
Shang Gong Group Co., Ltd

Semi-annual Report 2017

Important Notes

1. The Board of Directors, the Board of Supervisors, and all the directors, supervisors and senior managers guarantee that there are no false statement, vital misunderstandings or important omission in this semi-annual report, and hold both individual and joint legal liability for the authenticity, accuracy and integrity of its contents.

2. All the directors of Shang Gong Group Co., Ltd attended the meeting of the Board of Directors.

3. The semi-annual report has not been audited

4. Zhang Min, Chairman of the Company, Li Jiaming, the principal in charge of the accounting, and Zhao Lixin, Chief of Accounting Affairs, make the pledge for the authenticity, accuracy and integrity of the attached financial report.

5. Plan of Profit Distribution or Transfer of Reserves Deliberated by the Board

During the report period, the Company did not distribute profit or convert capital reserve into share capital.

6. The Risk of Forward-looking Statements

The Company's future plan, development strategy and other forward-looking statements in this semi-annual report do not constitute a substantial commitment to the Company's investors.

7. There was no occupation of fund of the Company occurred for non-operating use by holding shareholders and its related parties.

8. There was no external guarantee against the rules and regulations of the Company.

9. Major Risk Warning

The Company has described in detail the risks faced by the Company in this semi-annual report. For details see "Discussion and Analysis on Business Operation" and other relevant chapters in this report.

10. The English version of this semi-annual report is for reference only. In case of discrepancy between the English version and the Chinese version, the Chinese shall prevail.



CONTENTS

Chapter 1 Definition	2
Chapter 2 Company Profile and Main Financial Index	2
Chapter 3 Summary of Company Business	4
Chapter 4 Discussion and Analysis on Business Operation	6
Chapter 5 Important Events	11
Chapter 6 Status of Shareholders and Share Capital Changes of Common Stock	15
Chapter 7 Relevant Situation about Preferred Shares	17
Chapter 8 Situation about Directors, Supervisors and Senior Managers	17
Chapter 9 Corporate Bonds	19
Chapter 10 Financial Report	20
Chapter 11 For Reference	96



Chapter 1 Definition

As used in this report, the following terms have the following meanings unless the context requires otherwise:

Definition of Common Terms		
ShangGong Group, SGG, the Company	refer to	Shang Gong Group Co., Ltd.
PKFR	refers to	Shanghai Puke Flyingman Investment Co., Ltd
Pudong SASAC	refers to	State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government
ShangGong Europe, SGE	refer to	ShangGong (Europe) Holding Corp. GmbH
DA AG	refers to	Dürkopp Adler AG
PFAFF GmbH	refers to	PFAFF Industriesysteme und Maschinen GmbH
KSL	refers to	PFAFF Industriesysteme und Maschinen GmbH Zweigniederlassung KSL
STOLL KG	refers to	H. Stoll AG & Co. KG
DAPSH	refers to	DAP (Shanghai) Co., Ltd.
ShangGong GEMSY, SG GEMSY	refers to	ShangGong GEMSY CO., LTD.
SG Butterfly	refers to	Shanghai Shangong & Butterfly Sewing machine Co., Ltd.
SHENSY	refers to	Shanghai Shensy Enterprise Development Co., Ltd.
DAP Vietnam	refers to	DAP Vietnam Co., Ltd.
CSRC	refers to	China Securities Regulatory Commission
Report period	refers to	From January 1, 2016 to December 31, 2016
Yuan, RMB	refer to	The lawful currency of the People's Republic of China
Euro, EUR	refer to	The lawful currency of the European Union

Chapter 2 Company Profile and Main Financial Index

1. Company Information

Company Name in Chinese	上工申贝（集团）股份有限公司
Abbreviation of the Company Name in Chinese	上工申贝
Company Name in English	Shang Gong Group Co., Ltd
Abbreviation of the Company Name in English	ShangGong Group
Legal Representative of the Company	Zhang Min

2. Contact Information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Zhou Yongqiang	Shen Lijie
Address	No. 1566 New Jinqiao Road, Pudong New Area, Shanghai	No. 1566 New Jinqiao Road, Pudong New Area, Shanghai
Telephone	021-68407515	021-68407700-437
Fax	021-63302939	021-63302939
Email	zyq@sgsbgroup.com	shenlj@sgsbgroup.com

3. Basic Situation Introduction

Registered Address of the Company	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, China (Shanghai) Pilot Free Trade Zone
Postal Code of Registered Address	200122
Office Address of the Company	No. 1566 New Jinqiao Road, Pudong New Area, Shanghai



Postal Code of Office Address	201206
Website	http://www.sgsbgroup.com
Email	600843@sgsbgroup.com

4. Information Disclosure and Place for Consulting

Newspaper Selected by the Company for Information Disclosure	Shanghai Securities News Hong Kong Commercial Daily
Website Appointed by CSRC for Publishing Semi-annual Report	http://www.sse.com.cn
Lodging Address of Semi-annual Report of the Company	Office of the Company

5. Company Stock

Type	Stock Exchange	Stock Abbreviation	Stock Code
A Share	Shanghai Stock Exchange	SGSB	600843
B Share	Shanghai Stock Exchange	SGBG	900924

6. Main Accounting Data and Financial Index

6.1 Main Accounting Data

Unit: Yuan, Currency: RMB

Main Accounting Data	From January 2017 to June 2017	From January 2016 to June 2016	Increase/Decrease (%)
Operating income	1,532,562,601.12	1,359,342,529.45	12.74
Net profit attributable to shareholders of listed company	125,980,892.71	101,164,717.70	24.53
Net profit attributable to shareholders of listed company after non-recurrent account profit/loss	113,282,323.52	95,925,846.84	18.09
Net cash flow from operating activities	-59,790,323.47	-45,943,085.71	N/A
	30 th June 2017	31 st December 2016	Increase/Decrease (%)
Net assets attributable to shareholders of listed company	2,065,224,718.29	1,916,349,381.88	7.77
Total assets	3,636,741,153.10	3,506,172,981.71	3.72

6.2 Main Financial Index

Main Financial Index	From January 2017 to June 2017	From January 2016 to June 2016	Increase/Decrease (%)
Basic earnings per share (yuan/share)	0.2296	0.1844	24.51
Diluted earnings per share (yuan/share)	0.2296	0.1844	24.51
Basic EPS after non-recurrent account profit/loss (yuan/share)	0.2065	0.1749	18.07
Weighted rate of return on net assets (%)	6.3648	5.5425	Increase 0.82 percent
Weighted rate of return on net assets after non-recurrent account profit/loss (%)	5.7232	5.2555	Increase 0.47 percent

7. Differences in Accounting Data between Domestic and Foreign Accounting Standards

Not applicable.

8. Items and Amount of Non-recurring Profit and Loss

Unit: Yuan, Currency: RMB

Item	Amount
Profits and losses from disposal of non-current assets	9,747,624.59
Government subsidies recorded in the current profit and loss	2,642,975.59
Except effective hedging business relevant to the normal business of the Company, gains and losses from changes in fair value arising from trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	2,403,933.60



Item	Amount
Other non-operating income and expenditure except the above-said items	-301,892.86
Impact on minority interests	-1,086,985.02
Impact on income tax	-707,086.71
Total	12,698,569.19

Chapter 3 Summary of Company Business

1. The Company's Main Business, Business Model in the Report Period and Industry Situation

During the report period, the Company's main business is sewing equipment manufacturing industry. The Company's business also involves knitting machine, office machinery, film materials, commerce and trade, and logistics services. The Company produced sewing machines including industrial sewing machines, household sewing machines and customized industrial machines for special purpose.

The Company adheres to the globalization of business, implement unified management of sales, adheres to stratified professional multi-brand marketing strategy. The Company operates a gradient division of labour throughout the Eurasian production base, occupying the high-end global market for sewing equipment with leading technology. At the same time, the Company focused on creating R & D and marketing centres in Shanghai and deepening the production base in Jiangsu and Zhejiang in China. In recent years, through the implementation of mergers and acquisitions at home and abroad and the reorganization and integration of subsidiaries, synergies have gradually emerged, and international business model has achieved good results.

China's sewing machinery manufacturing industry is a branch of light industry in China. It has established the most complete industrial system in the world, and is capable of manufacturing a full range of sewing machinery products, including household and industrial sewing machine, embroidery machine and cutting machine, and the related controller, motor ability and spare parts, which satisfies all kinds of social needs. However, compared with the advanced in the world, there is still a large gap for China's sewing machinery manufacturing industry in independent innovation ability, industrial structure, technology, product and brand quality and other aspects. The whole industry is big but not strong. The development of the world sewing machinery industry started in the middle of the nineteenth Century in Europe and the United States. After 150 years of development, at present the world sewing machine industry development centre has been transferred to the Asian region like China and Japan, and gradually formed tripartite confrontation pattern between China, Germany and Japan.

China Sewing Machinery Association statistics show that total operating income of the industry's top 100 backbone machine manufacturers from January to June in 2016 is 9,246 million yuan, an increase of 16.55%; Total profit is 830 million yuan, an increase of 61.74%; Sewing machine output and sales grew by 25.36% and 20.40% respectively. In the first half of 2017, the sewing machinery industry in our country maintained a restorative growth, showing a market trend of "booming supply and demand".

2. Description of Major Changes in the Main Assets of the Company during the Report Period

As of 30th June 2017, the amount of construction in progress is 33,559,198.84 yuan, comparing to the balance of 20,199,928.64 yuan as of 31st December 2016, increased by 66.14%. It is mainly due to the increase of expense in sewing equipment project and workshop reconstruction ng project of the Company's overseas subsidiaries.



The Company's overseas assets amounted to 1,901,371.50 yuan, accounting for 52.3% of the total assets.

The Company's overseas assets mainly come from the overseas acquisitions and business growth of subsidiaries overseas. The Company acquired DA AG in Germany in 2005, acquired PFAFF GmbH and KSL in Germany in 2013, and invested in STOLL KG in 2016.

3. Core Competitiveness Analysis in the Report Period

The Company is the first listed company with the longest history in the domestic sewing equipment industry, and has more than 50-year experience in sewing equipment production. The Company controlled German DA AG, one of the famous sewing machine manufacturing companies in the world with more than 150 years history, PFAFF GmbH, a famous sewing equipment manufacturer with 150 years history, and PFAFF KSL Branch, a company with the world's top sewing technology. In the report period, the Company continued to promote the integration of global resources, and further promote the integration of SGE. The Company's core competitiveness is further consolidated and enhanced, and the foundation for sustainable and healthy development of the Company is further consolidated. The core competence of the Company is mainly shown in the following aspects:

(1) Strong Technological Research and Development Capability

The Company highly attaches importance to the construction of technological research and development capabilities, which have become the important force driving the development of the Company. The Company has owned a powerful technological research and development team and had the complete and efficient scientific and technological innovation system, the leading sewing machine design plan and the first class assessment method for testing sewing machines in the world. The research and development of Industrial 4.0, which has been developed by the R & D team, has made preliminary achievements. ShangGong Technology Centre is the city level of research and development centre in Shanghai, and has the strong digestion and absorption and supporting development capability.

(2) Advanced Technology Advantage

The Company has the world's high-end intelligent and 3D sewing technology, and the Company is a global leader in special sewing machine for medium or thick materials, garment automatic sewing unit, robot automatic sewing technology and textile material welding technology and other fields. The products are not only applied in the traditional market for sewing machine industry but also applied in some emerging fields, such as automobile, environmental protection, aeronautics and astronautics and renewable energy, etc. In many fields, such as automobile airbags, filters protecting environment, light carbon fiber structure for plane, etc., the sewing application technology has the absolute competition advantage, and especially, it originally created the sewing technology for light carbon fiber, 3D sewing automation and QONDAC 4.0 Intelligent Industrial Sewing Network Online Production Monitoring System.

(3) Multiple Brand and Product Advantage

Through overseas acquisition, the Company owns some internationally well-known brands, such as DA, PFAFF Industrial, KSL, Beisler, and etc., and some famous domestic brands, such as Butterfly with 98 years' history, Bee and Flyingman, and Shanggong brand with more than 50 years' history. In recent years, the company is cultivating industrial machine brands, such as SG GEMSY, Mauser and so on. These brands have a high recognition and reputation in the sewing machine industry. The products of the Company focus on



smart, modularized and highly efficient automatic sewing unit and other sewing equipment with integrated machinery and electronics, covering various advanced technologies in the field of high-end sewing equipment, and the Company holds the leading position in the segmented market of sewing equipment.

(4) Powerful Global Resource Integration Capability

The Company utilizes and develops the basis and advantages of its respective domestic and foreign subsidiaries, implements globalization layout and integration in the production base, sales network, procurement of raw materials, technology R&D and other aspects, implements resource sharing, has complementary advantages and develops collaboratively.

(5) Rich Internationalized Operation and Management Experience

Since 2005, the Company has started to implement strategies of "GOING OUT", and after conducting the internationalized operation of the main business, gradually cultured an operation and management team accumulating a great deal of experience in cross-border operation and management.

Chapter 4 Discussion and Analysis on Business Operation

1. Discussion and Analysis of Operations

China's economy continued steady expansion in the first half of 2017 with GDP up 6.9 percent year on year. The economy keeps growing at a rapid pace while manufacturing is moving towards the middle and high levels

In the first half of 2017, China's sewing machinery industry maintained a high growth rate of recovery, the export decline continued to narrow; economic performance improved significantly, and the industry's steady advancement situation was further consolidated.

In the first half of 2017, domestic sewing industry market is in recovery, so the Company vigorously improved production capacity, promoted sales, grasped R&D, and continued to maintain a good momentum of development. The Company has accomplished more than 50% annual tasks in the first half of 2017, and greatly improved operating income, operating profit and other major financial indicators. During the report period, the Company continued to grow steadily and realized operating income of 1,532 million yuan, up 12.74% year on year; operating profit was 173 million yuan, an increase of 11.65% year on year; net profit attributable to shareholders of listed companies was 126 million yuan, an increase of 24.53% year on year; Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses increased by 18.09% year on year.

Influenced by the seasonal demand of downstream garment industry and the supply-side reform, in the first half of 2017, the Company sewing equipment business at home and abroad is good. Industrial machine sales grew 39.6% year on year; the production subsidiaries increased production efficiency to overcome the difficulties of production capacity, the output growth of industrial machine is 23% year on year; household machine sales increased by 31.1%, of which the Butterfly traditional household sewing machine exports grew faster, up to 42.7%; multi-functional household sewing machine also realized 5.1% growth.

The Company's operating income in the modern service sector grew by 8.3%, and operating profit decreased



by 38.5%. Business scale growth is mainly caused by logistics service business growth of SHENSY; operating profit basically reached half of the budget, but growth ability is slightly insufficient.

In the report period, STOLL KG and Shanghai Fuji Xerox Co., Ltd., both invested by the Company, were in normal operation and good efficiency.

This year is the first year after the Company fulfilled mixed ownership reform under the guidance of state-owned enterprise reform spirit since 18th CPC National Congress. According to the 13th Five-Year Plan and annual business plan, in the first half of 2017, the Company carried out the following key tasks:

(1) Increase R & D investment, improve core competitiveness

The Company continued to adhere to the innovation-driven development strategy, and increased R & D investment in researching the application of industrial 4.0 in sewing equipment to improve intelligence and network application level of sewing equipment. The Company won 2017 Texprocess Innovation Award for “QONDAC 4.0”, which was appreciated by the industry. In China, The Company strengthened the R & D team, improved the ability of independent innovation while accelerating the introduction and absorption of advanced technology in Germany. The Company updated some R & D software platform, product reliability test equipment, intelligent information data acquisition equipment and test equipment to further shorten the new product development Cycle and improve product quality. During the report period, the Company obtained more than ten invention patents.

(2) Optimize the global allocation of resources, vigorously develop China Manufacturing

In the first half of 2017, the Company continued to make great efforts to develop China manufacturing. With the help of the "Eurasian linkage" strategy, the Company fully tapped the technological advantages of DA AG and PFAFF GmbH, and promoted the development of the three major production bases in China. In the report period, Shanghai Nanxiang Base (DA Manufacturing as main body), Zhangjiagang Base (PFAFF Zhangjiagang as main body), and ShangGong GEMSY Taizhou Base have achieved good development. DA Manufacturing and PFAFF Zhangjiagang ceased to lose and began to turn out a profit; operating profit of ShangGong GEMSY increased by 1509% year on year. In order to promote the optimization of the Company's global resources and realize the medium and long term goals of developing China manufacturing, some overseas advanced technologies and products are being transferred to China.

(3) Continue to promote internal integration, improve operational efficiency

In the first half of 2017, Companies continue to promote internal integration and accelerate the overall development. During the report period, SGE and its subsidiaries further implemented the integration and optimized the internal competition mechanism. Meanwhile, in order to enhance profitability of the parent company and further enhance operational efficiency of the Company, related work about absorbing DAPSH and ShangGong Butterfly was also steadily advancing. According to the needs of market-oriented development, some departments of the Company were set up and the functions of some departments were adjusted. In this way, the Company could enhance the sales and operation control ability of the parent company, and create favourable conditions for improving the overall operation efficiency and profitability.

(5) Explore market mechanism, constantly improve corporate governance ability



After completing the reform of the mixed ownership system, the Company has changed from a state-owned enterprise to a listed company with no actual controller. Facing the new situation, development and challenge coexist, the Company continuously improved the governance ability, further standardize the operation of the Company, and optimize the organizational management framework. During the report period, the Company successfully completed the re-election of directors and supervisors, and hired the management team in April. Under the leadership of the new board of directors and senior management, the Company shall continue to deepen reform, and actively explore the market-oriented operation mechanism, promote the transition of operation system, and constantly perfect the effective ways for sustainable development.

2.1 Main Business Analysis

2.1.1 Analysis of Changes of Items in Financial Statement

Unit: Yuan, Currency: RMB

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016	Variable Proportion (%)	Reason
Operating income	1,532,562,601.12	1,359,342,529.45	12.74	Note 1
Operating cost	1,088,801,959.30	954,500,289.41	14.07	Note 2
Selling expenses	141,412,181.17	124,035,260.82	14.01	Note 3
General and administration expenses	143,922,099.95	131,096,375.43	9.78	Note 4
Finance expenses	-6,849,775.62	10,089,517.50	-167.89	Note 5
Net cash flow from operating activities	-59,790,323.47	-45,943,085.71	-30.14	Note 6
Net cash flow from investing activities	-43,334,008.59	-155,320,334.25	72.10	Note 7
Net cash flow from financing activities	-20,766,385.53	35,222,499.79	-158.96	Note 8
Research and development expenditures	41,659,397.60	32,046,934.73	29.99	Note 9
Impact of exchange rate changes on cash and cash equivalents	22,569,433.51	15,358,918.84	46.95	Note 10

Note 1: Mainly caused by the increase of sewing equipment and logistics services revenue year on year.

Note 2: Mainly caused by the corresponding increase of cost resulting from the year-on-year increase of operating income.

Note 3: Mainly caused by the corresponding increase of selling expenses resulting from the year-on-year increase of operating income.

Note 4: Mainly caused by the increase of research and development costs year on year.

Note 5: Mainly caused by the increase of exchange gains year on year.

Note 6: Mainly caused by the increase of tax paid, the decrease of refunds of taxes and the increase of cash paid to and for the employees.

Note 7: Mainly caused by the decrease of investment in 26% equity of STOLL KG by SGE year on year.

Note 8: Mainly caused by the increase of net repayment of bank borrowings year on year.

Note 9: Mainly caused by the increase of expenditure of R&D project expensed by SGE year on year.

Note 10: Mainly caused by euro exchange rate changes.

2.1.2 Others

2.1.2.1 A detailed Description of Significant Changes in the Composition of the Company's Profits or the Source of Profits

Not applicable

2.1.2.2 Others

Unit: Yuan, Currency: RMB



Industry	Operating Income	Operating Cost	Gross Margin (%)	Operating Income Increase/Decrease (%)	Operating Cost Increase/Decrease (%)	Gross Margin Increase/Decrease (%)
Sewing equipment	942,089,965.90	566,795,268.81	39.84	15.25	20.11	Decrease 2.43 percent
Logistic service	397,739,165.33	365,723,195.49	8.05	20.14	22.17	Decrease 1.53 percent
Export trade	102,816,302.72	100,045,541.14	2.69	-14.69	-15.00	Increase 0.35 percent
Office equipment and film materials	28,080,276.16	23,384,707.01	16.72	-23.08	-24.95	Increase 2.07 percent
Others	4,644,251.56	3,019,857.82	34.98	-46.86	-31.96	Decrease 14.24 percent
Total	1,475,369,961.67	1,058,968,570.27	28.22	12.26	14.54	Decrease 1.43 percent

Region	Operating Income	Operating Income Increase/Decrease (%)
Domestic	874,719,970.00	14.24
Overseas	714,871,731.60	9.02

2.2 Explanation of Significant Changes in Profit Caused by Non-main Business

Unit: Yuan, Currency: RMB

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016	Increase / Decrease	Increase / Decrease (%)	Reason
Taxes and surcharges	5,994,544.14	4,180,944.00	1,813,600.14	43.38	Note 1
Financial expense	-6,849,775.62	10,089,517.50	-16,939,293.12	-167.89	Note 2
Assets impairment loss	4,522,446.97	-1,574,549.62	6,096,996.59	387.22	Note 3
Non-operating income	12,489,008.12	7,659,396.08	4,829,612.04	63.05	Note 4
Non-operating expense	400,300.80	3,300,707.74	-2,900,406.94	-87.87	Note 5
Net after tax of other consolidated income	30,819,765.91	-21,624,435.26	52,444,201.17	242.52	Note 6

Note 1: Mainly caused by implementing the " Value-added Tax Accounting Regulations " (Accounting [2016] No. 22).

Note 2: Mainly caused by the increase of exchange gains year on year.

Note 3: Mainly caused by the increase of provision for diminution in value of inventories and provision for bad debts of accounts receivable year on year.

Note 4: Mainly caused by the increase of housing relocation compensation income year on year.

Note 5: Mainly caused by the decrease of Loss on disposal of fixed assets year on year.

Note 6: Mainly caused by the increase of profit and loss of fair value of available-for-sale financial assets and translation balance of foreign currency financial statements year on year.

2.3 Analysis on Assets and Liabilities

Unit: Yuan, Currency: RMB

Item	Ending Balance (30 th June 2017)	Ratio of Ending Balance to Total Assets ((30 th June 2017) (%))	Ending Balance (31 st December 2016)	Ratio of Ending Balance to Total Assets (31 st December 2016) (%)	Increase / Decrease (%)	Reason
Construction in progress	33,559,198.84	0.92	20,199,928.64	0.58	66.14	Mainly due to the increase of expense in sewing equipment project



						and workshop reconstruction project of the Company's overseas subsidiaries.
Taxes and surcharges payable	13,263,952.53	0.36	54,740,867.60	1.56	-75.77	Mainly due to enterprise income tax unpaid as of 31 st December 2016 of subsidiaries overseas paid in current period
Other current liabilities	437,625.10	0.01	808,706.39	0.02	-45.89	Mainly due to the written-off of original recorded interest by subsidiaries overseas and rental fees.

2.4 Analysis of Investment Situation

2.4.1 General Analysis

Unit: 10,000 Yuan, Currency: RMB

Long - term equity investment in the report period	20.43
Increase / Decrease	-27,211.57
Long - term equity investment in same period last year	27,232
Increase / Decrease (%)	-99.92%

2.4.2 Significant Equity Investment

Not applicable.

2.4.3 Significant Non-Equity Investment

Not applicable.

2.4.4 Financial Assets at Fair Value

Unit: Yuan, Currency: RMB

Stock code	Stock Abbreviation	Initial Investment Cost	Accounting for the proportion of the company's equity (%)	Book Value at the End of the Period	Profit or Loss for the Report Period	Changes in Owners' Equity during the Report Period	Accounting Item	Source of Shares
600757	Changjiang Publishing & Media	72,085,722.82	0.85	76,930,048.98		-8,650,768.56	Available for sale financial assets	Note 1
900932	Lujia B Share	773,099.71	0.0067	2,452,704.58	79,538.23	160,344.63	Available for sale financial assets	Enforcement
000166	Shenwan & Hongyuan	200,000.00	0.0011	1,224,283.20	21,862.20	-142,104.30	Available for sale financial assets	Purchased
601229	Bank of Shanghai	951,400.00	0.013	20,560,823.76		1,819,399.44	Available for sale financial assets	Purchased
Total		74,010,222.53	-	101,167,860.52	101,400.43	-6,813,128.79	-	-

Note 1: Shares of Changjiang Publishing & Media were transferred to the Company by bank to which interests of Changjiang Publishing & Media were compensated in the bankruptcy and restructuring.

2.5 Significant Assets and Equity Sale

Not applicable.



2.6 Analysis of Main Subsidiaries and Joint Stock Company

Unit: 10,000 Yuan, Currency: RMB

Company Name	Business Scope	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
ShangGong (Europe) Holding Corp. GmbH.	Investment, asset management, and the production, processing and sale of industrial sewing equipment	EUR 12.50 million	192,948.20	82,665.81	72,253.26	14,455.03	10,292.05
Shanghai Shensy Enterprise Development Co., Ltd.	Road freight	17,882	38,666.97	24,654.33	39,773.92	682.85	681.85
ShangGong GEMSY CO., LTD.	Production and sale of sewing equipment	21,600	27,686.28	21,852.10	13,887.96	333.47	309.73
DAP (Shanghai) Co., Ltd.	Sale of sewing equipment	USD 60 million	23,198.04	9,300.58	17,556.28	634.77	516.12

2.7 Structured Entities Controlled by the Company

Not applicable.

3 Others

3.1 Possible Risks

(1) Industrial and market risks

Tailoring machine industry is a competitive industry, largely depending on its downstream industries such as the weaving, costume, leather, case and bags industries. Therefore, it develops along obvious periodicity and is highly affected by macro-economic environment. Along with increasing of the rate of tailoring machine production to company other industries, company development may be more and more affected by overall industrial fluctuation, which may lead to decreasing of product price, more and more fierce competition and decreasing of product gross profit rate, all will impact company business operation in the future.

(2) Cross-country operation and integration risks

By expanding of company overseas assets and business scope, the cross-country operation brings more strict requirements for company organization, operation mode, talents and employees' skills. Also, during company production, operation and merger of overseas affiliates, more challenges may appear due to differences of enterprise culture, management concept, policies and company regulations.

(3) Foreign exchange risks

The book-keeping standard money for company consolidated statements is RMB, but that used for daily business operations of SGE and SGE holding subsidiaries is Euro dollar. Therefore, the change of RMB foreign exchange rate may have exchange risks for company future operations.

Chapter 5 Important Events

1. Shareholder's Meeting

Session	Holding Date	Inquiry Index	Disclosure Date of Resolutions
2016 Annual Shareholders' Meeting	27 th April 2017	www.sse.com.cn	28 th April 2017



2. Profit Distribution or Capital Surplus Transferring and Increasing Proposal

Not applicable.

3. Commitment

Background	Type	Commitment Party	Commitment Content	Whether There is a Time Limit	Whether Timely and Strictly Perform	Reason for Failure to Fulfill Commitment	Future Plan if Fail to Fulfill Commitment
Commitment in the Statement of Changes in Equity	Restricted shares	PKFR	Shares of SGG held by PKFR will not be sold from 29 th December 2016 to 28 th December 2017.	Yes	Yes	N/A	N/A
	Others	PKFR	Shares of SGG held by PKFR will not be less than shares held by Pudong SASAC From 29 th December 2016 to 28 th December 2017.	Yes	Yes	N/A	N/A
	Others	PKFR	From 29 th December 2016 to 28 th December 2017, PKFR or its concerned action will purchase shares of SGG by not less than 10 million yuan	Yes	Yes	N/A	N/A
Commitment Related to Major Asset Restructuring	Others	The Company	The Company will not Plan major asset restructuring from 26 th July 2016 to 25 th January 2017	Yes	Yes	N/A	N/A

4. Appointment and Dismiss of Certified Accountant's Firm

Not applicable.

5. Bankruptcy

Not applicable.

6. Important Lawsuit and Arbitration

(1) Lawsuit after report period

Shanghai Pacific Industrial Co., Ltd. (hereinafter referred to as "PACIFIC Shanghai") is a Sino-foreign joint venture established by the Company's predecessor Shanghai Industrial Sewing Machine Corporation (hereinafter referred to as "SISMC") and Pacific Business Exchange CO., Ltd. (hereinafter referred to as "PACIFIC Business") on May 1993. SISMC invested USD 360,000 in equipment and plant, accounting for 48% of total shares; PACIFIC Business invested USD 390,000 in equipment and cash, accounting for 52% of total shares. After the establishment of PACIFIC Shanghai, SISMC has undergone restructuring, listing and several changes in business registration and stock ownership changes, so the name of SISMC has changed to Shang Gong Group Co., Ltd. now. However, PACIFIC Shanghai and PACIFIC Business refused to recognize the Company as the Chinese shareholders of PACIFIC Shanghai. Therefore, the Company filed a lawsuit, asking the court to confirm the Company's Chinese shareholder status. On 22nd August 2017, the Company received the civil judgment of Shanghai No.1 Intermediate People's Court. The judgment confirmed that 48% of PACIFIC Shanghai's equity invested by SISMC amounting to USD 360,000 was owned by the Company.

As the Company has been refused to exercise shareholder rights by PACIFIC Shanghai and PACIFIC Business for years, the Company does not know the financial position and operation of PACIFIC Shanghai. Except the



48% of equity of PACIFIC Shanghai confirmed above, it is not clear how this issue would affect the Company. As of the date of this report, the outcome of the lawsuit has not yet been implemented.

(2) Arbitration after report period

The 22nd meeting of the 7th Board of Directors of the Company examined and approved the Proposal on Investing in STOLL KG through ShangGong Europe, and agreed that the wholly-owned subsidiary ShangGong Europe would invest in STOLL KG to become a 26% Minority shareholders. (See bulletin No. 2015-030 released on 29th August 2015 and bulletin No. 2016-002 released on 14th January 2016 for details).

Accounting to the Contract signed on 29th August 2015 by ShangGong Europe, the calculation of share price is based on the net assets of STOLL's audited consolidated statement in 2014, and the parties agreed that share price will be adjusted according to the net assets of STOLL's audited consolidated statement in 2015 and related clauses in the Contract. Now the parties have disputes on the calculation of net assets of STOLL's audited consolidated statement in 2015 and the understanding of the relevant terms of the Contract, resulting in a difference of approximately 4.26 million euro in the calculation of the price adjustment. ShangGong Europe has received the Application for Arbitration submitted by Michael Stoll, Corinna Stoll and other 10 limited partners of STOLL KG on 20th July 2017. ShangGong Europe will, in accordance with the terms of the contract, settle the dispute by arbitration in accordance with German legal procedures.

As of the date of this report, the arbitration is still in progress and has significant uncertainty. The Company has made a preliminary judgment that the matter has little impact on the Company's profit and loss. But it might affect the Company's investment costs for STOLL KG and will not have a significant impact on the Company.

7. Punishment on and Rectification of Listed Company and its Directors, Supervisors, Senior Managers, Controlling Shareholders, Actual Controller and Purchaser

Not applicable.

8. Credit Status of the Company and its Controlling Shareholder and Actual Controller.

Not applicable.

9. Company Stock Right Incentives, ESPO, and Other Employee Incentives

Not applicable.

10. Major Related Party Transactions

10.1 Related Party Transactions Relevant to Daily Operations

Summary of Issues	Inquiry Index
Shanghai SGSB Electronic Co., Ltd., one wholly-owned subsidiary of the Company, sells products to Fiji Xerox of Shanghai Limited., and is its permanent accessory supplier, and the above-said transaction constitutes the daily associated transaction. It is estimated that in 2017, the amount of products that it will sell to Fiji Xerox is 30 million yuan, and in this report period, the sales amount was 12.1622 million yuan, and there was no major change.	The bulletin No. 2017-008 disclosed by the Company on 6 th April 2016, published in Shanghai Securities News and Hong Kong Commercial Daily and website of Shanghai Stock Exchange.

11. Significant Contracts and Their Implementation

11.1 Trusteeship, Contracting and Lease

Not applicable.



11.2 Guarantee

Unit: 10,000 Yuan, Currency: RMB

Company external guarantee list (excluded those for subsidiaries)													
Guarantor	Relations of the guarantor to listed company	Security party	Amount guaranteed	Guarantee date (agreement signoff date)	Start date	Expiration date	Type	If guarantee is done	Overdue	Overdue amounts	If counter guarantee available?	Guarantee for related party?	Relation
SGG	The Company	Commerzbank Shanghai Branch	7,000	25 March 2014	25 March 2014		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank Shanghai Branch	6,430	30 June 2014	01 July 2014		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Industrial & Commercial Bank of China Shanghai Hongkou Branch	9,645	19 September 2016	19 September 2016		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank	8,037	28 August 2015	28 August 2015		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank	5,845	21 December 2015	21 December 2015	21 December 2020	Joint liability guarantee	No	No	0	No	No	
SGE	Wholly owned subsidiary	Commerzbank	2,009	07 January 2016	07 January 2016	30 July 2017	Joint liability guarantee	No	No	0	No	No	
SGE	Wholly owned subsidiary	Commerzbank	2,009	07 January 2016	07 January 2016	30 July 2018	Joint liability guarantee	No	No	0	No	No	
Guarantee amounts spent during the report period (excluded guarantee to affiliate company.)													0
Total balance of guarantee at the end of period (affiliate companies are not quailed.) (A)													43,036
Guarantee of company to affiliates													
Total guarantee amounts of subsidiaries in the report period													0
Total balance of guarantee to subsidiaries at the end of report period (B)													0
Company total guarantee amounts (including those to subsidiaries)													
Total guarantee amounts (A+B)													43,036
Ratio of total guarantee amounts to company net assets (%)													20.84
In which:													
Guarantee amounts provided to stockholders, actual controller and affiliated parties (C)													
Guarantee amounts directly or indirectly provided for liabilities of guarantor whose assets liabilities ratio is higher than 70% (D)													
Differences of total guarantee amounts exceeds 50% of the net assets (E)													
Total guarantee amounts of the above-mentioned three items (C+D+E)													

Note 1: On 25th March 2014, the Company's wholly-owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of not more than the equivalent of 58 million yuan in euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued a corporate letter of guarantee for payment of 70 million yuan as counter guarantee for the abovementioned financing guarantee letter.

Note 2: On 30th June 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of 8 million euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 8.8 million euro as counter guarantee for the abovementioned financing guarantee letter.

Note 3: On 19th September 2016, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a short-term credit loan of 12 million euro,



the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 13.20 million euro.

Note 4: On 28th August 2015, the Company's wholly owned subsidiary, PFAFF GmbH, applied to the Kaiserslautern Branch of the Commerzbank for a loan of 10.00 million euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 11.00 million euro as counter guarantee for the abovementioned financing guarantee letter.

Note 5: On 21st December 2015, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH., applied to the Frankfurt Branch of the Commerzbank for a limit loan of 7.878 million euro so as to pay the acquisition fee to Stoll KG. ICBC Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for self-using fix assets where No.603 Dapu Road as counter guarantee for the abovementioned financing guarantee letter.

12 Poverty Alleviation of Listed Companies

Not applicable.

13. Convertible Corporate Bonds

Not applicable.

14. Other Important Issues

14.1 Changes in Principal Accounting Policies and Accounting Estimates

Implement the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies".

Ministry of Finance on 10th May 2017 revised the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies", which was implemented since 12th June 2017.

The main impact of implementing the standard is as follows:

The Content and Reasons of Accounting Policy Changes	Item and Amount Affected
Ministry of Finance on 10 th May 2017 issued the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies" (Accounting [2017] No. 15). According to the revised "Accounting Standards for Business Enterprises No. 16 - Government Subsidies", government subsidies related to the daily activities of enterprises shall be included in other income or related expenses in accordance with the essence of economic business; government grants unrelated to the daily activities of enterprises shall be included in non-operating income and expense.	The change has no significant impact on the Company's financial position, operating results and cash flow.

Chapter 6 Status of Shareholders and Share Capital Changes of Common Stock

1. Share Capital Changes of Common Stock

1.1 Share Capital Changes of Common Stock

During the report period, the total number of shares of the Company's common stock and equity structure remain unchanged.



1.2 Change of Non-Tradable Shares

Not applicable.

2. Securities Issuance and Listing

2.1 Securities Issuance during the Report Period

Not applicable.

2.2 Total Share and Shareholder Change and Asset and Liability Structure Change

Not applicable.

2.3 Employee Shareholding Status

No internal employee share in the report period.

3. Shareholder and Actual Controller

3.1 Total Number of Shareholders

Total number of shareholder at the end of report period	65,514 (A Share: 37,705; B Share: 27,809)
---	---

3.2 Shareholding Status of Top 10 Shareholders and Top 10 Unrestricted Shareholders

Unit: Share

Top 10 Shareholders							
Name of Shareholder	Increase or Decrease in the Report Period	Total Shares Held at the End of Report Period	Holding Percentage (%)	Restricted Share	Shares Pledged or Frozen		Shareholder Status
					Status	Amount	
Shanghai Puke Flyingman Investment Co., Ltd.	789,457	60,789,457	11.08	0	Pledged	60,000,000	Domestic Non-state-owned Legal Person
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	0	45,395,358	8.27	0	/		State
China Great Wall Asset Management Co., Ltd.	0	22,200,000	4.05	0	/		State-owned Legal Person
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	0	10,968,033	2.00	0	/		State-owned Legal Person
GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	0	4,770,654	0.87	0	/		State-owned Legal Person
SCBHK A/C KG INVESTMENTS ASIA LIMITED	-29,699	4,740,955	0.86	0	/		Foreign Legal Person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	3,678,113	0.67	0	/		Foreign Legal Person
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	-9,479	3,125,690	0.57	0	/		Foreign Legal Person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,373,100	3,076,300	0.56	0	/		Foreign Legal Person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	0	2,999,096	0.55	0	/		Foreign Legal Person
Top 10 Unrestricted Shareholders							
Name		Unrestricted Shares		Share Type and Amount			



		Type	Amount
Shanghai Puke Flyingman Investment Co., Ltd.	60,789,457	A Share	60,789,457
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	45,395,358	A Share	45,395,358
China Great Wall Asset Management Co., Ltd.	22,200,000	A Share	22,200,000
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	10,968,033	A Share	10,968,033
GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	4,770,654	A Share	4,770,654
SCBHK A/C KG INVESTMENTS ASIA LIMITED	4,740,955	B Share	4,740,955
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,678,113	B Share	3,678,113
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,125,690	B Share	3,125,690
ISHARES CORE MSCI EMERGING MARKETS ETF	3,076,300	B Share	3,076,300
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	2,999,096	B Share	2,999,096
Notes on Shareholder Relationship and Consistent Actions	GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD. is the wholly-owned subsidiary of China Great Wall Asset Management Corporation. The Company does not know the relationship and consistent of other shareholders		

The Number of Restricted Shares Held by Top Ten Shareholders and the Conditions for Sale
Not applicable.

4. Change of Controlling Shareholder and Actual Controller

Not applicable.

Chapter 7 Relevant Situation about Preferred Shares

Not applicable.

Chapter 8 Situation about Directors, Supervisors and Senior Managers

1. Changes in Shareholding

1.1 Changes in Shareholding

Unit: Share

Name	Title	Shares held at the Beginning of Report Period	Shares held at the End of Report Period	Change in Current Period	Reason
Zhang Min	Director	100,000	170,000	70,000	Increase holdings in secondary market

Zhang Min, Chairman of the board and General Manager of the Company, purchased 10,000 A shares and 60,000 B shares of the Company in secondary market on 24th May 2017 and 25th May 2017.

1.2 Equity Incentive Granted to Directors, Supervisors, and Senior Managers in the Report Period

Not applicable.



2. Change of Directors, Supervisors and Senior Managers

Name	Title	Change
Zhang Min	Chairman, CEO	Outgoing
Li Jiaming	Director, deputy general manager	Outgoing
Fang Haixiang	Director, deputy general manager	Outgoing
Sun Gang	Director	Outgoing
Bao Qi	Director	Outgoing
Lu Yujie	Director	Outgoing
Zhang Ming	Independent director	Outgoing
Su Yong	Independent director	Outgoing
He Ye	Independent director	Outgoing
Qiao Junhai	Supervisory Board Chairman	Outgoing
Ding Binhui	Supervisor	Outgoing
Zhuge Huiling	Supervisor	Outgoing
Chen Guoling	Supervisor	Outgoing
Xu Yuping	Supervisor	Outgoing
Zheng Ying	Deputy general manager	Outgoing
Li Xiaofeng	Deputy general manager	Outgoing
Zhang Jianguo	Secretary of the Board	Outgoing
Zhang Min	Chairman	Election
Zhu Xudong	Director	Election
Yin Qiang	Director	Election
Huang Yingjian	Director	Election
Li Wenhao	Director	Election
Lu Yujie	Director	Election
Xi Lifeng	Independent director	Election
Rui Meng	Independent director	Election
Chen Zhen	Independent director	Election
Qiao Junhai	Supervisory Board Chairman	Election
Chen Mengzhao	Supervisor	Election
Zhang Jianguo	Supervisor	Election
Zhang Min	General manager	Appointment
Li Jiaming	Executive deputy general manager	Appointment
Fang Haixiang	Deputy general manager	Appointment
Zheng Ying	Deputy general manager	Appointment
Li Xiaofeng	Deputy general manager	Appointment
Zhou Yongqiang	Secretary of the Board	Appointment

Note: The term of office of the 7th Board of Directors of the Company expires. Zhang Min, Zhu Xudong, Yin Qiang, Huang Yingjian, Li Wenhao, Lu Yujie, Xi Lifeng, Rui Meng and Chen Zhen were elected as director of the 8th Board of Directors in 2016 Annual Shareholders' Meeting on 27th April 2017. Zhang Ming, Su Yong, He Ye, Li Jiaming, Fang Haixiang, Sun Gang, Bao Qi, the directors of the 7th Board of Directors, are no longer as the Company's 8th Board of Directors candidates due to the term of office expires, work changes and other reasons.

The term of office of the 7th Supervisory Board of the Company expires. Qiao Junhai and Chen Mengzhao were elected as supervisor of the 8th Supervisory Board in 2016 Annual Shareholders' Meeting on 27th April



2017. Zhang Jianguo was elected as supervisor in the 6th Meeting of the Second Staff Representative Meeting. Ding Binhui, Zhuge Huiling, Chen Guoling and Xu Yuping, the supervisors of the 7th Supervisory Board were no longer the supervisors of the Company.

The Company held the first meeting of the 8th Board of Directors on 27th April 2017 to appoint Mr. Zhang Min as the general manager of the Company and appointed Li Jiaming as executive deputy general manager of the Company (acting as the chief financial officer), appointed Fang Haixiang, Zheng Ying and Li Xiaofeng as

Chapter 9 Corporate Bonds

Not applicable.



Chapter 10 Financial Report

Shang Gong Group Co., Ltd. Consolidated Statement of Financial Position As of 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		652,081,404.95	763,655,704.57
Deposit reservation for balance			
Lending funds			
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			4,000.00
Derivative financial assets			
Notes receivable		75,104,968.57	78,841,448.05
Accounts receivable		503,459,446.04	389,252,678.87
Prepayment		29,322,580.80	33,709,357.11
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable			
Dividends receivable			
Other receivables		59,598,335.06	50,885,073.48
Redemptory monetary capital for sale			
Inventories		728,145,775.11	663,766,440.95
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets		365,637,487.25	357,418,547.35
Total current assets		2,413,349,997.78	2,337,533,250.38
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets		130,406,117.76	137,219,246.11
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		281,155,293.64	253,586,574.99
Investment properties		106,017,913.45	107,616,254.96
Fixed assets		369,228,415.28	354,223,210.04
Construction in progress		33,559,198.84	20,199,928.64
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		153,676,528.99	155,237,899.69
Development expenditures		14,276,195.28	12,529,345.90
Goodwill		71,992,459.44	67,878,923.12
Long-term deferred expenses		1,005,022.99	1,084,797.97
Deferred income tax assets		62,074,009.65	59,063,549.91
Other non-current assets			
Total non-current assets		1,223,391,155.32	1,168,639,731.33
Total assets		3,636,741,153.10	3,506,172,981.71
Current liabilities:			
Short-term loans		366,068,180.62	351,368,604.62
Borrowings from central bank			
Deposits from customers and interbank			
Borrowings from banks and other financial institutions			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			



Item	Note	Ending Balance	Beginning Balance
Accounts payable		172,418,174.68	174,828,356.05
Receipt in advance		30,490,939.49	36,548,091.83
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable		80,155,399.79	80,928,692.78
Taxes and surcharges payable		13,263,952.53	54,740,867.60
Interest payable		2,275,506.76	2,090,565.59
Dividends payable		1,032,818.86	1,032,818.86
Other payables		184,013,438.72	193,117,136.53
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Classified as liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities		437,625.10	808,706.39
Total current liabilities		850,156,036.55	895,463,840.25
Non-current liabilities:			
Long-term loans		62,541,333.67	68,624,863.27
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		39,413,895.74	37,338,461.61
Long-term employee benefits payable		262,861,416.92	255,686,948.92
Special payables			
Estimated liabilities			
Deferred income		3,600,000.00	3,600,000.00
Deferred income tax liabilities		44,897,458.99	36,604,917.60
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		413,834,105.32	402,375,191.40
Total liabilities		1,263,990,141.87	1,297,839,031.65
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		968,189,730.95	971,603,120.27
Less: treasury stock			
Other comprehensive income		-76,836,213.13	-103,144,046.15
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		620,735,357.95	494,754,465.24
Total owners' equity attributable to the parent company		2,065,224,718.29	1,916,349,381.88
Minority equity		307,526,292.94	291,984,568.18
Total owners' equity		2,372,751,011.23	2,208,333,950.06
Liabilities and owners' equity		3,636,741,153.10	3,506,172,981.71

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Financial Position
As of 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		137,077,334.98	119,210,234.41
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			4,000.00



Item	Note	Ending Balance	Beginning Balance
Derivative financial assets			
Notes receivable		230,000.00	150,000.00
Accounts receivable		10,004,594.03	3,401,851.42
Prepayment		1,128,702.61	531,129.23
Interest receivable			
Dividends receivable			
Other receivables		87,362,654.66	78,393,221.55
Inventories		8,220,046.89	2,329,420.55
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets		301,596,847.21	301,893,339.18
Total current assets		545,620,180.38	505,913,196.34
Non-current assets:			
Available-for-sale financial assets		130,406,110.01	137,219,238.80
Held-to-maturity investments			
Long-term receivables		132,939,535.85	123,602,509.87
Long-term equity investments		587,099,753.21	629,485,100.90
Investment properties		83,450,702.31	86,205,621.96
Fixed assets		11,486,168.35	11,768,787.39
Construction in progress		4,879,161.20	4,045,139.74
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		12,666,953.08	12,859,594.30
Development expenditures			
Goodwill			
Long-term deferred expenses		360,299.01	
Deferred income tax assets		500.00	
Other non-current assets			
Total non-current assets		963,289,183.02	1,005,185,992.96
Total assets		1,508,909,363.40	1,511,099,189.30
Current liabilities:			
Short-term loans		348,148.62	348,148.62
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		10,637,034.84	4,014,190.85
Receipt in advance		3,128,057.71	2,694,254.66
Employee benefits payable		2,655,673.70	4,000,000.00
Taxes and surcharges payable		324,064.65	588,400.56
Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Other payables		80,682,835.72	108,821,954.19
Classified as liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities			
Total current liabilities		98,808,634.10	121,499,767.74
Non-current liabilities:			
Long-term loans		1,489,984.87	1,489,984.87
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		1,574,312.63	1,574,312.63
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income		1,260,000.00	1,260,000.00
Deferred income tax liabilities		1,197,067.41	1,197,067.41
Other non-current liabilities		520,000.00	520,000.00



Item	Note	Ending Balance	Beginning Balance
Total non-current liabilities		6,041,364.91	6,041,364.91
Total liabilities		104,849,999.01	127,541,132.65
Owners' equity:			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		1,008,928,711.28	1,003,282,687.73
Less: treasury stock			
Other comprehensive income		27,157,637.99	33,970,766.78
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
Undistributed profits		-185,162,827.40	-206,831,240.38
Total owners' equity		1,404,059,364.39	1,383,558,056.65
Liabilities and owners' equity		1,508,909,363.40	1,511,099,189.30

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Consolidated Statement of Comprehensive Incomes
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Current Period	Same Period in Previous Year
1. Incomes		1,532,562,601.12	1,359,342,529.45
Including: operating income		1,532,562,601.12	1,359,342,529.45
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		1,377,803,455.91	1,222,327,837.54
Including: Cost of sales		1,088,801,959.30	954,500,289.41
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
taxes and surcharges		5,994,544.14	4,180,944.00
Selling expenses		141,412,181.17	124,035,260.82
General and administrative expenses		143,922,099.95	131,096,375.43
Financial expenses		-6,849,775.62	10,089,517.50
Losses from asset impairment		4,522,446.97	-1,574,549.62
Plus: gains from changes in fair value ("- for losses)			
Investment income ("- for losses)		18,495,885.65	18,165,848.81
Including: income from investment in associates and joint ventures		11,737,352.98	11,338,598.93
Foreign exchange gains ("- for losses)			
Other gains			
3. Operating profits ("- for losses)		173,255,030.86	155,180,540.72
Plus: non-operating income		12,489,008.12	7,659,396.08
Including: gains from disposal of non-current assets		9,842,841.68	2,540,561.45
Less: non-operating expenses		400,300.80	3,300,707.74
Including: losses from disposal of non-current assets		95,217.09	3,098,496.16
4. Total profits ("- for total losses)		185,343,738.18	159,539,229.06
Less: income tax expenses		46,499,111.30	45,381,401.63
5. Net profit ("- for net loss)		138,844,626.88	114,157,827.43
Net profit attributable to owners of the parent company		125,980,892.71	101,164,717.70
Non-controlling interests		12,863,734.17	12,993,109.73



6. Net of tax of other comprehensive income		30,819,765.91	-21,624,435.26
Net of tax of other comprehensive income attributable to owners of the parent company		26,307,833.02	-23,500,674.67
(1) Other comprehensive income can't be reclassified to gains and losses later			
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan			
b. The shares in other comprehensive income of the investee that can't be reclassified to gains and losses under the equity method			
(2) Other comprehensive income to be reclassified to gains and losses later		26,307,833.02	-23,500,674.67
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Gains and losses from changes in fair value of available-for-sale financial assets		-6,813,128.79	-28,030,165.55
c. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
d. The effective portion of the gains and losses from cash flow hedging			
e. Translation differences of financial statements		33,120,961.81	4,529,490.88
f. Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders		4,511,932.89	1,876,239.41
7. Total comprehensive incomes		169,664,392.79	92,533,392.17
Total comprehensive income attributable to owners of the parent company		152,288,725.73	77,664,043.03
Total comprehensive income attributable to non-controlling shareholders		17,375,667.06	14,869,349.14
8. Earnings per share			
(1) Basic earnings per share		0.2296	0.1844
(2) Diluted earnings per share		0.2296	0.1844

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Comprehensive Incomes
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Current Period	Same Period in Previous Year
1. Operating income		46,385,796.09	18,604,456.82
Less: Operating cost		23,996,317.49	8,113,595.28
tax and surcharges		1,891,943.39	2,072,413.03
Selling expenses		2,643,464.25	258,334.34
General and Administration expenses		20,078,331.44	12,210,527.32
Finance expenses		-8,681,598.18	-4,016,794.71
Impairment losses on assets		177,256.58	1,512,395.93
Plus: gains from changes in fair value ("- " for losses)			
Investment income ("- " for losses)		6,106,969.93	6,827,249.88
Including: Investment income in associates and joint ventures			
Other income			
2. Operating profits ("- " for losses)		12,387,051.05	5,281,235.51
Plus: Non-operating income		9,481,361.93	1,451,036.51
Including: gains from disposal of non-current assets		9,449,919.98	165,136.00
Less: non-operating expenses		200,000.00	210,456.25
Including: losses from disposal of non-current assets			10,456.25



Item	Note	Current Period	Same Period in Previous Year
3. Total profits ("-" for total losses)		21,668,412.98	6,521,815.77
Less: income tax expenses			
4. Net profit ("-" for net loss)		21,668,412.98	6,521,815.77
4. Net of tax of other comprehensive income		-6,813,128.79	-28,030,165.55
(1) Other comprehensive income can't be reclassified to gains and losses later			
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan			
b. The shares in other comprehensive income of the investee that can't be reclassified to gains and losses under the equity method			
(2) Other comprehensive income to be reclassified to gains and losses later		-6,813,128.79	-28,030,165.55
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Gains and losses from changes in fair value of available-for-sale financial assets		-6,813,128.79	-28,030,165.55
c. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
d. The effective portion of the gains and losses from cash flow hedging			
e. Translation differences of financial statements			
f. Others			
6. Total comprehensive incomes		14,855,284.19	-21,508,349.78
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Consolidated Statement of Cash Flows
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Current Period	Same Period in Previous Year
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		1,558,790,106.65	1,437,839,370.97
Net increase in customer bank deposits and placement from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Net increase from disposal of financial assets at fair value whose fluctuation is attributed to profit or loss for current period			



Item	Note	Current Period	Same Period in Previous Year
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		23,417,955.22	30,980,782.69
Cash received from other operating activities		21,723,964.87	25,698,235.62
Sub-total of cash inflows from operating activities		1,603,932,026.74	1,494,518,389.28
Cash paid for goods purchased and services received		1,106,016,865.34	1,045,794,957.00
Net increase in loans and advances to customers			
Net increase in deposits in central bank and other banks and financial institutions			
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		323,950,873.52	299,241,866.26
Cash paid for taxes and surcharges		101,258,510.93	76,973,192.74
Cash paid for other operating activities		132,496,100.42	118,451,458.99
Sub-total of cash outflows from operating activities		1,663,722,350.21	1,540,461,474.99
Net cash flows from operating activities		-59,790,323.47	-45,943,085.71
2. Cash flows from investing activities:			
Cash inflow from divestment		606,327,427.90	615,261,697.25
Cash inflow from investment incomes		801,400.43	
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		10,661,268.33	852,535.50
Cash inflow from disposal of subsidiaries and other operating units			1,115,552.60
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		617,790,096.66	617,229,785.35
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		41,015,907.75	45,556,680.50
Cash paid for investments		620,108,197.50	726,993,439.10
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		661,124,105.25	772,550,119.60
Net cash flows from investing activities		-43,334,008.59	-155,320,334.25
3. Cash flows from financing activities			
Cash received from investors			
Including: cash received by subsidiaries from investments by non-controlling shareholders			
Cash received from loans		330,195,595.00	206,901,370.20
Cash received from bonds issuance			
Cash received from other financing activities		429,112.68	355,261.67
Sub-total of cash inflows from financing activities		330,624,707.68	207,256,631.87
Cash paid for debt repayments		341,839,165.55	166,820,569.00
Cash paid for distribution of dividends and profits or payment of interest		9,551,927.66	5,213,563.08
Including: dividends and profits paid to non-controlling shareholders by subsidiaries		1,833,942.30	1,814,250.00
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		351,391,093.21	172,034,132.08
Net cash flows from financing activities		-20,766,385.53	35,222,499.79
4. Effect of fluctuation in exchange rate on cash and cash equivalents		22,569,433.51	15,358,918.84
5. Net increase in cash and cash equivalents		-101,321,284.08	-150,682,001.33
Plus: beginning balance of cash and cash equivalents		750,357,929.63	744,700,658.82
6. Ending balance of cash and cash equivalents		649,036,645.55	594,018,657.49

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd.
Statement of Cash Flows
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Note	Current Period	Same Period in Previous Year
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		50,038,010.69	17,776,248.12
Refunds of taxes and surcharges		29,728.60	25,900.51
Cash received from other operating activities		11,242,643.33	16,236,047.04
Sub-total of cash inflows from operating activities		61,310,382.62	34,038,195.67
Cash paid for goods purchased and services received		25,174,592.83	4,648,663.54
Cash paid to and on behalf of employees		14,056,014.14	12,105,236.53
Cash paid for taxes and surcharges		3,224,645.83	2,270,830.52
Cash paid for other operating activities		35,520,905.54	36,846,820.39
Sub-total of cash outflows from operating activities		77,976,158.34	55,871,550.98
Net cash flows from operating activities		-16,665,775.72	-21,833,355.31
2. Cash flows from investing activities:			
Cash inflow from divestment		526,075,598.49	615,261,697.25
Cash inflow from investment incomes		10,692,049.83	
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		9,901,416.00	
Cash inflow from disposal of subsidiaries and other operating units			1,115,552.60
Cash received from other investing activities		10,303,934.17	
Sub-total of cash inflows from investing activities		556,972,998.49	616,377,249.85
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,231,017.10	5,814,046.20
Cash paid for investments		520,211,083.00	593,452,430.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		522,442,100.10	599,266,476.20
Net cash flows from investing activities		34,530,898.39	17,110,773.65
3. Cash flows from financing activities			
Cash received from investors			
Cash received from loans			
Cash received from bonds issuance			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			
Cash paid for debt repayments			
Cash paid for distribution of dividends and profits or payment of interest			
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities			
Net cash flows from financing activities			
4. Effect of fluctuation in exchange rate on cash and cash equivalents		1,977.90	3,017.94
5. Net increase in cash and cash equivalents		17,867,100.57	-4,719,563.72
Plus: beginning balance of cash and cash equivalents		119,210,234.41	114,839,269.51
6. Ending balance of cash and cash equivalents		137,077,334.98	110,119,705.79

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd.
Consolidated Statement of Changes in Equity
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Current period												
	Owners' equity attributable to the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits		
	preference shares	perpetual bonds	Others										
1. Previous year ending balance brought forward	548,589,600.00				971,603,120.27		-103,144,046.15		4,546,242.52		494,754,465.24	291,984,568.18	2,208,333,950.06
Plus: accounting policy changes													0.00
Correction of previous-period accounting errors													0.00
Business combination involving entities under common control													0.00
Others													0.00
2. Beginning balance of current year	548,589,600.00				971,603,120.27		-103,144,046.15		4,546,242.52		494,754,465.24	291,984,568.18	2,208,333,950.06
3. Increase/ (decrease) for the current year ("-" for losses)					-3,413,389.32		26,307,833.02				125,980,892.71	15,541,724.76	164,417,061.17
(1) Total comprehensive incomes							26,307,833.02				125,980,892.71	17,375,667.06	169,664,392.79
(2) Investment/ (divestment)					-3,413,389.32		0.00				0.00	0.00	-3,413,389.32
a. Common shares from shareholders													0.00
b. Investment capital from the holders of other equity instruments													0.00
c. Amount of the share-based payment included in the owners' equity													0.00
d. Others					-3,413,389.32								-3,413,389.32
(3) Distribution of profits												-1,833,942.30	-1,833,942.30
a. Surplus reserves													0.00
b. General risk reserves													0.00
c. Distribution to owners or shareholders												-1,833,942.30	-1,833,942.30
d. Others													0.00
(4) Internal transfer of owners' equity													0.00
a. Capital reserve turn to stock equity													0.00
b. Surplus reserve turn to stock equity													0.00
c. Surplus reserve to recover loss													0.00
d. Others													0.00
(5) Special reserves													0.00



a. Appropriation for current year													0.00
b. Use in current year													0.00
(6) Others													0.00
4. Ending balance of the current year	548,589,600.00				968,189,730.95		-76,836,213.13		4,546,242.52		620,735,357.95	307,526,292.94	2,372,751,011.23

Item	Same Period in Previous Year												Minority equity	Total owners' equity
	Owners' equity attributable to the parent company													
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits			
preference shares		perpetual bonds	Others											
1. Previous year ending balance brought forward	548,589,600.00				956,286,021.43		-85,270,897.86		4,546,242.52		350,523,121.40	275,858,665.32	2,050,532,752.81	
Plus: accounting policy changes													0.00	
Correction of previous-period accounting errors													0.00	
Business combination involving entities under common control													0.00	
Others													0.00	
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	956,286,021.43	0.00	-85,270,897.86	0.00	4,546,242.52	0.00	350,523,121.40	275,858,665.32	2,050,532,752.81	
3. Increase/ (decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	11,871,558.22	0.00	-23,500,674.67	0.00	0.00	0.00	101,164,717.70	13,055,099.14	102,590,700.39	
(1) Total comprehensive incomes							-23,500,674.67				101,164,717.70	14,869,349.14	92,533,392.17	
(2) Investment/ (divestment)	0.00	0.00	0.00	0.00	11,871,558.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,871,558.22	
a. Common shares from shareholders													0.00	
b. Investment capital from the holders of other equity instruments													0.00	
c. Amount of the share-based payment included in the owners' equity													0.00	
d. Others					11,871,558.22								11,871,558.22	
(3) Distribution of profits														
a. Surplus reserves													0.00	
b. General risk reserves													0.00	
c. Distribution to owners or shareholders												-1,814,250.00	-1,814,250.00	



d. Others														0.00
(4) Internal transfer of owners' equity														0.00
a. Capital reserve turn to stock equity														0.00
b. Surplus reserve turn to stock equity														0.00
c. Surplus reserve to recover loss														0.00
d. Others														0.00
(5) Special reserves														0.00
a. Appropriation for current year														0.00
b. Use in current year														0.00
(6) Others														0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	968,157,579.65	0.00	-108,771,572.53	0.00	4,546,242.52	0.00	451,687,839.10	288,913,764.46	2,153,123,453.20	

Legal representative: Zhang Min

Financial director: Li Jiaming

Accounting department: Zhao Lixin

Shang Gong Group Co., Ltd.
Separate Statement of Changes in Equity
From 1st January 2017 to 30th June 2017

Unit: Yuan, Currency: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		preference shares	perpetual bonds	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		33,970,766.78		4,546,242.52	-206,831,240.38	1,383,558,056.65
Plus: accounting policy changes											0.00
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	33,970,766.78	0.00	4,546,242.52	-206,831,240.38	1,383,558,056.65
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	5,646,023.55	0.00	-6,813,128.79	0.00	0.00	21,668,412.98	20,501,307.74
(1) Total comprehensive incomes							-6,813,128.79			21,668,412.98	14,855,284.19
(2) Investment/ (divestment)					5,646,023.55						5,646,023.55
a. Common shares from shareholders											0.00
b. Investment capital from the holders of other equity instruments											0.00
c. Amount of the share-based payment											0.00



included in the owners' equity											
d. Others					5,646,023.55						5,646,023.55
(3) Distribution of profits											0.00
a. Surplus reserves											0.00
b. Distribution to owners or shareholders											0.00
c. Others											0.00
(4) Internal transfer of owners' equity											0.00
a. Capital reserve turn to stock equity											0.00
b. Surplus reserve turn to stock equity											0.00
c. Surplus reserve to recover loss											0.00
d. Others											0.00
(5) Special reserves											0.00
a. Appropriation for current year											0.00
b. Use in current year											0.00
(6) Others											0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	1,008,928,711.28	0.00	27,157,637.99	0.00	4,546,242.52	-185,162,827.40	1,404,059,364.39

Item	Same Period in Previous Year										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		preference shares	perpetual bonds	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		45,068,484.49		4,546,242.52	-232,193,721.81	1,369,293,292.93
Plus: accounting policy changes											0.00
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	45,068,484.49	0.00	4,546,242.52	-232,193,721.81	1,369,293,292.93
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	0.00	0.00	-28,030,165.55	0.00	0.00	6,521,815.77	-21,508,349.78
(1) Total comprehensive incomes							-28,030,165.55			6,521,815.77	-21,508,349.78
(2) Investment/ (divestment)											0.00
a. Common shares from shareholders											0.00
b. Investment capital from the holders of other equity instruments											0.00
c. Amount of the share-based payment included in the owners' equity											0.00
d. Others											0.00
(3) Distribution of profits											0.00
a. Surplus reserves											0.00
b. Distribution to owners or shareholders											0.00
c. Others											0.00
(4) Internal transfer of owners' equity											0.00
a. Capital reserve turn to stock equity											0.00
b. Surplus reserve turn to stock equity											0.00
c. Surplus reserve to recover loss											0.00
d. Others											0.00



(5) Special reserves												0.00
a. Appropriation for current year												0.00
b. Use in current year												0.00
(6) Others												0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	17,038,318.94	0.00	4,546,242.52	-225,671,906.04	1,347,784,943.15	

Legal representative: Zhang Min

Financial director: Li Jiaming

Accounting department: Zhao Lixin



(Amounts are expressed in RMB Yuan unless otherwise stated)

1. Company Basic Information

1.1 Company Profile

Shang Gong Group Co., Ltd., a joint stock limited company with publicly issued A & B shares on the Shanghai Stock Exchange, is the first listed company in the sewing machinery industry of China. The Company was incorporated in April 1994. The registration number has changed to 91310000132210544K (Unified social credit code) in 2016. The organizational form of the Company is a joint stock limited company (a Sino-foreign joint venture and a listed company) and the registered capital amounts to RMB 548,589,600.00 yuan. The registered address is Room A-D, 12th Floor, Orient Mansion, No. 1500, Century Avenue, China (Shanghai) Pilot Free Trade Zone and the head office is located in No. 1566 New Jinqiao Road, Pudong New Area, Shanghai. The legal representative is Mr. Zhang Min.

On May 22, 2006, it was decided on the General Meeting on equity division reform by the Company that: the non-tradable equity stockholders pay partially their shares to all the tradable equity shareholders at a ratio of 10 to 6 as consideration of getting tradable rights. After the above consideration of share donation, the total number of shares remains unchanged, but consequently the equity structure has changed. As at December 31, 2013, there were 448,886,777 shares in total.

On February 28, 2014, CSRC approved the non-public offering of A shares of the Company under the Official Reply to the Approval of Non-public Offering of Shares of Shang Gong Group Co., Ltd. ([2014] No. 237). The number of shares issued was 99,702,823.00 and the total number of share capital after the issue was 548,589,600.00. The Company handled equity registration and escrow formalities with the CSDC Shanghai Branch; the corresponding registered capital was changed to RMB 548,589,600.00 yuan and had been verified by the Verification Report (PCPAR [2014] No.111126) issued by BDO CHINA Shu Lun Pan Certified Public Accountants LLP on March 26, 2014.

On December 29, 2016, Pudong SASAC, the original controlling shareholder and actual controller of the Company, had sold 60.00 million A shares of the Company to Shanghai Puke Flyman Investment Co., Ltd. which is the wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd. China Securities Depository and Clearing Co., Ltd. has issued a "transfer registration confirmation" on the same day. After the transfer, PKFR held A shares accounted for 10.94% of the total share capital of the Company, which is the largest shareholder of the Company; Pudong SASAC held A shares accounted for 8.27%, which is the second largest shareholder of the Company. After the completion of the equity transfer, the Company has changed to a listed company with no controlling shareholder and no actual controller.

As of June 30, 2017, the Company's total share capital was 548,589,600.00, including 548,589,600 shares with no restrictive terms, accounting for 100.00% of the total number of shares.

The Company belongs to special equipment manufacturing industry; main operating activities of the Company are: production and sales of sewing equipment.

According to the resolution of the 2nd meeting of the 8th board of directors, the financial statements were approved for disclosure by all directors of the Company on August 29, 2017.

1.2 Scope of the Consolidated Financial Statements



As at June 30, 2017, subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

Subsidiaries
1. ShangGong (Europe) Holding Corp. GmbH
2. DAP (Shanghai) Co., Ltd.
3. Shanghai SMPIC IMPORT & EXPORT CO., LTD.
4. Shanghai SGSB Electronics Co., Ltd.
5. Shanghai SGSB Asset Management Co., Ltd.
6. Shanghai Sewing Construction Property Co., Ltd.
7. Dürkopp Adler Sewing Equipment (Suzhou) Co., Ltd.
8. DAP VIETNAM CO., LTD.
9. ShangGong GEMSY CO., LTD.
10. Shanghai Shensy Enterprise Development Co., Ltd.
11. Shanghai ShangGong Financial Leasing Co., Ltd.
12. Shanghai Butterfly Import & Export Co., Ltd.
13. Shanghai ShangGong Import & Export Co., Ltd.

See "Note 6 Changes in the scope of consolidation" and "Note 7 Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.

2. Preparation Basis of Financial Statements

2.1 Preparation Basis

The Company prepares the financial statements based on going concern, according to the transactions and events actually occurred and in accordance with the Accounting Standards for Business Enterprises - Basic Standard and various specific accounting standards, application guidance and interpretations for accounting standards for business enterprises and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") promulgated by the Ministry of Finance and disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15 - General Rules on Financial Reports of the China Securities Regulatory Commission.

2.2 Going Concern

The Company has going-concern ability within 12 months as of the end of the report period and has no matters or situations that may lead to serious doubts about the Company's going-concern ability.

3. Principal Accounting Policies and Accounting Estimates

The following disclosure has covered the Company's specific accounting policies and accounting estimates prepared according to the actual production and operation characteristics.

3.1 Statement on Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other related information in the reporting period.

3.2 Accounting Period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating Cycle

The Company's operating cycle is 12 months.



3.4 Functional Currency

The Company adopts RMB as its functional currency.

3.5 Accounting Treatment Methods of Business Combinations under Common Control and not under Common Control

Business combinations under common control: Assets and liabilities acquired from business combinations by the Company are measured at book value of assets and liabilities (including goodwill formed from the purchase of the acquiree by the ultimate controller) in the consolidated financial statements of the ultimate controller. Stock premium in the capital reserve should be adjusted according to the difference between the book value of net asset acquired from the combinations and that of consideration (or total face value of the shares issued) paid. In case the stock premium in the capital reserve is not enough, the retained earnings need to be adjusted.

Business combinations not under common control: Assets paid for consideration and liabilities incurred or borne by the Company on the acquisition date shall be measured at their fair values. The difference between the fair value and the book value should be included in the current profit and loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall include the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit and loss after review.

Intermediary service charges such as audit fee, legal service fee, appraisal and consultancy fee paid for business combinations and other directly relevant expenses are included in the current profit and loss when incurred; the transaction costs for the issuance of equity securities shall be used to offset equities.

3.6 Preparation Methods of Consolidated Financial Statements

3.6.1 Scope of Consolidation

The scope of consolidation of the Company's consolidated financial statements is recognized based on the control. All subsidiaries (including the divisible part of the investee controlled by the Company) should be included in the consolidated financial statements.

3.6.2 Consolidation Procedure

The Company prepares consolidated financial statements based on its own financial statements and financial statements of its subsidiaries according to other relevant materials. When the Company prepares its consolidated financial statements, it shall regard the whole enterprise group as an accounting entity to reflect the overall financial position, operating results and cash flows of the enterprise group according to the requirements for recognition, measurement and presentation of the relevant Accounting Standards for Business Enterprises and the uniform accounting policies.

Accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements should be consistent with those of the Company. If accounting policies and accounting periods adopted by all subsidiaries are inconsistent with those of the Company, in the preparation of the consolidated financial statements, necessary adjustments shall be made according to the accounting policies and accounting periods of the Company. For the subsidiaries acquired through business combination not under common control, adjustments to their financial statements shall be made based on the fair values of net identifiable assets on the acquisition date. For the subsidiaries acquired through business



combination not under common control, adjustments to their financial statements shall be made based on the fair values of their assets and liabilities (including goodwill from acquisition of the subsidiaries by the ultimate controller) in the financial statements of the ultimate controller.

The share of owner's equity, net profits and losses in the current year and comprehensive income in the current year of subsidiaries attributable to minority shareholders should separately presented under the item of owner's equity of the Consolidated Balance Sheet, the item of net profit of the Consolidated Income Statement and the item of total comprehensive income. The difference formed by the loss in the current year shared by minority shareholders of the subsidiaries in excess of the share of minority shareholders in the owner's equity at the beginning of the year of the subsidiaries should be used to offset the minority equity.

(1) Increase in subsidiaries or business

In the reporting period, if the Company increased subsidiaries or business from business combinations under common control, then the beginning amount of the Consolidated Balance Sheet should be adjusted; the incomes, expenses and profits from the combinations of the subsidiaries and business from the beginning of the current year to the end of the reporting period shall be included in the Consolidated Income Statement; cash flows from the combinations of the subsidiaries and business from the beginning of the current year to the end of the reporting period shall be included in the Consolidated Cash Flow Statement. At the same time, the Company should adjust the relevant items of the comparative statements and deem that the reporting entity already exists when the ultimate controller starts its control.

Where the Company can control the investee under common control from additional investments, it should deem that parties involved in the combination have make adjustments at the current state when the ultimate controller starts its control. Equity investments held before the Company controls the acquiree, the relevant profit and loss recognized during the period from the later of the date when the Company obtains the original equity and the date when the acquirer and the acquiree are under common control, other comprehensive income and changes in other net assets shall be used to offset the retained earnings at the beginning of the year or the current profit and loss in the period of the comparative statements.

In the reporting period, if the Company increased subsidiaries or business from business combinations not under common control, then the beginning amount of the Consolidated Balance Sheet should not be adjusted; the incomes, expenses and profits from the subsidiaries and business from the acquisition date to the end of the reporting period shall be included in the Consolidated Income Statement; cash flows from the subsidiaries and business from the acquisition date to the end of the reporting period shall be included in the Consolidated Cash Flow Statement.

Where the Company can control the investee not under common control from additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference of the fair value and book value in the investment income in the current year. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owner's equity shall be transferred to investment income in the current year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan.



(2) Disposal of subsidiaries or business

a. General treatment methods

In the reporting period, if the Company disposed subsidiaries or business, then the incomes, expenses and profits from the subsidiaries and business from the beginning of the year to the disposal date shall be included in the Consolidated Income Statement; cash flows from the combinations of the subsidiaries and business from the beginning of the year to the disposal date shall be included in the Consolidated Cash Flow Statement.

When the Company loses the control over the original subsidiary due to disposal of partial equity investments or other reasons, the remaining equity investments after the disposal will be re-measured at the fair value at the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the acquisition date is included in the investment income of the period at the loss of control. Other comprehensive income associated with the original equity investments of the subsidiary and other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution are transferred into investment income in the current year when the control is lost, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan.

b. Disposal of subsidiary by stages

Where the Company disposes the equity investments in subsidiary through multiple transactions and by stages until it loses the control, if the effect of the disposal on the terms and conditions of all transactions of equity investments in subsidiary and economic effect meet one or more of the following circumstance, it usually indicates that the multiple transactions should be accounted for as a package deal:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business results;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.



(3) Purchase of minority interest of subsidiaries

The difference between long-term equity investments newly acquired by the Company through purchase of minority interest and the subsidiary's identifiable net assets attributable to the Company calculated continuously from the acquisition date (or the combination date) in accordance with the newly increased shareholding ratio shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments in the subsidiary without losing control

The difference between the proceeds from partial disposal of equity investments in the subsidiary and the share of identifiable net assets of the subsidiary attributable to the Company which are calculated continuously from the acquisition date (or the combination date) and which are corresponding to the disposal of long-term equity investments without losing control shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

3.7 Cash and Cash Equivalents

In preparing the cash flow statement, cash on hand and the unrestricted deposits of the Company are recognized as cash. Short-term (maturing within three months as of the acquisition date) and highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are recognized as cash equivalents.

3.8 Foreign Currency Transactions and Translation of Foreign Currency Statements

3.8.1 Foreign Currency Transactions

Foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates at the dates of the transactions.

The balance of foreign currency monetary items is adjusted and translated into functional currency at balance sheet date using the spot exchange rate. Regarding the year-end differences of translation in foreign currency, except those special borrowing accounts under the acquisition, building or production of assets to be capitalized are capitalized and accounted into related assets cost, all the other differences are accounted into current profits and losses. The foreign currency non-monetary items at historical cost are translated using the spot exchange rate. And the foreign currency non-monetary items at fair value are adjusted and translated into measurement currency at adoption date of fair value using the spot exchange rate. The difference of translation between different currencies is accounted into current profits and losses or capital reserves.

3.8.2 Translation of Foreign Currency Statements

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. The equity items, excluding "Retained earning", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting exchange differences are recognized in a separate component of equity.



Upon entire/partial disposal of a foreign operation, the entire/partial cumulative amount of the exchange differences recognized in equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

3.9 Financial Instruments

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

3.9.1 Classification of Financial Instruments

At the initial recognition, financial assets and financial liabilities are classified as: financial assets or financial liabilities measured at fair value through current profit and loss, including financial assets or financial liabilities held for trading, and financial assets or financial liabilities that are directly to be measured at fair value through current profit and loss, held-to-maturity investments, accounts receivable, available-for-sale financial assets and other financial liabilities, etc.

3.9.2 Recognition Basis and Measurement Method of Financial Instruments

(1) Financial assets (financial liabilities) measured at fair value through current profit and loss

Financial assets (financial liabilities) are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interest that has matured but not been drawn). Relevant transaction expenses are included in the current profit and loss.

The interest or cash dividends to be received during the holding period is or are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

Upon the disposal, difference between the fair value and the initial book-entry value is recognized as investment income; meanwhile, adjustment is made to gains or losses from changes in fair values.

(2) Held-to-maturity investments

Held-to-maturity investments are initially recorded at the sum of fair values (less the bond interest that has matured but not been drawn) and relevant transaction expenses when acquired.

During the period of holding the investment, the interest income is calculated and recognized according to the amortized costs and effective interest rate, and included in the investment income. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

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

(3) Receivables

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and creditor's rights of other enterprises (excluding creditor's right quoted in the active market) held by the Company, including accounts receivable, other receivables, the initial recognition amount shall be the contract price or agreement price receivable from the purchasing party; for those with financing nature, they are initially recognized at their present values.



The difference between the amount received and the book value of accounts receivable is included in the current profit and loss upon the recovery or disposal.

(4) Available-for-sale financial assets

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

The interest or cash dividends to be received during the holding period is or are recognized as investment income. Available-for-sale financial assets are measured at fair value at the end of the year and the changes in fair value are included in other comprehensive income. However, equity instrument investments that have no quoted price in the active market and of which fair values cannot be measured reliably and derivative financial assets that relate to such equity instruments and that shall be settled through the delivery of such equity instruments shall be measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment income upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which is originally and directly included in other comprehensive income shall be transferred out and recognized as the current profit and loss.

(5) Other financial liabilities

Other financial liabilities are initially recognized at fair values plus related transaction costs. The subsequent measurement is based on amortized costs.

3.9.3 Recognition and Measurement of Transfer of Financial Assets

Upon occurrence of transfer of a financial asset, the Company shall de-recognize the transfer of the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets have been transferred to the transferee; and shall not de-recognize the transfer of the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets are retained.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset. The transfer of a financial asset of the Company is classified into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in shareholders' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the partial transfer of financial asset satisfies the criteria for de-recognition, the entire book value of the transferred financial asset shall be split into the derecognized part and recognized part according to their



respective fair value and the difference between the amounts of the following two items shall be included in the current profit and loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

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

3.9.4 Derecognition Criteria of Financial Liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize new financial liability.

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

Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of financial liabilities according to the comparative fair value of the part that continues to be recognized and de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

3.9.5 Determination Method of Fair Value of Financial Assets and Financial Liabilities

Where there is an active market for financial instruments, the fair values shall be determined according to quoted prices in active markets. Where there is no active market, the fair values shall be determined using reasonable valuation techniques. At the time of valuation, the Company adopted valuation techniques applicable in the current situation and supported by enough available data and other information, select input values consistent with the features of assets or liabilities considered by market participants in the transaction related to the assets or liabilities, and give priority to using the relevant observable input values. Only when it is unable or impracticable to obtain the relevant observable input values, unobservable input values can be used.

3.9.6 Test Method and Accounting Treatment of Depreciation of Financial Assets (excluding Receivables)



Except for the financial assets measured at fair values through current profit and loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

(1) Provision for impairment of available-for-sale financial assets:

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of impairment loss, the previously recognized impairment loss shall be reversed and recorded into the current profit and loss.

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

Criteria of the Company for "serious" decline of fair value of investments in available-for-sale equity instruments: In general, for highly liquid equity investments that are actively traded in the market, over 50% of the decline is considered to be a serious fall. Criteria for "non-temporary" decline of fair value: In general, if a continuous decline lasts for more than six months, it is considered as "non-temporary decline."

(2) Provision for impairment of held-to-maturity investments:

Measurement of provision for impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

3.10 Provision for Bad Debts of Receivables

3.10.1 Receivables that are Individually Significant but with Provision for Bad Debts Made on an Individual Basis

Assessment basis or standard of amount individually significant: Top five biggest balance accounts.

Method of provision for bad debts of receivables that are individually significant:

An impairment test shall be separately made and provision for bad debts shall be made according to the difference between the present value of estimated future cash flows lower than the book value and should be included in the current profit and loss. For short-term receivables, the difference between expected future cash flows and the present value is too small to discount the expected future cash flows when recognizing the relevant impairment losses.

3.10.2 Provision for Bad Debts of Receivables Made on Credit Risk Characteristics Portfolio Basis

Methods of provision for bad debts made on credit risk characteristics portfolio basis	
Portfolio	Balances of receivables other than accounts receivable subject to provisions for bad debts on an individual basis and other receivables
Methods of provision for bad debts made on the basis of portfolio	
Portfolio	Aging analysis method



Provision for bad debts made at aging analysis method in the portfolio:

Aging	Proportion of Provision for Accounts Receivable (%)	Proportion of Provision for Other Receivables (%)
Within 1 year (including 1 year)	5	5
1 to 2 years	20	20
2 to 3 years	50	50
Over 3 years	100	100

3.10.3 Receivables that are Individually Insignificant but with Provision for Bad Debts Made on an Individual Basis

Reason for bad debt provision provided on an individual basis: Receivables of a particular object.

Method of provision for bad debts: An impairment test should be separately made. When there is objective evidence suggesting that receivables are impaired, provision for bad debts shall be made at the difference of present value of estimated future cash flows in short of their book values and should be included in the current profit and loss.

3.11 Inventories

3.11.1 Classification of Inventories

Inventories are classified into Materials in transit, raw materials, revolving materials, stock commodities, goods in progress, dispatched goods, material procurement, consigned processing materials, labor cost and others.

3.11.2 Measurement Method of Dispatched Inventories

Inventories are measured with weighted average method when dispatched. The percentage matches method of the labor cost and labor revenue. One-off amortization method is adopted for low-cost consumables when they are consumed.

3.11.3 Recognition Basis for Net Realizable Values of Inventories of Different Categories

In normal operation process, for merchandise inventories for direct sale, including finished goods, stock commodities and materials for sale, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; in normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

At the end of the period, provisions for inventory depreciation reserve are made on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory depreciation reserve are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventory depreciation reserve shall be made on a portfolio basis.



Except that there is clear evidence that the market price is abnormal on the balance sheet date, the net realizable value of inventory items shall be recognized at the market price on the balance sheet date.

Net realizable value of inventory items at the end of the year is recognized at the market price on the balance sheet date.

3.11.4 Inventory System

Perpetual inventory system is adopted.

3.12 Long-term Equity Investments

3.12.1 Criteria for Judgment of Common Control and Significant Influence

The term “common control” refers to the joint control, according to the relevant provisions, over an arrangement, of which the relevant activities should be agreed and decided by the participants that share the control. Where the Company and other investors exert common joint control over the investee and the Company is entitled to net assets of the investee, the investee is the joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

3.12.2 Recognition of Initial Investment Costs

(1) Long-term equity investments acquired from business combination

Business combination under common control: if the Company makes payment in cash, transfers non-cash assets or bears debts and issues equity securities as the consideration for the business combination, the book value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controller is recognized as the initial cost of the long-term equity investment on the combination date. In case the Company can exercise control over the investee under common control for additional investment or other reasons, the initial investment cost of long-term equity investments is recognized at the share of book value of net asset of the acquiree after the combination in the consolidated financial statements of the ultimate controller on the combination date. The stock premium should be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination not under common control: The Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investments. Where the Company can exercise control over the investee not under common control for additional investments or other reasons, the initial investment cost changed to be accounted for under the cost method should be recognized at the book value of originally held equity investments plus costs of additional investments.

(2) Long-term equity investment acquired by other means

For a long-term equity investment acquired through making payments in cash, its initial cost is the actually paid purchase cost.



For a long-term equity investment acquired from issuance of equity securities, its initial cost is the fair value of the issued equity securities.

If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.

For a long-term equity investment acquired from debt restructuring, its initial cost is determined based on the fair value.

3.12.3 Subsequent Measurement and Recognition of Gains and Losses

(1) Long-term equity investment accounted for under the cost method

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the current year at the cash dividends or profits declared by the investee.

(2) Long-term equity investments accounted for under the equity method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of the long-term equity investments; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

The Company shall recognize the investment income and other comprehensive income at the shares of net profit and loss and other comprehensive income realized by the investee which the Company shall enjoy or bear and adjust the book value of long-term equity investments at the same time; the Company shall calculate the shares according to profits or cash dividends declared by the investee and correspondingly reduce the book value of long-term equity investments; the book value of long-term equity investments shall be adjusted according to the investee's other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, which should be included in owner's equity.

The share of the investee's net profit or loss should be recognized after adjustments are made to net profit of the investee based on the fair value of identifiable net assets of the investee upon acquisition of investments and according to accounting policies and accounting period of the Company. When holding the investment, the investee should prepare the consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.



When the Company recognizes its share of loss incurred to the investee, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced. Secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake.

(3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between its book value and the actual price shall be included in the current profit and loss.

For long-term equity investments accounted for under the equity method, when the Company disposes such investments, accounting treatment should be made to the part that is originally included in other comprehensive income according to the corresponding proportion by using the same basis for the investee to directly dispose the relevant assets or liabilities. Owner's equity recognized at the changes in the investee's other owner's equity other than net profit or loss, other comprehensive income and profit distribution shall be transferred to the current profit and loss according to the proportion, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan.

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit and loss. For other comprehensive income recognized from accounting of the original equity investments under the equity method, accounting treatment should be made by using the same basis for the investee to directly dispose the relevant assets or liabilities when the equity method is no longer adopted. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to the current profit and loss when the equity method confirmed is no longer adopted.

In case the control over the investee is lost for disposing part of equity investments or other reasons, when the Company prepares the individual financial statements, where the remaining equity after the disposal can exercise joint control or significant effect on the investee, then such equity will be changed to be accounted for under the equity method and the remaining equity is deemed to have been adjusted under the equity method on acquisition; where the remaining equity after the disposal cannot exercise joint control or significant effect on the investee, then accounting treatment shall be changed to be made according to the relevant provisions on the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit and loss.

In case the disposed equity is acquired from additional investments or other reasons, when the Company prepares the individual financial statements, where the remaining equity after the disposal is accounted for under the cost method or the equity method, other comprehensive income and other owner's equity recognized



from the accounting of equity investments held before the acquisition date under the equity method shall be transferred according to the proportion; where accounting treatment of the remaining equity after the disposal is changed to be made according to the recognition and measurement principles of financial instruments, all of other comprehensive income and other owner's equity shall be transferred.

3.13 Investment Property

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases, (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

The Company adopts the cost model to measure all current investment properties. The Company adopts the same depreciation policy for the investment property measured at cost model - building for renting as that for the Company's fixed assets and the same amortization policy of land use right for renting as that for the Company's intangible assets.

3.14 Fixed Assets

3.14.1 Recognition Criteria for Fixed Assets

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

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed asset can be measured reliably.

3.14.2 Depreciation Method

Depreciation of fixed assets is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. If the components of a fixed asset have different useful lives or cause economic benefit for the Company in different ways, different depreciation rate or method shall be adopted for depreciation on an individual component basis.

Depreciation of fixed assets, depreciation period, residual rate and annual depreciation rates are as follows:

Category	Depreciation Life (years)	Residual Rate (%)	Annual Depreciation Rate (%)
Buildings and constructions	5-50	0-10	2.00-25.00
Machinery equipment	3-15	0-10	6.00-33.33
Transportation equipment	3-14	0-10	6.43-33.33
Electronic equipment	3-14	0-10	6.43-33.33
Renovations of fixed assets	5-15	0	6.67-20.00
Other equipment	3-14	0-10	6.43-33.33

3.15 Construction in Progress

The book values of the construction in progress are stated at total expenditures incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but relevant budgets for the completion of projects have not been completed, the estimated values



of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when working condition is reached. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.16 Borrowing Costs

3.16.1 Recognition Criteria for Capitalization of Borrowing Costs

Borrowing costs include the interest on borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

- (1) The asset disbursements have already incurred, which shall include the cash paid, non-cash assets transferred or interest bearing debts undertaken for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) Purchase, construction or manufacturing activities that are necessary to prepare the asset for its intended use or sale have already started.

3.16.2 Capitalization Period of Borrowing Costs

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

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such projects should be ceased.

Where construction for each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of attributable borrowing costs should cease at the completion of the entire assets.

3.16.3 Period of Capitalization Suspension

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary for the acquisition and construction or production to prepare the



assets for their intended use or sale, the capitalization of borrowing costs should continue. The borrowing costs incurred during interruption are recognized in the current profit and loss, and the capitalization of borrowing costs continues after the restart of the acquisition and construction or production activities of the assets.

3.16.4 Capitalization Rate and Measurement of Capitalized Amounts of Borrowing Costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, the to-be-capitalized amount shall be determined at interest expense of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the to-be-capitalized amount should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by using the weighted average interest rate of general borrowings.

3.17 Intangible Assets

3.17.1 Measurement of Intangible Assets

(1) The Company initially measures intangible assets at cost on acquisition

The costs of external purchase of intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use. If payments for the purchase of intangible assets are extended beyond the normal credit terms with financing nature, the costs of intangible assets are determined on the basis of present values of the purchase prices.

For intangible assets obtained from debtors in settlement of his liabilities in case of debt restructuring, they should be initially stated at their fair values. Differences between the book values and the fair values of the intangible assets are charged to profit or loss for the current period.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book-entry values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in should be the book values of the assets traded out and relevant taxes and surcharges paid, and no profit or loss shall be recognized.

(2) Subsequent measurement

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

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets shall be deemed as those with indefinite useful life and shall not be amortized.

3.17.2 Estimate of the Useful Life of the Intangible Assets with Finite Useful Lives

Item	Estimated Useful Lives
------	------------------------



Land use right	50 years
Right to use trade mark	10 years
Patent and non-patent technology	4-8 years
Computer software	3-10 years

The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at each year end.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

3.17.3 Specific Criteria Divided the Research Stage and Development Stage

Expenditure internal research and development project is divided into research expenditures and development expenditures.

Research stage: the planned investigation and research activities to acquire and understand new scientific or technological knowledge.

Development stage: before commercial production and use, the research findings or other knowledge are applied in some plan or design to produce new or substantially improved materials, devices, products, etc.

3.17.4 Specific Criteria to Fulfill for Development Costs to be Capitalized

If it can be reliably estimated that future economic benefits will flow to the entity, and that the purchase and production costs can be reliably measured, the development cost should be capitalized. The measurement of production cost of internally generated intangible assets is based on direct cost, indirect cost and amortization.

If it can be clearly defined that newly developed products or methods are technically feasible, and that they are intended for private use or sale, the development cost should be capitalized. The capitalized development cost should be amortized within a product's expected 5 to 8 years' life cycle, using a straight-line method. If the value in use cannot be recognized, impairment and amortization should be carried out. Research cost and the development cost which cannot be capitalized should be expense when it occurs.

3.18 Impairment of Long-term Assets

The Company will conduct the impairment test if any evidence suggests that the long assets, such as the long-term equity investment and the investment property, fixed assets, construction in progress and intangible assets, are impaired on the balance sheet date. If impairment test results indicate that the recoverable amounts of the assets are lower than their carrying amounts, the provision for impairment is made based on the differences which are recognized as impairment losses. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The provision for assets impairment is calculated and recognized by the individual asset. If it is difficult to estimate the intangible amount of an individual asset, the Company shall estimate the recoverable amount of the asset portfolio that the individual asset belongs to. The asset portfolio is the minimum asset group that can independently generate the cash inflow.

At least the impairment test is conducted at the year-end in respect of the goodwill.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or



amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. The book value of goodwill is amortized to relevant asset groups or combinations of asset groups according to the proportion of the fair value of such asset groups or combinations of asset groups in the total fair value of relevant asset groups or combinations of asset groups. Where the fair value cannot be reliably measured, it should be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the asset groups or combinations of asset groups containing goodwill, and compare the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant asset groups or combinations of asset groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The above impairment loss is not reversed in the future accounting period once recognized.

3.19 Employee Compensation

3.19.1 Accounting Treatment of Short-term Remuneration

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and charged to the current profit or loss or the relevant assets cost.

The medical insurance premium, work-related injury insurance premium and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion.

The non-monetary benefits for employees that can be measured reliably are measured at fair value.

3.19.2 Accounting Treatment of Benefits Paid after Departure

(1) Defined withdrawal plan

The basic endowment insurance premium and unemployment insurance premium paid by the Company for its employees in accordance with relevant provisions of the local government are recognized as liabilities and charged to the current profit or loss or the relevant assets cost, with the payable amount calculated based on the local prescribed payment base and percentage, during the accounting period in which the employees provide services to the Company.

In addition to the basic endowment insurance, the Company also builds the enterprise annuity payment system (supplementary pension insurance) in accordance with relevant national policies for enterprise annuity system. The Company pays a certain percentage of the total employee compensation to the local social institution, and record the relevant expenditures into the current profit or loss or the relevant assets cost.



(2) Defined benefit plan

The Company attributes the welfare obligation arising from the defined benefit plan to the period during which the employees provide services, in accordance with the formula determined under the estimated accumulated welfare unit method, and records the same into the current profit or loss or the relevant asset cost.

A net liability or net asset in relation to the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets in relation to the defined benefit plan. Where the defined benefit plan has any surplus, the Company will determine the net assets in relation to the defined benefit plan at the lower of the surplus of the defined benefit plan or the asset cap.

The obligations under the defined benefit plan, including the estimated payment obligation within 12 months following the annual report period during which the employees provide service, are discounted to the present value at the market return of the national debt of which the term and currency match those of the obligation under the defined benefit plan on the balance sheet date, or of the high-quality corporate debt in an active market.

The service cost incurred by the defined benefit plan, together with the net interest on the net liability or net asset in relation to the defined benefit plan, are charged to the current profit or loss or the relevant asset cost; the change arising from the re-measurement of the net liability or net asset in relation to the defined benefit plan are recorded into other comprehensive income and are not reversed to the profit or loss in the subsequent accounting period.

The gains or losses on the settlement in respect of the defined benefit plan are recognized at the difference between the present value and the settlement price of the obligation under the defined benefit plan on the settlement date.

3.19.3 Accounting Treatment of Dismissal Welfare

Where the Company cannot unilaterally withdraw the dismissal welfare offered in view of the cancellation of the labor relation plan or the layoff proposal, or recognizes the cost or expenses as to the restructuring involving the payment of dismissal welfare (whichever is earlier), the employee compensation arising from the dismissal welfare should be recognized as the liabilities and charged to the current profit or loss.

3.20 Estimated Liabilities

3.20.1 Recognition Criteria for Estimated Liabilities

The Company should recognize an obligation in relation to contingencies as an estimated liability, such as the litigation, debt guarantee, loss-making contract or restructuring, when all the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

3.20.2 Measurement of Estimated Liabilities



The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

The risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

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

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

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

When all or part of the expenses necessary for the settlement of an estimated liabilities are expected to be compensated by a third party or other parties, the compensation shall be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation shall not exceed the book value of the estimated liabilities.

3.21 Revenues

3.21.1 Timing for Recognition of Revenues from Sales of Goods

Revenues from sales of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; the relevant amount of revenue can be measured reliably; it is highly likely that the economic benefits associated with the transaction will flow into the Company; and the relevant amount of cost incurred or to be incurred can be measured reliably.

3.21.2 Recognition of the Revenues from Transfer of Assets Use Right

When the economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of the assets use right is determined as follows:

(1) measured based on the length of time for which the Company's monetary funds is used by others and the applicable interest rate; or

(2) amount of royalties revenues, which shall be measured according to the period and method of charging as stipulated in the relevant agreements or contracts.

3.21.3 Measurement Principles and Methods of Completion Stage where Revenues from Rendering of Labor are Recognized under Percentage-of-completion Method

The Company provides confirmation of the written income of the customer when the service income is confirmed and issued the settlement certificate.



If the outcome of transactions can be estimated reliably at the balance sheet date, revenues from rendering of labor services are recognized under the percentage-of-completion method. The percentage of completion is determined by measurement of completed work as a percentage of total estimated costs.

Revenues from rendering of labor services are determined by prices stated in the contracts or agreements, whether already received or to be received, unless such relevant prices are unfair. The current revenue from the rendering of labor services is recognized at the amount of multiplying the total revenue from the rendering of labor services by completion progress and deducting the accumulated revenue from the rendering of labor services recognized in previous accounting periods on the balance sheet date; meanwhile, the current cost of labor services is carried forward by the amount of multiplying the total costs of the rendering of labor services by completion progress and deducting the accumulated revenue from the rendering of labor services recognized in previous accounting periods.

When the outcome of transactions involving the rendering of services cannot be estimated reliably, revenues shall be recognized and measured at the balance sheet date as follows:

(1) if the service costs incurred are expected to be fully recoverable, the amounts equal to the labor costs incurred shall be recognized as revenues and the equivalent amounts of labor costs shall be carried forward;

(2) if the service costs incurred are not expected to be fully recoverable, the labor costs incurred shall be included in the current profit and loss, with no revenue from the rendering of labor services not recognized.

3.22 Government Subsidies

3.22.1 Types

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government subsidies are classified into government subsidies related to assets and government subsidies related to income.

Government grants relating to purchase or construction of long-term assets, such as fixed assets and intangible assets, etc., shall be recognized as deferred income and amortized over the useful lives of assets constructed or purchased and charged to non-operating income by stage. Government subsidies related to income refer to those other than the government subsidies related to assets.

The Company divides the government subsidies into those related to assets according to the following specific standards: the government subsidies acquired by the Company to acquire, construct or otherwise form the long-term assets;

The Company divides the government subsidies into those related to income according to the following specific standards: the government subsidies other than those related to assets;

If the targets of subsidies are not specified in the government documents, the basis for the Company to determine the classification of the subsidies related to assets or income is: Whether such government subsidies are used to acquire, construct or otherwise form the long-term assets

3.22.2 Accounting Treatment

Government subsidies relating to assets shall be recognized as deferred income and amortized over the useful lives of assets constructed or purchased and charged to current profit and loss by stage;



If government subsidies related to income are used to compensate the Company's relevant expenses or losses in future periods, such government subsidies should be recognized as deferred income on acquisition and be included into the current profit and loss in the period of recognizing relevant expenses; if government subsidies related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government subsidies are directly included into the current profit and loss on acquisition.

3.23 Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the income tax assets and income tax liabilities of the Company for the current period shall be presented based on the net amount after offset.

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

3.24 Lease

3.24.1 Accounting Treatment of Operating Lease

(1) Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease period (including rent-free period) and shall be included in the current expenses. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the current expenses.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease terms and charged to the current expenses.

(2) The lease fees received for the assets acquired under lease shall be recognized as current expenses over the lease terms (including rent-free periods) on a straight-line basis. The initial direct costs related to lease transactions paid by the Company, included in the current expenses; if a larger amount is to be capitalized,



according to confirm the same basis throughout the period of the lease installments related to the lease income is recognized in profit gains.

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

3.25 Discontinued Operation

Discontinued operation is the component that meets any of the following conditions, is disposed or classified as the held-for-sale one and can be separately distinguished at the time of preparation of financial statements:

- (1) such component represents an independent primary business or a major business area;
- (2) such component is part of the disposition plan for an independent primary business or a major business area;
- (3) such component is a subsidiary acquired for just re-sale.

3.26 Adjustment for Changes in Principal Accounting Policies and Accounting Estimates

3.26.1 Adjustment for Changes in Accounting Policies

Implement the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies".

Ministry of Finance on 10th May 2017 revised the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies", which was implemented since 12th June 2017.

The main impact of implementing the standard is as follows:

The Content and Reasons of Accounting Policy Changes	Item and Amount Affected in the Report
Ministry of Finance on 10 th May 2017 issued the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies" (Accounting [2017] No. 15). According to the revised "Accounting Standards for Business Enterprises No. 16 - Government Subsidies", government subsidies related to the daily activities of enterprises shall be included in other income or related expenses in accordance with the essence of economic business; government grants unrelated to the daily activities of enterprises shall be included in non-operating income and expense.	The change has no significant impact on the Company's financial position, operating results and cash flow.

3.26.2 Adjustment for Changes in Principal Accounting Estimates

There were no changes in the accounting estimates in the current report period.

4. Tax

Tax Type	Basis of Tax Assessment	Tax Rate
Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the output tax for the period after deducting the deductible input tax for the period.	3%, 5%, 6%, 7%, 11%, 13%, 17%, 19%
Business tax	Levied based on the taxable income (reclassified to VAT from 1 st May 2016)	5%
Enterprise income tax (EIT)	Levied based on the taxable income	16%-38%, 25%
Urban maintenance and construction tax	Levied based on the actual payment of business tax and VAT.	1%, 5%, 7%
Education surtax and local education sutax	Levied based on the actual payment of business tax and VAT.	2%, 3%

Note: The EIT rate applicable to ShangGong Europe, a subsidiary of the Company, and its subsidiaries in the



scope of consolidation varies in a range from 16% to 38%; and the VAT rate is 19%.

5. Notes to Items of Consolidated Financial Statements

5.1 Cash and Cash Equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	948,951.52	1,137,409.87
Bank deposit	650,110,309.40	751,831,391.58
Other monetary funds	1,022,144.03	10,686,903.12
Total	652,081,404.95	763,655,704.57
Including: total amount of cash and cash equivalents offshore	342,712,838.67	463,089,363.62

Details of cash and cash equivalents restricted for use due to mortgage, pledge or freezing are follows:

Item	Ending Balance	Beginning Balance
Other guaranteed deposit (Note)	3,044,759.40	3,319,935.24
Deposit held for foreign exchange inspection		9,977,839.70
Total	3,044,759.40	13,297,774.94

Note: This item consists of the guaranteed deposit pledged by ShangGong Europe to Commerzbank Germany, amounting to 328,737.00 euro (equivalent to 2,544,759.40 yuan); and the guarantees for crackdown on counterfeit goods amounting to 500,000.00 yuan by the Company's subsidiary Shanghai Butterfly Import & Export Co., Ltd.

5.2 Financial assets at fair value whose fluctuation is attributed to profit and loss for current period

Item	Ending Balance	Beginning Balance
Trading financial assets		4,000.00
Of which: Debt instrument investment		
Equity instrument investment		4,000.00
Derivative financial asset		
Others		
Financial assets measured at fair value and the changes are recorded into current period profit or loss		
Of which: Debt instrument investment		
Equity instrument investment		
Other financial asset		
Total		4,000.00

5.3 Derivative Financial Assets

Not applicable.

5.4 Notes Receivable

5.4.1 Presentation of Notes Receivable by Category

Item	Ending Balance	Beginning Balance
Bank acceptance bills	51,827,634.80	51,427,934.60
Commercial acceptance bills	23,277,333.77	27,413,513.45
Total	75,104,968.57	78,841,448.05

5.4.2 Notes Receivable Pledged as at the End of Period

Not applicable.



5.4.3 The Notes Receivable that Have Been Endorsed or Discounted at the End of the Period and Have not yet Expired at the Balance Sheet Date

Item	Ending Balance	Beginning Balance
Bank acceptance bills	3,603,975.02	
Commercial acceptance bills		
Total	3,603,975.02	

5.4.4 Notes Receivable Transferred to Accounts Receivable Due to the Issuer's Performance Failure

Not applicable.

5.5 Accounts Receivable

5.5.1 Disclosure of Accounts Receivable by Category

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debt		Book Value	Book Balance		Provision for Bad Debt		Book Value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with significant individual amount and provision for bad debt is accrued separately	99,045,728.99	16.01	19,490,244.00	19.68	79,555,484.99	69,228,371.46	13.86	18,376,602.00	26.54	50,851,769.46
Accounts receivable with provision for bad debt accrued by credit risk characteristics of a portfolio	153,744,026.84	24.85	77,357,351.62	50.32	76,386,675.22	124,946,418.14	25.02	73,206,008.31	58.59	51,740,409.83
Accounts receivable with insignificant individual amount but provision for bad debt is accrued separately	365,802,521.52	59.14	18,285,235.69	5.00	347,517,285.83	305,199,419.71	61.12	18,538,920.13	6.07	286,660,499.58
Total	618,592,277.35	100.00	115,132,831.31	18.61	503,459,446.04	499,374,209.31	100.00	110,121,530.44	22.05	389,252,678.87

Accounts receivable with significant individual amount and provision for bad debt is accrued separately at the end of the period

Accounts Receivable (By Unit)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
No.1 Client	54,433,586.34			Unimpaired according to the separate test
No.2 Client	19,490,244.00	19,490,244.00	100.00%	Impaired according to the separate test
No.3 Client	13,205,318.40			Unimpaired according to the separate test
No.4 Client	11,916,580.25			Unimpaired according to the separate test
Total	99,045,728.99	19,490,244.00	19.68%	/

Accounts receivable with provision for bad debt accrued using the aging analysis method in the portfolio

Aging	Ending Balance		
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision
Within 1 year	75,911,948.96	3,795,597.44	5.00%
1-2 years	4,060,177.41	812,035.48	20.00%
2-3 years	2,044,363.55	1,022,181.78	50.00%
Over 3 years	71,727,536.92	71,727,536.92	100.00%
Total	153,744,026.84	77,357,351.62	50.32%

Accounts receivable with insignificant individual amount but provision for bad debt is accrued separately

Accounts Receivable (By Unit)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
Other insignificant accounts receivable (Note 1)	2,020,198.55	2,020,198.55	100.00%	Impaired according to the separate test
Other insignificant accounts receivable (Note 2)	28,297,066.02	6,936,762.57	24.51%	Impaired according to the separate test



Accounts Receivable (By Unit)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
Other insignificant accounts receivable (Note 3)	235,073,310.29	8,850,090.77	3.76%	Impaired according to the separate test
Other insignificant accounts receivable (Note 4)	99,922,376.74			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 5)	478,183.80	478,183.80	100.00%	Impaired according to the separate test
Other insignificant accounts receivable (Note 6)	11,386.12			Unimpaired according to the separate test
Total	365,802,521.52	18,285,235.69	5.00%	

Note 1: It mainly represents the accounts receivable due from Shang Gong Group Co., Ltd. Shanghai Butterfly Sewing Machines Branch, and the provision for impairment is accrued based on the separate test.

Note 2: It mainly represents the accounts receivable due from the subsidiary, DAP (Shanghai) Co., Ltd., and the provision for impairment is accrued based on the separate test.

Note 3: It mainly represents the accounts receivable due from the subsidiary, ShangGong Europe, and the provision for impairment is accrued based on the separate test.

Note 4: It mainly represents the accounts receivable due from the subsidiary, Shanghai Shensy Enterprise Development Co., Ltd, and is unimpaired based on the separate test.

Note 5: It mainly represents the accounts receivable due from the subsidiary, Shanghai SMPIC Import & Export Co., Ltd., and the provision for impairment is accrued based on the separate test.

Note 6: It mainly represents the accounts receivable due from the subsidiary, DAP Vietnam Co., Ltd., and is unimpaired based on the separate test.

5.5.2 The Accrual, Reversal or Recovery of the Provision for Bad Debts in the Current Period

The provision for bad debts accrued in the current period is 5,439,823.58 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 1,292,372.99 yuan.

5.5.3 Actual Write-off of Accounts Receivable in the Current Period

Item	Write-off Amount
The actual write-off of accounts receivable	779,410.85

The actual write-off of accounts receivable is due to the long aging of accounts receivable. All of them are unrecoverable due to deregistration/cancellation of the client companies.

5.5.5 Top Five Accounts Receivable in Terms of their Ending Balance

Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable Ratio (%)	Provision for Bad Debt
No.1 Client	54,433,586.34	8.80	
No.2 Client	19,490,244.00	3.15	19,490,244.00
No.3 Client	13,205,318.40	2.13	
No.4 Client	11,916,580.25	1.93	
No.5 Client	11,530,775.39	1.86	11,530,775.39
Total	110,576,504.38	17.87	31,021,019.39



See Note 10.6 for details of accounts receivable due from related parties.

5.6 Prepayment

5.6.1 Presentation of Prepayments by Aging

Aging	Ending Balance		Beginning Balance	
	Book Balance	Proportion (%)	Book Balance	Proportion (%)
Within 1 year	22,034,496.71	75.15	24,955,584.89	74.03
1-2 years	6,430,368.02	21.93	7,892,719.27	23.41
2-3 years	836,031.51	2.85	839,461.69	2.49
Over 3 years	21,684.56	0.07	21,591.26	0.07
Total	29,322,580.80	100.00	33,709,357.11	100.00

5.6.2 Top Five Prepayments to Suppliers in Terms of their Ending Balance

Supplier	Ending Balance	Proportion in Total Ending Balance of Advances to Suppliers (%)
No.1 Supplier	6,147,650.83	20.97
No.2 Supplier	2,782,768.25	9.49
No.3 Supplier	2,683,907.54	9.15
No.4 Supplier	1,921,764.84	6.55
No.5 Supplier	744,800.00	2.54
Total	14,280,891.46	48.70

5.7 Interest Receivable

Not applicable.

5.8 Dividends Receivable

Not applicable.

5.9 Other Receivables

5.9.1 Disclosure of Other Receivables by Category

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debt		Book Value	Book Balance		Provision for Bad Debt		Book Value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables with significant individual amount and provision for bad debt is accrued separately	33,135,960.97	37.02	12,951,956.70	39.09	20,184,004.27	32,993,470.54	41.20	12,600,914.20	38.19	20,392,556.34
Other receivables with provision for bad debt accrued by credit risk characteristics of a portfolio	25,424,207.21	28.40	16,497,784.81	64.89	8,926,422.40	19,082,416.29	23.83	16,077,736.42	84.25	3,004,679.87



Other receivables with insignificant individual amount but provision for bad debt is accrued separately	30,946,536.46	34.58	458,628.07	1.48	30,487,908.39	28,014,947.49	34.97	527,110.22	1.88	27,487,837.27
Total	89,506,704.64	100.00	29,908,369.58	33.41	59,598,335.06	80,090,834.32	100.00	29,205,760.84	36.47	50,885,073.48

Other receivables with significant individual amount and provision for bad debt is accrued separately at the end of period

Other Receivables (By Unit)	Ending Balance			
	Other Receivables	Provision for Bad Debt	Proportion of Provision	Reason for Provision
No.1 Client	12,951,956.70	12,951,956.70	100.00	Impaired according to the separate test
Export tax refund receivable (Note)	8,604,004.27			Unimpaired according to the separate test
No.3 Client	5,080,000.00			Unimpaired according to the separate test
No.4 Client	3,500,000.00			Unimpaired according to the separate test
No.5 Client	3,000,000.00			Unimpaired according to the separate test
Total	33,135,960.97	12,951,956.70	39.09	/

Note: It mainly represents the export tax refund receivable arising from the export sale by the subsidiary, and is unimpaired according to the separate impairment test.

Other receivables with provision for bad debt accrued using the aging analysis method in the portfolio:

Aging	Ending Balance		
	Other Receivables	Provision for Bad Debt	Proportion of Provision
Within 1 year	8,869,703.38	443,485.17	5.00%
1-2 years	509,050.29	101,810.06	20.00%
2-3 years	185,927.93	92,963.97	50.00%
Over 3 years	15,859,525.61	15,859,525.61	100.00%
Total	25,424,207.21	16,497,784.81	64.89%

Other receivables with insignificant individual amount but provision for bad debt is accrued separately at the end of period

Content of Other Receivables	Book Balance	Provision for Bad Debt	Proportion of Provision (%)	Reason for Provision
Other insignificant other receivables (Note 1)	3,114,512.43			Unimpaired according to the separate test
Other insignificant other receivables (Note 2)	290,980.00	16,525.00	5.68%	Impaired according to the separate test
Other insignificant other receivables (Note 3)	4,025,194.72			Unimpaired according to the separate test
Other insignificant other receivables (Note 4)	23,515,849.31	442,103.07	1.88%	Unimpaired according to the separate test
Total	30,946,523.46	458,628.07	1.48%	/

Note 1: It mainly represents the other receivables due from the subsidiary DAPSH, which is unimpaired based on the separate test.



Note 2: It mainly represents the other receivables due from SGG Butterfly Branch, and the provision for impairment is accrued based on the separate test.

Note 3: It mainly represents the other receivables due from the subsidiary SGE, which is unimpaired based on the separate test.

Note 4: It mainly represents the other receivables due from the subsidiary SHENSY, which is unimpaired based on the separate test.

5.9.2 The Accrual, Reversal or Recovery of the Provision for Bad Debts in the Current Period

The provision for bad debts accrued in the current period is 907,334.66 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 707,460.98yuan.

5.9.3 Actual Write-off of Other Receivables in the Current Period

Not applicable.

5.9.4 Top Five Other Receivables in Terms of their Ending Balance

Company Name	Nature	Ending Balance	Aging	Proportion in the Ending Balance of Total Other Receivable (%)	Provision for Bad Debt Ending Balance
No.1 Client	Current accounts	12,951,956.70	From within 1 year to over 3 years	14.47	12,951,956.70
No.2 Client	Export tax refund receivable	8,604,004.27	Within 1year	9.61	
No.3 Client	Current accounts	5,080,000.00	Within 1year	5.68	
No.4 Client	Current accounts	3,500,000.00	Within 1year	3.91	
No.5 Client	Current accounts	3,000,000.00	Within 1year	3.35	
Total	/	33,135,960.97		37.02	12,951,956.70

5.10 Inventories

5.10.1 Classification of Inventories

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Raw materials	281,255,243.96	44,534,439.68	236,720,804.28	244,335,565.64	41,630,636.86	202,704,928.78
Goods in progress	166,512,345.19	29,223,611.68	137,288,733.51	136,310,148.14	27,492,514.68	108,817,633.46
Finished goods	292,698,261.02	39,893,324.12	252,804,936.90	267,450,476.53	39,117,293.46	228,333,183.07
Revolving materials	666,088.02		666,088.02	1,221,161.27		1,221,161.27
Consigned processing materials	776,122.66		776,122.66	603,268.15		603,268.15
Goods shipped	9,038,718.26		9,038,718.26	7,972,002.36		7,972,002.36
Material purchase	23,730.56		23,730.56	32,250.55		32,250.55
Labor costs	90,826,640.92		90,826,640.92	114,082,013.31		114,082,013.31
Total	841,797,150.59	113,651,375.48	728,145,775.11	772,006,885.95	108,240,445.00	663,766,440.95

5.10.2 Inventory Valuation Allowance



Item	Beginning Balance	Increase		Decrease		Ending Balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	41,630,636.86	299,829.07	2,603,973.75			44,534,439.68
Goods in progress	27,492,514.68		1,731,097.00			29,223,611.68
Finished goods	39,117,293.46	30,948.91	1,704,349.94	907,286.63	51,981.56	39,893,324.12
Total	108,240,445.00	330,777.98	6,039,420.69	907,286.63	51,981.56	113,651,375.48

5.11 Assets Classified as Held for Sale

Not applicable

5.12 Non-Current Assets Maturing within One Year

Not applicable

5.13 Other Current Assets

Item	Ending Balance	Beginning Balance
Held-to-maturity investments	20,437,857.87	10,288,261.77
Input tax to be credited	7,415,580.99	11,164,758.87
Rentals and insurance fees	4,343,382.90	1,529,650.89
Overpaid enterprise income tax	999,195.60	1,946,694.20
Financial products		50,000,000.00
Structured deposit	332,000,000.00	282,000,000.00
Unamortized expense	441,469.89	489,181.62
Total	365,637,487.25	357,418,547.35

5.14 Available-for-sale Financial Assets

5.14.1 Available-for-sale Financial Assets

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Available for sale debt instruments						
Available for sale equity instruments	132,104,249.67	1,698,131.91	130,406,117.76	138,917,378.02	1,698,131.91	137,219,246.11
Including:						
Measured at fair value	101,167,860.52		101,167,860.52	107,980,989.31		107,980,989.31
Measured at cost	30,936,389.15	1,698,131.91	29,238,257.24	30,936,388.71	1,698,131.91	29,238,256.80
Total	132,104,249.67	1,698,131.91	130,406,117.76	138,917,378.02	1,698,131.91	137,219,246.11

5.14.2 Available-for-sale Financial Assets Measured at Fair Value as at 30th June 2017

Classification of available-for-sale Financial Assets	Available-for-sale Equity Instruments	Available-for-sale Debt Instruments	Total
Cost of equity instruments	74,010,222.53		74,010,222.53
Fair value	101,167,860.52		101,167,860.52
Accumulated changes in fair value included in other comprehensive income	27,157,637.99		27,157,637.99
Accrued provision for impairment			

5.14.3 Available-for-sale Financial Assets Measured at Cost as at 30th June 2017

Investee	Book Balance	Provision for Impairment	Shareholding	Cash



	As at 1 st January 2017	Increase	Decrease	As at 30 th June 2017	As at 1 st January 2017	Increase	Decrease	As at 30 th June 2017	Ratio in Investee (%)	Dividend in Report Period
Shanghai Fuji Xerox Co., Ltd.	29,140,749.49			29,140,749.49					15.92	
Shanghai Hirose Precision Industrial Co., Ltd. (Note 1)									30.00	700,000.00
Changshu Qixing Elec-plating Co., Ltd.									90.00	
Shanghai Huazhijie Plastic Co., Ltd. (Note 2)	736,283.66			736,283.66	736,283.66			736,283.66	23.04	
Shanghai Xingguang Underwear Factory (South Africa)	308,033.99			308,033.99	308,033.99			308,033.99	14.30	
Wuxi Shanggong Sewing Machines Co., Ltd. (Note 3)	153,814.26			153,814.26	153,814.26			153,814.26	80.00	
China Perfect Machinery Co., Ltd.	90,000.00			90,000.00					0.0993	
Shanghai Baoding Investment Co., Ltd.	7,500.00			7,500.00					0.008	
Shanghai Shanggong Jiarong Sewing Machine Trade Co., Ltd.	500,000.00			500,000.00	500,000.00			500,000.00	12.50	
Pfaff Industrial Iberica S.A.U.	7.31	0.44		7.75					49.00	
Total	30,936,388.71	0.44		30,936,389.15	1,698,131.91			1,698,131.91		700,000.00

Note 1: Shang Gong Group Co., Ltd. holds 30% shares of Shanghai Hirose Precision Industrial Co., Ltd. According to the articles of association, the Company obtains guaranteed minimum revenue each year. In addition, the Company does not participate in the decision-making process of daily operations, and does not have significant influence on the invested enterprise. Therefore, it adopts cost accounting to measure its revenue from its shares of Shanghai Hirose Precision Industrial Co., Ltd.

Note 2: Shang Gong Group Co., Ltd. holds 23.04% shares of Shanghai Huazhijie Plastic Co., Ltd. According to the articles of association, Shang Gong Group Co., Ltd. does not have fact control over the invested enterprise. In addition, the Company does not participate in the decision-making process of daily operations, and does not have significant influence on the invested enterprise. Therefore, it adopts cost accounting to measure its revenue from its shares of Shanghai Huazhijie Plastic Co., Ltd.



Note 3: Shang Gong Group Co., Ltd. holds 80.00% shares of Wuxi Shanggong Sewing Machines Co., Ltd. According to the articles of association, Shang Gong Group Co., Ltd. does not have facto control over the invested enterprise. In addition, the Company does not participate in the decision-making process of daily operations, and does not have significant influence on the invested enterprise. Therefore, it adopts cost accounting to measure its revenue from its shares of Wuxi Shanggong Sewing Machines Co., Ltd.

5.14.4 Changes in Available-for-sale Financial Assets for This Year

Classification of Available-for-sale Financial Assets	Available-for-sale Equity Instruments	Available-for-sale Debt Instruments	Total
Balance of provision for impairment accrued as at 1 st January 2017	1,698,131.91		1,698,131.91
Provision in Report Period			
Including: transfer-in from other comprehensive income			
Decrease in Report Period			
Including: reversal due to the subsequent increase in fair value			
Balance of provision for impairment accrued as at 30 th June 2017	1,698,131.91		1,698,131.91

5.15 Held-to-maturity Investments

Not applicable.

5.16 Long-term Receivables

Not applicable.

5.17 Long-term Equity Investment

Investees	Beginning Balance	Change in current period								Ending Balance	Provision of Impairment Balance at 30 th June 2017
		Increase in Investment	Decrease in Investment	Return on Investment under Equity Method	Other Comprehensive Income Adjustment	Other Changes in Equity	Declared Cash Dividends or Profit	Other	Increase in Investment		
1.Joint venture											
2.Joint operation											
H. Stoll AG & Co. KG											
Subtotal	253,586,574.99			11,737,352.98				15,831,365.67	281,155,293.64		
Total	253,586,574.99			11,737,352.98				15,831,365.67	281,155,293.64		
1.Joint venture	253,586,574.99			11,737,352.98				15,831,365.67	281,155,293.64		

Note: The Company's wholly-owned subsidiary, ShangGong (Europe) Holding Corp. GmbH acquired 26% shares of H. Stoll AG & Co. KG, a German company, and became the limited partner at 1st January 2016. The fixed amount and floating amount of share transfer is 32,250,000.90 euro in total, and shall pay in three installments. The first installment payment amounts to 22,990,000.90 euro, and was fully paid in June 2016. The second installment payment is 2,750,000.00 euro, which was paid in the report period.

5.18 Investment Properties

5.18.1 Investment Property Measured at Cost

Item	Buildings and Constructions	Leased Land Use Rights	Investment Real Estate Decoration	Total
1. Original book value				
(1) Beginning balance	172,331,514.28	50,523,752.24	2,583,492.92	225,438,759.44
(2) Increase in current period	2,953,441.47			2,953,441.47
- Outsourcing				
- Transfer in from inventories, fixed assets or construction in progress				



- Increase from enterprise merger				
- Exchange rate fluctuation	2,953,441.47			2,953,441.47
(3) Decrease in current period				
- Disposal				
- Others				
(4) Ending balance	175,284,955.75	50,523,752.24	2,583,492.92	228,392,200.91
2. Accumulated depreciation and accumulated amortization				
(1) Beginning balance	94,985,462.61	15,079,319.07	516,698.76	110,581,480.44
(2) Increase in current period	3,560,967.45	552,001.62		4,112,969.07
- Amortization or accrual	2,269,029.81	552,001.62		2,821,031.43
- Exchange rate fluctuation	1,291,937.64			1,291,937.64
(3) Decrease in current period				
- Disposal				
- Others				
(4) Ending balance	98,546,430.06	15,631,320.69	516,698.76	114,694,449.51
3. Provision for impairment				
(1) Beginning balance	7,241,024.04			7,241,024.04
(2) Increase in current period	438,813.91			438,813.91
- Accrual				
- Exchange rate fluctuation	438,813.91			438,813.91
(3) Decrease in current period				
- Disposal				
- Others				
(4) Ending balance	7,679,837.95			7,679,837.95
4. Book value				
(1) Book value at the end of the period	69,058,687.74	34,892,431.55	2,066,794.16	106,017,913.45
(2) Book value at the beginning of the period	70,105,027.63	35,444,433.17	2,066,794.16	107,616,254.96

5.19 Fixed Assets

5.19.1 Fixed Assets

Item	Buildings and Constructions	Machinery Equipment	Transportation Equipment	Electronic Equipment	Other Equipment	Total
1. Original book value						
(1) Beginning balance	419,547,363.36	338,719,085.29	14,586,332.79	4,075,854.93	241,454,532.04	1,018,383,168.41
(2) Increase in current period	20,448,658.56	33,169,619.91	910,752.13	322,616.39	23,329,274.10	78,180,921.09
- Purchase	186,376.25	10,913,154.90	910,752.13	312,731.48	6,355,499.86	18,678,514.62
- Transfer in from construction in progress		1,906,401.60				1,906,401.60
- Increase from enterprise merger						
- Exchange rate fluctuation	20,262,282.31	20,350,063.41		9,884.91	16,973,774.24	57,596,004.87
(3) Decrease in current period	1,386,639.30	2,032,703.48	1,232,333.80	4,912.00	3,237,020.10	7,893,608.68
- Disposal or scrap	1,386,639.30	2,032,703.48	1,232,333.80	4,912.00	3,237,020.10	7,893,608.68
(4) Ending balance	438,609,382.62	369,856,001.72	14,264,751.12	4,393,559.32	261,546,786.04	1,088,670,480.82



2. Accumulated depreciation						
(1) Beginning balance	206,652,824.34	228,815,751.75	9,545,181.19	2,738,212.77	206,574,025.26	654,325,995.31
(2) Increase in current period	17,255,088.07	24,368,868.49	561,110.30	290,456.08	20,536,560.14	63,012,083.08
- Accrual	4,591,867.62	8,320,840.08	561,110.30	290,456.08	5,826,103.93	19,590,378.01
- Exchange rate fluctuation	12,663,220.45	16,048,028.41			14,710,456.21	43,421,705.07
(3) Decrease in current period	1,386,639.30	2,182,514.45	1,138,632.98	4,541.79	3,017,647.39	7,729,975.91
- Disposal or scrap	1,386,639.30	2,182,514.45	1,138,632.98	4,541.79	3,017,647.39	7,729,975.91
(4) Ending balance	222,521,273.11	251,002,105.79	8,967,658.51	3,024,127.06	224,092,938.01	709,608,102.48
3. Provision for impairment						
(1) Beginning balance	4,913,777.92	4,832,793.00	48,170.70	37,818.61	1,402.83	9,833,963.06
(2) Increase in current period						
- Accrual						
(3) Decrease in current period						
- Disposal or scrap						
(4) Ending balance	4,913,777.92	4,832,793.00	48,170.70	37,818.61	1,402.83	9,833,963.06
4. Book value						
(1) Book value at the end of the period	211,174,331.59	114,021,102.93	5,248,921.91	1,331,613.65	37,452,445.20	369,228,415.28
(2) Book value at the beginning of the period	207,980,761.10	105,070,540.54	4,992,980.90	1,299,823.55	34,879,103.95	354,223,210.04

Note: among the above balance of fixed assets at the end of the period, the buildings and constructions of 131,486,806.05 yuan (Including 13,035,336.00 euro which is equivalent to 101,018,639.90 yuan) are used to obtain a loan from banks; see the Note 11.1 Commitments and Contingencies for information on mortgage loans and credit extension.

5.19.2 Idle Fixed Assets

Not applicable.

5.19.3 Fixed Assets without Certificate of Title

Item	Book Value	Reason for Failure in Completing the Formalities for Obtaining Certificates of Title
Buildings and constructions (Note 1)	1,830,787.00	Self-built housing, the certificates are in the process
Buildings and constructions (Note 2)	274,973.02	Self-built housing, the certificates are in the process
Total	2,105,760.02	

Note 1: Self-built housing for the Company's subsidiary Shanghai SGSB Asset Management Co., Ltd.

Note 2: Self-built housing, for the Company.

5.20 Construction in Progress

5.20.1 Construction in Progress

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Sewing Equipment Engineering	7,088,631.24		7,088,631.24	2,036,361.68		2,036,361.68



ERP project	2,492,439.78		2,492,439.78	2,130,376.16		2,130,376.16
Household multifunctional sewing machine	416,692.54		416,692.54	407,258.58		407,258.58
Zhangjiagang manufacture base project	1,970,028.88		1,970,028.88	1,207,505.00		1,207,505.00
Modern logistics management center	1,139,656.57		1,139,656.57	258,490.56		258,490.56
Nanxiang factory reconstruction				300,000.00		300,000.00
Mold development	139,000.00		139,000.00	139,000.00		139,000.00
Exhaust project	298,345.06		298,345.06	298,345.06		298,345.06
DFT factory reconstruction	19,723,659.70		19,723,659.70	13,422,591.60		13,422,591.60
Kingdee QR code system project	177,670.93		177,670.93			
DARO workshop reconstruction	113,074.14		113,074.14			
Total	33,559,198.84		33,559,198.84	20,199,928.64		20,199,928.64

5.20.2 Changes in Major Construction in Progress for Current Period

Item	Budget	Beginning balance	Increase in current period	Amount Transferred in Fixed Assets for the Current Period	Other decreases in current period	Ending balance	Proportion of the accumulated investment in project in budget (%)	Construction in progress	Accumulated amount of interest capitalization	Including amount of interest capitalization in 2016	Interest capitalization rate in 2016(%)	Source of Fund
Sewing Equipment Engineering		2,036,361.68	6,958,671.16	1,906,401.60		7,088,631.24						Self-owned fund
ERP project		2,130,376.16	362,063.62			2,492,439.78						Raised fund
Household multifunctional sewing machine		407,258.58	9,433.96			416,692.54						Raised fund/ Self-owned fund
Zhangjiagang manufacture base project		1,207,505.00	829,842.94		67,319.06	1,970,028.88						Self-owned fund
Modern logistics management center		258,490.56	881,166.01			1,139,656.57						Self-owned fund
Nanxiang factory reconstruction		300,000.00	59,096.00		359,096.00							Self-owned fund
Mold development		139,000.00				139,000.00						Self-owned fund
Exhaust project		298,345.06				298,345.06						Self-owned fund
DFT factory reconstruction		13,422,591.60	6,301,068.10			19,723,659.70						Self-owned fund
Kingdee QR code system project			177,670.93			177,670.93						Self-owned fund
DARO workshop reconstruction			113,074.14			113,074.14						Self-owned fund
Total		20,199,928.64	15,692,086.86	1,906,401.60	426,415.06	33,559,198.84						

5.21 Project Materials



Not applicable

5.22 Disposal of Fixed Assets

Not applicable

5.23 Productive Biological Assets

Not applicable

5.24 Oil and Gas Assets

Not applicable

5.25 Intangible Assets

5.25.1 Intangible Assets

Item	Land Use Right	Patent and Non-patent Technology	Trademark Use Right	Others	Computer Software	Total
1. Original book value						
(1) Beginning balance	105,595,420.23	117,954,603.75	20,161,268.51	5,795,753.76	3,185,554.27	252,692,600.52
(2) Increase in current period	620,000.00	10,503,853.13				11,123,853.13
- Purchase	620,000.00	5,986,405.15				6,606,405.15
- Exchange rate fluctuation		4,517,447.98				4,517,447.98
(3) Decrease in current period		745,505.00				745,505.00
- Disposal		745,505.00				745,505.00
(4) Ending balance	106,215,420.23	127,712,951.88	20,161,268.51	5,795,753.76	3,185,554.27	263,070,948.65
2. Accumulated amortization						
(1) Beginning balance	8,099,502.56	61,149,940.94	20,161,268.51	5,795,753.76	2,248,235.06	97,454,700.83
(2) Increase in current period	1,372,029.09	11,137,935.43			175,259.31	12,685,223.83
- Accrual	1,372,029.09	9,915,216.50			175,259.31	11,462,504.90
- Exchange rate fluctuation		1,222,718.93				1,222,718.93
(3) Decrease in current period		745,505.00				745,505.00
- Disposal		745,505.00				745,505.00
(4) Ending balance	9,471,531.65	71,542,371.37	20,161,268.51	5,795,753.76	2,423,494.37	109,394,419.66
3. Provision for impairment						
(1) Beginning balance						
(2) Increase in current period						
- Accrual						
(3) Decrease in current period						
- Disposal						
(4) Ending balance						
4. Book value						
(1) Book value at the end of the period	96,743,888.58	56,170,580.51			762,059.90	153,676,528.99
(2) Book value at the beginning of the	97,495,917.67	56,804,662.81			937,319.21	155,237,899.69



period						
--------	--	--	--	--	--	--

5.26 Development Expenditures

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Internal Development Expenditure	Others	Recognized as Intangible Assets	Transferred to Current Profits and Losses	
Sewing equipment	8,255,718.33	1,357,584.76				9,613,303.09
WeChat platform	887,322.98	106,245.76				993,568.74
Freight platform	3,282,264.10	283,018.86				3,565,282.96
Paper Shredder	104,040.49					104,040.49
Total	12,529,345.90	1,746,849.38				14,276,195.28

Note: The development expenditures of sewing equipment represent the development costs of ShangGong Europe. The development expenditures of WeChat platform and Freight platform represent the development costs of SHENSY. The development expenditures of paper shredder represent the development costs of Shanghai SMPIC Import & Export Co., Ltd.

5.27 Goodwill

5.27.1 Book Value of Goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period		Decrease in Current Period	Ending Balance
		Acquisition	Exchange Rate Fluctuation	Disposal	
PFAFF GmbH	67,878,923.12		4,113,536.32		71,992,459.44
Beisler	21,289,092.48		1,290,142.08		22,579,234.56
Total	89,168,015.60		5,403,678.40		94,571,694.00

5.27.2 Provision for Impairment of Goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period		Decrease in Current Period	Ending Balance
		Accrual	Exchange Rate Fluctuation	Disposal	
Beisler	21,289,092.48		1,290,142.08		22,579,234.56
Total	21,289,092.48		1,290,142.08		22,579,234.56

5.28 Long-term Deferred Expenses

Item	Beginning Balance	Increase in Current Period	Amortization in Current Period	Other Decreases in Current Period	Ending Balance
Enterprise Mailbox rental expense	19,800.00		3,850.00		15,950.00
Online brand registration fee	340,545.43		23,473.66		317,071.77
Landscape engineering	183,451.50		24,460.20		158,991.30
Leasehold improvements	136,916.67	73,037.55	57,243.31		152,710.91
Tooling cost	404,084.37		43,785.36		360,299.01
Total	1,084,797.97	73,037.55	152,812.53		1,005,022.99

Note: In current period, the amortized amount of long-term deferred expenses is 152,812.53 yuan, and it is recorded in general and administrative expenses.

5.29 Deferred Income Tax Assets and Deferred Income Tax Liabilities

5.29.1 Deferred Income Tax Assets



Item	Ending balance		Beginning balance	
	Deductible Temporary Differences	Deferred Income Tax Assets	Deductible Temporary Differences	Deferred Income Tax Assets
Provision for asset impairment		19,972,751.03		16,211,080.71
Unrealized profits of internal transactions		7,805,980.74		7,876,034.19
Pension (Europe)		33,745,277.88		34,426,435.01
Deductible losses				
Deferred income		550,000.00		550,000.00
Total		62,074,009.65		59,063,549.91

5.29.2 Deferred Income Tax Liabilities

Item	Ending Balance		Beginning Balance	
	Taxable Temporary Differences	Deferred Income Tax Liabilities	Taxable Temporary Differences	Deferred Income Tax Liabilities
Appreciation of assets evaluation due to business combinations not under common control		43,528,015.28		35,407,850.19
Changes in fair value of available-for-sale financial assets				
Others		1,369,443.71		1,197,067.41
Total		44,897,458.99		36,604,917.60

Appreciation of assets evaluation due to business combinations not under common control is formed mainly due to the acquisition of subsidiaries overseas by ShangGong Europe.

5.30 Other Non-current Assets

Not applicable.

5.31 Short-term Loans

Item	Ending Balance	Beginning Balance
Mortgage loans	20,303,952.00	19,143,816.00
Guaranteed loans	345,416,080.00	331,876,640.00
Credit loans	348,148.62	348,148.62
Total	366,068,180.62	351,368,604.62

Note 1: DA AG borrowed 71,063,832.00 yuan (9,170,000.00 euros) from German Commerzbank with fixed assets with book value of 101,018,639.90 yuan (13,035,336.00 euros) as collateral. As at 30th June 2017, 50,759,880.00 yuan (6,550,000.00 euros) was repaid. The ending balance is 20,303,952.00 yuan (2,620,000.00 euros), which belongs to short-term loans.

Note 2: The guaranteed loans which the Company's wholly-owned subsidiary ShangGong (Europe) Corp. GmbH to borrow money from the Bielefeld Branch of Commerzbank; and the Company's wholly-owned subsidiary PFAFF GmbH. to borrow the money from Kaiserslautern Branch of Commerzbank, guarantees related to the above matters refer to Note "X. commitments and matter" and "(b) Contingencies" and "Note 1, 2, 3, 4".

Note 3: Except the guaranteed loans above; other guaranteed loans are as follows: the Company's wholly-owned subsidiary Shanghai Shensy Enterprise Development Co., Ltd borrowed 40,730,000.00 yuan from China Construction Bank Shanghai Baoshan Baogang Branch, 30,000,000.00 yuan from Bank of



Communications Shanghai Branch of Baoshan and 5,000,000.00 yuan from SPD Bank Branch of Waigaoqiao Free Trade Zone. The guarantee company is Shanghai Shensy Kaile Internet of Things Co., Ltd.

5.32 Financial Liabilities at Fair Value whose Fluctuation is Attributed to Profit or Loss for Current Period

Not applicable.

5.33 Notes Payable

Not applicable.

5.34 Accounts Payable

5.34.1. Presentation of Accounts Payable

Item	Ending Balance	Beginning Balance
Payables to suppliers	172,418,174.68	174,828,356.05
Total	172,418,174.68	174,828,356.05

5.34.2 Important Accounts Payable Aged Over 1 Year

Not applicable.

5.35 Receipt in Advance

5.35.1 Presentation of Advances from Customers

Item	Ending Balance	Beginning Balance
Advances on sales	30,490,939.49	36,548,091.83
Total	30,490,939.49	36,548,091.83

5.35.2 Important Receipt in Advance Aged Over 1 Year

Not applicable.

5.36 Employee Compensation Payable

5.36.1 Presentation of Employee Compensation Payable

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Short-term remuneration	60,808,833.07	299,610,929.92	302,749,741.11	57,670,021.88
Post-employment benefits - defined benefit plans	449,954.11	7,534,787.91	6,361,287.31	1,623,454.71
Defined benefit plan maturing within one year	19,669,905.60	10,116,503.00	8,924,485.40	20,861,923.20
Total	80,928,692.78	317,262,220.83	318,035,513.82	80,155,399.79

5.36.2 Presentation of Short-term Remuneration

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
(1) Salary, bonus, allowance and subsidy	60,360,450.15	247,862,512.61	251,622,238.57	56,600,724.19
(2) Employee welfare	529.00	45,764,078.01	45,763,678.01	929.00
(3) Social insurance expenses	282,251.12	3,982,736.85	3,441,604.80	823,383.17
- medical insurance premium	226,607.73	3,385,590.73	2,910,105.63	702,092.83
- Work-related injury insurance premium	28,898.48	316,828.78	289,521.99	56,205.27
- Maternity insurance premium	16,241.91	279,792.34	241,452.18	54,582.07



- Other	10,503.00	525.00	525.00	10,503.00
(4) Housing provident funds	165,602.80	1,469,935.50	1,411,660.70	223,877.60
(5) Labor union expenditures and employee education expenses		531,666.95	510,559.03	21,107.92
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	60,808,833.07	299,610,929.92	302,749,741.11	57,670,021.88

5.36.3 Presentation of Defined Benefit Plans

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Basic endowment insurance premium	424,019.08	6,854,115.53	5,726,310.60	1,551,824.01
Unemployment insurance premium	25,935.03	340,672.38	294,976.71	71,630.70
Payment of annuity		340,000.00	340,000.00	
Total	449,954.11	7,534,787.91	6,361,287.31	1,623,454.71

5.37 Taxes and Surcharges Payable

Item	Ending Balance	Beginning Balance
Value-added tax	627,982.87	5,721,081.61
Consumption tax		
Business tax		
Enterprise income tax	8,101,944.34	41,900,219.50
Individual income tax	4,370,499.70	6,172,515.51
Educational surtax	58,416.73	227,392.77
Urban maintenance and construction tax	84,029.32	301,166.34
Property tax		264,414.62
River management fee	402.17	29,199.23
Use tax of land		121,189.92
Stamp tax	20,677.40	3,688.10
Total	13,263,952.53	54,740,867.60

5.38 Interest Payable

Item	Ending Balance	Beginning Balance
Term interest on long-term borrowings due in installments		441,316.11
Short-term loan interest payable	2,275,506.76	1,649,249.48
Total	2,275,506.76	2,090,565.59

5.39 Dividends Payable

Item	Ending Balance	Beginning Balance
Common stock dividend	1,032,818.86	1,032,818.86
Dividends of preferred stock / perpetual debt classified as equity instruments		
Total	1,032,818.86	1,032,818.86

Reason of unpaid dividends payable for more than 1 years: it is unable to pay because the age is too long.

5.40 Other Payables

5.40.1 Presentation of Other Payables by Nature of Accounts

Item	Ending Balance	Beginning Balance
------	----------------	-------------------



Other payables	184,013,438.72	193,117,136.53
Total	184,013,438.72	193,117,136.53

5.40.2 Important Other Payables Aged Over 1 Year

Not applicable.

5.41 Classified as Liabilities Held for Sale

Not applicable.

5.42 Non-current liabilities maturing within one year

Not applicable.

5.43 Other Current Liabilities

Item	Ending Balance	Beginning Balance
Short-term bonds payable		
Interest and rentals	437,625.10	808,706.39
Total	437,625.10	808,706.39

5.44 Long-term Loans

Item	Ending Balance	Beginning Balance
Mortgage loans	61,051,348.80	67,134,878.40
Credit loans	1,489,984.87	1,489,984.87
Total	62,541,333.67	68,624,863.27

Note: The amount of mortgage loans at 30th June 2017 is 61,051,348.80 yuan (7,878,000.00 euros). See Note "X. commitments and matter" and "(b) Contingencies" and "Note 5" for explanation about the relevant matters of the mortgage loan above.

5.45 Bonds Payable

Not applicable.

5.46 Long-term Payables

Item	Ending Balance	Beginning Balance
STOLL stock equity transfer fee	33,831,447.47	35,881,669.86
Others	3,507,014.14	3,532,225.88
Total	37,338,461.61	39,413,895.74

5.47 Long-term Employee Compensation Payable

5.47.1 Presentation of Long-term Employee Compensation Payable

Item	Ending Balance	Beginning Balance
1. Post-employment benefits - net liability of defined benefit plan	258,722,068.75	251,784,116.62
2. Dismissal welfare		
3. Other long-term benefits	4,139,348.17	3,902,832.30
Total	262,861,416.92	255,686,948.92

Defined benefit plan of ShangGong (Europe) Holding Corp. GmbH, is based on supporting commitment.

The base of measuring supporting liability is on actuarial and hypothesis, not only consider known and possessed right to draw defined benefit plan, but the increase of future payroll and defined benefit plan.



5.47.2 Changes in Defined Benefit Plan Liabilities

Not applicable.

5.48 Special Payable

Not applicable.

5.49 Estimated Liabilities

Not applicable.

5.50 Deferred Income

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
Government subsidies	3,600,000.00			3,600,000.00	
Total	3,600,000.00			3,600,000.00	/

The item of the government subsidies:

Item	Beginning Balance	Subsidies Increased in Current periOd	Subsidies Included in Current Non-operating Income	Other Change	Ending Balance	Asset-related / Income-related
Subsidies for new product development funds	1,260,000.00				1,260,000.00	Asset-related
guiding funds of developing service industry	2,200,000.00				2,200,000.00	Asset-related
Taizhou science and Technology Bureau R & D expenditure subsidy	140,000.00				140,000.00	Asset-related
Total	3,600,000.00				3,600,000.00	

5.51 Other Non-current Liabilities

Item	Ending Balance	Beginning Balance
Other long-term loan	520,000.00	520,000.00
Total	520,000.00	520,000.00

5.52 Share Capital

Item	Beginning Balance	Change in Current Period			Ending Balance
		Issuance of New Shares	Others	Sub-total	
Total shares	548,589,600.00				548,589,600.00

5.53 Other Equity Instruments

Not applicable.

5.34 Capital Reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Stock premium	851,345,853.61			851,345,853.61



Other capital reserves	120,257,266.66		3,413,389.32	116,843,877.34
Total	971,603,120.27		3,413,389.32	968,189,730.95

5.55 Treasury Stock

Not applicable.

5.56 Other Comprehensive Income

Item	Beginning Balance	Change in Current Period					Ending Balance
		Accrual before Income tax for the Current Period	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current year	Less: Income Tax Expenses	Attributable to Owners of the Parent Company	Attributable to Minority Shareholders	
1. Other comprehensive income that cannot be reclassified in the loss and gain in the future	-49,169,970.79						-49,169,970.79
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan	-49,169,970.79						-49,169,970.79
A share in other comprehensive income of investee that cannot be reclassified in the losses and gains under the equity method							
2. Other comprehensive income that will be reclassified in the loss and gain in the future	-53,974,075.36	26,307,833.02			26,307,833.02	4,511,932.89	-27,666,242.34
Including: a share in other comprehensive income of investee that will be reclassified in the loss and gain under the equity method							
Losses and gains on the change in fair value of available-for-sale financial assets	33,970,766.78	-6,813,128.79			-6,813,128.79		27,157,637.99
Held-to-maturity investments reclassified as losses and gains on available-for-sale financial assets							
Effective portion of losses and gains on cash flow hedges							
Foreign currency translation differences	-87,944,842.14	33,120,961.81			33,120,961.81	4,511,932.89	-54,823,880.33
Total other comprehensive income	-103,144,046.15	26,307,833.02			26,307,833.02	4,511,932.89	-76,836,213.13

5.57 Special Reserve

Not applicable.

5.58 Surplus Reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Statutory surplus reserves	2,273,121.26			2,273,121.26
Discretionary surplus reserves	2,273,121.26			2,273,121.26
Total	4,546,242.52			4,546,242.52

5.59 Retained Earnings

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Adjustments to retained earnings as at 31 st December 2016	494,754,465.24	350,523,121.40
Adjustments to total retained earnings as at 1 st January 2017 ("+" for increase, "-" for decrease)		
Adjusted retained earnings as at 1 st January 2017	494,754,465.24	350,523,121.40
Plus: net profit attributable to owners of the parent company for current period	125,980,892.71	101,164,717.70
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		



Withdrawal of general risk reserves in current period		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Other transfer-out	620,735,357.95	451,687,839.10

5.60 Operating Income and Operating Costs

Item	From 1 st January 2017 to 30 th June 2017		From 1 st January 2016 to 30 th June 2016	
	Income	Cost	Income	Cost
Primary business	1,475,369,961.67	1,058,968,570.27	1,314,252,118.76	924,558,225.41
Other businesses	57,192,639.45	29,833,389.03	45,090,410.69	29,942,064.00
Total	1,532,562,601.12	1,088,801,959.30	1,359,342,529.45	954,500,289.41

5.61 Taxes and Surcharges

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Consumption tax		
Business tax		822,711.29
Urban maintenance and construction tax	1,544,451.83	1,061,926.25
Educational surtax	1,127,628.59	798,583.35
Resource tax		
Property tax	2,099,054.97	
land use tax	563,526.02	
Vehicle and vessel tax	659,882.73	1,497,723.11
Stamp tax		
Total	5,994,544.14	4,180,944.00

5.62 Selling Expenses

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Employee compensation	61,279,120.79	54,152,469.93
Fix and after-sale service charges	10,393,706.68	9,471,495.27
Office expenses	1,112,551.87	1,925,818.50
Travelling expenses	9,321,861.67	7,777,406.50
Transportation cost	10,512,550.73	10,013,901.46
Advertising expense	2,899,425.63	2,588,996.06
Commission	12,103,473.04	12,983,415.23
Leasing and storage charges	5,401,842.88	2,988,594.08
Insurance premium	706,961.69	626,283.69
Packing expenses	16,537.58	20,789.73
Conference fees	1,088,991.90	1,097,735.43
Depreciation costs	1,009,487.88	885,340.61
Exhibition fees	3,241,152.99	1,543,023.79
Water and electricity	34,480.83	22,560.95
Handling charges	15,411.34	13,392.08
Sample printed matter and product loss	5,033,980.47	4,975,397.89
Others	17,240,643.20	12,948,639.62
Total	141,412,181.17	124,035,260.82



5.63 General and Administrative Expenses

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Employee compensation	63,094,127.39	60,728,834.32
Office expenses	3,083,576.02	3,503,878.91
Water and electricity	609,344.98	467,566.82
Entertainment expenses	2,626,271.81	1,775,131.30
Property insurance premium	1,192,827.02	1,132,959.90
Conference fees	741,776.34	441,720.48
Travelling expenses	4,188,197.13	4,103,270.72
Depreciation costs	3,479,775.53	4,339,234.24
Repair charges	432,790.41	377,155.90
Transportation cost	2,360,059.15	1,268,999.53
Rental fees	3,455,833.49	1,718,338.58
Costs of board meetings and supervisors' meetings	1,217,959.56	264,294.69
Agency fees and advisory expenses	5,537,470.16	5,695,258.76
Litigation cost	390,851.06	29,171.75
New product development expenses	45,322,190.06	35,847,223.71
Taxes and surcharges		1,231,380.14
Amortization of intangible assets	1,221,487.14	1,036,624.09
Others	4,967,562.70	7,135,331.59
Total	143,922,099.95	131,096,375.43

5.64 Financial Expenses

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Interest expenses	6,091,395.25	6,802,996.00
Interest income	-487,251.03	-920,275.58
Gains and losses on exchange	-13,178,688.63	2,500,640.84
Others	724,768.79	1,706,156.24
Total	-6,849,775.62	10,089,517.50

5.65 Losses from Asset Impairment

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Losses from bad debts	4,347,324.27	2,105,606.54
Losses from inventory impairment	175,122.70	-3,680,156.16
Total	4,522,446.97	-1,574,549.62

5.66 Gains from Changes in Fair Value

Not applicable.

5.67 Investment Income

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Long-term equity investments measured under equity method	11,737,352.98	11,338,598.93
Investment income from disposal of long-term equity investment		
investment income of a financial asset at its fair value and whose changes are included in the current profits and losses during the period		



of holding		
Investment income obtained from the disposal of financial assets at fair value and their changes are included in the current profits and losses	9,509.24	
Investment income of the held-to-maturity investment during the holding period		
Investment income derived from available-for-sale financial assets	1,001,400.43	897,305.05
Investment income from disposal of available-for-sale financial assets		715,552.60
After the loss of control, the residual equity is measured at fair value		
Others	5,747,623.00	5,214,392.23
Total	18,495,885.65	18,165,848.81

5.68 Non-operating Income

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016	Amount included in current non-recurring gains and losses
Total gains from disposal of non-current assets	9,842,841.68	2,540,561.45	9,842,841.68
Including: gains from disposal of fixed assets	412,921.70	2,540,561.45	412,921.70
Gains on disposal of intangible assets	9,429,919.98		9,429,919.98
Gains from debt restructuring			
Gains from exchange of non-monetary assets/Gains from transaction of non-currency assets			
Donation accepted			
Government subsidies	2,642,975.59	4,973,690.84	2,642,975.59
Penalty revenue		4,799.00	
Others	3,190.85	140,344.79	3,190.85
Total	12,489,008.12	7,659,396.08	12,489,008.12

Government subsidies included in current profit and loss

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016	Asset-related /Income-related
Financial support fund		1,380,000.00	Income-related
Workers' vocational training financial subsidies	27,570.22	14,117.78	Income-related
Replacing business tax with value-added tax(VAT) special subsidies		25,900.51	Income-related
Special funds of Shanghai industrial transformation, upgrading and development		500,000.00	Income-related
Shanghai old public housing management fee subsidies	102,594.49	73,672.55	Income-related
Science and technology development subsidies		1,100,000.00	Income-related
Exhibition subsidy		80,000.00	Income-related
Development Zone subsidy	2,510,000.00	1,800,000.00	Income-related
Other	2,810.88		Income-related
Total	2,642,975.59	4,973,690.84	/



5.69 Non-operating Expenses

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016	Amount Included in Current Non-recurring Gains and Losses
Total losses from disposal of non-current assets	95,217.09	3,098,496.16	95,217.09
Including: losses from disposal of fixed assets	95,217.09	3,098,496.16	95,217.09
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from exchange of non-monetary assets			
Donations made	200,000.00	200,000.00	200,000.00
Amercement and overdue fine outlay	102,210.07	2,211.58	102,210.07
Extraordinary losses			
Others	2,873.64		2,873.64
Total	400,300.80	3,300,707.74	400,300.80

5.70 Income Tax Expenses

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Current income tax expenses	41,432,540.20	43,949,360.97
Deferred income tax expenses	5,066,571.10	1,432,040.66
Total	46,499,111.30	45,381,401.63

5.71 Other Comprehensive Income

See notes for details.

5.72 Items of the Statement of Cash Flows

5.72.1 Cash Received from Other Operating Activities

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Current accounts and advances withdrawn	12,540,492.70	18,027,242.83
Special subsidies and grants	2,642,975.59	4,973,690.84
Interest income	853,706.23	1,353,725.70
Non-operating income:	278,981.82	751,209.40
Other income	5,407,808.53	592,366.85
Total	21,723,964.87	25,698,235.62

5.72.2 Cash Paid for Other Operating Activities

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Current accounts paid	6,762,109.04	16,128,438.76
Selling expenses	58,958,164.15	50,284,745.90
General and administrative expenses	59,104,891.27	44,224,118.91
Non-operating expenses	296,919.37	272,798.76
Others	7,374,016.59	7,541,356.66
Total	132,496,100.42	118,451,458.99

5.72.3 Cash Received from Other Investing Activities

Not applicable.



5.72.4 Cash Paid from Other Investing Activities

Not applicable.

5.72.5 Cash Received from Other Financing Activities

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Bank deposit, security deposit and other pledge, mortgage	429,112.68	355,261.67
Total	429,112.68	355,261.67

5.72.6 Cash Paid from Other Financing Activities

Not applicable.

5.73 Supplementary Information to the Statement of Cash Flows

5.73.1 Supplementary Information to the Statement of Cash Flows

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
1. Net profit adjusted to cash flows from operating activities		
Net profit	138,844,626.88	114,157,827.43
Plus: Provision for assets impairment	4,522,446.97	-1,574,549.62
Depreciation of fixed assets and others	22,411,409.44	20,962,740.78
Amortization of intangible assets	11,462,504.90	6,533,622.83
Amortization of long-term deferred expenses	152,812.53	34,600.20
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-9,747,624.59	547,478.46
Losses on write-off of fixed assets ("-" for gains)		10,456.25
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	-7,087,293.38	9,303,636.84
Investments losses ("-" for gains)	-18,495,885.65	-18,165,848.81
Decreases in the deferred income tax assets ("-" for increases)	-3,010,459.74	-1,774,380.54
Increases in the deferred income tax liabilities ("-" for decreases)	8,292,541.39	5,023,538.91
Decreases in inventories ("-" for increases)	-69,790,264.64	-87,875,939.34
Decreases in operating payables ("-" for increases)	-83,128,510.00	-129,324,032.36
Increases in operating payables ("-" for decreases)	-54,216,627.58	36,197,763.26
Others		
Net cash flows from operating activities	-59,790,323.47	-45,943,085.71
2. Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents:		
Balance of cash as at 30 th June 2017	649,036,645.55	594,018,657.49
Less: balance as at 1 st January 2017 of cash	750,357,929.63	744,700,658.82
Plus: balance as at 30 th June 2017 of cash equivalents		
Less: balance as at 1 st January 2017 of cash equivalents		
Net increase in cash and cash equivalents	-101,321,284.08	-150,682,001.33

5.74.2 Net Cash Paid to Acquire Subsidiaries for the Current Period



Not applicable.

5.74.3 Net Cash Received from Disposal of Subsidiaries in Current Period

Not applicable.

5.74.4 Breakdowns of Cash and Cash Equivalents

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
1. Cash	649,036,645.55	750,357,929.63
Including: cash on hand	948,951.52	1,137,409.87
Unrestricted bank deposit	647,565,550.00	749,011,456.34
Other unrestricted monetary funds	522,144.03	209,063.42
Deposit in central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at 30 th June 2017	649,036,645.55	750,357,929.63
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		

Note: Cash and cash equivalents restricted for use were not included in cash and cash equivalents

5.75 Monetary Items in Foreign Currency

5.75.1 Monetary Items in Foreign Currency

Item	Ending Balance of Foreign Currency	Exchange Rate	Ending Balance of Conversion into RMB
Monetary funds			
Including: USD	6,531,223.38	6.7744	44,245,119.69
EUR	44,992,532.82	7.7496	348,674,132.34
HKD	467,169.47	0.8679	405,456.38
SGD	71,223.10	4.9135	349,954.70
JPY	251,231.05	0.060485	15,195.71
VND	8,312,993,000.00	0.00003	249,389.79

5.75.2 Description of Overseas Operating Entities

The domicile of primary operation of the Company's subsidiary, ShangGong (Europe) Holding Corp. GmbH is in Germany, with Euro as functional currency for it is the applicable currency for the operation region.

5.76 Government Subsidy

Type	Amount	Item	Amount Recognized in Current Profits and Losses
Income-related	27,570.22	Non-operating Income	27,570.22
Income-related	102,594.49	Non-operating Income	102,594.49
Income-related	2,510,000.00	Non-operating Income	2,510,000.00
Income-related	2,810.88	Non-operating Income	2,810.88

6. Change in the Scope of Consolidation

6.1 Business Combinations not under Common Control

Not applicable.



6.2 Business Combinations under Common Control

Not applicable.

6.3 Other Changes in the Scope of Consolidation

(1) The Company absorbed a wholly-owned subsidiary of Shanghai Shanggong Butterfly Sewing Machine Co., Ltd. as a branch. Shanghai Butterfly Import & Export Co., Ltd. and Shanghai ShangGong Import & Export Co., Ltd. are correspondingly transferred in to subsidiaries to the Company, which are included in the scope of consolidation.

(2) The Company set up DAP Vietnam Co., Ltd. with USD 30,000.00, accounting for 100.00% of its equity. The Company controls DAP Vietnam, so DAP Vietnam was included in the consolidation scope since the date of its establishment.

7. Equity in Other Entities

7.1 Equity in Subsidiaries

7.1.1 The Composition of Enterprise Groups

Name of Subsidiary	Domicile of Primary Operation	Registered Place	Business Nature	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
ShangGong (Europe) Holding Corp. GmbH	Germany	Germany	Production and sales of sewing machines	100.00		Investment
DAP (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of sewing machines	100.00		Investment
Shanghai SMPIC Imp. & Exp. Co., Ltd.	Shanghai	Shanghai	Sales, import and export of office equipment	100.00		Investment
Shanghai SGSB Electronics Co., Ltd.	Shanghai	Shanghai	Production and sales of electronic equipment	100.00		Investment
Shanghai SGSB Asset Management Co., Ltd.	Shanghai	Shanghai	Asset and property management	100.00		Investment
Shanghai Fengjian Property Co., Ltd.	Shanghai	Shanghai	Property Management	100.00		Business combination under common control
Dürkopp Adler Sewing Machines (Suzhou) Co., Ltd.	Suzhou	Suzhou	Production and sales of sewing machines	51.00	49.00	Business combination not under common control
ShangGong GEMSY CO., LTD.	Taizhou	Taizhou	Production and sales of sewing machines	60.00		Investment
Shanghai Shensy Enterprise Development Co., Ltd.	Shanghai	Shanghai	Logistics, etc.	40.03		Business combination not under common control
Shanghai ShangGong Financial Leasing Co., Ltd.	Shanghai	Shanghai	Financial Leasing	51.00	49.00	Investment
Shanghai Butterfly Import & Export Co., Ltd.	Shanghai	Shanghai	Import and export of sewing machines	100		Business combination under common control
Shanghai ShangGong Import & Export Co., Ltd.	Shanghai	Shanghai	Import and export of sewing machines	100		Investment
DAP Vietnam Co., Ltd.	Vietnam	Vietnam	Sales of sewing machines	100		Investment

7.1.2 Important Non-wholly Owned Subsidiary

Name of subsidiary	Minority shareholders Shareholding%	Profit and loss attributable to minority shareholders for the	Other comprehensive income attributable to	The dividend declared to minority shareholders in the current period	The minority shareholders Equity balance at the end of period



		current period	minority shareholders in this period		
Dürkopp Adler AG	6.00	7,535,738.84	4,511,932.89	1,833,942.30	72,456,776.33
ShangGong GEMSY CO., LTD.	40.00	1,238,925.83			87,408,415.81
Shanghai Shensy Enterprise Development Co., Ltd.	59.97	4,089,069.50			147,661,100.80

7.2 Equity in Joint Operation and Joint Venture

7.2.1 Important Joint Operation and Joint Venture

Name of Joint Operation and Joint Venture	Domicile of Primary Operation	Registered Place	Business Nature	Shareholding Ratio (%)		Accounting Measurement for Investment in Joint Operation and Joint Venture
				Direct	Indirect	
H. Stoll AG & Co. KG	Reutlingen, Germany	Reutlingen, Germany	Computerized flat knitting machine manufacturing		26.00	Equity method

7.2.2 The Main Financial Information of Joint Operation and Joint Venture

Unit: 10,000 Yuan, Currency: RMB

H. Stoll AG & Co. KG	Ending balance / Current period	Beginning balance / Last period
Current assets	173,978.52	146,192.99
Non-current assets	27,046.10	25,725.05
Total assets	201,024.62	171,918.04
Current liabilities	61,609.32	49,572.98
Non-current liabilities	39,522.96	27,952.89
Total liabilities	101,132.28	77,525.87
The book value of equity investments in joint operation and joint venture	28,115.53	25,358.66
The fair value of the equity investment in the joint venture	108,918.28	105,190.11
Operating profits	5,218.54	6,501.41

8. Risks Associated with Financial Instruments

Not applicable.

9. Disclose of Fair Value

9.1 The Fair Value as at 30th June 2017 of Assets and Liabilities Measured at Fair Value

Item	Fair value as at 30 th June 2017			
	Measured at the fair value of the first level	Measured at the fair value of the second level	Measured at the fair value of the third level	Total
1. Measurement at fair value based on going concern				
(1) Financial assets measured at fair value through current profit and loss				
A. Financial assets held for trading				
a. Investment in debt instruments				
b. Investments in equity instruments				
c. Derivative financial assets				
B. Financial assets designated to be				



measured at fair value through current profit and loss				
a. Investment in debt instruments				
b. investments in equity instruments				
(2) Available-for-sale financial assets	101,167,860.52			101,167,860.52
a. Investment in debt instruments				
b. Investments in equity instruments	101,167,860.52			101,167,860.52
c. Others				
(3) Investment property				
A. Use right of leased land				
B. Leased buildings				
C. Land use right held for transfer upon appreciation				
Total amount of assets measured at fair value based on going concern	101,167,860.52			101,167,860.52
(4) Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
(5) Designated financial liabilities measured at fair value through current profit and loss				
Total amount of liabilities measured at fair value based on going concern				
2. Measurement at fair value based on going concern				
(1) Assets held for trading				
Total amount of assets measured at fair value not based on going concern				
Total amount of liabilities measured at fair value not based on going concern				

9.2 Basis for Determination of Market Price for Measurement of Fair Value of the First Level Based on Going Concern and not Based on Going Concern.

The fair value as at 30th June 2017 of available-for-sale financial assets was determined on the basis of the closing price of Shenzhen Stock Exchange and Shanghai Stock Exchange on 30th June 2017.

9.3 Others

The input value used for measuring fair value is divided into three levels:

- The input value of the first level is the unadjusted quotation of similar assets and liabilities that can be obtained in an active market on the measurement date.
- The input value of second level is the directly and indirectly observable input value of the relevant assets or liabilities other than the input value of the first level.
- The input value of the third level is the unobservable input value of the relevant assets or liabilities.

The level of the result of measurement of fair value is the lowest level that the input value which is significantly meaningful for the overall measurement of fair value belongs to.



10. Related Party and Related Party Transaction

10.1 The Parent Company of the Company

Shanghai Puke Flyingman Investment Co., Ltd. held A shares accounted for 11.08% of the total share capital of the Company, which is the largest shareholder of the Company; Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission held A shares accounted for 8.27%, which is the second largest shareholder of the Company. After the completion of the equity transfer, the Company has changed to a listed company with no controlling shareholder and no actual controller.

10.2 The Subsidiaries of the Company

See the Note 7 Equity in Other Entities for the details of subsidiaries of the Company

10.3 The Joint Operation and Joint Ventures of the Company

See the Note 7 Equity in Other Entities for the details of joint operation and joint ventures of the Company

10.4 Other Related Parties of the Company

Name of Other Related Parties	Relationship with the Company
Shanghai Hirose Precision Industrial Co., Ltd.	Investee
Shanghai Fuji Xerox Co., Ltd.	Investee
Shanghai Kaile Investment Management Co., Ltd.	Controlled by subsidiary's minority shareholders
Zhejiang GEMSY Electromechanical Co., Ltd.	Controlled by subsidiary's minority shareholders
Stoll Electronics Co., Ltd.	Other related company

10.5 Related Party Transactions

10.5.1 Purchase and Sale of Goods, Rendering and Receipt of services

Table of purchase of goods / receipt of services

Related Party	Content of Related Transaction	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Zhejiang GEMSY Electromechanical Co., Ltd.	Purchase of fixed assets		15,114,920.79
Stoll Electronics Co., Ltd.	Receiving of service	6,436,020.33	64,963.20

Table of sales of goods/rendering of services

Related Party	Content of Related Transaction	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Shanghai Fuji Xerox Co., Ltd.	Sales of goods	12,162,227.27	15,430,242.95
Zhejiang GEMSY Electromechanical Co., Ltd.	Sales of goods		140,583.32
Stoll Electronics Co., Ltd.	Sales of goods	293,594.29	39,230.64

10.5.2 Leasing

The Company acted as lessor

Unit: 10,000 Yuan, Currency: RMB

Name of leasee	Type of leased asset	Rental recognized in current period	Rental recognized in last period
Shanghai Hirose Precision Industrial Co., Ltd.	Machinery equipment	25.00	25.00

10.5.3 Other Related Transactions

Not applicable.



10.6 Accounts Due from/to the Related Parties

10.6.1 Accounts Receivable

Item	Related Party	Ending Balance		Beginning Balance	
		Book Balance	Provision for Bad Debts	Book Balance	Provision for Bad Debts
Accounts receivable	Shanghai Fuji Xerox Co., Ltd.	1,798,113.75	89,905.69	2,986,768.97	149,338.45
Accounts receivable	Zhejiang GEMSY Electromechanical Co., Ltd.			112,831.24	5,641.56
Other receivables	Zhejiang GEMSY Electromechanical Co., Ltd.	299,000.00	14,950.00		
Prepayment	Zhejiang GEMSY Electromechanical Co., Ltd.	6,147,650.83		6,874,421.03	

10.6.2 Accounts Payable

Item	Related Party	Ending Balance	Beginning Balance
Account payables	Stoll Electronics Co., Ltd.	965,239.42	750,113.09

11. Commitments or Contingencies

11.1 Major Commitment Events

Mortgage loans and credit extension

Mortgages/Collaterals	Estimated Use	Amount of Borrowing	Borrower
Bank deposits of EUR 328.40 thousands	Guaranty		ShangGong (Europe) Holding Corp. GmbH
Fixed assets of EUR 13,035.30 thousands	Surety margin of credit line	EUR 2,620,000.00	ShangGong (Europe) Holding Corp. GmbH
Fixed assets of EUR 30,468.20 thousands	Guaranty	EUR 7,878,000.00	ShangGong (Europe) Holding Corp. GmbH
500 thousand shares of DA AG	Guaranty		ShangGong (Europe) Holding Corp. GmbH

Note: ShangGong (Europe) Holding Corp. GmbH uses its holding of 500 thousand shares of DA AG as collateral to obtain two pieces of 2,750,000 euro bank letter (the guarantee period is from 7th January 2016 to 30th July 2017 and from 7th January 2016 to 30th July 2018, respectively), issued by German Commerzbank. ShangGong (Europe) holding Corp. GmbH guarantees that it will pay the consideration of share purchase to the seller of H. Stoll AG & Co. KG.

10.2 Contingencies

10.2.1 The Contingent Liabilities Arising from the Provision of Debt Guarantees by the Company for its Subsidiary, ShangGong (Europe) Holding Corp. GmbH as at 30th June 2017

Guarantee	Guarantee Amount	Commencement Date of Guarantee	Expiration Date of Guarantee	Whether the Guarantee has been Fulfilled or not	Note
Shanghai Branch of the Commerzbank	The equivalent of RMB 58.00 million in EUR	25 th March 2014		No	Note 1
Shanghai Branch of the Commerzbank	EUR 8.00 million	1 st July 2014		No	Note 2
Shanghai Branch of the Commerzbank	EUR 12.00 million	19 th September 2016		No	Note 3
Shanghai Branch of the Commerzbank	EUR 10.00 million	28 th August 2015		No	Note 4
Industrial and Commercial bank Shanghai Hongkou Branch	EUR 7.878 million	21 st December 2015	21 st December 2020	No	Note 5

Note 1: On 25th March 2014, the Company's wholly-owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of not more than the



equivalent of 58 million yuan in euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued a corporate letter of guarantee for payment of 70 million yuan as counter guarantee for the abovementioned financing guarantee letter.

Note 2: on 30th June 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of 8 million euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 8.8 million euro as counter guarantee for the abovementioned financing guarantee letter.

Note 3: on 19th September 2016, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a short-term credit loan of 12 million euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 13.20 million euro.

Note 4: on 28th August 2015, the Company's wholly owned subsidiary, PFAFF GmbH, applied to the Kaiserslautern Branch of the Commerzbank for a loan of 10.00 million euro, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of 11.00 million euro as counter guarantee for the abovementioned financing guarantee letter.

Note 5: on 21st December 2015, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH., applied to the Frankfurt Branch of the Commerzbank for a limit loan of 7.878 million euro so as to pay the acquisition fee to Stoll KG. ICBC Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for self-using fix assets where No.603 Dapu Road as counter guarantee for the abovementioned financing guarantee letter.

As of 30th June 2017, there is no outflow of economic benefits arising from the above contingencies.

11.2.2 The Agreement to Increase Capital to Shanghai Shensy Enterprise Development Co., Ltd.

According to our new capital increase agreement with Shanghai Shensy Enterprise Development Co., Ltd., by June 30, 2018, if Shensy has not realized IPO and listed independently in A shares market, the persons acting in concert, Shanghai Pudong New Industrial Investment Co., Ltd., will be entitled to require our company and another shareholder, Zhang Ping, to repurchase all or some of the shares that Shanghai Pudong New Industrial Investment Co., Ltd. holds in cash, within 3 months after it requests in writing. And we should assist it in the approval process of state-owned Assets Supervision and Administration Commission, commercial registration, etc. Per the agreement, our company and Zhang Ping will assume 50% of the above mentioned amount, respectively, and our company bears unconditional joint responsibility to repurchase the shares that Shanghai Pudong New Industrial Investment Co., Ltd. holds.

If Shanghai Pudong New Industrial Investment Co., Ltd. has not listed in A shares market by 30th June 2018, it has 6 months (e.g. before 31st December 2018) to request our company and Zhang Ping to repurchase the shares which it holds in Shanghai Shensy Enterprise Development Co., Ltd.. If not, our company and Zhang Ping will not assume the above mentioned repurchase responsibility.

As of 30th June 2017, it is uncertain that Shensy will complete IPO in the A share market by 30th June 2018.



12. Post Balance Sheet Events

12.1 The Merger of DAP (Shanghai) Co., Ltd.

According to the decision of the Company's 2016 Annual Shareholders Meeting on 27th April 2017, the Company will merge its holding subsidiary, DAP (Shanghai) Co., Ltd., and after the merger, DAPSH's status of independent legal entity will be cancelled by the Industrial and Commercial Administrations.

As of the date of this report, the above merger events are in process.

12.2 The Merger of Dürkopp Adler Sewing Machines Suzhou Co., Ltd.

According to the decision of the Company's 32th Meeting of the 7th Board of Directors on 18th September 2016, the Company's subsidiary, PFAFF Industrial Sewing Machines (Zhangjiagang) Co., Ltd. will merge the Company's holding subsidiary, Dürkopp Adler Sewing Machines Suzhou Co., Ltd. (hereinafter referred to as DA Suzhou), and after the merger, DA Suzhou's status of independent legal entity will be cancelled by the Industrial and Commercial Administrations.

As of the date of this report, the above merger events are in process.

12.3 Lawsuit after report period

Shanghai Pacific Industrial Co., Ltd. (hereinafter referred to as "PACIFIC Shanghai") is a Sino-foreign joint venture established by the Company's predecessor Shanghai Industrial Sewing Machine Corporation (hereinafter referred to as "SISMC") and Pacific Business Exchange CO., Ltd. (hereinafter referred to as "PACIFIC Business") on May 1993. SISMC invested USD 360,000 in equipment and plant, accounting for 48% of total shares; PACIFIC Business invested USD 390,000 in equipment and cash, accounting for 52% of total shares. After the establishment of PACIFIC Shanghai, SISMC has undergone restructuring, listing and several changes in business registration and stock ownership changes, so the name of SISMC has changed to Shang Gong Group Co., Ltd. now. However, PACIFIC Shanghai and PACIFIC Business refused to recognize the Company as the Chinese shareholders of PACIFIC Shanghai. Therefore, the Company filed a lawsuit, asking the court to confirm the Company's Chinese shareholder status. On 22nd August 2017, the Company received the civil judgment of Shanghai No.1 Intermediate People's Court. The judgment confirmed that 48% of PACIFIC Shanghai's equity invested by SISMC amounting to USD 360,000 was owned by the Company.

As the Company has been refused to exercise shareholder rights by PACIFIC Shanghai and PACIFIC Business for years, the Company does not know the financial position and operation of PACIFIC Shanghai. Except the 48% of equity of PACIFIC Shanghai confirmed above, it is not clear how this issue would affect the Company. As of the date of this report, the outcome of the lawsuit has not yet been implemented.

12.4 Arbitration after report period

The 22nd meeting of the 7th Board of Directors of the Company examined and approved the Proposal on Investing in STOLL KG through ShangGong Europe, and agreed that the wholly-owned subsidiary ShangGong Europe would invest in STOLL KG to become a 26% Minority shareholders. (See bulletin No. 2015-030 released on 29th August 2015 and bulletin No. 2016-002 released on 14th January 2016 for details).

Accounting to the Contract signed on 29th August 2015 by ShangGong Europe, the calculation of share price is based on the net assets of STOLL's audited consolidated statement in 2014, and the parties agreed that share price will be adjusted according to the net assets of STOLL's audited consolidated statement in 2015 and related clauses in the Contract. Now the parties have disputes on the calculation of net assets of STOLL's audited consolidated statement in 2015 and the understanding of the relevant terms of the Contract, resulting in



a difference of approximately 4.26 million euro in the calculation of the price adjustment. ShangGong Europe has received the Application for Arbitration submitted by Michael Stoll, Corinna Stoll and other 10 limited partners of STOLL KG on 20th July 2017. ShangGong Europe will, in accordance with the terms of the contract, settle the dispute by arbitration in accordance with German legal procedures.

As of the date of this report, the arbitration is in process.

13. Other Significant Events

On 13th December 2016, the resolution of the 34th meeting of the 7th Board of Directors approved that the Company's joint venture H. Stoll AG & Co. KG, intend to sign a loan agreement with a syndicate consisted of six financial institutions which include Deutsche Bank's German Business Branch, Commerzbank, Baden-Württemberg State banks. This agreement allows H. Stoll AG & Co. KG to have access to credit line of 60 million euros in total. The subsidiary of the Company, ShangGong (Europe) Holdings Corp. GmbH, as a limited partner of H. Stoll AG & Co. KG signed a contract with the syndicates. According to the contract, if H. Stoll AG & Co. KG did not meet the key financial indicators agreed in the syndicated loan agreement, the income of H. Stoll AG & Co. KG would be used to repay the syndicated loan prior to being allocated to ShangGong (Europe) Holdings Corp. GmbH.

The board of directors of the Company has authorized the management of the subsidiary, ShangGong (Europe) Holdings Corp. GmbH to sign the relevant agreement and to handle the relevant procedures.

14. Notes to Mains Items of the Financial Statements of the Parent Company

14.1 Accounts Receivable

14.1.1 Disclosure of Classification of Accounts Receivable

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debts		Book Value	Book Balance		Provision for Bad Debts		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis										
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	69,634,149.41	97.18	59,629,555.38	85.63	10,004,594.03	59,365,318.22	100.00	55,963,466.80	94.27	3,401,851.42
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis	2,020,198.55	2.82	2,020,198.55	100.00	0.00					
Total	71,654,347.96	100.00	61,649,753.93	86.04	10,004,594.03	59,365,318.22	100.00	55,963,466.80	94.27	3,401,851.42

Accounts receivable with provision for bad debt made using the aging analysis method among the portfolios:

Aging	Ending Balance		
	Accounts Receivable	Provision for Bad Debts	Provision Ratio
Within 1 year	10,169,676.43	508,483.83	5%
1 to 2 years	91,634.09	18,326.82	20%



2 to 3 years	540,188.32	270,094.16	50%
Over 3 years	58,832,650.57	58,832,650.57	100%
Total	69,634,149.41	59,629,555.38	

14.1.2 Accounts Receivables Accrued, Reversed or Recovered in Current Period

The provision for bad debts for the current year amounted to 83,231.30 yuan; there is no provision for bad debts recovered or reversed in the current year.

14.1.3 Accounts Receivable Actually Written off in Current Period

The write-off of receivables amounted to 779,410.85 yuan, representing those receivables with long ageing. All of them are unrecoverable due to deregistration/cancellation of the customers.

14.1.4 Top Five Accounts Receivable by the Ending Balance of the Borrowers

Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable (%)	Provision for Bad Debts
Customer A	11,530,775.39	16.09	11,530,775.39
Customer B	7,480,189.67	10.44	7,480,189.67
Customer C	4,679,327.49	6.53	4,679,327.49
Customer D	1,687,149.74	2.35	1,687,149.74
Customer E	1,286,880.42	1.80	1,286,880.42
Total	26,664,322.71	37.21	26,664,322.71

14.2 Other Receivables

14.2.1 Disclosure of Classification of Other Receivables

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debts		Book Value	Book Balance		Provision for Bad Debts		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debt made on an individual basis	59,302,243.32	35.63	59,302,243.32	100.00		58,951,200.82	37.63	58,951,200.82	100.00	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	106,878,151.93	64.20	19,789,952.27	18.52	87,088,199.66	97,725,812.44	62.37	19,332,590.89	19.78	78,393,221.55
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	290,980.00	0.17	16,525.00	5.68	274,455.00					
Total	166,471,375.25	100.00	79,108,720.59	47.52	87,362,654.66	156,677,013.26	100.00	78,283,791.71	49.97	78,393,221.55

Other receivables with significant single amount and provision for bad debts made on an individual basis as at 30th June 2017

Other Receivables (By Entity)	Ending Balance			
	Other Receivables	Provision for Bad Debts	Proportion of Provision	Reason for Provision



Customer A	46,350,286.62	46,350,286.62	100.00%	Not expected to recover
Customer B	12,951,956.70	12,951,956.70	100.00%	Not expected to recover
Total	59,302,243.32	59,302,243.32	100.00%	

Other receivables with provision for bad debts made using the aging analysis method among those portfolios

Aging	Ending Balance		
	Other Receivables	Provision for Bad Debts	Proportion of Provision
Within 1 year	91,586,456.35	4,579,322.82	5.00%
1 to 2 years	95,486.10	19,097.22	20.00%
2 to 3 years	9,354.50	4,677.25	50.00%
Over 3 years	15,186,854.98	15,186,854.98	100.00%
Total	106,878,151.93	19,789,952.27	18.52%

14.2.2 Provision for Bad Debts Provided, Reversed or Recovered in Current Period

The provision for bad debts provided in the current period amounted to 755,368.25 yuan; there was 661,342.97 yuan provision for bad debts recovered or reversed in the current period.

14.2.3 Other Receivables Actually Written off in Current Period.

Not applicable.

14.2.4 Top Five Other Receivables by the Ending Balance of the Borrowers

Company Name	Nature of Fund	Ending Balance	Aging	Proportion in Total Other Receivable (%)	Ending Balance of Provision for Bad Debts
Customer A	Current accounts	47,429,654.75	Within 1 year or over 3 years	28.49	46,404,255.03
Customer B	Current accounts	40,279,132.65	Within 1 year	24.20	2,013,956.63
Customer C	Current accounts	28,000,000.00	Within 1 year	16.82	1,400,000.00
Customer D	Current accounts	12,951,956.70	Within 1 year or over 3 years	7.78	12,951,956.70
Customer E	Current accounts	11,572,940.88	Within 1 year	6.95	578,647.04
Total		140,233,684.98		84.24	63,348,815.40

14.3 Long-term Equity Investments

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investments in subsidiaries	595,732,377.30	8,632,624.09	587,099,753.21	638,117,724.99	8,632,624.09	629,485,100.90
Investments in associates and joint ventures						
Total	595,732,377.30	8,632,624.09	587,099,753.21	638,117,724.99	8,632,624.09	629,485,100.90

Among which, details on investments in subsidiaries

Investee	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Provision for Impairment Provided in Current Period	Ending Balance of Provision for Impairment
ShangGong (Europe) Holding Corp. GmbH	142,370,693.64			142,370,693.64		
Shanghai Shanggong	79,000,000.00		79,000,000.00			



Butterfly Sewing Machines Co., Ltd (Note 1)						
DAP (Shanghai) Co., Ltd.	59,425,828.73			59,425,828.73		
Shanghai SMPIC Electronics Co., Ltd.	20,000,000.00			20,000,000.00		
Duerkopp Adler Sewing Machines Suzhou Co., Ltd	15,685,694.98			15,685,694.98		3,132,624.09
Shanghai SMPIC Imp. & Exp. Co., Ltd.	12,000,000.00			12,000,000.00		
Shanghai SGBS Asset Management Co., Ltd.	60,000,000.00			60,000,000.00		5,000,000.00
Shanghai Fengjian Property Co., Ltd.	500,000.00			500,000.00		500,000.00
ShangGong GEMSY CO., LTD.	129,600,000.00			129,600,000.00		
Shanghai Shensy Enterprise Development Co., Ltd.	86,083,077.64			86,083,077.64		
Shanghai ShangGong Financial Leasing Co.,Ltd.	33,452,430.00			33,452,430.00		
DAP Vietnam Co., Ltd. (Note 2)		204,273.00		204,273.00		
Shanghai Butterfly Import & Export Co., Ltd. (Note 1)		22,579,133.04		22,579,133.04		
Shanghai ShangGong Import & Export Co., Ltd. (Note 1)		13,831,246.27		13,831,246.27		
Total	638,117,724.99	36,614,652.31	79,000,000	595,732,377.30		8,632,624.09

Note 1: The Company absorbed a wholly-owned subsidiary of Shanghai Shanggong Butterfly Sewing Machine Co., Ltd. as a branch. Shanghai Butterfly Import & Export Co., Ltd. and Shanghai ShangGong Import & Export Co., Ltd. are correspondingly transferred in to subsidiaries to the Company.

Note 2: The Company set up DAP Vietnam Co., Ltd. with USD 30,000.00, accounting for 100.00% of its equity.

14.4 Operating Income and Operating Costs

Item	From 1 st January 2017 to 30 th June 2017		From 1 st January 2016 to 30 th June 2016	
	Income	Cost	Income	Cost
Primary business	22,930,783.21	17,955,581.70	3,959,485.46	3,370,976.73
Other businesses	23,455,012.88	6,040,735.79	14,644,971.36	4,742,618.55
Total	46,385,796.09	23,996,317.49	18,604,456.82	8,113,595.28

14.5 Investment Income

Item	From 1 st January 2017 to 30 th June 2017	From 1 st January 2016 to 30 th June 2016
Long-term equity investment measured at cost method		
Long-term equity investment measured at equity method		
Investment income from disposal of long-term equity investments		
Investment income from holding of financial assets measured at fair value through current profit and loss		
Investment income from disposal of financial assets measured at fair value through current profit and loss	9,509.24	



Investment income from holding of available-for-sale financial assets		
Investment income from holding of available-for-sale financial assets	1,001,400.43	897,305.05
Investment income from disposal of available-for-sale financial assets		715,552.60
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	5,096,060.26	5,214,392.23
Total	6,106,969.93	6,827,249.88

Note: "Others" mainly refer to the gains of 980,616.42 yuan from financing product and gains of 4,115,443.84 yuan from structured deposits among other current assets.

15. Supplementary Information

15.1 Extraordinary Profit or Loss for Current Period

Item	Amount	Note
Profits or losses from disposal of non-current assets	9,747,624.59	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	2,642,975.59	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Gains or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Year-to-date net profits or losses of subsidiaries arising from business combinations under common control		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	2,403,933.60	
Reversal of the impairment provision for receivables subject to separate impairment test		
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	-301,892.86	
Other profits or losses which can be deemed as non-recurring profits or losses		
Income tax effects	-707,086.71	
Minority interest effects	-1,086,985.02	
Total	12,698,569.19	

15.2 Yield Rate of Net Assets and Earnings per Share

Profit for Current Period	Yield Rate of Net	Earnings Per Share (RMB/Share)
---------------------------	-------------------	--------------------------------



	Weighted Average Assets (%)	Basic Earnings Per Share	Diluted Earnings Per Share
Net profit attributable to ordinary shareholders of the Company	6.3648	0.2296	0.2296
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	5.7232	0.2065	0.2065



Chapter 11 For Reference

1. Financial Statements signed by the legal representative, chief accountant and accounting manager and sealed by the Company.
2. Semi-annual report signed by legal representative and sealed by the accounting firm.
3. Original documentation and announcements about the Company, published in the newspaper appointed by CSRC within the report year.

Shang Gong Group Co., Ltd.
Chairman of Board of Directors: Zhang Min
29th August 2017

IF THIS ENGLISH VERSION OF THIS ANNUAL REPORT INVOLVES ANY DIFFERENCES FROM THE CHINESE VERSION, THE LATTER SHALL BE EFFECTIVE.