



Shanghai Haixin Group Co., Ltd. Abstract of the Semi-annual Report 2012

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Shanghai Haixin Group Co., Ltd. (hereinafter referred to as "the Company") hereby ensure that this report does not contain any false information, misleading statement or material omission and shall take individual and/or joint responsibilities for the factuality, accuracy and completeness of the whole contents of this report.

The Abstract of the Semi-annual Report 2012 is abstracted from the full text of the Semi-annual Report 2012. Investors are suggested to read the full text to understand more details.

1.2 Where any director did not attend the board session for reviewing this report, give his/her name separately in the table below.

Table with 2 columns: Name of the director, Office title, Explanation for not attending the session, Name of the proxy. Includes Yang Chajun and Guo Yongqing.

1.3 The financial report for the first six months of 2012 has not been audited by a CPAs firm.

1.4 Whether there existed any non-operating capital occupation by the controlling shareholder and its related parties?

No

1.5 Whether there existed any provision of external guaranty which violated the prescribed decision-making procedure?

No

1.6 Mr. Xu Wenbin, Chairman of the Board, Mr. Chen Moulang, President, Mr. Chen Aimin, head of the accounting work and Ms. Chen Aimin, head of the accounting department, hereby declare that they guarantee factuality and completeness of the financial report enclosed in this semi-annual report.

English Translation for Reference Only. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

§2 Company Profile

2.1 Basic information

Table with 2 columns: Item and Value. Includes stock code (600851), office address (18/F, Jinling Haixin Building, No. 666 Fuzhou Road, Shanghai), and contact information.

2.2 Financial highlights

2.2.1 Major accounting data and financial indexes

Table with 4 columns: Item, 30 Jun. 2012, 31 Dec. 2011, Increase/decrease (%). Includes Total assets, Owners' equity, Operating profit, and EPS data.

2.2.2 Items of non-recurring gains and losses

Unit: (RMB) Yuan

Table with 2 columns: Items of non-recurring gains and losses, Amount. Includes government subsidies, gains from fair value changes, and other non-operation incomes.

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of changes in shares

Unit: (Share)

Table with 2 columns: Total number of shareholders at the period-end, Total number of shares held by the top ten shareholders.

Table with 5 columns: Name of shareholder, Nature of shareholder, Shareholding proportion (%), Total number of shares held, Share pledged or frozen.

Table with 3 columns: Name of shareholder, Number of shares not subject to trading moratorium held by the shareholder, Type and number of shares.

§4. Particulars about Directors, Supervisors and Senior Management

4.1 Particulars about changes in shares held by directors, supervisors and senior management

§5. Report of the Board of Directors

5.1 Discussion and analysis on the overall operation in the reporting period
For the reporting period, the Company achieved operating revenues of RMB 502 million, up 3.72% from RMB 484 million...

5.2 Revisions in business plan of the Board for the second half of the year
For the reporting period, the Company achieved operating revenues of RMB 502 million, up 3.72% from RMB 484 million...

5.3 Warnings of and explanation on possible deficit or considerable year-on-year change of the accumulative net profit from year-begin to the end of the next reporting period
5.4 Explanation of the Board of Directors on "Non-standard Auditor's Report" issued by CPA firm for the reporting period
5.5 Explanation by the Board of Directors on changes and solutions of the issues involved in "Non-standard Auditor's Report" issued by CPA firm last year

0.95 million on the plush toy business, down RMB 0.45 million over the loss of the same period of last year.

In terms of the medicine sector, under pressures from stricter government control, falling medicine prices and the new GMP examination, the Company managed to maintain stability in terms of the production and operation figures in this sector. The Company gained RMB 5.82 million in this sector, with the net profit down RMB 0.30 million on a year-on-year basis.

As for the finance sector, due to the decrease of bonuses from Changjiang Securities, the earnings in this sector decreased considerably. The Company gained RMB 52.37 million in this sector, down RMB 37.82 million over the same period of last year.

Besides the aforesaid main business sectors, the Company had some real estate business, which mainly involved leasing and management of commercial buildings, as well as construction of houses relocated due to government requirement. And the Company gained RMB 4.76 million in this sector for the reporting period.

Since 2008, the Company shut down some textile subsidiaries which suffered loss with weak market competitiveness. Currently, the major task in shutting down those subsidiaries is to reach agreement with shareholders and work out solutions involving plant land, etc.. Up until now, there are still 9 subsidiaries in production halt. These subsidiaries incurred a loss of RMB 6.65 million during the reporting period, down RMB 10.12 million over the loss of the same period of last year.

For plush fabric subsidiaries, it was very important to accurately judge market needs and manufacture products that were needed by the time and the market. At the end of Mar. 2012 and in the middle of Apr. 2012, the Company's affiliated subsidiary Nanjing Haixin Lining Plush Co., Ltd. cooperated with Mr. Wu Xuekai, a famous fashion designer, and held imitation fur fashion shows in Beijing, Shanghai and other cities with "MAGIC FUR" as the theme, showing Haixin's high-end and verisimilitude plush fabric products to the market.

During the reporting period, the medicine subsidiaries of the Company focused on both production and market promotion. The sales income generated in the medicine sector went up 24% over the same period of last year. Xi' an Haixin Pharmaceutical Co., Ltd. examined their agents on a quarterly basis and appraised the performance of its sales personnel on a monthly basis. Jiangxi Gannan Haixin Pharmaceutical Co., Ltd. adopted differential strategies on different product varieties and built up customer groups for key varieties; meanwhile, in terms of the new GMP examination on the small needle production line, it carried out various examinations and thoroughly adjusted relevant software. Through channel integration, Shanghai Haixin Pharmaceutical Co., Ltd. (mainly engaged in sale of pharmaceutical products) solidified its existing clients, attracted some new clients and kept improving its marketing network in the Yangtze River Delta. With various efforts, Shanghai Haixin Biotechnology Co., Ltd. finally obtained the approval document on 26 Jul. 2012 for the clinical testing phase III of the APDC project to carry out the project.

On 8 Jun. 2012, the Board of Directors, the Supervisory Committee and the senior execution team were re-elected in progression. After the re-election, the handover went smoothly, with all the work proceeding steadily and in an orderly way. The new senior execution team listened to various opinions and suggestions and organized seminars for all business divisions and the semi-annual economic work conference. In face of the harsh situation and various difficulties, the team kept clearing and dealing with shutdown subsidiaries and subsidiaries will a poor performance and at the same time pushed forward new projects to lay a foundation for adjusting the business structure and realize long-term development.

During the reporting period, according to requirements of the five departments and ministries, the Company proactively and seriously implemented the internal control rules.

The operating environment for the second half of 2012 is still harsh, with an uncertain macro economy, especially the peripheral environment, and rising costs of labor, resources, environment and other elements. Orders for the Company's textile business, especially the plush fabric subsidiaries, for the second half of the year are expected to decrease about 25% over the same period of last year, which means an extremely tough task for production and operation.

In face of the harsh environment and the tough task, the ongoing subsidiaries need to further transform their operating ideology, enhance management and improve the market expansion ability and earnings. While adjusting its business structure, the Company will work hard on planning and research for the textile, medicine and industrial real estate sectors so as to promote sustainable development of its production and operation.

5.2 Main operations classified according to industries or products

Table with 6 columns: Industries or products, Operating revenue, Operating cost, Operating profit margin (%), Increase/decrease of operating revenue compared with the same period of last year (%), Increase/decrease of operating cost compared with the same period of last year (%), Increase/decrease of operating profit margin compared with the same period of last year (%).

Of which: The related-party transactions concerning the Company's selling products and offering labor service to the controlling shareholder and its subsidiaries valued RMB 0.00 in the reporting period.

5.3 Main operations classified according to areas

Table with 4 columns: Area, Operating revenue, YoY increase/decrease (%), YoY increase/decrease of operating profit margin (%).

5.4 Reasons for significant changes in main operations and their structure

□Applicable ✓Inapplicable

5.5 Reasons for significant changes in profitability (gross profit ratio) of main operations compared with that of last year

□Applicable ✓Inapplicable

5.6 Analysis on reasons for significant changes in profit breakdown compared with the previous year

□Applicable ✓Inapplicable

5.7 Utilization of raised proceeds

□Applicable ✓Inapplicable

5.7.2 Change of projects invested with raised proceeds

□Applicable ✓Inapplicable

5.8 Projects financed by non-raised funds

The Company had no projects financed by non-raised funds in the reporting period.

5.9 Revised business plan of the Board for the second half of the year

□Applicable ✓Inapplicable

5.10 Warnings of and explanation on possible deficit or considerable year-on-year change of the accumulative net profit from year-begin to the end of the next reporting period

□Applicable ✓Inapplicable

5.11 Explanation of the Board of Directors on "Non-standard Auditor's Report" issued by CPA firm for the reporting period

□Applicable ✓Inapplicable

5.12 Explanation by the Board of Directors on changes and solutions of the issues involved in "Non-standard Auditor's Report" issued by CPA firm last year

□Applicable ✓Inapplicable

§6 Significant Events

6.1 Purchase of assets

□Applicable ✓Inapplicable

6.2 Sales of assets

□Applicable ✓Inapplicable

6.3 Provision of guarantees

□Applicable ✓Inapplicable

(Unit: RMB Ten thousand)
Guarantees provided by the Company for its controlled subsidiaries
Total guarantee amount for the subsidiaries in the reporting period: 6,000.00

Total guarantee amount at the end of the reporting period: 6,000.00
Total guarantee amount of the Company (including the guarantees for the subsidiaries): 6,000.00
Proportion of the total guarantee amount in net assets of the Company (%): 2.16
Debt guarantee amount directly or indirectly provided for parties with an asset-liabilities ratio over 70%: 1,200.00

6.4 Credits and liabilities with related parties
(Unit: RMB Ten thousand)

Table with 4 columns: Related parties, Fund provided to related parties (Incurred amount, Balance), Fund provided by related parties to the listed company (Incurred amount, Balance).

6.5 Significant lawsuits and arbitrations

□Applicable ✓Inapplicable

6.6 Other significant events as well as analysis and explanations on their influences and solutions

6.6.1 Securities investment

✓Applicable □Inapplicable

Table with 9 columns: Serial No., Type of securities, Code of securities, Abstr. of securities, Initial investment cost (RMB Yuan), Number held (share), Closing book value (RMB Yuan), Proportion in total securities investments at the period-end (%), Gain/loss in the reporting period (RMB Yuan).

6.6.2 Equity of other listed companies held by the Company

✓Applicable □Inapplicable

Table with 8 columns: Stock code, Short form of stock, Initial investment cost, Proportion in the equity of the investee (%), Book value at the period-end, Profit and loss in the reporting period, Change in owners' equity in the reporting period, Accounting title, Source of shares.

6.6.3 Equity of non-listed financial enterprises held by the Company

✓Applicable □Inapplicable

Table with 8 columns: Name of the investee, Initial investment cost (RMB Yuan), Number of shares held (share), Proportion in the equity of the investee (%), Book value at the period-end (RMB Yuan), Profit and loss in the reporting period (RMB Yuan), Change in owners' equity in the reporting period (RMB Yuan), Accounting title, Source of shares.

§7 Financial Report

7.1 Auditor's opinion

Financial Report ✓Un-audited □Audited

7.2 Financial statements

Balance Sheet (Consolidated) 30 Jun. 2012

Prepared by Shanghai Haixin Group Co., Ltd.

(Unit: RMB Yuan)

Table with 4 columns: Items, Notes, Closing balance, Beginning balance. Includes Current assets, Monetary funds, Transactional financial assets, Notes receivable, Accounts receivable, etc.

Income Statement (Consolidated) Jan.-Jun. 2012

(Unit: RMB Yuan)

Table with 4 columns: Items, Notes, Reporting period, Same period of last year. Includes Total operating revenues, Total current assets, Total non-current assets, Total assets, etc.

Legal Representative: Xu Wenbin

Head of the accounting work: Yang Aimin

Head of the accounting department: Chen Aimin

Income Statement (the Company) Jan.-Jun. 2012

(Unit: RMB Yuan)

Table with 4 columns: Items, Notes, Reporting period, Same period of last year. Includes I. Revenues, Less: Operating cost, Tax and levies on operations, Selling expense, etc.

Legal Representative: Xu Wenbin

Head of the accounting work: Yang Aimin

Head of the accounting department: Chen Aimin