group Co., Ltd.	0	0
Guangdong Jinshan Industrial Co., Ltd.	0	0
Shanghai Youyi Woolen Mill	0	0
Shanghai Yixin Industry and Trade Company	0	0
Shanghai Shuanglong Tech Development Co., Ltd.	-462,958.64	462,958.64
Shanghai Sind Enterprise Development Corporation	0	0
Tianjin Dawei Co., Ltd.	-1,000,000.00	1,000,000.00
Shandong Jinan woolen mill	0	0
Sporadic investment	0	0
Ancheng Property Insurance Co., Ltd.	-50,000,000.00	50,000,000.00
China Textile Machinery Co., Ltd.	-181,381.20	4,250,532.00
Shanghai Sanmao Import and Export Co., Ltd.	0	0
Total	-53,837,339.84	57,906,490.64

Details of the influence of changes in long-term equity investment guidelines on consolidated financial statements (I)

Investee	Investment costs	2013-12-31					
		Long-term equity investment (+/-)			Salable Financial Assets (+/-)		
		Amount	Impairment reserve	Balance	Amount	Impairment reserve	Balance
Bank of Shanghai	2,193,000.00	-2,193,000.00	0.00	-2,193,000.00	2,193,000.00	2,193,000.00	2,193,000.00
Guangdong Fotao Group Co., Ltd.	79,000.00	-79,000.00	-79,000.00	0.00	79,000.00	79,000.00	0.00

Guangdong Jinshan Industrial Co., Ltd.	55,000.00	-55,000.00	-55,000.00	0.00	55,000.00	55,000.00	0.00
Shanghai Youyi Woolen Mill	4,677,918.12	0.00	0.00	0.00	0.00	0.00	0.00
Shanghai Yixin Industry and Trade Company	597,220.09	-597,220.09	-597,220.09	0.00	597,220.09	597,220.09	0.00
Shanghai Shuanglong Tech Development Co., Ltd.	6,000,000.00	-6,000,000.00	-5,537,041.36	-462,958.64	6,000,000.00	5,537,041.36	462,958.64
Shanghai Sind Enterprise Development Corporation	600,000.00	-600,000.00	-600,000.00	0.00	600,000.00	600,000.00	0.00
Tianjin Dawei Co., Ltd.	2,000,000.00	-2,000,000.00	-1,000,000.00	-1,000,000.00	2,000,000.00	1,000,000.00	1,000,000.00
Shandong Jinan woolen mill	200000.00	-200,000.00	-200,000.00	0.00	200,000.00	200,000.00	0.00
Sporadic investment	10,000.00	-10,000.00	-10,000.00	0.00	10,000.00	10,000.00	0.00
Ancheng Property Insurance Co., Ltd.	50,000,000.00	-50,000,000.00	0.00	-50,000,000.00	50,000,000.00	0.00	50,000,000.00
China Textile Machinery Co., Ltd.	380,000.00	-380,000.00	-198,618.80	-181,381.20	380,000.00	198,618.80	181,381.20
Shanghai Sanmao Import and Export Co., Ltd.	68,000,000.00	-68,000,000.00	-68,000,000.00	0.00	68,000,000.00	68,000,000.00	0.00

(II) Influence of changes in long-term equity investment guidelines on consolidated financial statements (II)

Unit: RMB yuan

Investee	2013-12-31	
	Other comprehensive income (+/-)	Deferred tax liabilities (+/-)
China Textile Machinery Co., Ltd.	3,051,863.10	1,017,287.70
Total	3,051,863.10	1,017,287.70

The effects of changes in long term equity investment standardson consolidated financial statements

The Company followed the Enterprise Accounting Standards No. 2 -- Long Term Equity Investment (Amended) and the Enterprise Accounting Standards No. 37 -- Presentation of Financial Instruments (Amended), and reclassified and accounted the investment which does not have joint control or significant influence on the investee company, is not quoted in an active market, whose fair value cannot be reliably measured, from long-term equity investment to financial assets available for sale, and has carried out the retroactive adjustment.

(III) Effects of changes in employee compensation guidelines

Unit: RMB yuan

Employee benefits payable on Jan. 1, 2014 (+/-)	Equity attributable to shareholders of the parent company on Jan. 1, 2014 (+/-)
-17,382,268.11	0.00

Description of the effects of changes in standards of staff's salary

Description: the Company accounts in accordance with the Enterprise Accounting Standards No. 9 - Employee Remuneration (Amended), and the corresponding comparative data in the financial statements for the year has been adjusted.

(IV) Effects of changes in scope of consolidation

Unit: RMB yuan

Name of Entity	2013-12-31			
	Total assets (+/-)	Total liabilities (+/-)	Equity attributable to shareholders of the parent company (+/-)	Minority interests (+/-)
Shanghai Yitiao Textile Co., Ltd.	229,174.79	-130,757.94	1,480,726.25	-1,120,793.52
Total	229,174.79	-130,757.94	1,480,726.25	-1,120,793.52

Description of effect of changes in consolidation scope

The Company acted according to the prescriptions on the requirements over "control" in the Enterprise Accounting Standards No. 33 -- Consolidated Financial Statements (Amended) reevaluated the investee companies, and regarded the investment to Shanghai Yitiao Textile Co., Ltd. should be included in the consolidated statements while formerly it was not included.

XIII. Othersignificant events

applicable inapplicable

For other significant events, see Notes to Financial Statements (XV) Other Significant Events.

Chapter VI Equity Movement and Shareholder's Profile

I. Particulars about equity movement

(I) Particulars about equity movement

1. Particulars about equity movement

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

II. Particulars about shareholder and effective controller of the Company

(I) Total number of shareholders

Number of shareholders at period end (accounts)	23,543 (A share 15780; B share 7763)
Total shareholders end of 5 th trading day prior to release day of current annual report(holders)	21,835 (A share 14147; B share 7688)

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

Unit: share

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		state legal person
BNP PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH	0	8,623,001	4.29	0	Unknown		other
YOU TOO (HK) CO, LTD	457,550	5,376,323	2.67	0	Unknown		other
Shanghai Textile Holding (Group) Co., Ltd.	0	3,354,194	1.67	0	No		state legal person
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	1,441,587	1,447,587	0.72	0	Unknown		other
Liu Huangsong	1,007,212	1,007,212	0.50	0	Unknown		domestic natural person
Li Ai'er	979,300	979,300	0.49	0	No		domestic natural person
Li Ting	843,100	843,100	0.42	0	No		domestic natural person
Lu Mingfu	824,000	824,000	0.41	0	No		domestic natural person
Zhang Yaping	756,855	756,855	0.38	0	Unknown		domestic natural person

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	8,623,001	B-share	8,623,001
YOU TOO (HK) CO, LTD	5,376,323	B-share	5,376,323
Shanghai Textile Holding (Group) Co., Ltd.	3,354,194	A-share	3,354,194
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,447,587	B-share	1,447,587
Liu Huangsong	1,007,212	B-share	1,007,212
Li Ai'er	979,300	A-share	979,300
Li Ting	843,100	A-share	843,100
Lu Mingfu	824,000	A-share	824,000
Zhang Yaping	756,855	B-share	756,855

Elaboration on related relationship or consistent action among shareholders above	Shareholders BNP PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH and YOU TOO (HK) CO, LTD (is former shareholder: UBS CUSTODY SERVICES SINGAPORE PTE. LTD and BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH) are concerted actionists. The Company is not aware whether other shareholders are of concerted action relation or concerted actionists.
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III. Controlling shareholders and actual controllers

(I) Particulars about the corporate controlling shareholder

1 Legal person

Unit: 10,000 yuan

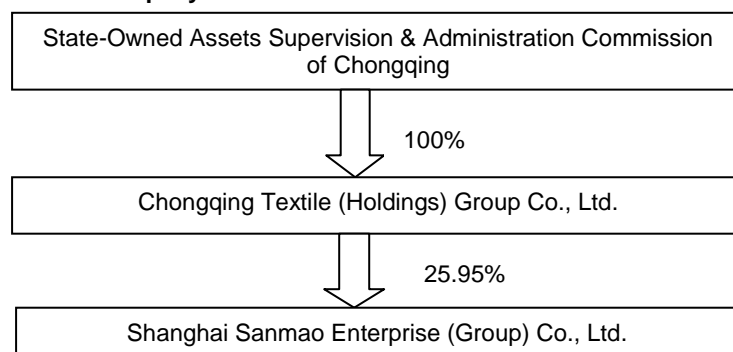
Name	Chongqing Textile Holdings (Group) Co., Ltd.
The person in charge of the unit /legal representative	Zhang Wenqing
Date of incorporation	2000-08-25
Organizational Code	450417129
Registered capital	180,000
Principal business activities	Operating and managing of state-owned assets within authorization 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.
Future development strategy	Depending on reform to drive transformation, promoting development through innovation, fully implementing the spirit of the Party's 18 th National Congress and the Third and Fourth Plenary Session of the 18 th National Congress of the Party, and the spirit of the Central Economic Work Conference and the spirit of the Fourth and Fifth Plenary Session of the Municipal Party Committee, adapting to the new morality, innovating new measures, performing well service, management and control and planning, constantly pushing forward the development strategy of promoting transformation and upgrading.
Equities of other domestic and foreign listing corporations in which the controller holds shares or controls during the reporting period	Subsidiary Chongqing Beer (Group) Co., Ltd. holds 4.95% stake in Chongqing Beer Co., Ltd; subsidiary Chongqing Beer (Group) Co., Ltd. holds 0.0062% stake in Chongqing Southwest Securities Co., Ltd.

(II) Effective controller

1. Legal entity

Name	State-Owned Assets Supervision & Administration Commission of Chongqing
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2. Block Diagram Showing Property and Controlling Relationship between the Effective Controller and the Company



Chapter VII 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

Unit: share

Name	Title(note)	Sex	Age	Start of Tenure	End of Tenure	Shares held at the beginning of year	Shares at end of year	Change in report period	Reason for change	Total Paid by the Company during report period(RMB 10,000) (before tax)	Total Paid by the shareholders units during report period (RMB 10,000)
Zhang Wenqing	Chairman of the Board	M	59	2013-06-07	2016-06-07	0	0	0		79	0
Zou Ning	Director	M	46	2013-06-07	2016-06-07	0	0	0		0	76
Liu Jie	Director, Deputy General Manager	M	46	2013-06-07	2016-06-07	0	0	0		30	0
Zhao Xiaolei	Independent Director	M	60	2013-06-07	2016-06-07	0	0	0		9	0
Qian Liming	Independent Director	M	44	2013-06-07	2016-06-07	0	0	0		9	0
Xu Feng note1	Independent Director	M	42	2014-12-24	2016-06-07	0	0	0		0	0
Zhang Ping	Chairman of the Supervisory Board	F	57	2013-06-07	2016-06-07	10,000	10,000	0		49	0
Cao Yongxiang	Supervisor(former Chairman of the Supervisory Board)	M	57	2013-06-07	2016-06-07	0	0	0		0	135
Deng Shoudong	Supervisor	M	62	2013-06-07	2016-06-07	0	0	0		0	40
Gu Shunliang	Supervisor	M	61	2013-06-07	2016-06-07	0	0	0		16	0
Cai Zhiwei	Supervisor	M	54	2013-06-07	2016-06-07	0	0	0		14	0
Shen Lei	Board secretary	F	44	2013-06-07	2016-06-07	500	500	0		17	0
Han Jiahong (retired from post)	Former Director, General Manager	M	48	2013-06-07	2014-12-24	0	0	0		43	0
Zhu Jianzhong (retired from post)	Former Director, CFO	M	55	2013-06-07	2014-12-24	0	0	0		38	0
Zhu Kuangyu (retired from post)	Former independent director	M	67	2013-06-07	2014-12-24	0	0	0		5.70	0
Cai Bocheng (retired from post)	Former Deputy General Manager	M	58	2013-06-07	2014-04-10	0	0	0		28	0
Wang Jianhua (retired from post) note 2	Former Vice Chairman of the Supervisory Board, Secretary of disciplinary committee	M	62	2013-06-07	2014-04-10	2,884	0	-2884	Reduction upon lock up expiration	0	0
Total	/	/	/	/	/	13,384	10,500	-2,884	/	337.70	251

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Note 1: Mr. Xu Feng was elected on December 24, 2014 the Company's 2014 second provisional shareholders meeting as independent director, and therefore during the year did not receive independent director allowance from the Company.

Note 2: Mr. Wang Jianhua reached the age of retirement on November 30, 2013, and from April 2014 on is no longer acting as the vice-chairman supervisor and supervisor of the eighth session of the board of supervisors so this year did not receive remuneration from the Company.

Name	The main work experience of the last five years
Zhang Wenqing	Used to be President and Party Secretary of Chongqing Textile Holding (Group) Co., Ltd.; Chairman of the 6 th Board and Party Secretary of Shanghai Sanmao, Chairman of the 7 th Board of Directors of Shanghai Sanmao; is now President of Chongqing Textile Holding (Group) Co., Ltd.; Chairman of the 8 th Board of Directors of Shanghai Sanmao
Zou Ning	Used to be director of Assets Department with Chongqing Foreign Trade Holding (Group) Co., Ltd.; vice director of Assets Operating Office with Chongqing Foreign Trade Holding (Group) Co., Ltd.; director of Operational Department with Chongqing Textile Holding (Group) Co., Ltd.; director of Enterprise Management Department with Chongqing Textile Holding (Group) Co., Ltd.; director of the 7 th board of directors of Shanghai Sanmao; is now director of Enterprise Management Department with Chongqing Textile Holding (Group) Co., Ltd.; and director of the 8 th board of directors of Shanghai Sanmao.
Liu Jie	Is now director of the 8 th board of directors and Deputy General Manager of Shanghai Sanmao; executive director, general manager, and Secretary of the Party committee of Shanghai Yi Top Textile Co., Ltd.; executive director of Taicang Sanmao Textile Co. Ltd.
Zhao Xiaolei	Is now director of Finance Research Institute of Shanghai University of Finance and Economics, and independent director of the 8 th board of directors of Shanghai Sanmao.
Qian Liming	Is now general manager of Junze Investment (Shanghai) Co., Ltd. and independent director of the 8 th board of directors of Shanghai Sanmao.
Xu Feng	Used to be General Manager of Shanghai Hailuo Garments Co., Ltd.; is now vice principal of Shanghai International Fashion Education Center; independent director of the 8 th board of directors
Zhang Ping	Used to be director of the 7 th board of directors and Party Secretary of Shanghai Sanmao; director of the 8 th board of directors and Party Secretary of Shanghai Sanmao; is now chairman of the 8 th Board of Supervisors of Shanghai Sanmao.
Cao Yongxiang	Used to be Director of Institution Planning Department of the Office of Chongqing Municipal Organization Planning Committee; Director of Governmental Unit Registration Administration Bureau of the Office of Chongqing Municipal Organization Planning Committee; Party Committee member and assistant to President and Party Secretary of Disciplinary Committee of Chongqing Textile Holding, chairman of the 7 th and 8 th Supervisory Board of Shanghai Sanmao; is now vice Party secretary and of Chongqing Textile Holding and Supervisor of the 8 th Board of Supervisors of Shanghai Sanmao.
Deng Shoudong	Used to be directing clerk and vice director of Auditing Department of Chongqing Light Industry Bureau; director of Auditing Office of Chongqing Textile Holding (Group) Co., Ltd.; director of the Supervisory Board Office (simultaneously); Supervisor of the 6 th and 7 th Supervisory Board of Shanghai Sanmao; is now supervisor of the 8 th Supervisory Board of Shanghai Sanmao.
Gu Shunliang	Used to be deputy general manager of supervision and auditing office of Huayu Wool & Jute Enterprise Development Co., Ltd.; supervisor of the 6 th and 7 th Supervisory Board of Shanghai Sanmao, manager of supervision and auditing office of Shanghai Sanmao; is now supervisor of the 8 th Supervisory Board of Shanghai Sanmao.
Cai Zhiwei	Used to be office director of Comprehensive Management Center with Shanghai Sanmao Enterprise (Group) Co., Ltd.; personnel manager of Property Management Center of Shanghai Sanmao, responsible person of the trade union preparation; supervisor of 7 th supervisory board of Shanghai Sanmao; Party Committee member, secretary of disciplinary committee, trade union chairman and personnel manager of the Property Management Center of Shanghai Sanmao; is now supervisor of 8 th supervisory board of Shanghai Sanmao; Party Committee member, secretary of disciplinary committee, trade union chairman and personnel manager of the Property Management Center of Shanghai Sanmao.
Shen Lei	Used to be securities agent with the 6 th board of directors of Shanghai Sanmao; secretary of the 7th board of directors of Shanghai Sanmao; is now secretary of the 8th board of directors of Shanghai Sanmao.
Han Jiahong (retired from post)	Used to be director of Chongqing Textile Holding (Group) Co., Ltd.; director of the 6 th Board of Directors, Board Secretary and Deputy General Manager of Shanghai Sanmao; director of 7 th and 8 th board of directors and General Manager of Shanghai Sanmao; is now director of board of directors and General Manager of Shanghai Sanmao; resigned from his post of Director and General Manager in the Company in Dec 23, 2014

Zhu Jianzhong (retired from post)	Used to be general manager of Heyun International Investment (Shanghai) Co., Ltd.; Deputy General Manager of Shanghai Sanmao; CFO and director of 7 th and 8 th board of directors of Shanghai Sanmao; resigned from his post of Director and CFO in the Company in Dec 23, 2014
Zhu Kuangyu (retired from post)	Vice chairman of Shanghai Elderly Foundation; used to be independent director of the 8 th board of directors of Shanghai Sanmao. On October 31, 2014, resigned for personal reasons, after being supplemented on December 24, 2014 at the 2014 second provisional shareholders meeting as independent director, no longer acting as the Company's independent director.
Cai Bocheng (retired from post)	used to be director and general manager of Shanghai Huayu Wool & Jute Import and Export Co., Ltd.; Chairman of the Board, General Manager and Party Secretary of Shanghai Sanmao Import and Export Co., Ltd.; Deputy General Manager of Shanghai Sanmao; resigned from his post of Deputy Director and General Manager in the Company in April 10, 2014
Wang Jianhua (retired from post)	used to be Vice Chairman of the 7 th and 8 th Supervisory Board, Secretary of disciplinary committee and Chairman of Trade Union of Shanghai Sanmao; vice chairman of supervisory board, secretary of disciplinary commission and chairman of Trade Union of Shanghai Sanmao; is now vice chairman of supervisory board, secretary of disciplinary commission and chairman of Trade Union of Shanghai Sanmao. On April 10, 2014, because reaching the age of retirement, resigned from the post of vice supervisory chairman, Secretary of the Discipline Inspection Commission and the Trade Union Chairman.

(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 with shareholding companies

applicable inapplicable

Name	Name of shareholding companies	Title	Starting Date	Ending Date
Zhang Wenqing	Chongqing Textile Holdings (Group) Co., Ltd.	Chairman of the Board	2010-10	
Zou Ning	Chongqing Textile Holdings (Group) Co., Ltd.	Director of Enterprise Management Department	2010-12	
Cao Yongxiang	Chongqing Textile Holdings (Group) Co., Ltd.	Deputy Secretary of the Party committee	2011-05	
Han Jiahong	Chongqing Textile Holdings (Group) Co., Ltd.	Board director,	2012-11	2014-10
Deng Shoudong	Chongqing Textile Holdings (Group) Co., Ltd.	Chief of Audit Office	2011-11	2013-12

(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 Finance Research Institute of Shanghai University of Finance and Economics	Teacher, professor	1986-7	
	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	Shanghai International Fashion Education Center	vice principal	2013-7	
Zhu Kuangyu	Shanghai Elderly Foundation	vice chairman	2009	

III. Remuneration of directors, supervisors and senior executives

Decision-making procedures for remuneration of Directors, Supervisors and senior executives	To be decided by the Board of Directors and the Remuneration and Appraisal Committee under the board. Remuneration of independent directors is subject to approval by shareholders' general meeting.
Calculation basis for remuneration of Directors, Supervisors and senior executives	Set according to the business objectives set at the beginning of year and assessment method, proposed by the Remuneration and Evaluation Committee of the Board of Directors with the annual assessment of senior managers of the Company, and brought to the Board for consideration. Independent directors' allowance drawn up by the Board of Directors and submitted to the shareholders' general meeting.
Total remuneration payable to all directors, supervisors and senior executives	Combined with integrated completion of annual financial position, operating results and other targets, paid after review by the Remuneration and Evaluation Committee. Remuneration the Company discloses commensurate with the actual distribution.
Total remuneration received by all directors, supervisors and senior executives at period end	Total payment to directors, supervisors, and senior managers in 2014 amounts to 3.377 million yuan.

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

Name	Title	Change	Reason
Han Jiahong(note)	the 8th Board of Directors director, general manager	retired from post	Due to job changes
Zhang Ping	the 8th Board of Directors director	retired from post	Due to job changes
Zhang Ping	the 8th Supervisory Board Supervisory Chairman	appointment	election by the 8th Supervisory Board
Zhu Jianzhong(note)	the 8th Board of Directors director, CFO	retired from post	Due to job changes
Liu Jie	Deputy general manager	appointment	appointment by the 8th Board of Directors director
Cai Bocheng	Deputy general manager	retired from post	For work reasons
Wang Jianhua	the 8th Supervisory Board vice Supervisory Chairman, Secretary of disciplinary committee	retired from post	Retired upon reaching the age

Note: The executive posts Mr. Han Jiahong and Mr. Zhu Jianzhong resigned from led to the vacancies of the Company's general manager and chief financial officer; before the board of directors of the Company appoints the new general manager and chief financial officer, Mr. Han Jiahong and Mr Zhu Jianzhong still will perform related duties according to the provisions of relevant laws, regulations and the Articles of Association of the Company.

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

(I) Particulars about employees

Number of employees of Parent Company in service	60
Number of employees of key subsidiaries in service	508
Total headcount in employment	568
Number of retired personnel on the payroll of the parent company and key subsidiaries	5
The constitution of specialties	
Classification	Number
Production staff	330
Selling staff	57
Technicians	53
Financial staff	30
Administrative staff	48
Others	50
Total	568
Educational level	
Educational Level	Number (head count)
Master	15
Bachelor	79
Junior full time college	89
Senior high school or below	385
Total	568

(II) Remuneration policies

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

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

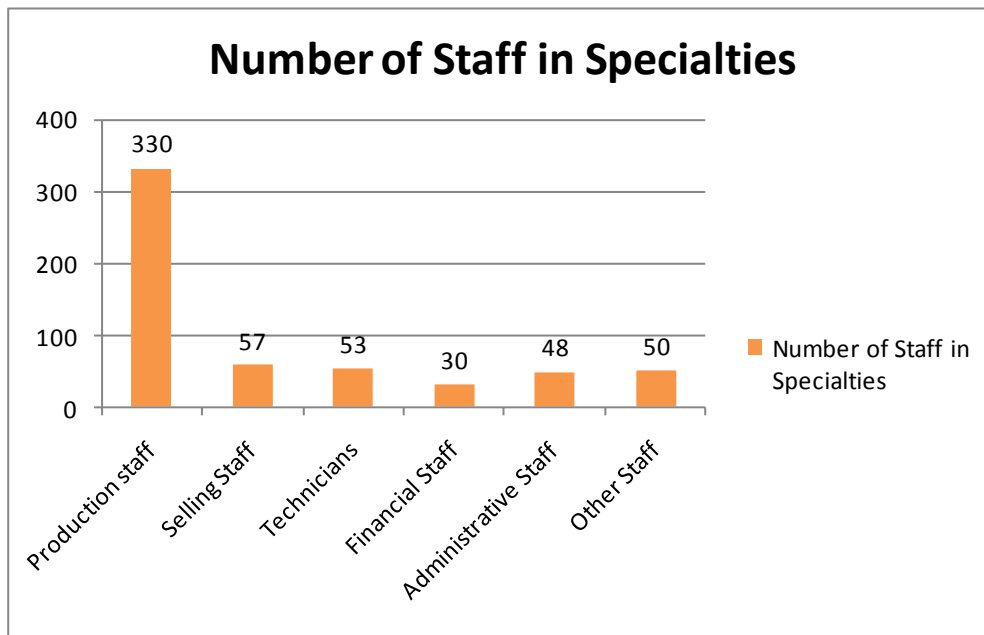
Employee remuneration distribution strictly follows the Company's Remuneration Distribution System.

(III) Training programs

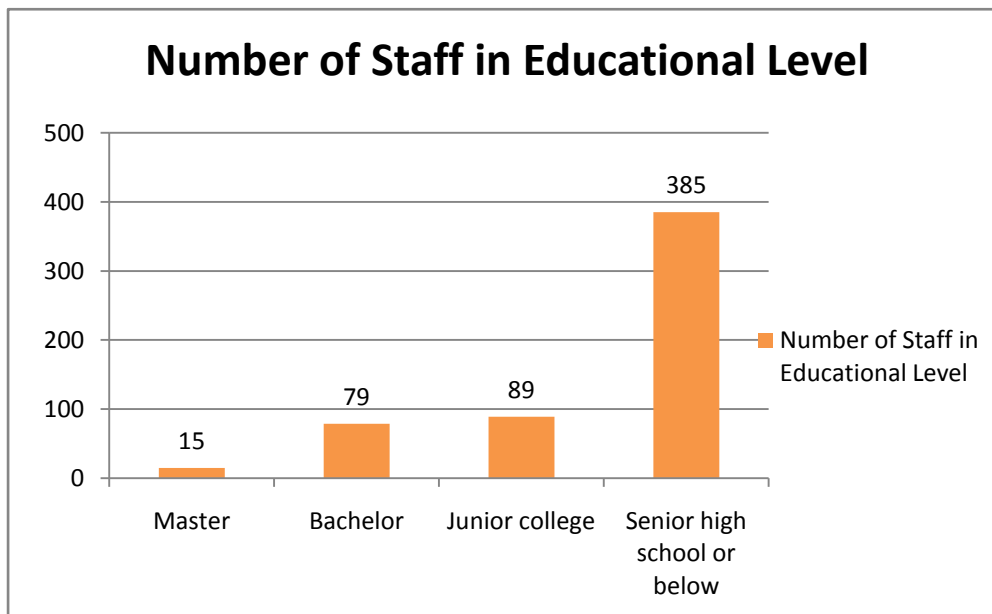
During the reporting period, the Company focused on the enterprise's overall strategic development objectives, considered the need for employees' knowledge structure and professional development, held training courses lasting a period of three months for entrepreneurs and senior management executives in the first half of the year, the number of participants reaching 537, focusing on the training on enterprise reengineering, marketing and risk management etc.

In addition, the Company also held business training courses on financial, personnel, foreign trade and other professional knowledge, and sent a batch of senior managers to go overseas, or to provincial and municipal training classes.

(IV) Specialty composition chart



(V) Educational level statistics chart



Chapter VIII Corporate Governance

I. Corporate governance and information insider registration management

(I) corporate governance

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

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

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

(II) 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.

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	Motion Name	Resolution	Index of resolutions on designated media or website	Date of resolution publishing
2013 Annual Shareholder's General Meeting	2014-5-23	Note	All approved	Shanghai Securities News 22, Hong Kong Wen Wei Po B5, www.sse.com.cn	2014-5-24
2014 First Provisional Shareholder's General Meeting	2014-9-10	Note	All approved	Shanghai Securities News B36, Hong Kong Wen Wei Po B7, www.sse.com.cn	2014-9-11
2014 Second Provisional Shareholder's General Meeting	2014-12-24	Note	All approved	Shanghai Securities News B37, Hong Kong Wen Wei Po AA14, www.sse.com.cn	2014-12-25

Note:

Items considered at the 2013 Annual Shareholder's General Meeting:

1. Work Report 2013 of the Board of Directors
2. Work Report 2013 of the Supervisory Board
3. 2013 Financial Final Account
4. 2013 Profit Sharing Plan
5. Motion on Bad Debt Provision and Asset Impairment Reserve for 2013
6. Motion on 2013 Special Bad Debts Provision
7. Motion on Hiring of CPA Accounting Firm for Annual Audit and Audit Body for Internal Control Audit 2014

8. The 2013 Annual Report and Highlights
9. Motion on Amendment of *Related-party Transactions Management System*
10. Motion on Subsidiaries Providing Guaranty for the Company's Bank Line of Credit
11. Motion on the Company Loan Mortgaged with Real Estate
12. Motion on Adjustment of Allowance of Independent Directors
13. Motion on Supervisor Changes and Candidates
14. Motion on Equity Transfer of Subsidiary Company Shanghai Sanmao International Online Shopping Life Plaza Trading Co., Ltd.

Items considered at the 2014 First Provisional Shareholder's General Meeting:

1. Motion on 100% Equity Transfer of Subsidiary Shanghai Sanmao International Online Shopping Life Plaza Trading Co., Ltd. and Related Party Transactions
2. Motion on the Company Loan with Mortgage of Real Estate
3. Motion on Amendment of *Shareholders' General Meeting Rules*
4. Deliberated the Motion on Amendment of the *Articles of Association*

Items considered at the 2014 Second Provisional Shareholder's General Meeting:

1. Motion on the Company Being Qualified for Major Asset Restructuring
2. Motion on the Company's Major Asset Sale (Considered item by item)
 - 2.1 Counterparty
 - 2.2 Transaction target
 - 2.3 Trading price of the underlying assets and the pricing basis
 - 2.4 Attribution of gains/losses of target asset in transition period
 - 2.5 Delivery of the underlying asset
 - 2.6 Validity of resolutions
3. Motion on *Major Asset Sale Report* and its summary
4. Motion on Signing Conditional-Effective Equity Transfer Agreement
5. Motion on Consideration of the Audit Report and Asset Appraisal Report Concerning the Major Asset Sale
6. Opinions on Appraisal Agency's Independence, Reasonableness of the Assumed Premise of Appraisal, Relevance of Assessment Methods and Purposes and Fairness Assessment Pricing regarding the Sale of Major Asset
7. Motion on Proposing to the General Meeting to Authorize the Board to Take Whole Charge of the Major Asset Restructuring and Related Matters
8. Motion on Supplementing Independent Directors of the 8th Session of the Board of Directors

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
Zhang Wengqing	No	9	9	6	0	0	No	3
Zou Ning	No	9	9	6	0	0	No	3
Liu Jie	No	9	9	6	0	0	No	3
Zhao Xiaolei	Yes	9	9	6	0	0	No	1
Qian Liming	Yes	9	9	6	0	0	No	3
Xu Feng(note)	Yes	0	0	0	0	0	No	0
Han Jiahong	No	8	8	7	0	0	No	2
Zhang Ping(Note)	No	1	1	0	0	0	No	3
Zhu Jianzhong	No	8	8	6	0	0	No	2
Zhu Kuangyu	Yes	9	9	6	0	0	No	0

Note: Ms. Zhang Ping resigned as director in April 2014, therefore she attended the annual meeting only once last year; Mr. Xu Feng supplemented as the company's independent director of the 8th Board of Directors on December 24, 2014, so there is no annual meeting he should attend last year.

Number of board meetings in report year	9
Including: number of field meeting	2
Number of meeting by correspondence	6
Number of meeting field & by correspondence	1

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

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

The special committees set up under the Board of Directors work actively conscientiously perform their duties, having promoted the standardized operation of the Board of Directors, scientific decision-making and stayed in strict compliance with disclosure obligations.

To achieve the goal of returning to profitability, the Company's Strategic Committee members carefully judged the business environment, trends and competitive landscape of our industry, made objective analysis of advantages and disadvantages of the Company in the market competition, as well as possible risks, drafted annual operating goals, planned out annual work, guided the operating level to carry out goal management and related business activities; developed thematic studies to the Company's management mode adjustment, and other thematic studies; made prudent decisions related to the Company's mid-term and long-term development strategies and development plans to achieve annual capital operation, asset disposal and other major issues.

The Audit Committee made thorough studies of the Company's production management, financial management, standardized operation and internal control, focused on related transactions, the use of funds and so on. Five meetings were held this year, which deliberated matters related to the annual report, semi-annual report, third quarter report and other events including the Company's equity transfer. Members pointed out at the meeting: the Company should learn a lesson from Meisuo Cashmere case, detailed investigation of business risks, business matters with high risks and great internal management costs with low profits to be firmly closed; to do risk control and strengthen the collection of receivables; control operational risks.

Remuneration and Appraisal Committee evaluated the performance ability and job performance of senior management staff through the Company Executives Remuneration Determining Approaches, submitted the examination results to the Board, formulated salary distribution scheme. The Committee considered that the remuneration of the senior management disclosed in the report was consistent with the actual payment of salaries.

Nomination Committee audited the qualifications for senior management candidates and candidates for directors, on the basis of being in full knowledge of the candidates' ability to perform their duties, moral qualities, and the part-time situation, confirmed the eligibility of candidates, and audited the nominees' qualification, held that the Company's directors, senior management elective procedures are legitimate, in line with the relevant requirements. Meanwhile, it also focused on the training and reserves of the Company's reserve management team and technical backbone team, and proposed guiding advices to the management.

The Strategy Committee of the Board of Directors, the Audit Committee, the Remuneration Committee and the Nomination Committee have fully played their roles during the reporting period, strictly followed the requirements of the implementation details of the various committees, made active recommendations to the Board of Directors, promoted the development of the standardized corporate governance structure. The special committees under the Board fell in favor of all the proposals under consideration, and no other comments and suggestions have been made.

V. Description of the supervisory board finding the Company's existing risk

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.

The Company did not fail to maintain independence or independent operation from its controlling shareholder in respective of business, personnel, assets, organization and finance etc.

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

The Remuneration and Evaluation Committee of the Board, in accordance with the responsibilities entrusted by the Implementation Procedures of the Remuneration and Evaluation Committee of the Board of Directors, combined with the Company's business situation, the completion status of major projects, capital markets operations, as well as completion status of work in charge by senior managers, developed the compensation plan, organized and implemented after being considered for adoption by the Board of Directors, with the Supervisory Board supervising.

Chapter IX Internal Control

I. Internal control responsibility statement and internal control system construction

It is the responsibility of the board of directors of the Company to establish and perfect and fulfill effectively the internal control systems, evaluate the effectiveness and to disclose internal control evaluation report system according to the regulations of enterprise internal control standard system. The Company's Supervisory Board makes supervision over the establishment and implementation of internal control by the board. The management layer is responsible for organization and leadership of the enterprise internal control. The Company carried out internal control assessment work according to the standard system of internal control and the internal control documents. The board of directors, considering the size of the Company, industry characteristics, risk preference and risk tolerance and other factors, researched to determine the specific standards applicable to the defects of internal control of the Company. In accordance with the Company's internal control defect identification standards, during the report period the Company has two internal control serious defects in the non-financial report, the specific defect as follows:

specific defect 1:

(1) Defects nature and effect:

The Company has carried the internal self-examination in every subsidiaries, noticed that the defect exists in which Shanghai Sanjin Import and Export Co., Ltd. had not enough investigation and control for overseas customers and actual trading parties.

(2) Defects rectification:

Significant defects exist in Shanghai Sanjin Import and Export Co., Ltd., and the Company actively took corrective measures to control and avoid risks that may occur. The Company conducted the following corrective measures:

A. For customer risk prevention and control, according to the characteristics and the actual situation in foreign trade business, the Company strictly sorted out the customers, took corresponding measures in discriminating ways according to one, two, three class classifying management; determine the class of the new customers from beginning, investigate the old customers based on the system, strive for completing all the grading work by the year 2015.

B. For innovative financing products or channels, used with caution under ensuring safe situation after internal control measures has been improved.

Up to internal control evaluation report base date December 31, 2014, these measures have not yet completed all the rectification, some corrective measures have not yet run long enough.

Specific defect 2:

(1) Defects nature and effect:

There are significant defects in the Company's information disclosure. Due to the impact of the Meisuo Cashmere case, former subsidiary Shanghai Sanmao Import and Export Co., Ltd. occurred large receivables overdue and had been tax protective taken by the taxation authorities, which has a significant impact on the Company's 2012 and later operating results; the Company did not promptly disclose, resulting in the Shanghai Securities Regulatory Commission Shanghai Bureau on December 22, 2014 issued Shanghai [2014] No.4 Administrative Penalty Decision, punished the Company and the relevant responsible persons.

(2) Defects rectification

The Company followed the Listed Company Information Disclosure Through-Train Guidelines, combined with its own actual situation, and revised the Information Disclosure Management System, mainly refined and improved the Principle of Information Disclosure and General Provisions, Information Disclosure Procedures, enabling the Company to be more comprehensive, objective, impartial, and timely in fulfilling the information disclosure obligations. The Company also organized the management to seriously study the information disclosure rules, in order to improve the level of information disclosure, make more consultation, more referrals and maintain close communication with the Stock Exchange and regulatory agencies in the daily work.

In future periods, the Company will continue to improve its internal control system and standardize the implementation of the internal control system, strengthen supervision and inspection of internal control, and promote the Company's healthy and sustainable development.

For internal control self-evaluation report, see Shanghai Stock Exchange website www.sse.com.cn.

Whether the internal control self-assessment report has been revealed: Yes

II. Deliberation of internal control audit report

For the year 2014 the Company hired the accounting firm Shanghai Shu Lun Pan Certified Public Accountants LLP as the internal control audit organ which submitted the Audit Report (Xin Kuai Bao Zi [2015] No. 110298) of unqualified audit opinion with emphasized paragraphs.

1. Audit opinion of internal control of financial report

We believe that, as of December 31, 2013, Shanghai Sanmao 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.

2. Material defects in non-financial reporting internal control

In the internal control audit process, we noted that Shanghai Sanmao Company's non-financial report internal control has the following major defects:

(I) Shanghai Sanjin Import &Export Co., Ltd., a wholly owned subsidiary company of Shanghai Shanghai Sanmao is mainly engaged in foreign trade business, the defect exists in the company that it had not enough investigation and control for overseas customers and actual trading parties. Shanghai Sanjin Import &Export Co., Ltd. has identified the defect and start the rectification, but as of December 31, 2014, the rectification has not yet completed, some corrective measures have not run long enough yet.

(II) We are concerned that there are significant defects in the Shanghai Sanmao's information disclosure. Due to the impact of the Meisuo cashmere cases, former subsidiary Shanghai Sanmao Import and Export Co., Ltd. occurred large receivables overdue and had been tax protective taken by the Inland Revenue Department, have a significant impact on the Shanghai Sanmao's 2012 and later operating results, Shanghai Sanmao did not promptly disclose, resulting in the Shanghai Securities Regulatory Commission Shanghai Bureau on December 22, 2014 issued Shanghai [2014] No.4 "administrative penalty decision," punished the company and the relevant responsible persons. Shanghai Sanmao has developed appropriate corrective measures to address these shortcomings.

Due to the above-mentioned defects, we remind report users of the relevant risks. It needs to be pointed out that we do not provide opinions or guarantee over the non-internal control financial reporting of Shanghai Sanmao Company and this paragraph does not affect the validity of the auditing opinions of internal control over financial reporting.

The internal audit report issued by the accounting firm conforms to the self-evaluation report made by the board of directors.

For the internal control audit report, see Shanghai Stock Exchange Web site www.sse.com.cn.

Whether the Internal Control Audit Report has been revealed: Yes

III. Deliberation of annual report significant error accountability system and the implementation

According to the provisions of the Company's Information Disclosure Management Measures, it is clearly specified that the relevant responsible person of the information disclosure major errors should be punished with criticism, warning, even the termination of post, which increases the punishment of responsible person for errors in information disclosure in annual reports.

During the reporting period, there incurred no major errors in information disclosure of the Company's annual report.

Chapter X Reference Available

Documents for Reference	I. 2014 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 seal 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
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Chairman of the Board: Zhang Wenqing

Delivery Date approved by the Board of Directors: Feb. 13, 2015