
Stock Code: 600843 900924

Stock Abbreviation: SGSB SGBG

Shang Gong Group Co., Ltd.

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 omissions in this report, and hold both individual and joint 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. BDO China Shu Lun Pan Certified Public Accountants LLP. provided a standard unqualified opinion audit report for the Company.

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

Audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the Company achieved the consolidated net profit of 212,652,989.02 yuan in 2017, of which, the net profit attributable to parent company owners is 197,487,226.27 yuan.

According to the provisions in the *Articles of Association*, before withdrawing the legal accumulation fund, the Company should first cover the deficit with the profit of the year. As the profit of the year failed to make up the deficit of previous years, the Company did not draw the legal accumulation fund. The current-period net profit of the parent company is 62,938,430.53 yuan; the undistributed profits at the beginning of 2017 are -206,831,240.38 yuan; thus the practical profit available for distribution is -143,892,809.85 yuan at the end of 2017. As the parent company's profit available for distribution is negative, the profit distribution cannot be made in 2017, neither the transferring of capital reserves into share capital.

6. The Risk of Forward-looking Statements

The Company's future plan, development strategy and other forward-looking statements in this 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 shareholder 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 annual report. For details see "Discussion and Analysis on Business Operation" and other relevant chapters in this annual report

10. If the English Version of this Annual Report involves any differences from the Chinese Version, the latter shall be effective.



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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 Aear People's Government
DAP AG, SGE	refer to	DAP Industrial AG, former ShangGong (Europe) Holding Corp. GmbH
DA AG	refers to	Dürkopp Adler AG
PFAFF GmbH	refers to	PFAFF Industriesystemeund Maschinen GmbH
KSL	refers to	PFAFF Industriesystemeund Maschinen GmbH Zweigniederlassung KSL
STOLL KG	refers to	H. Stoll AG & Co. KG
DAPSH	refers to	DAP (Shanghai) Co., Ltd.
SG Butterfly	refers to	Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.
SGGEMSY	refers to	Zhejiang ShangGong GEMSY CO., LTD.
ISMB	refers to	Shang Gong Group Co., Ltd. Industrial Sewing Machine Branch
Butterfly Branch	refers to	Shang Gong Group Co., Ltd. Shanghai Butterfly Sewing Machine Branch
PIZ	refers to	PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.
SHENSY	refers to	Shanghai Shensy Enterprise Development Co., Ltd.
Report period	refers to	From 1 st January 2017 to 31 st December 2017
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
Compay name in English	Shang Gong Group Co., Ltd.
Abbreviation of the Company name in English	ShangGong Group
Legal representative	张敏

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 Aear, Shanghai	No. 1566 New Jinqiao Road, Pudong New Aear, 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	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	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai
Postal code of office address	201206
Company 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 annual report	http://www.sgsbgroup.com/
Lodging address of annual report of the Company	Office of the Company

5. Corporate stock

Type	Stock exchange	Stock abbreviation	Stock code
A Share	Shanghai Stock Exchange	SGSB	600843
B Share	Shanghai Stock Exchange	SGBG	900924

6. Other information

Accounting firm appointed by the Company (Domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP.
	Address	Sixth Floor, New Huangpu Financial Plaza, No. 61 East Nanjing Road, Shanghai
	Signing accountant's name	Li Ping, Zhang Yongmei

7. Main accounting data and financial index in the last three years

7.1 Main accounting data

Unit: Yuan, Currency: RMB

Main accounting data	2017	2016	Year-on-year increase/decrease (%)	2015
Operating income	3,064,971,500.79	2,759,855,136.98	11.06	2,314,039,610.25
Net profit attributable to shareholders of listed company	197,487,226.27	144,231,343.84	36.92	157,417,087.48
Net profit attributable to shareholders of listed company after non-recurrent account profit/loss	154,753,519.99	117,425,853.16	31.79	133,835,486.09
Net cash flow from operating activities	117,335,869.17	99,056,912.42	18.45	50,886,863.54
	31 st December 2017	31 st December 2016	Year-on-year increase/decrease (%)	31 st December 2015
Net assets attributable to shareholders of listed company	2,145,214,676.69	1,916,349,381.88	11.94	1,774,674,087.49
Total assets	3,703,515,071.60	3,506,172,981.71	5.63	3,146,701,717.06

7.2 Main financial index

Main financial index	2017	2016	Year-on-year increase/decrease (%)	2015
Basic earnings per share (yuan/share)	0.3600	0.2629	36.93	0.2869
Diluted earning per share (yuan/share)	0.3600	0.2629	36.93	0.2869
Basic EPS after non-recurrent account profit/loss (yuan/share)	0.2821	0.2141	31.76	0.2440
Weighted rate of return on net assets (%)	9.8004	7.8098	increase 1.99 percent	9.3992



Main financial index	2017	2016	Year-on-year increase/decrease (%)	2015
Weighted rate of return on net assets after non-recurrent account profit/loss (%)	7.6797	6.3584	increase 1.32 percent	7.9912

8. Accounting Data Differences between Domestic and Foreign Accounting Standards

8.1 Net profit and Net Assets Attributable to Shareholders of Listed Company Disclosed in Accordance with International Accounting Standards and in Accordance with Chinese Accounting Standards in the Financial Reports

Not applicable.

8.2 Net profit and Net Assets Attributable to Shareholders of Listed Company Disclosed in Accordance with Foreign Accounting Standards and in Accordance with Chinese Accounting Standards in the Financial Reports

Not applicable.

8.3 Explanation of Differences between Chinese Accounting Standards and Foreign Accounting Standards

Not applicable.

9. Main Accounting Data of Each Quarter in Report Period

Unit: Yuan, Currency: RMB

	The first quarter (from January to March)	The second quarter (from April to June)	The third quarter (from July to September)	The fourth quarter (from October to December)
Operating income	725,887,035.25	806,675,565.87	741,145,533.86	791,263,365.81
Net profit attributable to shareholders of listed company	60,369,659.24	65,611,233.47	63,509,988.61	7,996,344.95
Net profit attributable to shareholders of listed company after non-recurrent account profit/loss	49,359,866.36	63,922,457.16	50,389,388.41	-8,918,191.94
Net cash flow from operating activities	-41,055,836.13	-18,734,487.34	58,711,268.22	118,414,924.42

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

Unit: Yuan, Currency: RMB

Item	2017	Note	2016	2015
Profits and losses from disposal of non-current assets	23,553,109.03		3,529,785.81	5,380,014.25
Government subsidies recorded in the current profit and loss	11,861,884.98		11,190,319.23	6,668,426.57
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	10,553,231.30		4,708,383.25	9,448,774.70
Other non-operating income and expenditure except the above-said items	5,690,312.52		17,172,464.17	6,472,839.74
Impact on minority interests	-5,345,419.70		-6,050,593.20	-2,612,504.42
Impact on income tax	-3,576,783.35		-3,744,868.58	-1,775,949.45
Total	42,733,706.28		26,805,490.68	23,581,601.39

10. Items for Adopting Fair Value Measurement

Unit: Yuan, Currency: RMB



Item	Opening balance	Ending balance	Current change	Influence on current profit
Trading financial assets	4,000.00	0.00	-4,000.00	16,690.26
Available-for-sale financial assets	107,980,989.31	89,721,694.56	-18,259,294.75	1,018,849.13
Total	107,984,989.31	89,721,694.56	-18,263,294.75	1,035,539.39

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 involves sewing equipment, office machinery, film materials, commerce and trade, and logistics services.

The Company adheres to globalization of business, and implements unified management of sales. The Company adopts a gradient-based specialized multi-brand marketing strategy, and conducts gradient division management on production sites throughout Europe and Asia, leading the global high-end market for sewing equipment with advanced technology. At the same time, the Company is cultivating the business model – "R&D and Marketing in Shanghai, Production in Jiangsu and Zhejiang". In recent years, through the implementation of mergers and acquisitions at home and abroad as well as internal restructuring and integration of the Company, the synergies gradually emerged, and the international business model 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 100 years of development, at present the world sewing machine industry development center has been transferred to the Asian region like China and Japan, and gradually formed tripartite confrontation pattern between China, Germany and Japan.

In 2017, the development trend of the economic operation of the sewing machinery industry in China was good. In particular, the production and sales of ordinary products showed a recovering growth trend, and the corporate profits continued to improve. According to statistics from China Sewing Machinery Association, in 2017, the top 100 backbone machine manufacturers in the industry achieved total industrial output value of 18.838 billion yuan, a year-on-year increase of 27.71%, and the total amount of sewing machines produced was 6,129,800, a year-on-year increase of 23.86%. Among them, 4,321,800 industrial sewing machines were produced, a year-on-year increase of 32.47%. The industry's top 100 had accumulated a total of 19.967 billion yuan in operating income, an increase of 18.84% year-on-year, and accumulated sales of 6,606,600 sewing machines, a year-on-year increase of 19.53%. In 2017, the operating income of enterprises above designated size grew by 21.47% year-on-year; total profit increased by 29.09% year-on-year; gross profit margin was 16.78%, an increase of 5.22% year-on-year.

2. Description of major changes in the main assets of the company during the report period

For details of the major changes in the Company's major assets during the report period, please refer to “(3) Analysis of Assets and Liabilities” in “CHAPTER 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION”.

The Company's overseas assets amounted to 1,958.19 million yuan, accounting for 52.87% of the total assets.

The Company's overseas assets mainly come from the Company's previous overseas acquisitions and the business growth of overseas subsidiaries. The Company's wholly-owned subsidiary DAP AG acquired DA AG in 2005, acquired PFAFF GmbH and KSL in 2017, 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 begun to implement an overseas merger and acquisition strategy for international operations. In recent years, the Company has increased the pace of overseas acquisitions and mergers, and the proportion of overseas businesses has grown. The Company's multi-year international operation and management has gradually cultivated a management team with an international perspective and multinational operating capabilities, and has accumulated rich international management experience.

CHAPTER 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

1. Discussion and analysis of operations

From the perspective of the world economy in 2017, despite the existence of uncertainties such as the rise of trade protectionism and trade frictions, the world economic recovery trend is relatively clear, and it shows a trend of full recovery of advanced economies and emerging economies. From the domestic point of view, China's economic development has entered a new era. China's economy has shifted from a high-speed growth stage to a high-quality development stage. In 2017, China's economy achieved rapid growth, with a GDP growth rate of 6.9%. China's economy is better than expected, and the structure has shown encouraging changes. China's industrial production rebounded obviously and the manufacturing industry continued to boom.

In 2017, it was the first year that the Company implemented mixed ownership reform. The Company adheres to the business philosophy of Market-oriented and Benefit-first, and focuses on the entity management of the Company's headquarter, and strives to promote the transformation of the mechanism. With the Company's unified platform marketing as the starting point, it vigorously expands its market share; with the cooperation of the Sino-European team as the starting point, efforts are made to improve the Company's ability of intelligent manufacture. Promoting development through reforms, focusing on research and development to help sales, the Company has achieved gratifying results in all its work. The Company won the "Top 30 Enterprises in Light Industry Equipment Manufacturing Industry in China" and "Top 100 Enterprises with Chinese Light Industry Special Ability" in 2017.



The Company carried out the following key tasks in 2017:

(1) Increase investment in R&D and promote technological improvement and innovation

In 2017, the Company further increased R & D investment, developed products in the direction of automation, modularization and intellectualization, and actively promoted technological innovation.

In 2017, the technology center strengthened the technology management and development project management, and participated in the technology development of domestic and foreign subsidiaries. The technology center has developed the software development platform and completed the development and design of the related software module with DA AG, DAMSH and PIZ. In addition, the technology center was rated as "good" in the biennial evaluation of Shanghai Municipal Enterprise Technology Center.

The Company completed the design and development of 755 automatic bag opening machine, 670 and 680 sewing shoulder & sleeve lining machine and 1767 thick material machine and brought them to market. The Company completed the research and development of jeans machine series like 3819 and 3840, as well as the production in Kaiserslautern. The Company also completed some product updates and new product development, such as 5480 Crossline (for airbag areas), 3819 curved jeans machine (patent) etc.

The Company fastened on product development, continuously improved the shirt processing automation product structure, promoted product development and prototype installation of the shirt sleeve fork machine, automatic shirt bag machine, automatic joint machine installation, displayed several prototypes in CISMA 2017 and received good reviews from customers and experts. The Company also completed the Mauser 591/574 straight drive one shoe machine development, reduced the cost under the premise of keeping the parts, products of high quality. The development of Mauser 591-af /2AF automatic feeding shoe machine was also finished. In the field of shoe machine, it achieved automatic 3D sewing and improved the production efficiency of customers. Furthermore, the Company continued to develop new product development in 2017, promote product integration and improvement, completed the development of the prototype of 84x0/87x0 series double needle machine. The trial production of semi-micro oil electromagnet model of 8958 semi-micro oil computer stepping track control flat sewing machine has completed and exhibited in the CISMA 2017 exhibition and has begun to implement small batch production; The computerized stepper motor has also completed the prototype trial. The 1900E integrated electronic socket machine, 5500/5600E seamless sewing machine has also finished the prototype trial system and entered the small batch production stage.

In 2017, the Company tested and analyzed the JX550-W sewing machine, and then optimized the design according to the market feedback information. In addition, the development of the second phase of sewing embroidery home APP is in an orderly process, with 85% of the APP front-end program development and 70% of the background control system, and the work of UE&UI on the WEB and WeChat is progressing steadily.

(2) Seize the opportunity of industry recovery and actively expand market share

In 2017, the Company continued to implement a specialized multi-brand marketing strategy, actively expanded brand influence, and strived to increase the market share of various classified products and improve the Company's profitability. In 2017, the Company won the title of "Excellent Enterprise in Brand Cultivation in Shanghai".

The Company and its subsidiaries did a good job in exhibiting at the German Texprocess exhibition and the 2017 China International Sewing Equipment Exhibition (CISMA 2017). The QONDAC NETWORKS production monitoring system (QONDAC 4.0) exhibited by DA AG won the Texprocess 2017 Innovation Award and the CISMA 2017 smart sewing demonstration product. During the exhibition, the Company displayed a variety of exhibits such as automatic sewing equipment assembly lines of suits and 3D robotic sewing units, which won wide acclaim from the industry. With the help of the exhibition, the Company demonstrated its technical strength, strengthened the promotion of corporate image and brand, and improved the confidence of customers and distributors.

In accordance with the Company's unified strategic plan, the Company continued to implement the unified and coordinated management of the DAP sales platform and achieved encouraging business results. In 2017, DA AG continued to maintain a high market share of mid- to high-end customers in medium-heavy sewing units, and achieved good sales performance in sewing processing equipment and parts related to garment processing. PFAFF's new orders exceeded the budget, and the business maintained a sustained and good momentum of growth.

DAPSH continued to strengthen its marketing capabilities in 2017 and established branches in Wuhan, Fujian, Changchun, Vietnam, and Indonesia to be closer to the market. In the area of heavy sewing units, a large customer visit mechanism was initially established, and maintenance and technical training were strengthened. DAPSH has initially completed the site decoration layout of the "Two Suits Two Pants" automated sample pipelines. SGGEMSY actively promoted cooperation with DAP sales platform in 2017 and explored emerging markets such as Southeast Asia to find new sales growth points. At the same time, it further explored domestic sales channels, expanded the product's popularity, introduced Shanggong brand, and introduced new agents.

Sales of household sewing machines such as Butterfly and Bee rose steadily in 2017. The Butterfly Branch launched a demo version of the Homeland Embroidery II during the CISMA 2017 exhibition and gained good market feedback. Meanwhile, Butterfly Branch strengthened quality tracking and improved the quality of household sewing machines, which lay a foundation for the expansion of export sales after the market rebounded.

(3) Accelerate the consolidation and reorganization of enterprises and continue to promote mergers and acquisitions

In 2017, the Company continued to take advantage of its strong acquisition, merger and integration capabilities, and promoted mergers, acquisitions, mergers and restructurings in line with the Group's long-term development strategy.

In order to further integrate the resources and optimize the configuration, the Company's Board of Directors approved to implement further integration and reorganization of SGE (now renamed DAP Industrial AG, hereinafter referred to as "DAP AG") and its subsidiaries. DAP AG has issued an official notice to DA AG and its minority shareholders. DAP AG will initiate the merger of the DA AG in accordance with the relevant regulations of the German "Corporate Reorganization Law" and the "Stock Corporation Law", squeezing out Minority shareholders holding about 5.99% of the shares of DA AG. Through this integration, DAP AG will be the main entity in Europe to implement an integrated operation. It helps reduce the hierarchical relationships among subsidiaries, rationalize the division of R&D, production, and sales of subordinate companies, and minimize waste of resources. It also helps make real use of the advantages of each subsidiary, create a synergy effect and improve economic efficiency.

The parent company of the Group initially completed the merger of DAPSH and SG Butterfly in 2017. Shanghai Butterfly Sewing Machine Branch (hereinafter referred to as “Butterfly Branch”) has officially started operations in 2017; the business of DAPSH was incorporated into the Group’s Industrial Sewing Machine Branch (hereinafter referred to as “ISMB”) in July 2017. The tax and business registration cancellations of DAPSH and SG Butterfly are proceeding in an orderly manner. Through this merger, ISMB directly manages the sales in China and Southeast Asia. The Butterfly Branch is directly responsible for domestic and overseas marketing of household sewing machine. The parent company of the Group has realized direct control of sales and became a profit center. and a solid step was taken. to solve the longtime problem that the Company's undistributed profits were negative and it was impossible to pay dividends.

In 2017, the Company actively explored to enhance the design and manufacturing capability of domestic automation equipment through further mergers and acquisitions, thus effectively solving the problem that the design and manufacturing capacity of KSL could not meet the demand of the market. Through the search for goals and contacts in the domestic automation control system and other fields, the Company has completed the preliminary preparation for the acquisition of Shanghai Junjii Machinery and Equipment Manufacturing Co., Ltd. which possesses robot application technology. In addition, the company has also completed the establishment of a wholly-owned subsidiary ShangGong Sewing Machine (Zhejiang) Co., Ltd. in Huangyan District, Taizhou, Zhejiang, as well as the preparation work of building a sewing machine production base in the mold town of Huangyan.

(4) Strengthen the construction of talent team and promote the transformation of operation mechanism.

After completing the reform of the mixed ownership system, the Company timely promotes the transformation of operation mechanism. The Company optimizes its organizational structure and improves its efficiency through streamlining and adjustment of management institutions. In 2017, the Company amended some rules and regulations of the Company to be more consistent with the actual situation. Furthermore, the Company adjusted the corporate governance structure according to the new shareholder structure, successfully completed the election of the eighth session of the board of directors and the board of supervisors, and produced a new management team.

According to the requirements of marketization and centralized management, the Company hired relevant agencies to make its remuneration system more consistent with the principle of human resource marketization. In 2017, the Company continued to strengthen the construction of young cadres and ensure the sustainable development of the Company. On the basis of the pilot project in 2016, the Company continued to carry out the training of young cadres in 2017, and focused on the training of sewing machine products, manufacturing technology, marketing and enterprise management, so as to improve the management ability of young cadres.

(5) Improve the internal management and control system and improve the operational efficiency

In 2017, the Company continued to promote the standardization construction of the internal control system of the Group and various branches and subsidiaries. Part of the group system was sorted out, modified and added and the department's responsibilities were improved according to the changes. The Company strengthened the audit of the project cost and subsidiaries and other special audit work, and completed the economic responsibility audit with the Pudong New Area Audit Bureau.

In 2017, the Company continued to carry out the implementation and management of the annual comprehensive budget and capital arrangement and fund coordination work; straightened out the financial

management line, actively cleaned up the dull assets, improved the efficiency of capital use and ensured the improvement of asset quality.

The Company organized a monthly "conference about production, marketing and research of Group's main business" of main domestic companies, completed the statistical analysis of production, sales and stock in the Group, solved the existing problems in time, and improved the operating efficiency.

In 2017, the Company steadily promoted the ISO9001 certification work to further improve the quality management system and product and operation quality. The first draft of the management manual has been completed. SGGEMSY finished ISO9000 and ISO18000 certification in the year.

In 2017, the Company and Asset Management Company continued their work on safety production, environmental protection, internal prevention and stability of letters and visits, further implemented the fire safety and stability responsibility system, established a safety precaution and warning mechanism to prevent all kinds of emergencies and maintain the stability of the enterprise.

2. Main Operating Conditions in the Report Period

Although the Company's sewing equipment business is still facing fierce competition in the high-end market, the Company continues to implement a technology leadership strategy and strives to expand its market share. During the report period, the Company achieved operating income of 3.06 billion yuan, an increase of 11.06% year-on-year, of which sewing equipment revenue rose 18.21% year-on-year; operating profit of 290 million yuan, an increase of 34.3% (compared with the same caliber); net profit attributable to shareholders of listed company of 200 million yuan, an increase of 36.92%.

2.1 Main Business Analysis

Analysis of changes of items in profit statement and cash flow statement

Unit: Yuan, Currency: RMB

Item	2017	2016	Variable Proportion (%)
Operating income	3,064,971,500.79	2,759,855,136.98	11.06
Operating cost	2,245,537,329.26	2,037,344,042.71	10.22
Selling expenses	284,810,887.21	246,840,318.90	15.38
General and administration expenses	291,371,664.10	284,156,361.47	2.54
Finance expenses	-5,263,527.90	15,536,094.51	-133.88
Net cash flow from operating activities	117,335,869.17	99,056,912.42	18.45
Net cash flow from investing activities	-119,869,574.99	-197,170,890.70	39.21
Net cash flow from financing activities	-60,325,135.90	92,632,916.77	-165.12
Research and development expenditures	100,310,911.45	72,071,861.66	39.18

2.1.1 Analysis on Income and Cost

During the report period, the Company achieved operating income of 3.06 billion yuan, a year-on-year increase of 11.06%, mainly due to a year-on-year increase of 18.21% in sales of sewing equipment; and an increase of 10.36% in logistics service.

(1) Status by Industry and Region

Unit: Yuan, Currency: RMB

Main Business by Industry



Industry	Operating Income	Operating Cost	Gross Margin (%)	Operating Income Increase/Decrease (%)	Operating Cost Increase/Decrease (%)	Gross Margin Increase/Decrease (%)
Sewing equipment	1,939,678,508.96	1,223,415,011.24	36.93	18.21	20.57	Decrease 1.23 percent
Logistic service	768,874,679.88	714,752,388.59	7.04	10.36	10.33	Increase 0.03 percent
Export trade	198,240,193.62	195,004,666.92	1.63	-18.50	-18.15	Decrease 0.42 percent
Office equipment and film materials	56,414,112.89	49,534,400.49	12.20	-18.34	-19.05	Increase 0.78 percent
Others	10,187,600.00	8,320,443.37	18.33	-42.64	-24.27	Decrease 19.81 percent
Total	2,973,395,095.35	2,191,026,910.61	26.31	11.46	11.05	Increase 0.27 percent
Main Business by Region						
Region	Operating Income	Operating Cost	Gross Margin (%)	Operating Income Increase/Decrease (%)	Operating Cost Increase/Decrease (%)	Gross Margin Increase/Decrease (%)
Domestic	1,591,137,513.79	1,420,238,426.22	10.74	12.03	12.48	Decrease 0.36 percent
Overseas	1,482,153,698.60	870,684,601.43	41.26	6.20	1.39	Increase 2.79 percent

(2) Analysis on Production and Sales

Major Product	Production Output	Sales Volume	Inventory	Increase/ Decrease in Production over the Previous Year (%)	Sales Increase/ Decrease over the Previous Year (%)	Inventory Increase/ Decrease over the Previous Year (%)
Industrial sewing equipment (domestic)	186,967	180,827	31,835	41%	35%	24%
Industrial sewing equipment (OEM)	25,582	25,584	135	66%	67%	-1%
Industrial sewing equipment (overseas)	30,740	36,662		-1%	4%	
Household sewing machine (OEM)	208,355	210,386	495	5%	7%	-80%
Household multi-function sewing machine (OEM)	99,587	93,067	20,463	8%	10%	47%

Note: Driven by the boom of industry's "supply and demand, the Group's production and sales of industrial machines in 2017 both achieved a growth of over 30%, of which domestic industrial machine output increased by 41% year-on-year, and sales volume increased by 35% year-on-year. The output of SGE decreased slightly from 2016, but its sales increased by 4% year-on-year. In terms of household sewing machine, the output and sales volume increased by 6% and 8% respectively. In order to deal with the sales season in the first quarter, the Group increased its inventory.

(3) Cost Analysis

Unit: Yuan, Currency: RMB

By Industry						
By Industry	Cost Item	Sum in Current Period	Current Period Proportion (%)	Sum in Previous Period	Previous Period Proportion (%)	The amount of the current period compared with the same period last



						year
Sewing equipment	Material	774,957,920.33	35.37	612,926,016.65	31.07	26.44
	Labor	296,611,105.46	13.54	269,272,327.15	13.65	10.15
	Depreciation	38,158,659.16	1.74	38,451,209.91	1.95	-0.76
	Manufacture cost	113,687,326.29	5.19	94,076,957.37	4.77	20.85
	Subtotal	1,223,415,011.24	55.84	1,014,726,511.08	51.43	20.57
Logistics service	Logistics cost	714,752,388.59	32.62	647,853,075.73	32.84	10.33
Export trade		195,004,666.92	8.90	238,246,303.92	12.08	-18.15
Office equipment and film materials	Material	37,664,031.50	1.72	46,931,017.30	2.38	-19.75
	Labor	7,587,657.23	0.35	9,393,336.37	0.48	-19.22
	Depreciation	338,835.76	0.02	599,745.82	0.03	-43.50
	Manufacture cost	3,943,876.00	0.18	4,269,708.91	0.37	-7.63
	Subtotal	49,534,400.49	2.26	61,193,808.40	3.10	-19.05
Others		8,320,443.37	0.38	10,987,197.25	0.56	-24.27

(4) Main Suppliers and Main Costumers

The sales of top five customers are 450.11 million yuan, accounting for 14.69% of the total annual sales.

The top five suppliers' purchase amount is 121.57 million yuan, accounting for 6.21% of the total annual purchase.

2.1.2 Expense

Unit: Yuan, Currency: RMB

Item	2017	2016	Increase / decrease (%)
Sales expense	284,810,887.21	246,840,318.90	15.38
General and administration expense	291,371,664.10	284,156,361.47	2.54
Financial expense	-5,263,527.90	15,536,094.51	-133.88
Income tax expense	82,928,869.66	71,680,360.28	15.69

Note 1: The financial expenses decreased by 133.88% year-on-year, mainly due to the year-on-year increase in interest income and exchange gains.

2.1.3 R & D Investment

Unit: Yuan, Currency: RMB

R & D investment capitalized in the report period	84,246,214.91
R & D investment expensing in the report period	16,064,696.54
Total	100,310,911.45
Total R & D investment in proportion to operating income (%)	3.27
Proportion of R & D investment capitalized (%)	16.01

2.1.4 Cash Flow

Unit: Yuan, Currency: RMB

Item	2017	2016	Increase / Decrease (%)	Reason
Net cash flow from operating activities	117,335,869.17	99,056,912.42	18.45	
Net cash flow from investing activities	-119,869,574.99	-197,170,890.70	39.21	Note 1
Net cash flow from financing activities	-60,325,135.90	92,632,916.77	-165.12	Note 2



Influence of fluctuation of exchange rate upon cash and cash equivalents	26,314,632.54	11,138,332.32	136.25	Note 3
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Note 1: Mainly due to the comprehensive impact of the year-on-year decrease in investment of the 26% equity of STOLL KG paid.

Note 2: Mainly due to the combined effect of increased net repayments of bank borrowings.

Note 3: Mainly due to the impact of changes in the euro exchange rate.

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

Unit: Yuan, Currency: RMB

Item	2017	20156	Increase / Decrease (%)	Reason
Taxes and surcharges	13,445,563.98	9,646,577.26	39.38	Note 1
Financial expense	-5,263,527.90	15,536,094.51	-133.88	Note 2
Assets impairment loss	26,197,662.78	17,021,526.97	53.91	Note 3
Asset disposal income	23,963,103.89	3,529,785.81	578.88	Note 4
Other income	11,713,174.75	0.00		Note 5
Non-operating income	9,192,748.08	29,173,966.17	-68.49	Note 6
Non-operating expense	3,766,348.69	731,182.77	415.10	Note 7
Net after tax of other consolidated income	36,930,889.17	-17,277,343.80	313.75	Note 8

Note 1: Mainly caused by the implementation of *Value-Added Tax Accounting Regulations* (Accounting [2016]22) by the Company.

Note 2: Mainly due to the year-on-year increase in interest income and exchange gains.

Note 3: Mainly due to the year-on-year increase in inventory depreciation reserves and provision for accounts receivable for bad debts

Note 4: Mainly due to the increase in house relocation compensation income.

Note 5: Due to the Company's implementation of the "Accounting Standards for Business Enterprises No. 16 - Government Grants" (Cai Kuai [2017] No. 15), government grants related to daily activities are included in the "other income", the comparative statement does not adjust.

Note 6: Mainly due to the Company's implementation of the "Accounting Standards for Business Enterprises No. 16 - Government Grants" (Cai Kuai [2017] No. 15) and the reduction of payables unable to be paid .

Note 7: Mainly due to the increase in penalties.

Note 8: Mainly due to the increase in the foreign currency statement translation difference as well as the change in the net assets of the European subsidiaries that remeasured the defined benefit plan.

2.3 Analysis on Assets and Liabilities

Unit: Yuan, Currency: RMB

Item	Ending Balance (31 st December 2017)	Ratio of Ending Balance tor Total Assets (31 st December 2017) (%)	Ending Balance (31 st December 2016)	Ratio of Ending Balance tor Total Assets (31 st December 2016) (%)	Increase / Decrease (%)	Reason
Prepayments	64,393,627.71	1.74	33,709,357.11	0.96	91.05	Note 1
Investment property	149,502,332.46	4.04	107,616,254.96	3.07	38.92	Note 2
Construction in progress	12,665,274.09	0.34	20,199,928.64	0.58	-37.30	Note 3
Development expenditure	16,683,772.84	0.45	12,529,345.90	0.36	33.16	Note 4
Long term deferred expenses	1,631,013.88	0.04	1,084,797.97	0.03	50.35	Note 5



Notes payable	12,311,525.18	0.33	0.00	0.00		Note 6
Taxes payable	14,074,587.91	0.38	54,740,867.60	1.56	-74.29	Note 7
Interest payable	1,110,553.06	0.03	2,090,565.59	0.06	-46.88	Note 8
Other current liabilities	48,330.03	0.001	808,706.39	0.02	-94.02	Note 9
Long term payables	3,121,893.11	0.08	37,338,461.61	1.06	-91.64	Note 10
Deferred income	2,340,000.00	0.06	3,600,000.00	0.10	-35.00	Note 11
Deferred income tax liabilities	52,863,141.42	1.43	36,604,917.60	1.04	44.42	Note 12
Other comprehensive income	-72,163,452.90	-1.95	-103,144,046.15	-2.94	30.04	Note 13
Undistributed profit	692,241,691.51	18.69	494,754,465.24	14.11	39.92	Note 14

Note 1: Mainly due to the advance payment of land received by domestic subsidiaries.

Note 2: Mainly due to the completion of the acceptance check of the overseas subsidiaries' transformation of the rental production and logistics halls.

Note 3: Mainly due to the completion of the construction projects carried forward due to the current period.

Note 4: Due to the increase in self-developed electronic controllers and new sewing equipment developed by overseas subsidiaries.

Note 5: Mainly due to the increase in the mold costs in current period.

Note 6: Due to the increase in bank acceptance bills of SGGEMSY.

Note 7: Mainly due to the fact that the Company's overseas subsidiaries paid the enterprise income tax that was not paid at the end of 2016 in current period.

Note 8: Mainly due to the fact that the Company's overseas subsidiaries paid bank loan interest during the current period.

Note 9: Mainly caused by the interest and rentals recorded by the overseas subsidiaries of the Company in the current period.

Note 10: Mainly due to the fact that according to the contract of investing in STOLL KG, the second payment for the purchase in current period and the investment payable in 2018 are adjusted to "other payables".

Note 11: Mainly due to the fact that the Company's new product development fund subsidy accepted by the government in 2018 has been adjusted to "other non-current liabilities due within one year".

Note 12: Mainly due to the increase in taxable temporary differences of the Company's overseas subsidiaries during the current period.

Note 13: Mainly due to the increase in the difference in the foreign currency statement translation in current period.

Note 14: Caused by the Company's current profit.

2.4 Analysis of Operational Information in the Industry

Please refer to Chapter 3 for details.

2.5 Analysis of Investment Situation

2.5.1 General Analysis

Unit: 10,000 Yuan, Currency: RMB

Long - term equity investment in the report period	1,020
Increase / Decrease	-24,339
Long - term equity investment in 2016	25,359



Increase / Decrease (%)	-95.98
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2.5.2 Significant Equity Investment

Not applicable.

2.5.3 Significant Non-Equity Investment

Not applicable.

2.5.4 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	71,574,811.30	514,926.70	-14,006,006.24	Available for sale financial assets	Note 1
900932	Lujia B Share	773,099.71	0.0067	2,132,704.86	79,538.23	-159,655.10	Available for sale financial assets	Enforcement
000166	Shenwan & Hongyuan	200,000.00	0.0011	1,174,000.14	21,862.20	-192,387.36	Available for sale financial assets	Purchased
601229	Bank of Shanghai	951,400.00	0.013	14,840,178.26	402,522.00	-3,901,246.06	Available for sale financial assets	Purchased
Total		74,010,222.53	-	89,721,694.56	1,018,849.13	-18,259,294.76	-	-

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.

2.6 Significant Assets and Equity Sale

Not applicable.

2.7 Analysis of Main Subsidiaries and Joint Stock Company

Unit: 10,000 Yuan, Currency: RMB

Name	Business Scope	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
DAP Industrial AG	Investment, asset management, and production, processing, and sales of industrial sewing equipment	12.5 million euro	195,819	91,918	148,366	25,306	18,051
Shanghai Shensy Enterprise Development Co., Ltd.	Freight, Logistics services	17,882	36,601	24,673	76,887	1,027	701
Zhejiang ShangGong GEMSY CO., LTD.	Sewing equipment manufacturing and sales	21,600	28,377	21,093	27,906	-736	-450

3 Discussion and Analysis on the Future Development of the Company

3.1 Industry Structure and Trends

In recent years, with the deep integration of the new generation of information technology and manufacturing, information and communication technology, intelligent control technology, networking, big data and other new technologies have been rapidly applied in the sewing machinery industry. Sewing machinery products are rapidly upgraded in the direction of smart, and the corresponding production methods are also continuously advanced. Based on the physical information system, the innovation of “Sewing Equipment + Internet” is now leading the continuous expansion of sewing machinery industry and the downstream industry in the business model, product areas and product value chain system. Industry development focus and growth point constantly change. Global sewing machinery industry is faced with the task of transformation and upgrading, its developing pattern is facing a major adjustment.

At present the world sewing machine industry development center has already formed tripartite confrontation pattern between China, Germany and Japan. With the adjustment of the global industrial competition, China’s sewing machinery industry is facing great challenges. To maintain the industrial advantages, sewing machinery companies in Europe and the United States take advantage of technology and brand, adhere to the high-end market, and take the road of international brand management. Japan’s sewing machinery industry is accelerating the layout of the international industry, strengthening the integration and complementation of resources. On the one hand, in order to consolidate the high-end market advantages, Japan’s sewing machinery companies make use of China’s advanced manufacturing resources, and continue to shift the production of high-end products to China. On the other hand, Japan’s sewing machinery companies accelerate the transfer of low-end products to the lower-cost countries in Southeast Asia to compete with the sewing machinery companies in China. Therefore, China’s sewing machinery industry faces the “two way extrusion” of developed countries such as Europe, Japan and the developing countries in Southeast Asia.

3.2 Company Development Strategy

In 2018, it is a very crucial year for the development of ShangGong Group. We will remain true to our original aspiration of revitalizing old Shanghai brand, look forward to the future of Made in China in light industry, develop unshakeable confidence, and keep going. We must seize the opportunity of the government attaches importance to the development of the real economy. While maintaining the leading position in the sewing industry, we must strengthen the manufacturing in China and complete the business objectives set by the board of directors.

Main tasks of operation in 2018:

- (1) Continue to deepen the reform and integration; Promote mergers and acquisitions timely

After the completion of the mixed ownership system reform, the Company should steadily promote the conversion of corporate mechanisms and improve efficiency constantly. In 2018, the Company shall further deepen the market-oriented reform of listed company, continue to deepen the mechanism reform of convergence of interests of the Company’s management and shareholders on the basis of the current practice, explore the shareholding of the managers, so as to inject vitality into the operation of the listed company and enhance the economic benefits of the enterprise.

The Company shall implement the internal integration as planned, and push forward the mandatory exclusion of minority shareholders holding 6% shares of DA AG. In this way the Company could fully utilize the technology, production, procurement, sales, capital and human resources of DA AG and its subsidiaries,

PFAFF GmbH and KSL, and enhance the overall profitability. In China, the Company shall continue to do the subsequent cancellation work in the absorption of DAPSH and SG Butterfly by the parent company of the Group. Steadily promote the import and export business integration of Butterfly Imp. & Exp., SG Imp. & Exp. and SMPIC Imp. & Exp..

In 2018, the Company will continue to take advantage of its acquisition and integration capabilities and timely promote mergers and acquisitions that are suitable for the development of the Company. The Company will focus on related areas such as jacquard machines, embroidery machines, cutting beds and sewing workstations, as well as intelligent manufacturing and other related fields, supplement product structure through further acquisition to gradually form a complete industrial chain of products research and development, production and sales with the sewing equipment as the mainstay. In the meantime, the Company will continue to seek to expand business in the rapidly developing market of China's aerospace industry, especially commercial aircraft, so as to achieve greater development in business.

(2) Adhere to the specialized multi-brand strategy; Improve product market share

The Company should adhere to the Market-oriented, Benefit-first business philosophy, unswervingly continue to promote specialized multi-brand marketing strategy to expand brand influence and improve the market share of various products.

According to the Company's global marketing unified management strategy, the Asian-African market will be managed mainly by ISMB. The European and American markets will be managed mainly by DAP AG, and the South Asian, South American and North African markets will be managed collaboratively by ISMB and DAP AG. In 2018, DAP AG will be dedicated to establishing DAP Russia, establishing DAP India and DAP Bangladesh with ISMB, and establishing DAP Brazil and other sales companies.

ISMB will do a good job in the domestic market sales, timely adjust the sales organization framework, achieve unified management and coordinated development, and strictly implement regional sales. ISMB will set up offices in Henan, Hebei, Shandong and Yunnan provinces to strengthen sales, further improve four "Two Suits Two Pants" automated sample pipelines. Further strengthen and improve the customer visit mechanism, further overcome weak markets such as sofa and luggage. Meanwhile ISMB should closely develop the prison market and achieve sales breakthroughs in basic products. In 2018, the Butterfly Branch continued to do a good job in sales of household multi-function sewing machines, and actively carried out activities such as "Butterfly" brand advertising and promotion, and completed each year's "Butterfly Cup" Grand Prix.

(3) Maintain product technology leadership and enhance the ability to create of ShangGong Group

The Company will, as always, stick to the technology-leading and innovative-development strategy. Through integration of Made-in-China and Made-in-Germany, the Company will vigorously develop Shanghai Intelligent Manufacturing and ShangGong Creation, and promote the long-term, stable and healthy development of ShangGong Group.

The Company will introduce QONDAC to the market in time and complete the research and development of prototype machine of new M-type. Continuous improvement of the automatic sewing unit should be developed as well. The Company will introduce and apply new electric control "SGE Compact" and QONDAC, and complete the research and development of chain stitch product system 5600, as well as the new shoe products 791 and 1791. The Company will well research and trial-produce the button attaching and holing machine and

the sewing machine, successfully research and manufacture front trousers sealing machine and cowboy series machines, improve the market competitiveness of shirt automatic sewing products. The Company will complete the small batch trial production of short line head shoe machine and the pattern sewing machine based on the extended Powerline, 8303i welding machine. Further reduce the cost of 1767, Powerline ECO and Mauser 591. Ensure the smooth operation of the parts processing workshop, achieve stable quality and competitive advantage of cost. Continue to improve the supply situation of parts and materials to meet the needs of business growth. Improve production site management, further improve production efficiency, stabilize and improve product quality. Meanwhile, do a good job in the research and development of new products, and continue to promote the integration and improvement of the products. In addition, the Group's Technical Center will carry out the project of "Flat Sewing Machine Platform Design" and develop basic series product of Mauser Special brand.

(4) Continue to manage internal control and constantly improve operational efficiency

In 2018, the Company will continue to improve the internal control system of the Company and its subsidiaries. Continue to rectify the internal control re-evaluation tests and defects in 2017 and organize, supervise and improve the standardization of the internal control of the Company. Strengthen auditing of project cost and circular audit of controlling subsidiaries and other special audits.

Continue to carry out the implementation and management of the annual comprehensive budget of the Group, do well the fund arrangement and fund coordination work within the Group, do well the early warning work of financial risks, and realize the early-warning management of major financial risks.

Continue to do a good job in the ISO9001 quality management system, and further adjust the program after the absorption of SG Butterfly and DAPSH. Complete the work of ISO9001 revision certification, further improve the quality management system, and improve product quality as well as enterprise operation quality. Moreover, we should strengthen the quality control of the licensed production products, formulate production process documents and implement them, so that we could ensure the quality of licensed products, maintain brand reputation and improve customer satisfaction.

Continue to do a good job in work safety, environmental protection, internal prevention and petition stability. We should further implement the responsibility system for fire safety and stability, and establish a safety precaution and early warning mechanism to prevent all kinds of emergencies and maintain the stability of enterprises.

3.3 Business plan

Operating income: 3.3 billion yuan; operating profit: 340 million yuan; net asset yield: not less than 10%; accounts receivable turnover rate: 7.6; inventory turnover rate: 3.1.

3.4 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. Profit Distribution or Capital Surplus Transferring and Increasing Proposal

1.1 The Formulation, Implementation and Adjustment of Cash Dividend Policy

According to the No.[2013] 43 of Notice on *No. 3 Guidance of Cash Dividend Distribution Affairs for Listed Companies* issued by CSRC, combined with the Company's situations, the Company has made clear cash dividend distribution policies and its mechanism of decision and adjustment.

During the report period, the Company strictly complied with the dividend distribution policies stipulated in the *Article of Association*. Approved by 2016 Annual Shareholders' Meeting, the profit distribution do not be made in 2015, neither the transferring of capital reserves into share capital. The proposal of 2015 has been implemented.

Audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the Company achieved the consolidated net profit of 212,652,989.02 yuan in 2017, of which, the net profit attributable to parent company owners is 197,487,226.27 yuan.

According to the provisions in the *Articles of Association*, before withdrawing the legal accumulation fund, the Company should first cover the deficit with the profit of the year. As the profit of the year failed to make up the deficit of previous years, the Company did not draw the legal accumulation fund. The current-period net profit of the parent company is 62,938,430.53 yuan; the undistributed profits at the beginning of 2017 are -206,831,240.38 yuan; thus the practical profit available for distribution is -143,892,809.85 yuan at the end of 2017. As the parent company's profit available for distribution is negative, the profit distribution cannot be made in 2017, neither the transferring of capital reserves into share capital.

1.2 Company Profit Distribution Proposal in Recent Three Years (Including the Report Period) , Capital Surplus Transferring to Increase Capital Stock Proposal

Unit: Yuan, Currency: RMB

Year	Number Of Bonus Shares Per 10	Number Of Dividends (Taxes	Number Of Shares Converted By	Number of Cash Dividend (Taxes	Net Profit Listed in the Dividend Annual	Rate to the Net Profit in the Consolidated
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	Common Shares (Share)	Included) Per 10 Common Shares (Yuan)	Capital Reserve Per 10 Common Shares(Share)	Included)	Consolidated Statement Belongs to Stockholders of Public Company	Statement Belongs to Stockholders of Public Company (%)
2017	0	0	0	0	197,487,226.27	0
2016	0	0	0	0	144,231,343.84	0
2015	0	0	0	0	157,417,087.48	0

1.3 Cash Offer to Repurchase Shares Included in the Cash Dividend

Not applicable.

2. Commitment

Background	Type	Commitment Party	Commitment Content	Commitment period	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.	29 th December 2016 to 28 th December 2017	Yes	Yes	N/A	N/A
	Other	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.	29 th December 2016 to 28 th December 2017	Yes	Yes	N/A	N/A
	Other	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	29 th December 2016 to 28 th December 2017	Yes	Yes	N/A	N/A

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

4. Description of "Non-Standard Opinion Audit Report" Released by the Accounting Firm

Not applicable.

5. Analysis of the Company's Change of Accounting Policy

(1) Reasons for Changes in Accounting Policies

On 28th April 2017, the Ministry of Finance issued a revised version of the "Accounting Standards for Business Enterprises No. 42 - Non-current Assets for Sale, Disposal Group, and Termination of Operations" (Cai Kuai [2017] No. 13) (hereinafter referred to as "Revised Standard No. 42").

On 10th May 2017, the Ministry of Finance issued a revised version of the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies" (Cai Kuai [2017] No. 15) (hereinafter referred to as "Revised Standard No. 16").

On 25th December 2017, the Ministry of Finance issued a revised version of the "General Enterprise Financial Statement Format" (Cai Kuai [2017] No. 30) (hereinafter referred to as the "Revised Report Format").



According to the requirements of the Ministry of Finance, Revised Standard No. 42 shall be implemented as of 28th May 2017; Revised Standard No. 16 shall be implemented as of 12th June 2017; non-financial enterprises that require the implementation of Accounting Standards for Business Enterprises should follow the revised format of the report. The Accounting Standards for Business Enterprises and the above requirements prepare financial statements for the 2017 and subsequent periods. The Revised Report Format requires that non-financial companies that implement the Accounting Standards for Business Enterprises should prepare financial statements for 2017 and subsequent periods in accordance with the Accounting Standards for Business Enterprises and the above requirements.

(2) Impact of Changes in Accounting Policies on the Company

① Changes in accounting policy for non-current assets held for sale

According to Revised Standard No. 42, on the day of implementation, non-current assets held for sale, disposal groups and termination of operations shall be handled in accordance with future applicable laws. Changes in this accounting policy do not involve retrospective adjustments in previous years and have no significant impact on the Company's financial position, operating results and cash flows.

② Changes in accounting policy for government grants

According to Revised Standard No. 16, the Company shall adopt the future applicable law for government grants existing on 1st January 2017, and adjust the new government subsidies between 1st January 2017 and the date of implementation of the new government grants policy in accordance with the policy.

On the implementation of Revised Standard No. 16, the Company will include government grants related to daily activities of the Company in accordance with the nature of the economic business into other income or offset relevant cost expenses. The "other income" items are separately presented on the "operating profit" item in the income statement. Government grants included in other income are reflected in this item; government grants unrelated to daily activities are included in non-operating income. The Company's specific adjustments are as follows: The Company reduced its non-operating income in 2017 by 11,713,174.75 yuan, and increased other income by 11,713,174.75 yuan. Changes in this accounting policy do not involve retrospective adjustments in previous years and have no significant impact on the Company's financial position, operating results and cash flows.

③ Change of financial statement format

According to Revised Report Format, the Company's 2017 annual report was prepared to implement the "Notice of the Ministry of Finance on Revising the Format of Financial Statements for General Enterprises" (Cai Kuai [2017] No. 30). Gains and losses on the disposal of current assets and non-monetary assets exchange gains and losses formerly listed in non-operating income and non-operating expenses are changed to be listed in gains on disposal of assets. The Company's specific adjustments are as follows: the Company increased the asset disposal income of 2017 by 23,634,800.73 yuan, and reduced non-operating income of 2017 by 23,634,800.73 yuan.

6. Appointment and Dismiss of Certified Accountant's Firm

Unit: 10,000 Yuan, Currency: RMB

Name	BDO China Shu Lun Pan Certified Public Accountants LLP
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Payment	85
Audit period	11 years

	Name	Payment
Certified accountant's firm for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP	40

7. Risk of Suspension of Listing

Not applicable.

8. Termination of Listing and Reasons

Not applicable.

9. Bankruptcy

Not applicable.

10. Important Lawsuit and Arbitration

(1) Lawsuit

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 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. In November 2017, the Company applied to the court for enforcement of the judgment. On 23rd February 2018, the Company completed the change of industrial and commercial information and began to enjoy the corresponding shareholder rights and interests.

(2) Arbitration

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.

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

Not applicable.

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

Not applicable.

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

Not applicable.

14. Major Related Party Transactions

14.1 Related Party Transactions Relevant to Daily Operations

Shanghai SGSB Electronic Co., Ltd., a wholly-owned subsidiary of the Company, sells products to Fiji Xerox of Shanghai Limited., and is its permanent accessory supplier. 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 the report period, the sales amount was 21.61 million yuan, decreased by 27.97%. it is mainly due to the year-on-year decrease in the sales volume of Shanghai Fuji Xerox Co., Ltd. and the adjustment of production models.

15. Significant Contracts and Their Implementation

15.1 Trusteeship, Contracting and Lease

Not applicable.

15.2 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	6,866	30 June 2014	01 July 2014		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank Shanghai Branch	10,299	19 September 2016	19 September 2016		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank Shanghai Branch	8,583	28 August 2015	28 August 2015		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Industrial & Commercial Bank of China	6,242	21 December 2015	21 December 2015	21 December 2020	Joint liability guarantee	No	No	0	No	No	



		Shanghai Hongkou Branch												
SGE	Wholly owned subsidiary	Commerzbank	2,146	07 January 2016	07 January 2016	30 July 2017	Joint liability guarantee	No	No	0	No	No		
SGE	Wholly owned subsidiary	Commerzbank	2,146	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).														-2,146
Total balance of guarantee at the end of period (affiliate companies are not quailed.) (A)														41,136
Guarantee of company to affiliates														
Total guarantee amounts of subsidiaries in the report period														
Total balance of guarantee to subsidiaries at the end of report period (B)														
Company total guarantee amounts (including those to subsidiaries)														
Total guarantee amounts (A+B)														41,136
Ratio of total guarantee amounts to company net assets (%)														19.18
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)														

On 25th March 2014, the Company's wholly-owned subsidiary, DAP Industrial AG (Formerly known as 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.

On 30th June 2014, the Company's wholly owned subsidiary DAP AG 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.

On 19th September 2016, the Company's wholly owned subsidiary DAP AG 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.

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.

On 21st December 2015, the Company's wholly owned subsidiary DAP AG 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.

DAP AG pledges 500 million shares of DA AG held by DAP AG to obtain a 2.75 million euro bank guarantee issued by Commerzbank, Germany, for the period from 7th January 2016 to 30th July 2017 and from 7th January 2016 to 30th July 2018 respectively. It provided guarantees for DAP AG to pay equity purchase price to German H. Stoll AG & Co. KG equity sellers.

15.3 Cash Asset Management

15.3.1 Entrusted Financing

Unit: 10,000 Yuan, Currency: RMB

Type	Resource	Total amount	Amount unexpired	Amount overdue
Structured deposits	Idle raised funds	11,000	11,000	0
Structured deposits	Idle self-owned funds	22,200	22,200	0

With the review and approval of the 35th meeting of the Seventh Board of Directors on 31st March 2017, it is resolved that idle raised funds of 110 million yuan and self-owned funds of 222 million yuan were managed in purchasing RMB financial products of the bank with principal guaranteed.

Name of partner	Product name	Amount	Starting date	Ending date	Fund resource	Method of determining gains	Annualized rate of return	Gains actually obtained	Whether legal proceedings are involved	Provision
Communications Xuhui Branch	Yuntong Wealth Rizengli S	2,500	2016/9/9	2017/1/24	Raised	Floating gains with guaranteed principal	2.95%	27.69	Yes	0
Communications Xuhui Branch	Yuntong Wealth Rizengli S	2,500	2016/9/9	2017/1/24	Self-owned	Floating gains with guaranteed principal	2.95%	27.69	Yes	0
BOS Fumin Branch	Wenjin" No. 2 SD21606M049B	8,000	2016/9/22	2017/3/23	Self-owned	Floating gains with guaranteed principal	2.92%	116.48	Yes	0
BOS Fumin Branch	Wenjin" No. 2 SD21603M078A	1,200	2016/11/15	2017/2/14	Self-owned	Floating gains with guaranteed principal	3.15%	9.42	Yes	0
BOS Fumin Branch	Wenjin" No. 2 SD21603M078A	8,800	2016/11/15	2017/2/14	Raised	Floating gains with guaranteed principal	3.15%	69.11	Yes	0
BOS Fumin Branch	Wenjin" No. 2 SD21603M084A	10,200	2016/11/29	2017/2/28	Self-owned	Floating gains with guaranteed principal	3.20%	81.38	Yes	0
Communications Xuhui Branch	Yuntong Wealth Rizengli 89 Day	2,500	2017/1/25	2017/4/24	Raised	Guarantee gains with guaranteed principal	3.50%	21.34	Yes	0
Communications Xuhui Branch	Yuntong Wealth Rizengli 89 Day	2,500	2017/1/25	2017/4/24	Self-owned	Guarantee gains with guaranteed principal	3.50%	21.34	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M009A	1,500	2017/2/16	2017/5/18	Self-owned	Floating gains with guaranteed principal	3.75%	14.02	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M009A	8,500	2017/2/16	2017/5/18	Raised	Floating gains with guaranteed principal	3.75%	79.47	Yes	
BOS	Wenjin" No. 2	10,200	2017/3/2	2017/6/1	Self-owned	Floating	3.85%	97.91	Yes	



Name of partner	Product name	Amount	Starting date	Ending date	Fund resource	Method of determining gains	Annualized rate of return	Gains actually obtained	Whether legal proceedings are involved	Provision
Fumin Branch	SD21703M013B					gains with guaranteed principal				
BOS Fumin Branch	Wenjin" No. 2 SD21703M023A	8,000	2017/3/28	2017/7/3	Self-owned	Floating gains with guaranteed principal	3.98%	84.62	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M035A	2,500	2017/4/27	2017/7/27	Raised	保本保收益型	4.05%	25.24	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M035A	2,500	2017/4/27	2017/7/27	Self-owned	保本保收益型	4.05%	25.24	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M044A	1,500	2017/5/23	2017/8/22	Self-owned	Floating gains with guaranteed principal	4.10%	15.33	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M044A	8,500	2017/5/23	2017/8/22	Raised	Floating gains with guaranteed principal	4.10%	86.89	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M032A	10,200	2017/6/6	2017/12/5	Self-owned	Floating gains with guaranteed principal	4.10%	208.53	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M041B	8,000	2017/7/6	2018/1/4	Self-owned	Floating gains with guaranteed principal	4.20%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M051B	2,500	2017/8/1	2018/1/30	Self-owned	Floating gains with guaranteed principal	4.35%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M051B	2,500	2017/8/1	2018/1/30	Raised	Floating gains with guaranteed principal	4.35%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M075C	5,000	2017/8/24	2017/11/23	Raised	Floating gains with guaranteed principal	4.35%	54.23	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M075C	1,500	2017/8/24	2017/11/23	Self-owned	Floating gains with guaranteed principal	4.35%	16.27	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M077A	2,000	2017/8/31	2017/11/30	Raised	Floating gains with guaranteed principal	4.35%	21.69	Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M091B	6,500	2017/11/28	2018/5/29	Raised	Floating gains with guaranteed principal	4.30%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M091B	1,500	2017/11/28	2018/5/29	Self-owned	Floating gains with guaranteed principal	4.30%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21703M114B	2,000	2017/12/7	2018/3/8	Raised	Floating gains with guaranteed principal	4.40%		Yes	
BOS Fumin Branch	Wenjin" No. 2 SD21706M094B	10,200	2017/12/7	2018/6/7	Self-owned	Floating gains with guaranteed principal	4.30%		Yes	

Note: The principal of this structured deposit product is invested in fixed-income instruments and deposits above the investment level that are circulated between banks or exchanges, including but not limited to bonds, repurchases, lending, deposits, cash, interbank borrowings, insurance debt investment plans, etc. , to obtain gains during holding.

15.3.2 Entrusted Loan

Not applicable.

16. Situations of Company Performing Social Liabilities Actively

16.1 Poverty Alleviation of Listed Companies

Not applicable.

16.2 Social Responsibility

The Company insists on complying with laws and regulations as the Company's basic operation principle, and focuses on mutual development of economic benefits and social benefits. In 2017, the Company seriously complied with national laws, regulations and policies, operated business by legal requirements, paid taxes actively, controlled product qualities, given more employment chances, actively participated in charity donation and volunteer activities in Pudong New Area, supported development of local economy, and never behaved to destroy social economic development or environment protection.

16.3 Environmental Information

The Company and its subsidiaries do not belong to the key pollutant discharge units announced by the environmental protection department. During the report period, the Company and its subsidiaries strictly enforced the laws and regulations concerning environmental protection, formulated strict environmental practices, and took corresponding measures against pollution sources. There were no violations of environmental laws and regulations and pollution accidents. The Company has not been punished by the environmental protection department for environmental violations.

17. Convertible corporate bonds

Not applicable.

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	62,078 (A Share: 34,736; B Share: 27,342)
Total number of shareholder as of 31 st March 2018	60,452 (A Share: 33,278; B Share: 27,174)

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	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
SCBHK A/C KG INVESTMENTS ASIA LIMITED	318,500	4,909,455	0.89	0	/		Foreign Legal Person
GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	0	4,770,654	0.87	0	/		State-owned Legal Person
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,678,113	3,678,113	0.67	0	/		Foreign Legal Person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,859,000	3,562,200	0.65	0	/		Foreign Legal Person
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	-124,679	3,010,490	0.55	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				
SCBHK A/C KG INVESTMENTS ASIA LIMITED	4,909,455	B Share	4,909,455				
GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	4,770,654	A Share	4,770,654				
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,678,113	B Share	3,678,113				
ISHARES CORE MSCI EMERGING MARKETS ETF	3,562,200	B Share	3,562,200				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,010,490	B Share	3,010,490				
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
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The Number of Restricted Shares Held by Top Ten Shareholders and the Conditions for Sale:
Not applicable.

4. Controlling Shareholder and Actual Controller

4.1 Controlling Shareholder

4.1.1 Legal Person

Not applicable.

4.1.2 Natural person

Not applicable.

4.1.3 Special Explanation for the Absence of Controlling Shareholder of the Company

As a result of the relatively low proportion of the shares held by PKFR and Pudong SASAC, both held no more than 30% and their shareholding ratio is closer, no shareholder could control the Company separately; the Company is a listed company with no controlling shareholder and no actual controller.

4.1.4 Index and Date of Change of Controlling Shareholder during the Report Period

Not applicable.

4.1.5 The Property and Control Relationship between the Company and the Controlling Shareholder

Not applicable.

4.2 Actual Controller

4.2.1 Legal Person

Not applicable.

4.2.2 Natural Person

Not applicable.

4.2.3 Special Explanation for the Absence of Controlling Shareholder of the Company

As a result of the relatively low proportion of the shares held by PKFR and Pudong SASAC, both held no more than 30% and their shareholding ratio is closer, no shareholder could control the Company separately; the Company is a listed company with no controlling shareholder and no actual controller.

4.2.4 Index and Date of Change of Actual Controller during the Report Period

Not applicable.

4.2.5 The Property and Control Relationship between the Company and the Actual Controller

Not applicable.

4.3 Other Introduction about Controlling Shareholder and Actual Controller

Not applicable.

5. Other Shareholders (Legal Person) Holding More than Ten Percent



Unit: 10,000 Yuan, Currency: RMB

Name	Legal Representative	Date of Establishment	Enterprise Unified Social Credit Code	Registered Capital	Main Business
Shanghai Puke Flyingman Investment Co., Ltd	Zhu Xudong	June 16, 2016	91310115MA1K3D9W81	28,512	Industrial investment, investment management, investment consulting

6. Description of the Limit of Share Reduction

Not applicable.

CHAPTER 7 RELEVANT SITUATION ABOUT PREFERRED SHARES

Not applicable.



CHAPTER 8 SITUATION ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGERS AND EMPLOYEES

1. Share Change and Compensation

1.1 Share Change and Compensation of Current and Former Directors, Supervisors and Senior Managers

Unit: Share

Name	Title	Gender	Age	Starting Date	Ending Date	Shares Held at the Beginning of the Year	Shares Held at the End of the Year	Increase/ Decrease	Reason for the Change	Pre Tax Compensation Payable in the Report Period (Unit: 10,000 yuan)	Compensation Payable by Related Parties
Zhang Min	Chairman	Male	55	30 July 2004	26 April 2020	100,000	170,000	70,000	Increased holdings in the secondary market	118.3	No
	CEO			30 July 2004	27 April 2017						
	General Manager			27 April 2017	26 April 2020						
Zhu Xudong	Director	Male	53	27 April 2017	26 April 2020						Yes
Yin Qiang	Director	Male	39	27 April 2017	26 April 2020						Yes
Huang Yingjian	Director	Female	41	27 April 2017	26 April 2020						Yes
Li Wenhao	Director	Male	35	27 April 2017	04 April 2018						No
Lu Yujie	Director	Male	48	30 June 2009	26 April 2020					1.19	Yes
Xi Lifeng	Independent Director	Male	51	27 April 2017	26 April 2020					7.5	No
Rui Meng	Independent Director	Male	50	27 April 2017	26 April 2020					7.5	Yes
Chen Zhen	Independent Director	Male	43	27 April 2017	26 April 2020					7.5	Yes
Qiao Junhai	Superisory Board Chairman	Male	60	28 April 2014	26 April 2020						No
Chen Mengzhao	Supervisor	Male	40	27 April 2017	26 April 2020						Yes
Zhang Jianguo	Supervisor	Male	58	27 April 2017	26 April 2020					51.9	No
	Secretary of the Board			25 August 2011	06 April 2017						
Li Jiaming	Director	Male	57	28 April 2014	27 April 2017					89.77	No
	Deputy General Manager			18 April 2008	26 April 2020						
Fang	Director	Male	51	27 December	27 April 2017					82	No



Haixiang	Deputy General Manager			2012						
				18 April 2008	26 April 2020					
Zheng Ying	Deputy General Manager	Female	53	27 October 2008	26 February 2018	21,500	21,500			No
Li Xiaofeng	Deputy General Manager	Male	43	27 December 2012	26 April 2020				84.8	No
Zhou Yongqiang	Secretary of the Board	Male	55	27 April 2017	26 April 2020				50	No
Sun Gang	Director	Male	53	28 May 2010	27 April 2017				1.19	No
Bao Qi	Director	Female	41	27 December 2012	27 April 2017				1.19	No
Zhang Ming	Independent Director	Male	59	30 June 2009	27 April 2017				3.33	Yes
Su Yong	Independent Director	Male	62	30 June 2009	27 April 2017				3.33	No
He Ye	Independent Director	Female	54	27 December 2012	27 April 2017					No
Ding Binhui	Supervisor	Male	53	27 December 2012	27 April 2017					No
Zhuge Huiling	Supervisor	Female	49	27 December 2012	27 April 2017				45.38	No
Chen Guoling	Supervisor	Female	55	09 December 2010	27 April 2017	12,645	12,645		51.22	No
Xu Yuping	Supervisor	Male	55	27 December 2012	27 April 2017				32.47	No
Total	/	/	/	/	/	134,145	204,145	70,000	/	638.57

Name	Main work experience
Zhang Min	He has a bachelor degree in engineering from Shanghai Jiao Tong University, an EMBA from China Europe International Business School, a professor-level senior engineer, a national model worker, and a national outstanding entrepreneur from 2015 to 2016. He took part in the work in July 1983. He used to be the engineer of the introduction office., the deputy section chief of the quality control department, the chief section of the supply section, the director of the full quality office, the chief of the financial section, the head of the investment and development section, and general manager of Shanghai Refrigerator Compressor Co., Ltd. Assistant; General Manager of Shanghai Zanussi Electric Machinery Co., Ltd.; Deputy Party Secretary, Vice Chairman and General Manager, Chairman of Shanghai SMPIC Office Machinery Co., Ltd.; Chairman and CEO of ShangGong Group Co., Ltd. Since April 2017, he has served as chairman of the eighth Board of Directors and the General Manager of SGG. Now he is concurrently the vice chairman of China National Light Industry Council and vice chairman of the China Sewing Machinery Association.
Zhu Xudong	He has a doctor degree from Tongji University, a EMBA from China Europe International Business School, senior engineer. He used to be Assistant Engineer of Aeronautics and



	Aircraft Design Institute of Ministry of Transportation, Chief Staff Officer and Assistant to the Director of Urban Construction Bureau of Pudong New Area, Deputy Director and Chief Engineer of Pudong New Area Municipal Construction Administration, General Manager of Pudong New Area Construction and Management Co., Ltd., Deputy Director of the Planning and Development Bureau of Pudong New Area, Secretary of Science and Technology Bureau of Pudong New Area, Secretary of the Party Group (Director of Intellectual Property Office and Director of the Information Commission), Director of Science and Technology Committee of Pudong New Area, Party Secretary and First Vice-President and Party Secretary of the Pudong New Area Science and Technology Association. He is currently the chairman and president of Shanghai Pudong Science and Technology Investment Co., Ltd., and serves as the board chairman of Shanghai Wanye Enterprise Co., Ltd. and the director of Shanghai Xinmei Real Estate Co., Ltd. Since April 2017, he has served as a director of the eighth Board of Directors of the Company.
Yin Qiang	He holds a master's degree in financial investment from the School of Management of the University of Rotterdam in Netherlands, and is a first-tier financial analyst. He used to be a programmer in the financial software development department of the Shanghai Institute of Computing Technology; a staff member of the Investment Banking Department and the Investment Finance Department of Pudong Development Group Finance Co., Ltd.; a director of the Office of Pudong Public Rental Housing Company; an assistant to the director of office of Pudong Development Group Co., Ltd.; assistant director (Presiding) of Pudong SASAC. He is currently the general manager of the investment management department of Shanghai Pudong Investment Holdings Co., Ltd. and chairman of Shanghai Shine-link International Logistics Co., Ltd.. Since April 2017, he has served as a director of the eighth Board of Directors of the Company.
Huang Yingjian	She graduated from the University of Braunschweig in Germany with a master's degree and is an economist. She used to be a project consultant of Desun Trading & Consulting GmbH, a researcher at Fuka Economic Forecasting Institute, investment staff and employee director of Shanghai Digital Industry (Group) Co., Ltd., assistant director of the property rights section of Pudong SASAC; Deputy Manager of the Equity Management Department of Shanghai Pudong Investment Holding (Group) Co., Ltd. (Presiding), Legal Representative of Shanghai Pudong Asset Management Co., Ltd., Director of Shanghai Digital Industry Group Co., Ltd. Since April 2017, she has served as a director of the eighth Board of Directors of the Company.
Li Wenhao	Graduate degree, Chartered Financial Analyst (CFA Level 2). He used to be project manager of China Electronics Basic Products and Equipment Company; Portfolio analyst of USS Funds; and investment manager of China Huarong Asset Management Corporation. He is currently the senior manager of China Great Wall Asset Management Co., Ltd. in the Investment Banking Division (Great Wall Guorong Investment Management Co., Ltd.). From April 2017 to April 2018, he served as a director of the eighth Board of Directors of the Company.
Lu Yujie	Fudan University Master of Business Administration, Senior Economist. Previously worked at Shanghai Metro Corporation; once served as head of the investment bank of Shanghai International Trust & Investment Corporation; project manager of Financial Advisory Department, manager of Investment Banking Department and financial manager of Shanghai International Group Asset Management Co., Ltd.; operations director, financial director, and investment director of asset management of Shanghai International Group Asset Management Co., Ltd. Currently he is deputy general manager of Shanghai International Group Asset Management Co., Ltd. Since April 2017, he has served as a director of the eighth Board of Directors of the Company.
Xi Lifeng	He is a senior professor in Shanghai Jiao Tong University. He received his Ph.D. from Shanghai Jiaotong University in 1995. Since September 1995, he has taught at Shanghai Jiao Tong University and served as vice president and dean of School of Mechanical and Power Engineering of Shanghai Jiao Tong University. Currently He serves as Vice President of Shanghai Jiao Tong University and Dean of Gas Turbine Research Institute, Executive Deputy Dean of China Institute of Quality Development, and Deputy Director of the Machinery Engineering Professional Steering Committee of the Ministry of Education, founded Fellow of International Engineering Asset Management Society, Standing Director of China Quality Association, and deputy chief editor of "Industrial Engineering and Management" journal. Since April 2017, he has served as an independent director of the eighth Board of Directors of the Company.
Rui Meng	He holds a Ph.D. in Finance from University of Houston. He is also professionally designated as Certified Financial Analyst (CFA) and Financial Risk Manager (FRM). He used to be a tenured Professor at Chinese University of Hong Kong. He was the Programme Director of Executive Master of Professional Accountancy which is a joint programme between the CUHK and Shanghai National Institute of Accounting. He was a deputy director of the Center for Institutions and Governance and a senior research fellow of Institute of Economics and Finance. He also serves as an independent director for Midea Group Co., Ltd., COSCO Shipping Energy Transportation Co., Ltd. and Shanghai Winner Information Technology Co., Inc. He is a Member of American Finance Association, Financial Management Association, American Accounting Association, Hong Kong Securities Institute. He was a former member of the Panel of Examiners of the Securities Industry Examination of the Hong Kong Stock Exchange and a former member of the Advisory Board of the Business Valuation Forum in Hong Kong. He was a visiting financial economist at Shanghai Stock Exchange, research fellow at Hong Kong Institute for Monetary Research and research fellow at Asian Development Bank Institute. He was also a vice president of Hong Kong Financial Engineering Association. Since April 2017, he has served as an independent director of the eighth Board of Directors of the Company.



Chen Zhen	Bachelor of law. Chinese practicing lawyers. Since 1999, He has worked as a lawyer and partner in Llinks Law Offices. Since April 2017, he has served as an independent director of the eighth Board of Directors of the Company.
Qiao Junhai	Serve in the army from December 1976 to April 2005, former deputy commander. Former director and secretary of party committee of Shanghai Nanhui District Sports Bureau, vice secretary and secretary-general of Nanhui District Politics and Law Committee, director of Nanhui District Comprehensive Management of Public. Former Party Committee Secretary of Pudong New Area Politics and Law Committee, vice director of Comprehensive Management of Social Security Committee Office, member of Pudong New Area Commission for Discipline Inspection. From April 28, 2014, he served as the Supervisory Board Chairman of the Company.
Chen Mengzhao	Bachelor of Engineering, Bachelor of Law, Lawyer. He used to be a layer at Shanghai Allbright Law Offices and Shanghai HIWAYS Law Firm. He joined Shanghai Pudong Science & Technology Investment Co., Ltd. in 2011 and has served as Senior Legal Manager of the Legal Department and Deputy General Manager of the Legal Department; currently serves as Legal Director of Shanghai Pudong Science & Technology Investment Co., Ltd., and Director of Shanghai Wanye Enterprise Co., Ltd., Director of Shanghai Xinmei Real Estate Co., Ltd. Since April 2017, he has served as a supervisor of the Company's eighth Supervisory Board.
Zhang Jianguo	University degree, senior engineer. He once served at Shanghai Washing Machine Third Factory and was the Chief of the Production Unit and Technical Unit; Deputy Chief of the Technical Department and the Workshop Director of Shanghai Washing Machine Factory; Director of the Enterprise Management Department, the Director of the Technology Development Department and the Deputy General Manager of Shanghai Shui Xian Electric Appliance Co., Ltd.; Chief engineer and deputy general manager of Shanghai SMPIC Office Machinery Co., Ltd., party secretary and deputy general manager of Shanghai Fuji Xerox Co., Ltd., secretary of the board of directors of ShangGong Group Co., Ltd. Now he is the deputy party secretary of the Company and the chairman of the labor union. Since April 2017, he has served as the supervisor of the eighth Supervisory Board of the company.
Li Jiaming	He holds a bachelor's degree in science from Fudan University and is a professor-level senior engineer. Former R&D Director, Deputy General Manager of Shanghai SMPIC Office Equipment Co., Ltd., Site Manager of SMPIC Photosensitive Materials Factory, General Manager and Party Secretary of Shanghai Machinery Co., Ltd.; Director and deputy general manager of ShangGong Group Co., Ltd.. Since April 2008, he served as Deputy General Manager of the Company.
Fang Haixiang	Master of Engineering, Senior Engineer. Former Deputy General Manager and Chief Engineer of Shanghai Xiechang Feiren Co., Ltd.; former director of the Company. Since April 2017, he served as Deputy General Manager of the Company.
Zheng Ying	Master of Engineering, Senior Engineer. She used to served as a translator and head of sales department of Shanghai Refrigerator Compressor Co., Ltd., executive manager of Shanghai Zanussi Electric Machinery Co., Ltd., assistant to general manager, sales and operations manager of Shanghai Philips Electronic Components Co., Ltd., Assistant to the general manager of Shanghai SMPIC Office Machinery Co., Ltd., party secretary and deputy general manager of Shanghai Fuji Xerox Copier Co., Ltd.; From November 2004 to February 2018, she was sent by the Company to serve as the executive director of SGE and the executive director of DA AG. From October 2008 to April 2017, she served as Deputy General Manager of the Company.
Li Xiaofeng	EMBA from China Europe International Business School, MBA from Shanghai University of Finance and Economics, Senior Economist. Former general manager Assistant of the Company, general manager of Shanghai Import & Export Co., general manager of Shanghai Shanggong Butterfly Sewing Machine Co., Ltd., currently general manager of DAPSH. Since December 2012, he served as the Company's deputy general manager.
Zhou Yongqiang	Bachelor degree. He used to be the person in charge of the financial unit of Shanghai No. 3 National Instrument Factory, the deputy section chief of the financial department of Shanghai Refrigerator Compressor Co., Ltd., and the financial affairs representative of Shanghai Highly (Group) Co., Ltd. Since March 2006, he has worked at ShangGong Group Co., Ltd. and used to serve as the deputy director of the office, securities affairs representative, secretary of the supervisory board, and director of the office. From May 2014 to December 2016, he served as General Manager of SG Butterfly. Since January 2017, he has served as the office director of the Company Since April 2017, he has served as Secretary of the Board of the Company.

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 deputy general manager of the Company, and appointed Zhou Yongqiang as the Board Secretary.

During the report period, Ms. Zheng Ying, Deputy General Manager of the Company, worked in Germany. She received her salary from the oversea subsidiary, not from Company's Headquarter.

Ms Zheng Ying submitted her application for resignation on 26th February 2018 and no longer held any position in the Company and its subsidiaries. Mr. Li Wenhao submitted his resignation application on 4th April 2018 and no longer serves as a director of the Company and a member of the Strategy Committee.

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

Not applicable.

2. Current and Former Director, Supervisor and Senior Manager's Employment

2.1 Employment with Shareholders

Name	Shareholder	Title	Starting date	Ending date
Zhu Xudong	PKFR	Executive Director, Legal Representative	June 2016	
Yin Qiang	Pudong SASAC	Assistant Director of Planning and Development	April 2016	31 December 2017
Huang Yingjian	Pudong SASAC	Assistant Director	February 2013	
Li Wenhao	China Great Wall Asset Management Co., Ltd GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	Senior Manager of Investment Banking Division	September 2011	
Lu Yujie	SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	Deputy general manager	May 2015	
Chen Mengzhao	PKFR	Supervisor	June 2016	
Sun Gang	China Great Wall Asset Management Co., Ltd	Party Committee Secretary and general manager of Guizhou Office	May 2016	April 2017



Name	Shareholder	Title	Starting date	Ending date
Sun Gang	China Great Wall Asset Management Co., Ltd	Manager of Investment Banking Division	April 2017	
Ding Binhui	Pudong SASAC	Professional Supervisor of Supervisors Center	August 2009	

2.2 Employment with Other Institutions

Name	Company Name	Title	Starting From	End Date
Zhang Min	China Sewing Machinery Association	Deputy Director	26 September 2011	
	China Light Industry Federation	Deputy Director	21 June 2016	
Zhu Xudong	Shanghai Pudong Science and Technology Investment Co., Ltd.	Chairman, General Manager	February 2012	
	SHANGHAI WANYE ENTERPRISES CO.,LTD	Director	18 December 2016	
	Shanghai Xinmei Real Estate Co.,Ltd.	Director	16 November 2016	
Yin Qiang	Shanghai Pudong Investment Holdings Co., Ltd.	Deputy Manager of Investment Management Department (Presiding work)	April 2016	31 December 2017
	Shanghai Pudong Investment Holdings Co., Ltd.	Manager of Investment Management Department	January 2018	
	Shanghai Shine-link International Logistics Co., Ltd.	Chairman	June 2016	
Huang Yingjian	Shanghai Pudong Investment Holdings Co., Ltd.	Deputy Manager of Equity Management Department (Presiding work)	January 2016	
	SHANGHAI DIGITAL INDUSTRY (GROUP) CO., LTD.	Director	August 2014	
	Shanghai Pudong Asset Management Co., Ltd.	Legal Representative	February 2016	
Lu Yujie	Shanghai International Group Asset Operation Co., Ltd.	Executive Director	March 2009	
	KINGBURG INDUSTRY INVESTMENT FUND AMANAGEMENT CO., LTD.	Director	December 2015	
	SHANGHAI KINGBURG INVESTMENT MANAGEMENT CO., LTD	Chairman	December 2014	December 2017
	Shanghai Real Power Capital Management Co., Ltd.	Director	June 2014	
	Shanghai Baoding Investment Co., Ltd.	Director	June 2014	
	LONGJIANG BANK CO., LTD.	Director	July 2015	
	ALL IN PAY NETWORK SERVICES CO., LTD.	Supervisor	August 2014	



Name	Company Name	Title	Starting From	End Date
Rui Meng	COSCO Shipping Energy Transportation Co., Ltd.	Independent Director	June 2015	
	Shanghai Winner Information Technology Co., Inc.	Independent Director	December 2015	
	Midea Group Co., Ltd.	Independent Director	December 2015	
Chen Zhen	Llinks Law Offices	Lawyer, Partner	January 1999	
	China Lonking Holdings Co., Ltd.	Independent Director	October 2014	
	Shanghai Flyco Electrical Appliance Co., Ltd.	Independent Director	August 2014	
	Asia Cuanon Technology (Shanghai) Co., Ltd.	Independent Director	May 2014	
	Chengdu Nibirutech Inc	Independent Director	July 2014	
Chen Mengzhao	Shanghai Pudong Science and Technology Investment Co., Ltd.	Legal Director	January 2011	
	SHANGHAI WANYE ENTERPRISES CO.,LTD	Director	December 2015	
	Shanghai Xinmei Real Estate Co.,Ltd.	Director	November 2016	
Li Jiaming	Shanghai Fuji Xerox Co., Ltd.	Deputy Chairman	June 2014	
Zhang Ming	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent Director	02 June 2011	
	Wuxi Commercial Mansion Grand Orient Co., Ltd.	Independent Director	20 May 2015	
	Haitong Securities Co., Ltd.	Independent Director	12 June 2016	
	Shanghai Pudong Development Bank Co., Ltd.	Independent Director	29 April 2016	
Su Yong	MAANSHAN IRON & STEEL COMPANY LIMITED	Independent Supervisor	September 2011	30 November 2017
He Ye	China Sewing Machinery Association	Chairman	26 September 2011	
	China Light Industry Federation	Deputy Director	21 June 2016	

3. Compensation for Director, Supervisor and Senior Managers

Decision Making Procedure for Director, Supervisor and Officer Compensation	Apply the regulation on Officers' Salary in <i>Senior Management Personnel Remuneration Management Regulation</i>
Basis for Director, Supervisor and Officer Compensation	Implement according to <i>Senior Management Personnel Remuneration Management Regulation</i> and other corporate internal control system
Director, Supervisor and Officer Compensation Payable	Compensation will be paid according to KPI, according to independent director compensation standard and procedure approved by the shareholder general meeting.
Total Compensation at End of Reporting Period for Director, Supervisor and Officer	RMB 6.3857 million yuan, before tax



4. Change of Directors, Supervisors and Senior Managers of the Company

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



Name	Title	Change	Reason
Qiao Junhai	Chairman of the Supervisory Board	Election	Election
Chen Mengzhao	Supervisor	Election	Election
Zhang Jianguo	Supervisor	Election	Election
Zhang Min	General Manager	Appointment	Appointment
Li Jiaming	Executive Deputy General Manager	Appointment	Appointment
Fang Haixiang	Deputy General Manager	Appointment	Appointment
Zheng Ying	Deputy General Manager	Appointment	Appointment
Li Xiaofeng	Deputy General Manager	Appointment	Appointment
Zhou Yongqiang	Secretary of the Board	Appointment	Appointment

5. Punishment by the Securities Regulatory Authorities in Last Three Years

Not applicable.



6. Staff Condition of Parent Company and Major Subsidiaries

6.1 Staff Condition

Population of serving staff in parent company	171
Population of serving staff in major subsidiary companies	3,024
Total population of serving staff	3,195
Population of retired staff who have to undertake expense in parent company and major subsidiary companies	
Professional Composition	
Type of Professional Composition	Population of Professional Composition
Production Staff	2,086
Sales Personnel	352
Technician	307
Financial Staff	134
Administrative Staff	316
Total	3,195
Education	
Type of Educational Degree	Population
Postgraduate, undergraduate and above	525
Junior college	1,092
Junior college and below	1,578
Total	3,195

6.2 Compensation Policy

During the report period, the Company has formulated the Employee Performance Assessment and Salary Management Method in the Department. The staff salary is implemented strictly according to stipulated policies.

6.3 Training Plan

The Company adopts flexible and diverse training methods, and does a good job of on-the-job training, professional qualification training, and continuing education. It focused on strengthening the construction of young cadres in 2017 to ensure the Company's sustainable development in the future. In order to build a working platform for young cadres to learn, exchange, and practice, and to create a good environment for young cadres to speed up their growth, the Company takes training, grassroots exercise, rotation, and detention as an important means of cultivating and selecting young cadres. Based on the pilot work in 2016, the Company continued to expand the work of training junior employees at the grassroots level within the Group in 2017 and concentrate on product technology and management knowledge. In the second half of 2017, the Company began to arrange monthly training for young cadres. The training covers business management, marketing, sewing machine product technology, manufacturing technology and financial management. By the end of the year, it has completed four phases and 216 employees participated the intraining sessions. In addition, in order to make young cadres be more familiar with the operation of the Company and improve management ability, the Company sent some young cadres to work in the subsidiaries like SGGEMSY and DAMSH.

6.4 Outsourcing

Not applicable.

CHAPTER 9 CORPORATE GOVERNANCE

1. Illustration of Corporate Governance and Related Situation

During the report period, the Company has continuously improved the corporate governance structure and regulated the Company operation in strict accordance with laws and regulations including the Corporate Law, Securities Law and Code of Corporate Governance for Listed Companies, and the requirement of China Securities Regulatory Commission, Shanghai Stock Exchange and other regulators. At present, the Company has formed the legal governance structure with distinct rights and liabilities, each performing its own functions, effective balance, scientific decisions and coordinating operation. The corporate government complies with the requirement of relevant laws and regulations, and there is no rectification within a limited time required by any supervision department. The stockholders' meeting, board of directors and board of supervisors fulfill their own duties and operate in a standard way to practically guarantee the interest of vast investors and the company.

(1) Shareholders and Shareholders' Meeting

The Company holds shareholders' meeting in strict accordance with the laws and regulations including the Corporate Law, Listing Rule of Shanghai Stock Exchange, and the requirement of the Articles of Association and Procedure Rules of Shareholders' Meeting to ensure that all the shareholders can enjoy equal status and rights. Meanwhile, lawyers are invited to attend the shareholders' meeting and confirm and witness the convention procedure, deliberation matters and attendees' identities. The meeting minutes should be complete to guarantee the legitimacy and effectiveness of the shareholders' meeting.

(2) Controlling Shareholders and Companies

The Company possesses independent business and management abilities. Both the Company and controlling shareholders can realize "five independences" in terms of staff, asset, finance, organization and business. The board of directors, board of supervisions and internal organizations can operate independently. The Company's major decisions are made by the shareholders' meeting according to the law. The controlling shareholders exercise shareholders' rights by law without the behavior of interfering with the Company's decision and operating activities directly or indirectly exceeding the shareholders' meeting. The Company has no related transaction with controlling shareholders.

(3) Directors and Board of Directors

The Company has formulated the Procedure Rules of the Board of Directors according to the stipulation of the Corporate Law and Articles of Association. The directors' qualification and electoral procedure comply with the stipulation of relevant laws and regulations. All the directors strictly abide by the directors' declaration and promise that they have made, fulfill the rights and obligations endowed by the Articles of Association earnestly, and perform their duties loyally, diligently and sincerely.

The Company's independent directors shouldn't be less than 1/3 of total directors. During the report period, they have attended the board meeting carefully, delivered their professional opinions on major issues including periodic reports, related party transactions and external securities, and played a positive role in the scientific decisions of the board of directors and the healthy development of the company.

(4) Supervisors and Board of Supervisors

The Company elects supervisors in strict accordance with the selection procedure of the Corporate Law and Articles of Association. The Company's board of supervisors consists of five supervisors, including two staff representatives. Population and staff composition comply with the requirement of laws and regulations. All the supervisors can carefully fulfill the obligations according to the Procedure Rule of the Board of Supervisors. Driven by the responsibility for all the shareholders, especially minority shareholders, supervisors fulfill responsibilities carefully, according to the *Procedure Rules of the Board of Supervisors*, supervise the Company's finance, the legitimacy and compliance of directors and senior executives in fulfilling their duties.

(5) Information Disclosure and Transparency

The Company appoints the secretary of the board to be responsible for the Company's information disclosure, receiving investors' visit and consultation, and designates Shanghai Securities News and Hong Kong Commercial Daily to disclose the Company's information. The Company strictly abides relevant stipulations of information disclosure, effectively prevents selective information disclosure and occurrence of insider trading, and makes everything in a just, impartial and open way. The Company can disclose relevant information truly, accurately, completely and timely according to relevant stipulations of laws, regulations and the Articles of Association to ensure that all the shareholders have the equal opportunity to gain information. During the report period, the Company has revised the Information Disclosure Affairs Management System in order to enhance the internal control and further stipulate the Company's information disclosure affairs management according to the stipulation of the Shanghai Stock Exchange on implementing direct business in information disclosure.

(6) About Investors' Relation and Related Interest Parties

The Company further enhances the channel to communicate with investors, fully respects and maintains the legitimate interest of related interest parties realizes the balance of the interest of shareholders, staff and society, commonly promotes the sustainable and healthy development of the company according to the Investor Relations Management. A specially-assigned person in the Company's board office is responsible for receiving investors' incoming calls, letters, visits and questions, and replies them by instant answers, relying letters or emails.

In order to regulate the Company's insider information management, enhance the privacy of inside information and maintain information disclosure fairness, the Company formulates and strictly executes the Inside Information and Insiders' Management System according to laws and regulations of the Corporate Law, Securities Law, Administrative Measures on Information Disclosure by Listed Companies, Stock Listing Rule of Shanghai Stock Exchange, relevant stipulations of the Articles of Association and the actual condition of the company. The Company's inside information management will be under the centralized leadership and management of the board of directors to guarantee that the information insiders' files are true, accurate and complete. The chairman will become the major person in charge. The secretary of the board organizes the implementation and is responsible for registering and filling information insiders. The board of supervisors supervises the management system implementation of information insiders.

During the report period, the Company has strictly implemented the registration management system of inside information and normalized information transfer process. During the regular report and temporary announcement disclosure period, the company has strictly controlled insiders' range for private information, organized to fill in the Information Insider Registration Form, and truly and completely recorded the list of all

the information insiders before the information above were public, and the time when insiders knew the inside information, etc.

During the report period, the Company's directors, supervisors, senior executives and other relevant staff have strictly abided by the management system of information insiders. No information insider has been discovered to utilize inside information to buy and sell Company's stocks, and no information insider has been investigated by the supervision department for being suspected of being involved in inside information trade.

During the report period, the Company has revised the Articles of Association, Rules for the Shareholders' Meetings, and various regulations and systems to further perfect the corporate governance and normalize operation.

During the report period, the Company has formulated the *Information Disclosure Pending and Exemption Management Rules, Rules of the Company's Shares and its Changes Held by Directors, Supervisors and Senior Management*, revised the *Articles of Association, Board Meeting Rules, Working Principles of the General Manager, the Implementation Rules of the Strategy Committee of the Company's Board of Directors, the Work System of the Secretary of the Board of Directors, and the Regulation for Project Investment*. The Company further improved corporate governance and standardized operations.

There is no significant difference between the Company's corporate governance and the requirements of relevant provisions released by CSRC.

2. Brief Introduction of Shareholder's Meeting

Name of Meeting	Date of Meeting	Inquiry Index of Designated Website for Publishing Resolutions	Disclosure Date for Publishing Resolutions
The 2016 Annual Shareholders' Meeting	27 th April 2017	www.sse.com.cn	27 th April 2017

3. Duty Fulfillment of Directors

3.1 Attendance of Directors in Board Meeting and Shareholders Meeting

Name	Whether Independent Director	Attendance in Shareholders' Meeting						Attendance in Shareholders' Meeting
		Scheduled Meeting	Personal Attendance	By Telecommunication	By Proxy	Absent	Whether two times in a row did not personally attend the meeting	Attendance in Shareholders' Meeting
Zhang Min	No	5	5	3	0	0	No	1
Zhu Xudong	No	3	3	2	0	0	No	0
Yin Qiang	No	3	3	2	0	0	No	0
Huang Yingjian	No	3	3	2	0	0	No	0
Li Wenhao	No	3	3	3	0	0	No	0
Lu Yujie	No	5	5	4	0	0	No	1
Xi Lifeng	Yes	3	3	2	0	0	No	0
Rui Meng	Yes	3	3	2	0	0	No	0
Chen Zhen	Yes	3	3	2	0	0	No	0
Li Jiaming	No	2	2	1	0	0	No	1



Name	Whether Independent Director	Attendance in Shareholders' Meeting						Attendance in Shareholders' Meeting
		Scheduled Meeting	Personal Attendance	By Telecommunication	By Proxy	Absent	Whether two times in a row did not personally attend the meeting	Attendance in Shareholders' Meeting
Fang Haixiang	No	2	2	1	0	0	No	1
Sun Gang	No	2	2	1	0	0	No	0
Bao Qi	No	2	2	1	0	0	No	1
Zhang Ming	Yes	2	2	1	0	0	No	1
Su Yong	Yes	2	2	1	0	0	No	1
He Ye	Yes	2	2	1	0	0	No	0

Number of Board Meetings Held During the Year	5
Including on-site meeting	0
meetings by telecommunication	3
On-site with telecommunication meeting	2

3.2 Independent Directors' Objection against Significant Events of the Company

Not applicable.

4. Important Opinions and Recommendations of the Special Committees under the Board during Report Period

Not applicable.

5. Explanation by Supervisory Board on the Risks of the Company

Not applicable.

6. Explanation on Structural Independence of the Company on Business, Personnel, Assets, Organization and Finance from the Holding Shareholder

Not applicable.

7. Appraisal and Incentive System for Senior Managers

To be the top in the global sewing industry, the Company realized the market-oriented reform of mixed ownership in 2017. The management team of ShangGong Group unswervingly implements the business strategy of "Technology Leading, Innovation and Development" and is committed to maintaining a global leading position in the high-end sewing industry. But this market position requires scientific capital, talent, and mechanisms to maintain and develop. The Company must comprehensively upgrade and optimize the talent management mechanism and platform so as to achieve a professional and market-oriented human resources strategy and meet the needs of future development. Therefore, it is imperative to establish market-based compensation and performance appraisal mechanisms for senior management team. The PwC consulting team conducted on-site investigations and in-depth interviews in the Company, and conducted benchmarking against listed companies of similar dimensions and types. In terms of compensation of senior managers, the Company has drawbacks such as a large gap between the salary level and the market, and a low correlation between actual income and performance. Performance appraisal indicators also lack job orientation and are difficult to act as incentive mechanisms. Therefore, it is suggested to systematically revise the compensation



and performance plan of the senior managers, optimize the compensation philosophy, compensation system, salary level, and performance appraisal. And an optimization program has been formed.

The remuneration of senior managers in 2017 is linked to the completion of the Company's business objectives, individual work performance, and the completion of key tasks. The Remuneration and Appraisal Committee of the Board of Directors determines the evaluation of senior managers based on the completion status of the Company's business indicators in 2017 and the fulfillment of responsibilities of each senior manager.

8. Self-evaluation Report of Internal Control

There were not factors which have influence on evaluation conclusion of effectiveness of internal control from the benchmark date of self-evaluation report of internal control to issuance date of self-evaluation report of internal control. For details of self-evaluation report of internal control, please see the complete report released in the website of Shanghai Stock Exchange.

9. Internal Control Audit Report

Appointed by the Company, BDO conducted an audit on the effectiveness of internal control of financial statements, and issued a standard audit report for internal control without reserved opinions. For details of audit report for internal control, please see the complete report released in the website of Shanghai Stock Exchange.

CHAPTER 10 RELEVANT SITUATION ABOUT CORPORATE BONDS

Not applicable.

CHAPTER 11 FINANCIAL REPORT

1. Audit Report

XinKuaiShiBaoZi[2018]No.ZA12084

To all the shareholders of Shang Gong Group Co., Ltd.:

1. Audit Opinion

We have audited the financial statements of Shang Gong Group Co., Ltd. (hereinafter referred to as “the Company”), including the consolidated statement of financial position and statement of financial position as of 31st December 2017, consolidated statement of comprehensive income and statement of comprehensive income, consolidated statement of cash flows and statement of cash flows, consolidated statement of changes in equity and statement of changes in equity and notes to the financial statements for the Year 2017.

In our opinion, the accompanying financial statements are prepared in all material respects in accordance with the Accounting Standards for Business Enterprises and fairly reflect the consolidated financial position and the parent company’s financial position as of 31st December 2017 and the consolidated and the Company’s operating results and cash flows for the Year 2017.

2. Basis of Forming Audit Opinion

We performed the audit in accordance with the Chinese Certified Public Accountants Auditing Standards. The “CPA’s Responsibility for Auditing Financial Statements” section of the audit report further elaborated our responsibilities under these guidelines. According to the Code of Ethics of Chinese Certified Public Accountants, we are independent of the Company and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for issuing an audit opinion.

3. Key Audit Matters

The key audit matters are the matters that we believe are most important for the audit of the current financial statements based on professional judgment. The response to these matters is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these matters separately. We confirm that the following matters are key audit matters that need to be communicated in the audit report.

Key audit matter	How is this matter handled in the audit
(1) Impairment of inventory	
As of December 31, 2017, the book balance of the Company’s inventory was 826,419,588.17 yuan, and the inventory depreciation reserve amount was 121,277,766.58 yuan. In this period, inventory price loss occurred at 9,538,291.98 yuan. The Company’s inventory is measured at the lower of cost and net realizable value. The finished product is based on the estimated selling price of the inventory minus the estimated sales expenses and related taxes and fees to determine its net realizable value. The net realizable value of inventory which needs to be processed, in the normal production and operation process, is determined by the estimated selling price of the finished product produced minus the estimated cost, estimated selling expenses, and related taxes and fees that will be incurred when the finished product is completed. The service cost is	<p>① Understand and evaluate the design and operation effectiveness of key internal controls related to the provision of inventory impairment by your Company’s management.</p> <p>② Carry out the inventory monitoring process, check the quantity and status of the inventory. Carry out a major inspection of the long-age inventory, and analyze the adequacy of the depreciation reserve for the inventory with indications of impairment.</p> <p>③ Check the changes in the inventory depreciation reserve provision of the Company in previous years and analyze the rationality of inventory depreciation reserve changes.</p>

<p>determined by the settlement unit price and the carrier amount confirmed by both parties of the service. Determining the net realisable value of inventory involves the use of significant accounting estimates and judgments by the management, and the provision for inventory devaluation reserve is of importance for the consolidated financial statements. Therefore, we recognize the provision for inventory devaluation reserve as a key audit matter.</p> <p>Please refer to Note 5 (12) for the details of the relevant accounting policies for the provision for inventory devaluation reserve, and Notes 7 (10) for details of the provision for inventory devaluation reserv.</p>	<p>④ Acquire the Company's inventory depreciation reserve calculation table, review the net realizable value of inventory and the amount of provision for impairment of inventory, and check the estimated selling price, settlement unit price, and sales expense when the management determines the net realizable value with the actual amount incurred. In this way to assess whether management's judgment in determining the net realizable value of inventory is reasonable.</p>
<p>(2) Impairment of goodwill</p>	
<p>As of December 31, 2017, the book value of goodwill of the Company was 95,214,814.71 yuan, and the amount of goodwill impairment provision was 2,732,781.28 yuan. No provision for impairment of goodwill was made in this period. The Company's management performs impairment test on goodwill at the end of each year and adjusts the book value of goodwill based on the results of the impairment test. The impairment test of goodwill involves management's use of significant accounting estimates and judgements, which mainly includes estimates of the subsidiary's estimated future cash flows and discount rates. The provision for impairment of goodwill is significant for the consolidated financial statements. Therefore, we recognize the provision for impairment of goodwill as a key audit matter.</p> <p>Please refer to Note 5 (22) for the details of the relevant accounting policies for the provision for impairment of goodwill. Refer to Note 7 (27) for the details of the provision for impairment of goodwill,</p>	<p>① Understand the historical performance and development plan of the acquired subsidiary, as well as the development trend of the industry.</p> <p>② Understand and evaluate how the Company's management utilizes the work of assessment experts. Assess the rationality of the valuation method chosen by the management and the key assumptions adopted.</p> <p>③ Review the rationality of the estimated cash flow and the discount rate adopted, and compare and analyze the historical data of the relevant subsidiaries.</p> <p>④ Review the calculation accuracy of the impairment test of goodwill.</p>

4. Other information

The management of the Company (hereinafter referred to as "management") is responsible for other information. Other information includes information contained in the Annual Report 2017, but exclude financial statements and our audit report.

Our audit opinion on financial statements does not contain any other information, nor do we publish any form of forensic conclusion on other information.

In combination with our audit of financial statements, our responsibility is to read other information. In the process, it is important to consider whether other information is in significant disagreement with the financial statements or what we know in the process of auditing, or if there seems to be a material misstatement. Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

5. Responsibility of the management and the governance for financial statements

The management is responsible for preparing financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises to enable them to achieve fair reflection. And design, implement and maintain necessary internal controls so that there are no material misstatements due to fraud or errors in the financial statements.

In preparing the financial statements, the management is responsible for assessing the Company's continuing operations capabilities, disclosing issues related to going-concern (if applicable), and applying the going-concern assumption unless the plan is to liquidate, terminate operations or have no other realistic options.



The governance layer is responsible for overseeing the Company's financial reporting process.

6. Auditors' responsibilities

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or error and to issue an audit report containing audit opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always be discovered when a material misstatement exists. Misstatement may be caused by fraud or mistakes, and if a reasonable expectation of misstatement alone or aggregated may affect the economic decision made by users of financial statements based on the financial statements, the misstatement is generally considered to be material.

In the process of auditing in accordance with auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

(1) Identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omissions, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.

(2) Understand the internal control related to auditing to design appropriate auditing procedures, but the purpose is not to express opinions on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures.

(4) Conclusions are reached on the appropriateness of management's use of going-concern. At the same time, according to the audit evidence obtained, reach conclusions on whether there are significant uncertainties in the matters or circumstances that have major doubts about the Company's ability to continue to operate. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is insufficient, we should publish non-unqualified opinions. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may prevent the Company from continuing to operate.

(5) Evaluate the overall presentation, structure, and content (including disclosures) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in the Company to express an opinion on the financial statements. We are responsible for directing, supervising and executing group audits and assume full responsibility for audit opinions.

We communicate with the governance on planned audit scope, timing, and major audit findings, including communication of the internal control deficiencies that we identified during the audit.

We also provide a statement to the governance on compliance with ethical requirements related to independence, and communicate with the governance on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).

From matters communicated with the governance, we determine which items are most important for the audit of financial statements for current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating something in the audit report will outweigh the benefits in the public interest, we determine that the matter should not be communicated in the audit report.



BDO China Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China: Li Ping
(Project Partner)
Certified Public Accountant of China: Li Yue

Shanghai • China

13th April 2018

2. Financial Statement

Shang Gong Group Co., Ltd.
Consolidated Statement of Financial Position
As of 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		723,337,878.53	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		61,337,538.87	78,841,448.05
Accounts receivable		464,759,380.20	389,252,678.87
Prepayment		64,393,627.71	33,709,357.11
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable		21,645.73	
Dividends receivable			
Other receivables		58,944,411.21	50,885,073.48
Redemptory monetary capital for sale			
Inventories		705,141,821.59	663,766,440.95
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		366,533,356.84	357,418,547.35
Total current assets		2,444,469,660.68	2,337,533,250.38
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets		118,959,944.05	137,219,246.11
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		275,799,606.70	253,586,574.99
Investment properties		149,502,332.46	107,616,254.96
Fixed assets		397,788,367.78	354,223,210.04
Construction in progress		12,665,274.09	20,199,928.64
Project materials			
Disposal of fixed assets			



Item	Note	Ending Balance	Beginning Balance
Productive biological assets			
Oil and gas assets			
Intangible assets		149,988,157.46	155,237,899.69
Development expenditures		16,683,772.84	12,529,345.90
Goodwill		72,482,033.43	67,878,923.12
Long-term deferred expenses		1,631,013.88	1,084,797.97
Deferred income tax assets		63,544,908.23	59,063,549.91
Other non-current assets			
Total non-current assets		1,259,045,410.92	1,168,639,731.33
Total assets		3,703,515,071.60	3,506,172,981.71
Current liabilities:			
Short-term loans		330,389,201.62	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		12,311,525.18	
Accounts payable		194,031,795.38	174,828,356.05
Receipt in advance		38,326,094.65	36,548,091.83
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable		91,112,179.00	80,928,692.78
Taxes and surcharges payable		14,074,587.91	54,740,867.60
Interest payable		1,110,553.06	2,090,565.59
Dividends payable		1,032,818.86	1,032,818.86
Other payables		193,617,747.74	193,117,136.53
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities held for sale			
Non-current liabilities maturing within one year		1,260,000.00	
Other current liabilities		48,330.03	808,706.39
Total current liabilities		877,314,833.43	895,463,840.25
Non-current liabilities:			
Long-term loans		62,956,504.27	68,624,863.27
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		3,121,893.11	37,338,461.61
Long-term employee benefits payable		247,420,777.32	255,686,948.92
Special payables			
Estimated liabilities		546,461.91	



Item	Note	Ending Balance	Beginning Balance
Deferred income		2,340,000.00	3,600,000.00
Deferred income tax liabilities		52,863,141.42	36,604,917.60
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		369,768,778.03	402,375,191.40
Total liabilities		1,247,083,611.46	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		972,000,595.56	971,603,120.27
Less: treasury stock			
Other comprehensive income		-72,163,452.90	-103,144,046.15
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		692,241,691.51	494,754,465.24
Total owners' equity attributable to the parent company		2,145,214,676.69	1,916,349,381.88
Minority equity		311,216,783.45	291,984,568.18
Total owners' equity		2,456,431,460.14	2,208,333,950.06
Liabilities and owners' equity		3,703,515,071.60	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 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		137,028,156.51	119,210,234.41
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			4,000.00
Derivative financial assets			
Notes receivable		18,619,880.00	150,000.00
Accounts receivable		36,846,572.06	3,401,851.42
Prepayment		3,488,722.53	531,129.23
Interest receivable			
Dividends receivable			
Other receivables		107,954,125.03	78,393,221.55
Inventories		114,386,355.60	2,329,420.55
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		310,981,332.13	301,893,339.18
Total current assets		729,305,143.86	505,913,196.34
Non-current assets:			



Item	Note	Ending Balance	Beginning Balance
Available-for-sale financial assets		118,959,944.05	137,219,238.80
Held-to-maturity investments			
Long-term receivables		135,720,449.62	123,602,509.87
Long-term equity investments		639,310,221.03	629,485,100.90
Investment properties		88,389,027.77	86,205,621.96
Fixed assets		8,036,379.04	11,768,787.39
Construction in progress		2,871,501.40	4,045,139.74
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		11,541,893.86	12,859,594.30
Development expenditures			
Goodwill			
Long-term deferred expenses		1,496,482.78	
Deferred income tax assets		587,977.83	
Other non-current assets			
Total non-current assets		1,006,913,877.38	1,005,185,992.96
Total assets		1,736,219,021.24	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		123,067,605.01	4,014,190.85
Receipt in advance		14,500,867.77	2,694,254.66
Employee benefits payable		9,133,348.57	4,000,000.00
Taxes and surcharges payable		579,085.22	588,400.56
Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Other payables		153,278,589.85	108,821,954.19
Liabilities held for sale			
Non-current liabilities maturing within one year		1,260,000.00	
Other current liabilities			
Total current liabilities		303,200,463.90	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



Item	Note	Ending Balance	Beginning Balance
Deferred income tax liabilities		1,197,067.41	1,197,067.41
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		4,781,364.91	6,041,364.91
Total liabilities		307,981,828.81	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		1,003,282,687.73	1,003,282,687.73
Less: treasury stock			
Other comprehensive income		15,711,472.03	33,970,766.78
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
Undistributed profits		-143,892,809.85	-206,831,240.38
Total owners' equity		1,428,237,192.43	1,383,558,056.65
Liabilities and owners' equity		1,736,219,021.24	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 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	2017	2016
1. Incomes		3,064,971,500.79	2,759,855,136.98
Including: operating income		3,064,971,500.79	2,759,855,136.98
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		2,856,099,579.43	2,610,544,921.82
Including: Cost of sales		2,245,537,329.26	2,037,344,042.71
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		13,445,563.98	9,646,577.26
Selling expenses		284,810,887.21	246,840,318.90
General and administrative expenses		291,371,664.10	284,156,361.47
Financial expenses		-5,263,527.90	15,536,094.51
Losses from asset impairment		26,197,662.78	17,021,526.97
Plus: gains from changes in fair value ("-" for losses)			



Item	Note	2017	2016
Investment income ("- for losses)		45,607,259.29	51,962,911.52
Including: income from investment in associates and joint ventures		17,990,723.92	17,937,107.88
Gains on disposal of assets		23,963,103.89	3,529,785.81
Foreign exchange gains ("- for losses)			
Other gains		11,713,174.75	
3. Operating profits ("- for losses)		290,155,459.29	204,802,912.49
Plus: non-operating income		9,192,748.08	29,173,966.17
Less: non-operating expenses		3,766,348.69	731,182.77
4. Total profits ("- for total losses)		295,581,858.68	233,245,695.89
Less: income tax expenses		82,928,869.66	71,680,360.28
5. Net profit ("- for net loss)		212,652,989.02	161,565,335.61
(1) Classified by operating sustainability			
a. Net profit from continuing operations ("- for losses)		212,652,989.02	161,565,335.61
b. Net profit from discontinued operations ("- for losses)			
(2) Classified by ownership			
a. Non-controlling interests		15,165,762.75	17,333,991.77
b. Net profit attributable to owners of the parent company		197,487,226.27	144,231,343.84
6. Net of tax of other comprehensive income		36,930,889.17	-17,277,343.80
Net of tax of other comprehensive income attributable to owners of the parent company		30,980,593.25	-17,873,148.29
(1) Other comprehensive income can't be reclassified to gains and losses later		5,682,076.80	-12,495,261.60
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan		5,682,076.80	-12,495,261.60
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		25,298,516.45	-5,377,886.69
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		-18,259,294.75	-11,097,717.71
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		43,557,811.20	5,719,831.02
f. Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders		5,950,295.92	595,804.49
7. Total comprehensive incomes		249,583,878.19	144,287,991.81
Total comprehensive income attributable to owners of the parent company		228,467,819.52	126,358,195.55
Total comprehensive income attributable to non-controlling shareholders		21,116,058.67	17,929,796.26
8. Earnings per share			
(1) Basic earnings per share (yuan/share)		0.3600	0.2629
(2) Diluted earnings per share (yuan/share)		0.3600	0.2629

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 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	2017	2016
1. Operating income		207,618,193.06	35,625,008.15
Less: Operating cost		139,483,153.60	19,862,743.87
tax and surcharges		4,092,703.92	3,573,897.61
Selling expenses		24,026,800.66	666,232.68
General and Administration expenses		47,668,731.87	34,763,998.55
Finance expenses		-20,567,218.74	-5,612,406.59
Impairment losses on assets		6,083,598.81	7,646,657.27
Plus: gains from changes in fair value ("- for losses)			
Investment income ("- for losses)		30,708,465.14	33,758,732.27
Including: Investment income in associates and joint ventures			
Gain on disposal of assets ("- for losses)		21,997,891.55	4,125,932.15
Other income		1,873,821.10	
2. Operating profits ("- for losses)		61,410,600.73	12,608,549.18
Plus: Non-operating income		1,196,634.66	13,011,328.64
Less: Non-operating expenses		256,782.69	257,396.39
3. Total profits ("- for total losses)		62,350,452.70	25,362,481.43
Less: income tax expenses		-587,977.83	
4. Net profit ("- for net loss)		62,938,430.53	25,362,481.43
a. Net profit from continuing operations ("- for losses)		62,938,430.53	25,362,481.43
b. Net profit from discontinued operations ("- for losses)			
5. Net of tax of other comprehensive income		-18,259,294.75	-11,097,717.71
Net of tax of other comprehensive income attributable to owners of the parent company			
(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		-18,259,294.75	-11,097,717.71
(2) Other comprehensive income to be reclassified to gains and losses later			
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method		-18,259,294.75	-11,097,717.71
b. Gains and losses from changes in fair value of available-for-sale financial assets			
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			
6. Total comprehensive incomes		44,679,135.78	14,264,763.72
7. Earnings per share			
(1) Basic earnings per share (yuan/share)			
(2) Diluted earnings per share (yuan/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 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	2017	2016
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		3,164,760,853.53	2,861,454,370.86
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			
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		43,906,468.45	69,330,555.14
Cash received from other operating activities		50,445,946.85	38,699,965.56
Sub-total of cash inflows from operating activities		3,259,113,268.83	2,969,484,891.56
Cash paid for goods purchased and services received		2,017,747,474.86	1,924,760,971.83
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		658,533,406.62	604,502,319.23
Cash paid for taxes and surcharges		185,158,629.33	130,590,650.51
Cash paid for other operating activities		280,337,888.85	210,574,037.57
Sub-total of cash outflows from operating activities		3,141,777,399.66	2,870,427,979.14
Net cash flows from operating activities		117,335,869.17	99,056,912.42
2. Cash flows from investing activities:			
Cash inflow from divestment		1,012,030,235.06	984,900,686.67
Cash inflow from investment incomes		16,326,012.85	22,987,656.97
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		36,421,255.81	7,982,714.60
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		1,064,777,503.72	1,015,871,058.24



Item	Note	2017	2016
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		158,264,625.96	88,210,551.07
Cash paid for investments		1,005,380,152.75	956,336,856.38
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units		21,002,300.00	168,494,541.49
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		1,184,647,078.71	1,213,041,948.94
Net cash flows from investing activities		-119,869,574.99	-197,170,890.70
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		224,230,000.00	609,186,272.20
Cash received from bonds issuance			
Cash received from other financing activities		3,897,697.51	25,402,158.23
Sub-total of cash inflows from financing activities		228,127,697.51	634,588,430.43
Cash paid for debt repayments		273,539,464.00	531,799,099.38
Cash paid for distribution of dividends and profits or payment of interest		14,913,369.41	10,156,414.28
Including: dividends and profits paid to non-controlling shareholders by subsidiaries		1,883,843.40	1,803,893.40
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		288,452,833.41	541,955,513.66
Net cash flows from financing activities		-60,325,135.90	92,632,916.77
4. Effect of fluctuation in exchange rate on cash and cash equivalents		26,314,632.54	11,138,332.32
5. Net increase in cash and cash equivalents		-36,544,209.18	5,657,270.81
Plus: beginning balance of cash and cash equivalents		750,357,929.63	744,700,658.82
6. Ending balance of cash and cash equivalents		713,813,720.45	750,357,929.63

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 31st December 2017

Unit: Yuan, Currency: RMB

Item	Note	2017	2016
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		229,795,360.70	38,220,460.65
Refunds of taxes and surcharges			
Cash received from other operating activities		63,397,907.63	32,211,185.98
Sub-total of cash inflows from operating activities		293,193,268.33	70,431,646.63
Cash paid for goods purchased and services received		156,824,506.55	10,605,180.10
Cash paid to and on behalf of employees		36,908,166.30	22,440,142.31
Cash paid for taxes and surcharges		7,411,003.59	4,185,014.48



Item	Note	2017	2016
Cash paid for other operating activities		117,490,277.69	60,374,841.77
Sub-total of cash outflows from operating activities		318,633,954.13	97,605,178.66
Net cash flows from operating activities		-25,440,685.80	-27,173,532.03
2. Cash flows from investing activities:			
Cash inflow from divestment		932,849,014.15	940,633,615.30
Cash inflow from investment incomes		21,090,100.93	22,987,656.97
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		23,855,652.27	3,977,441.76
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		977,794,767.35	967,598,714.03
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,925,918.01	17,323,229.55
Cash paid for investments		929,584,425.75	943,745,370.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		934,510,343.76	961,068,599.55
Net cash flows from investing activities		43,284,423.59	6,530,114.48
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			25,000,000.00
Sub-total of cash inflows from financing activities			25,000,000.00
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			25,000,000.00
4. Effect of fluctuation in exchange rate on cash and cash equivalents		-25,815.69	14,382.45
5. Net increase in cash and cash equivalents		17,817,922.10	4,370,964.90
Plus: beginning balance of cash and cash equivalents		119,210,234.41	114,839,269.51
6. Ending balance of cash and cash equivalents		137,028,156.51	119,210,234.41

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 31st December 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													
Correction of previous-period accounting errors													
Business combination involving entities under common control													
Others													
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)					397,475.29		30,980,593.25				197,487,226.27	19,232,215.27	248,097,510.08
(1) Total comprehensive incomes							30,980,593.25				197,487,226.27	21,116,058.67	249,583,878.19
(2) Investment/ (divestment)					397,475.29								397,475.29
a. Common shares from shareholders													
b. Investment capital from the holders of other equity instruments													
c. Amount of the share-based payment included in the owners' equity													
d. Others					397,475.29								397,475.29
(3) Distribution of profits												-1,883,843.40	-1,883,843.40
a. Surplus reserves													
b. General risk reserves													



c. Distribution to owners or shareholders														-1,883,843.40	-1,883,843.40
d. Others															
(4) Internal transfer of owners' equity															
a. Capital reserve turn to stock equity															
b. Surplus reserve turn to stock equity															
c. Surplus reserve to recover loss															
d. Others															
(5) Special reserves															
a. Appropriation for current year															
b. Use in current year															
(6) Others															
4. Ending balance of the current year	548,589,600.00				972,000,595.56		-72,163,452.90		4,546,242.52		692,241,691.51	311,216,783.45	2,456,431,460.14		

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														
Correction of previous-period accounting errors														
Business combination involving entities under common control														
Others														
2. Beginning balance of current year	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	
3. Increase/ (decrease) for the current year ("-" for losses)					15,317,098.84		-17,873,148.29				144,231,343.84	16,125,902.86	157,801,197.25	



(1) Total comprehensive incomes							-17,873,148.29				144,231,343.84	17,929,796.26	144,287,991.81
(2) Investment/ (divestment)					15,317,098.84								15,317,098.84
a. Common shares from shareholders													
b. Investment capital from the holders of other equity instruments													
c. Amount of the share-based payment included in the owners' equity													
d. Others					15,317,098.84								15,317,098.84
(3) Distribution of profits												-1,803,893.40	-1,803,893.40
a. Surplus reserves													
b. General risk reserves													
c. Distribution to owners or shareholders												-1,803,893.40	-1,803,893.40
d. Others													
(4) Internal transfer of owners' equity													
a. Capital reserve turn to stock equity													
b. Surplus reserve turn to stock equity													
c. Surplus reserve to recover loss													
d. Others													
(5) Special reserves													
a. Appropriation for current year													
b. Use in current year													
(6) Others													
4. Ending balance of the 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

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd.
Statement of Changes in Equity
From 1st January 2017 to 31st December 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											
Correction of previous-period accounting errors											
Others											
2. Beginning balance of current year	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
3. Increase/(decrease) for the current year ("-" for losses)							-18,259,294.75			62,938,430.53	44,679,135.78
(1) Total comprehensive incomes							-18,259,294.75			62,938,430.53	44,679,135.78
(2) Investment/ (divestment)											
a. Common shares from shareholders											
b. Investment capital from the holders of other equity instruments											
c. Amount of the share-based payment included in the owners' equity											
d. Others											
(3) Distribution of profits											
a. Surplus reserves											
b. Distribution to owners or shareholders											
c. Others											
(4) Internal transfer of owners' equity											
a. Capital reserve turn to stock equity											
b. Surplus reserve turn to stock equity											



c. Surplus reserve to recover loss											
d. Others											
(5) Special reserves											
a. Appropriation for current year											
b. Use in current year											
(6) Others											
4. Ending balance of the current year	548,589,600.00				1,003,282,687.73		15,711,472.03		4,546,242.52	-143,892,809.85	1,428,237,192.43

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		45,068,484.49		4,546,242.52	-232,193,721.81	1,369,293,292.93
Plus: accounting policy changes											
Correction of previous-period accounting errors											
Others											
2. Beginning balance of current year	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
3. Increase/(decrease) for the current year ("-" for losses)							-11,097,717.71			25,362,481.43	14,264,763.72
(1) Total comprehensive incomes							-11,097,717.71			25,362,481.43	14,264,763.72
(2) Investment/ (divestment)											
a. Common shares from shareholders											
b. Investment capital from the holders of other equity instruments											
c. Amount of the share-based payment included in the owners' equity											
d. Others											
(3) Distribution of profits											
a. Surplus reserves											
b. Distribution to owners or shareholders											
c. Others											



(4) Internal transfer of owners' equity											
a. Capital reserve turn to stock equity											
b. Surplus reserve turn to stock equity											
c. Surplus reserve to recover loss											
d. Others											
(5) Special reserves											
a. Appropriation for current year											
b. Use in current year											
(6) Others											
4. Ending balance of the current year	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

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



3. Company Basic Information

3.1 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 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 22nd May 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 31st December 2013, there were 448,886,777 shares in total.

On 28th February 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 26th March 2014.

On 29th December 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 31st December 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 4th meeting of the 8th board of directors, the financial statements were approved for disclosure by all directors of the Company on 13th April 2018.

1.2 Scope of the Consolidated Financial Statements

As of December 31, 2017, the subsidiaries within the consolidated financial statements of the Company are as follows:

Name of subsidiary



1. Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.
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. DAP Industrial AG
8. Zhejiang ShangGong GEMSY Co., Ltd.
9. Shanghai Shensy Enterprise Development Co., Ltd.
10. Shanghai ShangGong Financial Leasing Co., Ltd.
11. PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.
12. DAP (Vietnam) Co., Ltd.
13. ShangGong Sewing Equipment (Zhejiang) Co., Ltd.

Note: In 2017, ShangGong (Europe) Holding Corp. GmbH, the Company's subsidiary, was renamed DAP Industrial AG

See "Note 8 Changes in the scope of consolidation" and "Note 9 Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.

4. Preparation Basis of Financial Statements

4.1 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.

4.2 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.

5. 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.

5.1 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 report period.

5.2 Accounting Period

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

5.3 Operating Cycle

The Company's operating cycle is 12 months.

5.4 Functional Currency

The Company adopts RMB as its functional currency.

5.5 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.

5.6 Preparation Methods of Consolidated Financial Statements

5.6.1 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.

5.6.2 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.

5.7 Determination of 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.

5.8 Foreign Currency Transactions and Translation of Foreign Currency Statements

5.8.1 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.

5.8.2 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.

5.9 Financial Instruments

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

5.9.1 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.

5.9.2 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 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.

5.9.3 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 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.

5.10 Provision for Bad Debts of Receivables

5.10.1 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 individually significant	An impairment test shall be separately made. Provision for bad debts shall be accrued based on the difference between the present value of estimated future cash flow and its book value. And it shall be recorded into the current profit and loss. If the difference between expected future cash flow of short-term receivables and its present value is very small, it does not discount its expected future cash flows when determining the relevant impairment losses.

5.10.2 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



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

5.10.3 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 shall be separately made. If there is objective evidence that it has been impaired, provision for bad debts is made based on the difference between the present value of expected future cash flows and its book value, which is included in the current profit or loss.

5.11 Inventories

5.11.1 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.

5.11.2 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.

5.11.3 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.

5.11.4 Inventory System

Perpetual inventory system is adopted.

5.12 Assets held for sale

Not applicable.

5.13 Long-term Equity Investments

5.13.1 Criteria for Judgment of Common Control and Significant Influence

The term “common control” refers to the sharing of control over an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Where the Company and other investors exert common joint control over the investee and have rights over the net assets of the investee, the investee is a 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.

5.13.2 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.

5.13.3 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.

5.14 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.

5.15 Fixed Assets

5.15.1 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.

5.15.2 Depreciation Method

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

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.

5.15.3 Identification Basis and Pricing Method of Financing Lease Fixed Assets

If one of the following conditions is stipulated in the terms of the lease agreement signed between the Company and the lessor, it is recognized as a leased asset under finance:

- (1) The ownership of the leased assets after the lease expires belongs to the Company;
- (2) The Company has the option to purchase assets. The purchase price is much lower than the fair value of the assets when the option is exercised;

- (3) The lease period accounts for the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payment on the lease start date is not significantly different from the fair value of the asset.

At the beginning of the lease, the Company uses the lower of the fair value of the leased asset and the present value of the minimum lease payments as the entry value of the leased asset, and uses the minimum lease payment as the entry value of long-term payables. The difference is as unrecognized financing fee.

5.16 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.

5.17 Borrowing Costs

5.17.1 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.

5.17.2 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.

5.17.3 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.

5.17.4 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.

5.18 Biological Assets

Not applicable.

5.19 Oil and Gas Assets

Not applicable.

5.20 Intangible Assets

5.20.1 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.

5.20.2 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 are not different from those estimated before.

5.20.3 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.

5.20.4 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.

5.21 Impairment of Long-term Assets

The Company will conduct the impairment test if any evidence suggests that the long-term 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 amount is the higher of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset. The provision for assets impairment is calculated and recognized by the individual asset. If it is difficult to estimate the recoverable 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.

Goodwill is tested for impairment at least at the end of each year.

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.

5.22 Long-term Deferred Expenses

Not applicable.

5.23 Employee Compensation

5.23.1 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.

5.23.2 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.

5.23.3 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.

5.24 Estimated Liabilities

5.24.1 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.

5.24.2 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.

5.25 Share Payment

Not applicable.

5.26 Other Financial Instruments such as Preferred Shares and Perpetual Bonds

Not applicable.

5.27 Incomes

5.27.1 Specific Criteria for Determining the Timing of Income Recognition for Sales of Goods

The Company will confirm that the sales income of the goods is realized when the Company has transferred the major risks and rewards of ownership of the goods to the purchaser; the Company does not retain the right to continue management linked to ownership, nor does it have effective control over the products sold; the amount of income can be measured reliably; the related costs incurred or to be incurred can be reliably measured.

The specific judgment criteria are as follows:

(1) Domestic sales: After the delivery of the goods, the Company confirms the sales income. According to the delivery method agreed in the sales order, the detailed standards for income recognition are:

When the customer goes directly to the warehouse of the Company to pick up goods, based on the outbound documents confirmed by the parties in various ways, the income is confirmed when the goods leave the warehouse.

When the customer appoints a carrier, based on the logistics document issued by the carrier, income is recognized when the goods are delivered to the carrier.

When the Company appoints a carrier, based on the logistics receipts signed and confirmed by the customer, income is recognized when the customer actually signs the receipt.

When the Company sells through the e-commerce platform, income is recognized when the electronic order received by the customer to confirm the receipt or the e-commerce receipt period expires.

If an unconditional return period or acceptance period has been agreed upon, the income recognition will be delayed to the expiry of unconditional return period or acceptance period.

For sales on behalf of distributors, the income is recognized when the dealership list with the final customer confirmation is received.

(2) International sales: If choose to apply international trade terms, sale income is recognized according to the time point of risk transfer agreed in the specific applicable international trade terms. If an unconditional return period or acceptance period is agreed upon, the income recognition will be extended to the unconditional return period or the acceptance period after meeting the applicable trade term risk transfer point. If no international trade terms have been selected, the Company will recognize income after obtaining various types of risk transfer documents according to the agreed delivery method and the time of risk transfer.

(3) Sales of specialized sewing machine: As the customer has deeply customized the machine, according to the relevant agreement in the contract signed by both parties, the specific delivery obligations under each technical clause are distinguished, and the corresponding income is confirmed according to the completion of the customer demand and the relevant confirmation documents.

5.27.2 Recognition of Income from Transfer of Assets Use Right

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

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

(2) Royalty income is measured according to the period and method of charging as stipulated in the relevant agreements or contracts.

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

The Company confirmed the income from the labor service when obtain the written settlement confirmation from the customer and issue the settlement certificate.

If the outcome of transactions can be estimated reliably at the balance sheet date, income from rendering of labor service is 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.

Income from rendering of labor service is determined by prices stated in the contracts or agreements, whether already received or to be received, unless such relevant prices are unfair. The current income from the rendering of labor service is recognized at the amount of multiplying the total income from the rendering of labor service by completion progress and deducting the accumulated income from the rendering of labor service recognized in previous accounting periods on the balance sheet date; meanwhile, the current cost of labor service is carried forward by the amount of multiplying the total costs of the rendering of labor service by completion progress and deducting the accumulated cost 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, income is 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 incomes 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 income from the rendering of labor services not recognized.

The Company's income from logistics service and sewing equipment maintenance services is recognized when related services have been provided, service costs have actually occurred, and service settlement documents confirmed by the service recipient have been obtained.

5.28 Government Grants

5.28.1 Types

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

Government grants related to assets refer to government grants obtained by the Company that are used to purchase, construct or form long-term assets, including financial allocations for purchases of fixed assets or intangible assets, and financial discounts for special loans for fixed assets. Government grants related to income refer to government grants other than those related to assets.

The Company's specific criteria for classifying government grants as related to assets are: government grants obtained by the Company that are used to purchase, construct or form long-term assets.

The Company's specific criteria for classifying government grants as related to income are: government grants other than those related to assets.

If the government documents do not clearly specify the target of the grant, the judgment basis of classifying the government grant as related to the assets or related to the income is whether it is used to purchase or construct or form long-term assets.

5.28.2 Accounting Treatment

Government grants related to assets: write down the carrying amount of the related assets or recognize them as deferred income. If it is recognized as deferred income, it shall be recorded into current profits and losses in a reasonable and systematic way within the useful life of the relevant assets (related to the Company's daily activities, included in other income; unrelated to the Company's daily activities, included in non-operating income).

Government grants related to income: grants used to compensate for the related costs or losses of the Company in the future period, shall be recognized as deferred income, and shall be recorded in the current profits and losses (related to the Company's daily activities, included in other income; unrelated to the Company's daily activities, included in non-operating income), or be used to reduce the related costs, expenses or losses during the period for confirming the relevant costs, expenses or losses.

5.29 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.

5.30 Lease

5.30.1 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.

5.30.2 Accounting Treatment of Financial Lease

(1) Assets rented in by financial lease: At the beginning of the lease, the Company uses the lower of the fair value of the leased assets and the present value of the minimum lease payments as the entry value of the leased assets, and uses the minimum lease payment as the entry value of the long-term payables. The difference is used as unrecognized financing expenses. The Company adopts the actual interest rate method to amortize the unrecognized financing expenses during the asset lease period and count it into financial expenses. The initial direct costs incurred by the company are included in the value of the leased assets.

(1) Assets rented out by financial lease: At the lease beginning date, the Company recognizes the financial lease receivables, difference between the sum of unguaranteed residual value and its current value as unrealized financing income. It is recognized as lease income in each period during which rent is received in

the future. The initial direct costs incurred by the Company in relation to the lease transaction are included in the initial measurement of the financial lease receivable, and the amount of income recognized in the lease period is reduced.

5.31 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.

5.32 Adjustment for Changes in Principal Accounting Policies and Accounting Estimates

5.32.1 Adjustment for Changes in Accounting Policies

The Content and Reasons of Accounting Policy Changes	Approval Procedure	Item and Amount Affected
(1) "Net profit from continuing operations" and "net profit from discontinued operations" are listed in the income statement. Comparison data is adjusted accordingly.	The Fourth Session of the Eighth Board of Directors	The amount of net profit for continuing operations for the current year was 212,652,989.02 yuan; and the amount of net profit for discontinued operations was 0.00 yuan for the current year.
(2) Some government grants related to assets offset the book value of related assets. Comparison data is not adjusted.		N/A
(3) Some government grants related to income have reduced the related costs and expenses. Comparison data is not adjusted.		N/A
(4) Government grants related to the company's daily activities are included in other income and are no longer included in non-operating income. Comparison data is not adjusted.		Non-operating income decreased by 11,713,174.75 yuan and was reclassified to other income.
(5) Added "gains on disposal of assets" in the income statement, and reclassified some of the profit and loss of asset disposal originally listed as "non-operating income" to the "gains on disposal of asset". Comparison data is adjusted accordingly.		Non-operating income decreased by 23,963,103.89 yuan and was reclassified to asset disposal income.

On 28th April 2017, the Ministry of Finance issued a revised version of the "Accounting Standards for Business Enterprises No. 42 - Non-current Assets for Sale, Disposal Group, and Termination of Operations" (Cai Kuai [2017] No. 13) (hereinafter referred to as "Revised Standard No. 42").

On 10th May 2017, the Ministry of Finance issued a revised version of the "Accounting Standards for Business Enterprises No. 16 - Government Subsidies" (Cai Kuai [2017] No. 15) (hereinafter referred to as "Revised Standard No. 16").

On 25th December 2017, the Ministry of Finance issued a revised version of the "General Enterprise Financial Statement Format" (Cai Kuai [2017] No. 30) (hereinafter referred to as the "Revised Report Format").

According to the requirements of the Ministry of Finance, Revised Standard No. 42 shall be implemented as of 28th May 2017; Revised Standard No. 16 shall be implemented as of 12th June 2017; non-financial enterprises that require the implementation of Accounting Standards for Business Enterprises should follow the revised format of the report. The Accounting Standards for Business Enterprises and the above requirements prepare

financial statements for the 2017 and subsequent periods. The Revised Report Format requires that non-financial companies that implement the Accounting Standards for Business Enterprises should prepare financial statements for 2017 and subsequent periods in accordance with the Accounting Standards for Business Enterprises and the above requirements.

5.32.2 Adjustment for Changes in Principal Accounting Estimates

Not applicable

6. Tax

Tax Type	Basis of Tax Assessment	Tax Rate
Value-added tax (VAT)	Calculated based on the income 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%
Urban maintenance and construction tax	Levied based on the actual payment of business tax and VAT.	1%、5%、7%
Enterprise income tax (EIT)	Levied based on the taxable income	16%-38%、25%
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 DAP AG, 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%.

7. Notes to Items of Consolidated Financial Statements

7.1 Cash and Cash Equivalents

Unit: Yuan, Currency: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	707,925.98	1,137,409.87
Bank deposit	712,794,196.15	751,831,391.58
Other monetary funds	9,835,756.40	10,686,903.12
Total	723,337,878.53	763,655,704.57
Including: total amount of cash and cash equivalents offshore	373,357,927.57	463,089,363.62

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

Unit: Yuan, Currency: RMB

Item	Ending Balance	Beginning Balance	Note
Bank Acceptance Deposit Guarantee	6,539,032.60		Note 1
Deposit held for foreign exchange inspection	2,585,125.48	9,977,839.70	Note 2
Other guaranteed deposit	400,000.00	3,319,935.24	Note 3
Total	9,524,158.08	13,297,774.94	

Note 1: The ending balance was the monetary fund that could not be withdrawn at any time due to the opening of bank acceptance bills by Zhejiang ShangGong GEMSY Co., Ltd., a subsidiary of the Company.

Note 2: The ending balance was the retained funds obtained by the Company's subsidiary Shanghai Butterfly Import & Export Co., Ltd. in the import and export trade that have not been transferred to the general trading accounts and have not been reviewed by the competent foreign exchange authorities.



Note 3: The ending balance was a fraud guarantee for the Company's subsidiary, Shanghai Butterfly Import & Export Co., Ltd.

7.2 Financial Assets at Fair Value whose Fluctuation is Attributed to Profit and Loss for Current Period

Unit: Yuan, Currency: RMB

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

7.3 Derivative Financial Assets

Not applicable.

7.4 Notes Receivable

7.4.1 Presentation of Notes Receivable by Category

Unit: Yuan, Currency: RMB

Item	Ending Balance	Beginning Balance
Bank acceptance bills	47,405,556.75	51,427,934.60
Commercial acceptance bills	13,931,982.12	27,413,513.45
Total	61,337,538.87	78,841,448.05

7.4.2 Notes Receivable Pledged as at the End of Period

Not applicable.

7.4.3 Notes Receivable Endorsed or Discounted at the End of the Period and Have not yet Expired at the Balance Sheet Date

Unit: Yuan, Currency: RMB

Item	Termination Amount as at 31 st December 2017	Untermiated Confirmation Amount as at 31 st December 2017
Bank acceptance bills	8,960,630.50	
Commercial acceptance bills		
Total	8,960,630.50	

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

Not applicable.

7.5 Accounts Receivable

7.5.1 Disclosure of Accounts Receivable by Category

Unit: Yuan, Currency: RMB

Type	Ending Balance	Beginning Balance
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	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	79,818,629.27	13.64	19,622,784.50	24.58	60,195,844.77	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	119,721,460.79	20.46	72,220,264.69	60.32	47,501,196.10	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	385,572,745.19	65.90	28,510,405.86	7.39	357,062,339.33	305,199,419.71	61.12	18,538,920.13	6.07	286,660,499.58
Total	585,112,835.25	100.00	120,353,455.05	20.57	464,759,380.20	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

Unit: Yuan, Currency: RMB

Accounts Receivable (By Entity)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
No.1 Client	41,751,207.57			Unimpaired according to the separate test
No.2 Client	19,622,784.50	19,622,784.50	100.00	Impaired according to the separate test
No.4 Client	9,745,072.70			Unimpaired according to the separate test
No.5 Client	8,699,564.50			Unimpaired according to the separate test
Total	79,818,629.27	19,622,784.50	24.58	

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

Unit: Yuan, Currency: RMB.

Aging	Ending Balance		
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision
Within 1 year	45,299,416.78	2,264,970.84	5.00
1-2 years	3,688,485.16	737,697.03	20.00
2-3 years	3,031,924.08	1,515,962.05	50.00
Over 3 years	67,701,634.77	67,701,634.77	100.00
Total	119,721,460.79	72,220,264.69	

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

Unit: Yuan, Currency: RMB.

Accounts Receivable (By Entity)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
Other insignificant accounts receivable (Note 1)	20,647,948.45	10,670,483.15	51.68	Impaired according to the separate test
Other insignificant accounts receivable (Note 2)	6,031,883.13	6,031,883.13	100.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 3)	15,563,578.80	1,160,999.34	7.46	Impaired according to the separate test
Other insignificant accounts receivable (Note 4)	1,144,337.06	1,144,337.06	100.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 5)	11,610.00	11,610.00	100.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 6)	223,997,532.39	8,709,984.40	3.89	Impaired according to the separate test



Accounts Receivable (By Entity)	Ending Balance			
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision	Reason for Provision
Other insignificant accounts receivable (Note 7)	8,016,249.56	781,108.78	9.74	Impaired according to the separate test
Other insignificant accounts receivable (Note 8)	109,953,389.35			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 9)	195,309.60			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 10)	10,906.85			Unimpaired according to the separate test
Total	385,572,745.19	28,510,405.86	7.39	

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

Note 2: It mainly represents the accounts receivable due from SG Butterfly, and the provision for impairment is accrued based on the separate test.

Note 3: 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 4: 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 5: It mainly represents the accounts receivable due from Shanghai SGSB Electronics 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 AG, and the provision for impairment is accrued based on the separate test.

Note 7: It mainly represents the accounts receivable due from SGGEMSY, and the provision for impairment is accrued based on the separate test.

Note 8: 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 9: It mainly represents the accounts receivable due from PIZ, and is unimpaired based on the separate test.

Note 10: It mainly represents the accounts receivable due from DAP Vietnam Co., Ltd., and the provision for impairment is accrued based on the separate test.

7.5.2 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 12,471,244.93 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 1,637,011.43 yuan.

7.5.3 Accounts Receivable Actually Write-off in the Current Period

Unit: Yuan, Currency: RMB.

Item	Amount
Accounts receivable actually write-off	2,529,111.33

7.5.4 Top Five Accounts Receivable in Terms of their Ending Balance

Unit: Yuan, Currency: RMB.

Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable Ratio (%)	Provision for Bad Debt
No.1 Client	41,751,207.57	7.14	
No.2 Client	19,622,784.50	3.35	19,622,784.50



Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable Ratio (%)	Provision for Bad Debt
No.3 Client	11,530,775.39	1.97	11,530,775.39
No.4 Client	9,745,072.70	1.67	
No.5 Client	8,699,564.50	1.49	
Total	91,349,404.66	15.62	31,153,559.89

See Note 12.6 for details of accounts receivable due from related parties.

7.6 Prepayment

7.6.1 Presentation of Prepayments by Aging

Unit: Yuan, Currency: RMB.

Aging	Ending Balance		Beginning Balance	
	Book Balance	Proportion (%)	Book Balance	Proportion (%)
Within 1 year	58,228,035.05	90.44	24,955,584.89	74.03
1-2 years	9,442.01	0.00	7,892,719.27	23.41
2-3 years	6,153,752.47	9.56	839,461.69	2.49
Over 3 years	2,398.18	0.00	21,591.26	0.07
Total	64,393,627.71	100.00	33,709,357.11	100.00

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

Unit: Yuan, Currency: RMB.

Supplier	Ending Balance	Proportion in Total Ending Balance of Advances to Suppliers (%)
No.1 Supplier	36,390,000.00	56.51
No.2 Supplier	6,147,650.83	9.55
No.3 Supplier	3,819,458.22	5.93
No.4 Supplier	2,885,842.02	4.48
No.5 Supplier	1,821,397.40	2.83
Total	51,064,348.47	79.30

7.6.3 For the arrearage of related parties in the prepayments at the end of the period, please refer to Note 12.6 Receivables and payables due from related parties.

7.7 Interest Receivable

7.7.1 Classification of Interest Receivable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Fixed deposit	21,645.73	
Total	21,645.73	

7.7.2 Significant Overdue Interest

Not applicable.

7.8 Dividends Receivable

Not applicable.



7.9 Other Receivables

7.9.1 Disclosure of Other Receivables by Category

Unit: Yuan, Currency: RMB.

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	30,666,334.88	33.51	13,304,781.50	43.39	17,361,553.38	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	24,977,450.21	27.29	16,622,435.95	66.55	8,355,014.26	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	35,869,414.39	39.20	2,641,570.82	7.36	33,227,843.57	28,014,947.49	34.97	527,110.22	1.88	27,487,837.27
Total	91,513,199.48	100.00	32,568,788.27	35.59	58,944,411.21	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

Unit: Yuan, Currency: RMB.

Other Receivables (By Entity)	Ending Balance			
	Other Receivables	Provision for Bad Debt	Proportion of Provision	Reason for Provision
No.1 Client	13,304,781.50	13,304,781.50	100.00	Impaired according to the separate test
Export tax refund receivable (Note)	8,121,553.38			Unimpaired according to the separate test
No.3 Client	3,500,000.00			Unimpaired according to the separate test
No.4 Client	3,000,000.00			Unimpaired according to the separate test
No.5 Client	2,740,000.00			Unimpaired according to the separate test
Total	30,666,334.88	13,304,781.50	43.39	

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:

Unit: Yuan, Currency: RMB.

Aging	Ending Balance		
	Other Receivables	Provision for Bad Debt	Proportion of Provision%
Within 1 year	8,034,184.02	401,709.20	5.00
1-2 years	667,040.40	133,408.08	20.00
2-3 years	377,814.25	188,907.13	50.00
Over 3 years	15,898,411.54	15,898,411.54	100.00
Total	24,977,450.21	16,622,435.95	66.55

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



Unit: Yuan, Currency: RMB.

Other Receivables (By Entity)	Ending Balance			
	Book Balance	Provision for Bad Debt	Proportion of Provision (%)	Reason for Provision
Other insignificant other receivables (Note 1)	1,647,874.55	21,735.00	1.32	Impaired according to the separate test
Other insignificant other receivables (Note 2)	2,181,041.30	1,780,485.31	81.63	Impaired according to the separate test
Other insignificant other receivables (Note 3)	346,704.55			Unimpaired according to the separate test
Other insignificant other receivables (Note 4)	50,000.00	50,000.00	100.00	Impaired according to the separate test
Other insignificant other receivables (Note 5)	28,574.10			Unimpaired according to the separate test
Other insignificant other receivables (Note 6)	10,688,388.20			Unimpaired according to the separate test
Other insignificant other receivables (Note 7)	20,915,202.57	789,350.51	3.77	Impaired according to the separate test
Other insignificant other receivables (Note 8)	1,484.95			Unimpaired according to the separate test
Other insignificant other receivables (Note 9)	10,144.17			Unimpaired according to the separate test
Total	35,869,414.39	2,641,570.82	7.36	

Note 1: It mainly represents the other receivables of SGG, and the provision for impairment is accrued based on the separate test.

Note 2: It mainly represents the other receivables of SG Butterfly, and the provision for impairment is accrued based on the separate test.

Note 3: It mainly represents the other receivables of DAPSH, which is unimpaired based on the separate test.

Note 4: It mainly represents the other receivables of Shanghai SGSB Electronics Co., Ltd., and the provision for impairment is accrued based on the separate test.

Note 5: It mainly represents the other receivables of Shanghai ShangGong Asset Management Co., Ltd., which is unimpaired based on the separate test.

Note 6: It mainly represents the other receivables of DAP AG, which is unimpaired based on the separate test.

Note 7: It mainly represents the other receivables of SHENSY, and the provision for impairment is accrued based on the separate test.

Note 8: It mainly represents the other receivables of PIZ, which is unimpaired based on the separate test.

Note 9: It mainly represents the other receivables of DAP Vietnam Co., Ltd., which is unimpaired based on the separate test.

7.9.2 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 3,504,981.96 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 83,517.20 yuan.

7.9.3 Other Receivables Actually Write-off in the Current Period

Unit: Yuan, Currency: RMB.

Item	Amount
Other receivables actually write-off	106,718.01

7.9.4 Top Five Other Receivables in Terms of their Ending Balance

Unit: Yuan, Currency: RMB.



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	13,304,781.50	From 1year to within over 3 years	14.54	13,304,781.50
No.2 Client	Export tax refund receivable	8,121,553.38	Within 1year	8.87	
No.3 Client	Current accounts	3,500,000.00	Within 1year	3.82	
No.4 Client	Current accounts	3,000,000.00	Within 1year	3.28	
No.5 Client	Current accounts	2,740,000.00	Within 1year	3.00	
Total		30,666,334.88		33.51	13,304,781.50

7.9.5 Receivables Involving Government Grants

Not applicable.

7.9.6 Other Receivables Derecognized due to the Transfer of Financial Assets

Not applicable.

7.9.7 Amount of Assets and Liabilities Transferred from Other Receivables and Continue to be Involved

Not applicable.

7.9.8 For details of the arrears of related parties in other receivables at the end of the period, please refer to Note12.6 Receivables and payables of related parties.

7.10 Inventories

7.10.1 Classification of Inventories

Unit: Yuan, Currency: RMB.

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Raw materials	285,435,138.31	52,813,472.76	232,621,665.55	244,335,565.64	41,630,636.86	202,704,928.78
Goods in progress	153,406,126.71	28,555,276.42	124,850,850.29	136,310,148.14	27,492,514.68	108,817,633.46
Finished goods	283,033,493.86	39,909,017.40	243,124,476.46	267,450,476.53	39,117,293.46	228,333,183.07
Revolving materials	1,427,640.89		1,427,640.89	1,221,161.27		1,221,161.27
Dispatched goods	20,569,892.77		20,569,892.77	7,972,002.36		7,972,002.36
Material purchase				32,250.55		32,250.55
Labor costs	79,273,391.31		79,273,391.31	114,082,013.31		114,082,013.31
Consigned processing materials	3,273,904.32		3,273,904.32	603,268.15		603,268.15
合计	826,419,588.17	121,277,766.58	705,141,821.59	772,006,885.95	108,240,445.00	663,766,440.95

7.10.2 Inventory Depreciation Reserve.

Unit: Yuan, Currency: RMB.



Item	Beginning Balance	Increase in Current Period		Decrease in Current Period		Ending Balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	41,630,636.86	8,400,620.91	4,458,446.12	1,676,231.13		52,813,472.76
Goods in progress	27,492,514.68	362,221.36	1,826,791.10	1,126,250.72		28,555,276.42
Finished goods	39,117,293.46	4,391,909.51	2,083,801.36	5,460,116.02	223,870.91	39,909,017.40
Total	108,240,445.00	13,154,751.78	8,369,038.58	8,262,597.87	223,870.91	121,277,766.58

7.10.3 Explanation of the Amount of Capitalization of Borrowing Costs in the Ending Balance of Inventory

Not applicable.

7.11 Assets Held for Sale

Not applicable.

7.12 Non-Current Assets Maturing within One Year

Not applicable.

7.13 Other Current Assets

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Held-to-maturity investments		10,288,261.77
Input tax to be credited	31,638,470.24	11,164,758.87
Rentals and insurance fees	1,592,432.66	1,529,650.89
Overpaid enterprise income tax	902,284.30	1,946,694.20
Financial products		50,000,000.00
Structured deposit	332,000,000.00	282,000,000.00
Unamortized expense	400,169.64	489,181.62
Total	366,533,356.84	357,418,547.35

7.14 Available-for-sale Financial Assets

7.14.1 Available-for-sale Financial Assets

Unit: Yuan, Currency: RMB.

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	120,658,075.96	1,698,131.91	118,959,944.05	138,917,378.02	1,698,131.91	137,219,246.11
Including: Measured at fair value	89,721,694.56		89,721,694.56	107,980,989.31		107,980,989.31
Measured at cost	30,936,381.40	1,698,131.91	29,238,249.49	30,936,388.71	1,698,131.91	29,238,256.80
Total	120,658,075.96	1,698,131.91	118,959,944.05	138,917,378.02	1,698,131.91	137,219,246.11

7.14.2 Available-for-sale Financial Assets Measured at Fair Value as at the End of Report Period

Unit: Yuan, Currency: RMB.



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	89,721,694.56		89,721,694.56
Accumulated changes in fair value included in other comprehensive income	15,711,472.03		15,711,472.03
Accrued provision for impairment			

7.14.3 Available-for-sale Financial Assets Measured at the End of Report Period

Unit: Yuan, Currency: RMB.

Investee	Book Balance			Provision for Impairment			Shareholding Ratio in Investee (%)	Cash Dividend in Report Period		
	Beginning Balance	+	-	Ending Balance	Beginning Balance	+			-	Ending Balance
Shanghai Fuji Xerox Co., Ltd.	29,140,749.49			29,140,749.49				15.92	14,326,560.00	
Shanghai Hirose Precision Industrial Co., Ltd. (Note 1)								30.00	900,000.00	
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					0.099	
Shanghai Baoding Investment Co., Ltd.	7,500.00			7,500.00					0.008	4,428.27
Shanghai Shangong 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		7.31							
Total	30,936,388.71		7.31	30,936,381.40	1,698,131.91			1,698,131.91		15,230,988.27

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 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 Wuxi Shanggong Sewing Machines Co., Ltd.

7.14.4 Changes in Available-for-sale Financial Assets in Current Period

Unit: Yuan, Currency: RMB.

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 31 st December 2017	1,698,131.91		1,698,131.91

7.15 Held-to-maturity Investments

Not applicable.

7.16 Long-term Receivables

Not applicable.

7.17 Long-term Equity Investment

Unit: Yuan, Currency: RMB.

Investees	Beginning Balance	Change in current period						Ending Balance	Ending Balance of Provision of Impairment	
		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
Joint operation										
H. Stoll AG & Co. KG	253,586,574.99			17,990,723.92				4,222,307.79	275,799,606.70	
Subtotal	253,586,574.99			17,990,723.92				4,222,307.79	275,799,606.70	
Total	253,586,574.99			17,990,723.92				4,222,307.79	275,799,606.70	

7.18 Investment Properties

7.18 Investment Property Measured at Cost

Unit: Yuan, Currency: RMB.

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	53,849,561.64			53,849,561.64
① Outsourcing	6,241,840.00			6,241,840.00
② Transfer in from inventories, fixed assets or construction in progress	44,302,775.29			44,302,775.29



Item	Buildings and Constructions	Leased Land Use Rights	Investment Real Estate Decoration	Total
③ Exchange rate fluctuation	3,304,946.35			3,304,946.35
(3) Decrease in current period				
① Disposal				
(4) Ending balance	226,181,075.92	50,523,752.24	2,583,492.92	279,288,321.08
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	10,196,208.40	1,104,003.24	172,233.00	11,472,444.64
①Amortization or accrual	4,617,383.79	1,104,003.24	172,233.00	5,893,620.03
②Transfer from fixed assets	4,133,126.55			4,133,126.55
③Exchange rate fluctuation	1,445,698.06			1,445,698.06
(3) Decrease in current period				
①Disposal				
(4) Ending balance	105,181,671.01	16,183,322.31	688,931.76	122,053,925.08
3. Provision for impairment				
(1) Beginning balance	7,241,024.04			7,241,024.04
(2) Increase in current period	491,039.50			491,039.50
①Accrual				
②Exchange rate fluctuation	491,039.50			491,039.50
(3) Decrease in current period				
①Disposal				
②Others				
(4) Ending balance	7,732,063.54			7,732,063.54
4. Book value				
(1) Book value at the end of the period	113,267,341.37	34,340,429.93	1,894,561.16	149,502,332.46
(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

7.19 Fixed Assets

7.19.1 Fixed Assets

Unit: Yuan, Currency: RMB.

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	39,005,899.29	59,587,121.74	3,847,053.59	757,898.09	44,770,885.11	147,968,857.82
① Purchase	18,429,470.61	39,253,443.18	3,847,053.59	741,226.62	29,066,280.98	91,337,474.98
② Transfer from construction in progress		1,878,878.86				1,878,878.86
③Exchange rate fluctuation	20,576,428.68	18,454,799.70		16,671.47	15,704,604.13	54,752,503.98
(3) Decrease in current period	9,362,068.13	6,420,701.20	3,497,694.44	916,785.29	5,622,830.98	25,820,080.04
①Disposal or scrap	2,464,139.30	6,420,701.20	3,497,694.44	905,049.53	5,607,800.78	18,895,385.25



②Transfer to investment property	6,897,928.83					6,897,928.83
③Exchange rate fluctuation				11,735.76	15,030.20	26,765.96
4. Ending Balance	449,191,194.52	391,885,505.83	14,935,691.94	3,916,967.73	280,602,586.17	1,140,531,946.19
2. Accumulated depreciation						
(1) Beginning balance	206,652,824.34	228,815,751.75	9,545,181.21	2,738,212.75	206,574,025.26	654,325,995.31
(2) Increase in current period	24,894,664.58	37,571,158.96	1,477,891.20	743,207.89	30,665,231.18	95,352,153.81
①Accrual	11,919,501.58	24,335,858.46	1,477,891.20	738,248.61	17,035,512.68	55,507,012.53
②Exchange rate fluctuation	12,975,163.00	13,235,300.50		4,959.28	13,629,718.50	39,845,141.28
(3) Decrease in current period	4,901,078.65	5,112,670.51	3,057,243.87	814,093.57	5,310,557.21	19,195,643.81
①Disposal or scrap	2,175,185.37	5,112,670.51	3,057,243.87	802,758.63	5,297,150.16	16,445,008.54
②Transfer to investment property	2,725,893.28					2,725,893.28
③Exchange rate fluctuation				11,334.94	13,407.05	24,741.99
(4) Ending balance	226,646,410.27	261,274,240.20	7,965,828.54	2,667,327.07	231,928,699.23	730,482,505.31
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		2,399,372.07	27,737.97			2,427,110.04
①Accrual		2,399,372.07	27,737.97			2,427,110.04
②Exchange rate fluctuation						
(3) Decrease in current period						
① Disposal or scrap						
(4) Ending balance	4,913,777.92	7,232,165.07	75,908.67	37,818.61	1,402.83	12,261,073.10
4. Book value						
(1) Book value at the end of the period	217,631,006.33	123,379,100.56	6,893,954.73	1,211,822.05	48,672,484.11	397,788,367.78
(2) Book value at the beginning of the period	207,980,761.10	105,070,540.54	4,992,980.88	1,299,823.57	34,879,103.95	354,223,210.04

Note: For details of restricted conditions such as fixed asset mortgages, see “Note 7.76” and “Note 14.2”.

7.19.2 Idle Fixed Assets

Not applicable

7.19.3 Fixed Assets Leased through Financial Lease

Unit: Yuan, Currency: RMB.

Item	Book value	Accumulated depreciation	Impairment	Book value
Transportation Equipment	1,276,282.05	126,472.91		1,149,809.14
Total	1,276,282.05	126,472.91		1,149,809.14

7.19.4 Fixed Assets without Certificate of Title

Unit: Yuan, Currency: RMB.

Item	Book Value	Reason for Failure in Completing the Formalities for Obtaining Certificates of Title
Buildings and constructions (Note 1)	1,793,232.40	Self-built housing, the certificates are in the process
Buildings and constructions (Note 2)	317,117.24	Self-built housing, the certificates are in the process

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

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



7.20 Construction in Progress

7.20.1 Construction in Progress

Unit: Yuan, Currency: RMB.

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Sewing Equipment Engineering	4,347,153.83		4,347,153.83	2,036,361.68		2,036,361.68
ERP project				2,130,376.16		2,130,376.16
Household multifunctional sewing machine	1,025,599.74		1,025,599.74	407,258.58		407,258.58
Zhangjiagang manufacture base project	1,845,901.66		1,845,901.66	1,207,505.00		1,207,505.00
Modern logistics management center	4,858,082.75		4,858,082.75	258,490.56		258,490.56
Nanxiang factory reconstruction				300,000.00		300,000.00
Mold development				139,000.00		139,000.00
Exhaust project				298,345.06		298,345.06
DFT workshop renovation				13,422,591.60		13,422,591.60
DARO workshop reconstruction	402,369.43		402,369.43			
Kingdee QR code system project	186,166.68		186,166.68			
Total	12,665,274.09		12,665,274.09	20,199,928.64		20,199,928.64

7.20.2 Changes in Major Construction in Progress for Current Period

Unit: Yuan, Currency: RMB.

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 capitalization	Accumulated amount of interest in 2017	amount of interest capitalization in 2017	Interest capitalization rate in 2017(%)	Source of Fund
Sewing Equipment Engineering		2,036,361.68	3,868,616.55	1,557,824.40		4,347,153.83						Self-owned fund
ERP project		2,130,376.16	722,927.42		2,853,303.58							Raised fund
Household multifunctional sewing machine		407,258.58	618,341.16			1,025,599.74						Self-owned fund
Zhangjiagang manufacture base project		1,207,505.00	1,314,335.51		675,938.85	1,845,901.66						Self-owned fund



Modern logistics management center	258,490.56	4,599,592.19			4,858,082.75						Self-owned fund
Nanxiang factory reconstruction	300,000.00			300,000.00							Self-owned fund
Mold development	139,000.00			139,000.00							Self-owned fund
Exhaust project	298,345.06	22,709.40	321,054.46								Self-owned fund
DFT workshop renovation	13,422,591.60	18,802,254.86		32,224,846.46							Self-owned fund
Kingdee QR code system project		186,166.68			186,166.68						Self-owned fund
DARO workshop reconstruction		402,369.43			402,369.43						Self-owned fund
Total	20,199,928.64	30,537,313.20	1,878,878.86	36,193,088.89	12,665,274.09						/

Note 1: The first phase of ERP project has been completed and accepted in the current period and transferred to intangible assets.

Note 2: DFT workshop renovation project has been completed in the current period and transferred to investment real estate.

7.21 Project Materials

Not applicable

7.22 Disposal of Fixed Assets

Not applicable

7.23 Productive Biological Assets

Not applicable

7.24 Oil and Gas Assets

Not applicable

7.25 Intangible Assets

7.25.1 Intangible Assets

Unit: Yuan, Currency: RMB.

Item	Land Use Right	Trademark Use Right	Computer Software	Patent and Non-patent Technology	Others	Total
1. Original book value						
(1) Beginning balance	105,595,420.23	20,161,268.51	3,185,554.27	117,954,603.75	5,795,753.76	252,692,600.52
(2) Increase in current period	638,600.00		3,410,387.06	17,918,317.23	391,470.14	22,358,774.43
① Purchase	638,600.00		551,930.69	1,420,519.20		2,611,049.89
② Transfer from construction in progress/development			2,853,303.58	12,433,361.60		15,286,665.18



Item	Land Use Right	Trademark Use Right	Computer Software	Patent and Non-patent Technology	Others	Total
expenditure						
③ Exchange rate fluctuation			5,152.79	4,064,436.43	391,470.14	4,461,059.36
(3) Decrease in current period	5,180,000.00		1,322,251.29	1,045,508.20		7,547,759.49
① Disposal			1,322,251.29	1,045,508.20		2,367,759.49
② Transfer to investment property	5,180,000.00					5,180,000.00
4. Ending Balance	101,054,020.23	20,161,268.51	5,273,690.04	134,827,412.78	6,187,223.90	267,503,615.46
2. Accumulated amortization						
(1) Beginning balance	8,099,502.56	20,161,268.51	2,248,235.06	61,149,940.94	5,795,753.76	97,454,700.83
(2) Increase in current period	2,753,480.05		798,841.62	20,371,805.30	391,470.14	24,315,597.11
① Accrual	2,753,480.05		793,921.96	20,371,805.30		23,919,207.31
② Exchange rate fluctuation			4,919.66		391,470.14	396,389.80
(3) Decrease in current period	1,407,233.27		1,322,251.29	1,525,355.38		4,254,839.94
① Disposal			1,322,251.29			1,322,251.29
② Exchange rate fluctuation				1,525,355.38		1,525,355.38
③ Transfer to investment property	1,407,233.27					1,407,233.27
4. Ending Balance	9,445,749.34	20,161,268.51	1,724,825.39	79,996,390.86	6,187,223.90	117,515,458.00
3. Provision for impairment						
(1) Beginning balance						
(2) Increase in current period						
① Accrual						
(3) Decrease in current period						
① Disposal						
4. Ending Balance						
(4) Ending balance						
4. Book value	91,608,270.89		3,548,864.65	54,831,021.92		149,988,157.46
(1) Book value at the end of the period	97,495,917.67		937,319.21	56,804,662.81		155,237,899.69

At the end of the period, the ratio of intangible assets formed by internal R&D to the balance of intangible assets was 4.65%.

7.26 Development Expenditures

Unit: Yuan, Currency: RMB.

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	16,146,318.65		12,433,361.60		11,968,675.38
WeChat platform	887,322.98	212,491.52				1,099,814.50
Freight platform	3,282,264.10	333,018.86				3,615,282.96
Paper Shredder	104,040.49				104,040.49	
Total	12,529,345.90	16,691,829.03		12,433,361.60	104,040.49	16,683,772.84

Note: The development expenditures of sewing equipment represent the development costs of DAP AG. 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.

7.27 Goodwill

7.27.1 Book Value of Goodwill

Unit: Yuan, Currency: RMB.

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		4,603,110.31			72,482,033.43
Beisler	21,289,092.48		1,443,688.80			22,732,781.28
Total	89,168,015.60		6,046,799.11			95,214,814.71

7.27.2 Provision for Impairment of Goodwill

Unit: Yuan, Currency: RMB.

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period		Decrease in Current Period		Ending Balance
		Acquisition	Exchange Rate Fluctuation	Disposal		
Beisler	21,289,092.48		1,443,688.80			22,732,781.28
Total	21,289,092.48		1,443,688.80			22,732,781.28

7.28 Long-term Deferred Expenses

Unit: Yuan, Currency: RMB.

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	168,756.72	46,307.52		142,249.20
Online brand registration fee	340,545.43	235,327.65	89,145.96		486,727.12
Landscape engineering	183,451.50		48,920.40		134,531.10
Leasehold improvements	136,916.67	27,000.00	39,999.96		123,916.71
Tooling cost	404,084.37	365,146.40	25,641.02		743,589.75
Total	1,084,797.97	796,230.77	250,014.86		1,631,013.88

Note: In current period, the amortized amount of long-term deferred expenses is 250,014.86 yuan, and it is recorded in general and administrative expenses.

7.29 Deferred Income Tax Assets / Deferred Income Tax Liabilities

7.29.1 Deferred Income Tax Assets

Unit: Yuan, Currency: RMB.

Item	Ending Balance		Beginning Balance	
	Deductible	Deferred Income Tax	Deductible	Deferred Income Tax



	Temporary Differences	Assets	Temporary Differences	Assets
Provision for asset impairment		17,786,502.50		16,211,080.71
Unrealized profits of internal transactions		11,066,767.51		7,876,034.19
Pension (Europe)				
Deductible losses		34,005,022.74		34,426,435.01
Deferred income		550,000.00		550,000.00
Estimated liabilities		136,615.48		
Total		63,544,908.23		59,063,549.91

7.29.2 Deferred Income Tax Liabilities

Unit: Yuan, Currency: RMB.

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		51,666,074.01		35,407,850.19
Changes in fair value of available-for-sale financial assets				
Others		1,197,067.41		1,197,067.41
Total		52,863,141.42		36,604,917.60

7.30 Other Non-current Assets

Not applicable.

7.31 Short-term Loans

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Mortgage loans	10,221,013.00	19,143,816.00
Guaranteed loans	319,820,040.00	331,876,640.00
Credit loans	348,148.62	348,148.62
Total	330,389,201.62	351,368,604.62

Note 1: DA AG borrowed 65,062,984.00 yuan (9,170,000.00 euros) from German Commerzbank with fixed assets of which book value is 100,977,815.86 yuan (12,942,057.58 euros) as collateral. As at 31st December 2017, 54,841,971.00 yuan (7,860,000.00 euros) was repaid. The ending balance is 10,221,013.00 yuan (1,310,000.00 euros).

Note 2: The guaranteed loans are: the funds amounted to 209,101,640.00 yuan (26,800,000.00 euros) borrowed by the Company's wholly-owned subsidiary DAP AG from the Bielefeld Branch of Commerzbank; and funds amounted to 209,101,640.00 yuan (26,800,000.00 euros) borrowed by the Company's wholly-owned subsidiary PFAFF GmbH from Kaiserslautern Branch of Commerzbank. Guarantees related to the above matters refer to Note 14.2.

Note 3: Except the guaranteed loans above; other guaranteed loans are as follows: Shanghai Shensy Enterprise Development Co., Ltd borrowed 20,300,000.00 yuan from China Construction Bank Shanghai Baoshan



Baogang Branch, 28,000,000.00 yuan from Bank of Communications Shanghai Branch of Baoshan. The guarantee company is Shanghai Shensy Kaile Internet of Things Co., Ltd.

7.32 Financial Liabilities Measured at Fair Value through Profit or Loss for the Current Period

Not applicable.

7.33 Derivative Financial Liabilities

Not applicable.

7.34 Notes payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Bank acceptance bill	12,311,525.18	
Total	12,311,525.18	

7.35 Accounts Payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Payables to suppliers	194,031,795.38	174,828,356.05
Total	194,031,795.38	174,828,356.05

7.36 Receipt in Advance

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Advances on sales	38,326,094.65	36,548,091.83
Total	38,326,094.65	36,548,091.83

7.37 Employee Compensation Payable

7.37.1 Presentation of Employee Compensation Payable

Unit: Yuan, Currency: RMB.

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Short-term remuneration	60,808,833.07	631,603,294.34	621,982,727.06	70,429,400.35
Post-employment benefits - defined benefit plans	449,954.11	16,663,826.10	16,521,924.06	591,856.15
Dismissal welfare		59,200.00	59,200.00	
Defined benefit plan maturing within one year	19,669,905.60	20,090,922.50	19,669,905.60	20,090,922.50
Total	80,928,692.78	668,417,242.94	658,233,756.72	91,112,179.00

7.37.2 Presentation of Short-term Remuneration

Unit: Yuan, Currency: RMB.

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
(1) Salary, bonus, allowance and subsidy	60,360,450.15	499,117,379.12	489,772,845.85	69,704,983.42
(2) Employee welfare	529.00	118,513,662.23	118,505,551.67	8,639.56
(3) Social insurance expenses	282,251.12	9,322,869.86	9,114,151.46	490,969.52
Including: medical insurance premium	226,607.73	7,645,820.39	7,529,831.94	342,596.18



Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Work-related injury insurance premium	28,898.48	669,735.76	661,168.63	37,465.61
Maternity insurance premium	16,241.91	651,092.51	646,448.89	20,885.53
Other	10,503.00	356,221.20	276,702.00	90,022.20
(4) Housing provident funds	165,602.80	3,389,128.14	3,393,859.60	160,871.34
(5) Labor union expenditures and employee education expenses		1,260,254.99	1,196,318.48	63,936.51
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	60,808,833.07	631,603,294.34	621,982,727.06	70,429,400.35

7.37.3 Presentation of Defined Benefit Plans

Unit: Yuan, Currency: RMB.

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Basic endowment insurance premium	424,019.08	15,070,473.10	14,919,520.04	574,972.14
Unemployment insurance premium	25,935.03	593,329.28	602,380.30	16,884.01
Payment of annuity		1,000,023.72	1,000,023.72	
Total	449,954.11	16,663,826.10	16,521,924.06	591,856.15

7.38 Taxes and Surcharges Payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Value-added tax	4,454,097.17	5,721,081.61
Enterprise income tax	3,646,204.96	41,900,219.50
Individual income tax	5,613,216.71	6,172,515.51
Urban maintenance and construction tax	186,230.26	301,166.34
Property tax		264,414.62
Educational surtax	168,142.01	227,392.77
River management fee		29,199.23
Use tax of land		121,189.92
Stamp tax	6,696.80	3,688.10
Total	14,074,587.91	54,740,867.60

7.39 Interest Payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Term interest on long-term borrowings due in installments	471,243.32	441,316.11
Short-term loan interest payable	639,309.74	1,649,249.48
Total	1,110,553.06	2,090,565.59

7.40 Dividends Payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Light Industrial Holding Group Co., Ltd	959,269.79	959,269.79
Privately-owned corporate shares	73,549.07	73,549.07



Total	1,032,818.86	1,032,818.86
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7.41 Other Payables

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Other payables	193,617,747.74	193,117,136.53

7.42 Liabilities held for sale

Not applicable.

7.43 Deferred Income Due within One Year

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Deferred income due within one year	1,260,000.00	
Total	1,260,000.00	

Note: The deferred income due within one year is a government subsidy project that will undergo acceptance in 2018.

7.44 Other Current Liabilities

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Interest and rentals	48,330.03	808,706.39
Total	48,330.03	808,706.39

7.45 Long-term Loans

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Mortgage loans	61,466,519.40	67,134,878.40
Credit loans	1,489,984.87	1,489,984.87
Total	62,956,504.27	68,624,863.27

Note1: The amount of (7,938,398.00 euros) mortgage loans at 31st December 2017 is 61,937,762.72 yuan. The relevant matters of the mortgage loan above see Note 14.2.

7.46 Bonds Payable

Not applicable.

7.47 Long-term Payables

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
STOLL stock equity transfer fee		33,831,447.47
Others	2,240,369.61	3,507,014.14
Financing lease payments payable	960,531.14	
Less: Unconfirmed financing charges	79,007.64	
Total	3,121,893.11	37,338,461.61



7.48 Long-term Employee Compensation Payable

7.48.1 Presentation of Long-term Employee Compensation Payable

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
1. Post-employment benefits - net liability of defined benefit plan	243,516,774.09	251,784,116.62
2. Dismissal welfare		
3. Other long-term benefits	3,904,003.23	3,902,832.30
Total	247,420,777.32	255,686,948.92

7.48.2 Changes in Defined Benefit Plan Liabilities

(1) Present value of defined benefit plan liabilities

Unit: Yuan, Currency: RMB.

Item	2017	2016
1. Beginning Balance	271,454,022.22	259,067,109.76
2. Defined benefit cost included in P&L	4,971,817.2	6,034,976.7
(1) Cost in current period	1,038,659.20	931,278.30
(2) Cost in prior period		
(3) Gain (+) / Loss (-)		
(4) Net Interests	3,933,158.00	5,103,698.40
3. Defined benefit cost included in OCI	-8,798,054.4	19,268,031.6
(1) Actuarial gain (+) / loss (-)	-8,798,054.40	19,268,031.60
4. Other changes	-4,020,088.43	-12,916,095.84
(1) Payment in settlement		
(2) Benefit paid	-21,872,940.80	-20,693,443.80
(3) Changes in exchange rate	17,852,852.37	7,777,347.96
5. Ending Balance	263,607,696.59	271,454,022.22

(2) Defined benefit plan of DAP AG 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. By the end of 2017, the weighted average period of defined benefit plan liability is 10.28 year. (10.36 year by the end of 2016). Assumed payment of defined benefit plan in 2018 is the same as in 2017.

(3) Significant Actuarial Assumptions:

The method used to calculate pension obligations is actuarial. The computation basis includes life expectancy, developed rate, changes in pension, and developed payroll trends.

In 2017, actuarial assumptions are below, compared with 2016

Item	2017	2016
Actuarial rate	1.70%	1.45%
Rate of payroll increase	2.00%	2.00%
Rate of pension increase	1.50%	1.50%

(4) Sensitivity analysis



On 31st December 2017, sensitivity analysis was executed based on rational judgment possible changes in assumptions. Other assumptions remain unchanged.

Item	PV of defined benefit plan liability increase	PV of defined benefit plan liability decrease
Discount rate (changed by 0.5%)	13,701,136.80	-12,502,096.40
Increase in payroll (changed by 0.5%)	404,771.60	-389,497.20
Increase in pension (changed by 0.5%)	11,707,827.60	-10,905,921.60
Life expectancy (changed by 1 year)	22,147,880.00	—

The sensitivity analysis above may not reflect the actual change of present value of defined benefit plan.

7.49 Special Payable

Not applicable.

7.50 Estimated Liabilities

Unit: Yuan, Currency: RMB.

Item	Beginning Balance	Ending Balance	Reason
Pending litigation		546,461.91	Expected compensation expenses
Total		546,461.91	/

7.51 Deferred Income

Unit: Yuan, Currency: RMB.

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
Government grants	3,600,000.00		1,260,000.00	2,340,000.00	
Total	3,600,000.00		1,260,000.00	2,340,000.00	/

Projects that involve government grants:

Unit: Yuan, Currency: RMB.

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		Income-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	Income-related
Total	3,600,000.00			1,260,000.00	2,340,000.00	/



7.52 Other Non-current Liabilities

Unit: Yuan, Currency: RMB.

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

7.53 Share Capital

Unit: Yuan, Currency: RMB.

	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

7.54 Other Equity Instruments

Not applicable.

7.55 Capital Reserves

Unit: Yuan, Currency: RMB.

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	397,475.29		120,654,741.95
Total	971,603,120.27	397,475.29		972,000,595.56

7.56 Treasury Stock

Not applicable.

7.57 Other Comprehensive Income

Unit: Yuan, Currency: RMB.

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	8,286,362.00		2,604,285.20	5,682,076.80	343,674.00	-43,487,893.99
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan	-49,169,970.79	8,286,362.00		2,604,285.20	5,682,076.80	343,674.00	-43,487,893.99
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	25,298,516.45			25,298,516.45	5,606,621.92	-28,675,558.91
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	-18,259,294.75			-18,259,294.75		15,711,472.03
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	43,557,811.20			43,557,811.20	5,606,621.92	-44,387,030.94
Total other comprehensive income	-103,144,046.15	33,584,878.45		2,604,285.20	30,980,593.25	5,950,295.92	-72,163,452.90

7.58 Special Reserve

Not applicable.

7.59 Surplus Reserves

Unit: Yuan, Currency: RMB.

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

7.60 Retained Earnings

Unit: Yuan, Currency: RMB.

Item	2017	2016
Adjustments to retained earnings as at December 31, 2016	494,754,465.24	350,523,121.40
Adjustments to total retained earnings as at January 1, 2017 ("+" for increase, "-" for decrease)		
Adjusted retained earnings as at January 1, 2017	494,754,465.24	350,523,121.40
Plus: net profit attributable to owners of the parent company for 2017	197,487,226.27	144,231,343.84
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves in 2017		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Adjustments to retained earnings as at December 31, 2017	692,241,691.51	494,754,465.24

7.61 Operating Income and Operating Costs

Unit: Yuan, Currency: RMB.

Item	2017		2016	
	Income	Cost	Income	Cost
Main business	2,973,395,095.35	2,191,026,910.61	2,667,640,604.13	1,973,006,896.38
Other businesses	91,576,405.44	54,510,418.65	92,214,532.85	64,337,146.33
Total	3,064,971,500.79	2,245,537,329.26	2,759,855,136.98	2,037,344,042.71



7.62 Taxes and Surcharges

Unit: Yuan, Currency: RMB.

Item	2017	2016
Consumption tax		
Business tax		786,921.23
Urban maintenance and construction tax	3,841,225.33	2,184,946.31
Educational surtax	2,851,563.83	1,645,996.37
Resource tax		
Property tax	4,557,720.89	3,371,024.49
land use tax	1,206,499.65	921,590.00
Vehicle and vessel tax	29,173.45	15,749.00
Stamp tax	794,782.50	461,736.44
Other	164,598.33	258,613.42
Total	13,445,563.98	9,646,577.26

7.63 Selling Expenses

Unit: Yuan, Currency: RMB.

Item	2017	2016
Employee compensation	127,100,318.51	110,465,795.57
Fix and after-sale service charges	16,883,164.44	17,671,290.99
Office expenses	1,636,944.60	1,500,776.07
Travelling expenses	19,339,407.84	15,269,611.85
Transportation cost	23,818,035.11	20,672,105.74
Advertising expense	5,448,163.62	3,880,845.81
Commission	32,259,945.51	30,827,727.63
Leasing and storage charges	9,715,517.43	5,810,727.46
Insurance premium	1,305,233.66	1,116,520.51
Conference fees	1,420,907.90	1,734,678.36
Depreciation costs	2,112,145.96	1,801,274.49
Exhibition fees	6,697,223.82	1,993,478.12
Sample printed matter and product loss	11,978,393.15	10,131,407.47
Entertainment expenses	594,503.68	400,375.64
E-commerce service fee	226,972.23	1,408,135.92
Entertainment expenses	25,116.43	18,986.93
Other	24,248,893.32	22,136,580.34
Total	284,810,887.21	246,840,318.90

7.64 General and Administrative Expenses

Unit: Yuan, Currency: RMB.

Item	2017	2016
Employee compensation	142,665,436.43	132,919,579.03
Office expenses	9,234,901.56	10,179,594.34
Water and electricity	1,134,181.97	1,058,233.35
Entertainment expenses	5,630,236.43	4,507,195.41
Property insurance premium	1,892,141.80	2,163,291.56
Conference fees	1,248,356.45	988,892.40
Travelling expenses	9,345,153.24	10,256,106.62



Item	2017	2016
Depreciation costs	7,842,008.99	8,297,542.45
Repair charges	1,682,156.57	1,350,753.40
Transportation cost	1,624,137.32	1,942,276.13
Rental fees	4,955,542.72	7,498,641.99
Costs of board meetings and supervisors' meetings	523,146.21	437,325.77
Agency fees and advisory expenses	13,263,611.48	15,075,759.60
Litigation cost	738,687.57	107,166.64
New product development expenses	84,350,255.40	79,875,768.91
Taxes and surcharges		1,039,261.95
Amortization of intangible assets	2,132,800.69	2,197,402.83
Amortization of long-term deferred expenses	250,014.86	142,247.19
Amortization of low-value consumables	193,409.60	622,627.46
Other	2,665,484.81	3,496,694.44
Total	291,371,664.10	284,156,361.47

7.65 Financial Expenses

Unit: Yuan, Currency: RMB.

Item	2017	2016
Interest expenses	13,537,239.17	14,429,199.42
Less: Interest income	12,388,093.76	3,379,640.96
Gains and losses on exchange	-6,945,484.64	2,596,952.55
Others	532,811.33	1,889,583.50
Total	-5,263,527.90	15,536,094.51

7.66 Losses from Asset Impairment

Unit: Yuan, Currency: RMB.

Item	2017	2016
Losses from bad debts	14,232,260.76	6,676,755.82
Losses from inventory impairment	9,538,291.98	7,064,153.47
Losses of fixed assets impairment	2,427,110.04	3,280,617.68
Total	26,197,662.78	17,021,526.97

7.67 Gains from Changes in Fair Value

Not applicable.

7.68 Investment Income

Unit: Yuan, Currency: RMB.

Item	2017	2016
Long-term equity investments measured under equity method	17,990,723.92	17,937,107.88
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	16,690.26	45,684.32
Investment income of the held-to-maturity investment		



Item	2017	2016
during the holding period		
Investment income derived from available-for-sale financial assets	16,249,837.40	23,537,656.97
Investment income from disposal of available-for-sale financial assets	-7.64	715,552.60
After the loss of control, the residual equity is measured at fair value		
Others	11,350,015.35	9,726,909.75
Total	45,607,259.29	51,962,911.52

7.69 Non-operating Income

Unit: Yuan, Currency: RMB.

Item	2017	2016	Amount included in current non-recurring gains and losses
Government grants	148,710.23	11,190,319.23	148,710.23
Penalty income and fine income		4,799.00	
Unpayable payables		12,985,247.33	
Other	9,044,037.85	4,993,600.61	9,044,037.85
Total	9,192,748.08	29,173,966.17	9,192,748.08

Government grants included in current profit and loss

Unit: Yuan, Currency: RMB.

Item	2017	2016	Asset-related /Income-related
Financial support fund		9,812,695.21	
Shanghai old public housing management fee subsidies	85,710.23	558,166.58	Income-related
Special funds of Shanghai industrial transformation, upgrading and development		500,000.00	
Staff occupational subsidies		120,345.62	
Other	63,000.00	199,111.82	Income-related
Total	148,710.23	11,190,319.23	/

7.70 Non-operating Expenses

Unit: Yuan, Currency: RMB.

Item	2017	2016	Amount Included in Current Non-recurring Gains and Losses
Donations made	200,000.00	202,000.00	200,000.00
Amercement and overdue fine outlay	2,547,131.17	461,786.38	2,547,131.17
Extraordinary losses		10,000.00	
Non-current assets Losses on scrapping damaged	412,623.36		412,623.36
Others	606,594.16	57,396.39	606,594.16
Total	3,766,348.69	731,182.77	3,766,348.69

7.71 Income Tax Expenses

Unit: Yuan, Currency: RMB.

Item	2017	2016
Current income tax expenses	75,912,541.36	77,053,098.86
Deferred income tax expenses	7,016,328.30	-5,372,738.58
Total	82,928,869.66	71,680,360.28



7.72 Other Comprehensive Income

See notes for details.

7.73 Items of the Statement of Cash Flows

7.73.1 Cash Received from Other Operating Activities

Unit: Yuan, Currency: RMB.

Item	2017	2016
Current accounts and advances withdrawn	16,478,636.33	11,155,962.13
Special subsidies and grants	11,074,399.76	17,695,144.32
Interest income	12,937,203.19	3,285,423.73
Non-operating income:	6,570,902.72	4,691,897.24
Other	3,384,804.85	1,871,538.14
Total	50,445,946.85	38,699,965.56

7.73.2 Cash Paid for Other Operating Activities

Unit: Yuan, Currency: RMB.

Item	2017	2016
Current accounts paid	55,241,626.14	22,397,687.95
Selling expenses	121,033,239.46	96,985,103.94
General and administrative expenses	97,509,435.48	86,993,815.09
Non-operating expenses	2,744,339.67	672,888.73
Others	3,809,248.10	3,524,541.86
Total	280,337,888.85	210,574,037.57

7.73.3 Cash Received from Other Investing Activities

Not applicable.

7.73.4 Cash Paid from Other Investing Activities

Not applicable.

7.73.5 Cash Received from Other Financing Activities

Unit: Yuan, Currency: RMB.

Item	2017	2016
Bank deposit, security deposit and other pledge, mortgage	2,947,447.51	25,402,158.23
After-sale leaseback from financial leasing	950,250.00	
Total	3,897,697.51	25,402,158.23

7.73.6 Cash Paid from Other Financing Activities

Not applicable.

7.74 Supplementary Information to the Statement of Cash Flows

7.74.1 Supplementary Information to the Statement of Cash Flows

Unit: Yuan, Currency: RMB.

Supplementary Information	2017	2016
1. Net profit adjusted to cash flows from operating activities		



Supplementary Information	2017	2016
Net profit	212,652,989.02	161,565,335.61
Plus: Provision for assets impairment	26,197,662.78	17,021,526.97
Depreciation of fixed assets and others	61,400,632.56	36,225,651.25
Amortization of intangible assets	23,812,401.29	25,558,009.11
Amortization of long-term deferred expenses	250,014.86	142,247.19
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-23,963,103.89	-3,540,682.92
Losses on write-off of fixed assets ("-" for gains)	412,623.36	10,897.11
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	-8,200,943.06	3,290,867.10
Investments losses ("-" for gains)	-45,607,259.29	-51,962,911.52
Decreases in the deferred income tax assets ("-" for increases)	-4,481,358.32	-8,296,099.30
Increases in the deferred income tax liabilities ("-" for decreases)	11,498,815.79	-2,418,716.58
Decreases in inventories ("-" for increases)	-53,078,397.74	-69,253,896.66
Decreases in operating payables ("-" for increases)	-76,119,802.22	-17,020,310.57
Increases in operating payables ("-" for decreases)	-7,438,405.97	7,734,995.63
Others		
Net cash flows from operating activities	117,335,869.17	99,056,912.42
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:		
Ending balance of cash	713,813,720.45	750,357,929.63
Less: beginning balance of cash	750,357,929.63	744,700,658.82
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-36,544,209.18	5,657,270.81

7.74.2 Net Cash Paid to Acquire Subsidiaries During the Current Period

Not applicable.

7.74.3 Net Cash Received from Disposal of Subsidiaries During the Current Period

Not applicable.

7.74.4 Composition of Cash and Cash Equivalents

Unit: Yuan, Currency: RMB

Item	Ending Balance	Beginning Balance
1. Cash	713,813,720.45	750,357,929.63
Including: cash on hand	707,925.98	1,137,409.87
Unrestricted bank deposit	712,794,196.15	749,011,456.34
Other unrestricted monetary funds	311,598.32	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	713,813,720.45	750,357,929.63
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		

7.75 Notes of Items in Statement of Changes in Equity

Not applicable.

7.76 Assets with Restricted Ownership or Use Rights

Unit: 10,000 Yuan, Currency: RMB

Item	Book value at the end of period	Restricted reasons
Monetary funds	952.42	Bank acceptance money deposit and foreign exchange funds to be verified
Notes receivable		
Inventory		
Fixed assets	10,097.81	Bank loan guarantee
Intangible assets		
Investment property	2,939.78	Financing Bond Guarantee
Long-term equity investment	4,144.35	Equity purchase price guarantee
Total	18,134.36	/

Note: Book value of long-term equity investment at the end of period was 50 million shares of DA AG

7.77 Monetary Items in Foreign Currency

7.77.1 Monetary Items in Foreign Currency

Item	Ending Balance of Foreign Currency	Exchange Rate	Ending Balance of Conversion into RMB
Monetary funds			
Including: USD	8,437,591.82	6.5342	55,132,912.25
EUR	47,588,861.66	7.8023	371,302,575.38
HKD	469,628.00	0.8359	392,566.74
SGD	64,407.00	4.8831	314,505.82
JPY	279,459.73	0.0579	16,175.97
VND	283,273,349.00	0.0003	81,241.64

7.77.2 Description of Overseas Operating Entities

The domicile of primary operation of the Company's subsidiary, DAP Industrial AG, is in Germany, with Euro as functional currency for it is the applicable currency for the operation region.

The domicile of primary operation of the Company's subsidiary, DAP Vietnam Co., Ltd., is in Vietnam, with VND as functional currency for it is the applicable currency for the operation region.



7.78 Hedging

Not applicable.

7.79 Government Grants

Unit: Yuan, Currency: RMB

Type	Amount	Item	Amount Recognized in Current Profits and Losses
Financial support funds	10,730,000.00	Other income	10,730,000.00
VAT refund	809,353.65	Other income	809,353.65
"Twelfth Five-Year Plan" Special fund for economic development	140,000.00	Other income	140,000.00
Staff education funding subsidy	31,010.22	Other income	31,010.22
Shanghai old house management fee subsidy	85,710.23	Non-operating income	85,710.23
Others	65,810.88	Non-operating income	65,810.88

7.80 Others

(1) Gain on Disposal of Assets

Unit: Yuan, Currency: RMB

Item	2017	2016	Amount Recognized in Current Profits and Losses
Fixed assets	23,963,103.89	3,529,785.81	23,963,103.89
Total	23,963,103.89	3,529,785.81	23,963,103.89

(2) Othe Income

Unit: Yuan, Currency: RMB

Item	2017	2017	Asset-related /Income-related
Financial support funds	10,730,000.00		Income-related
VAT refund	140,000.00		Income-related
"Twelfth Five-Year Plan" Special fund for economic development	809,353.65		Income-related
Staff education funding subsidy	31,010.22		Income-related
Shanghai old house management fee subsidy	2,810.88		Income-related
Total	11,713,174.75		

8. Change in the Scope of Consolidation

8.1 Business Combinations not under Common Control

Not applicable.

8.2 Business Combinations under Common Control

Not applicable.

8.3 Reverse Purchase

Not applicable.

8.4 Disposal of Subsidiaries

Not applicable.

8.5 Changes in Consolidation Scope with Other Reasons

(1) Establish a new subsidiary DAP Vietnam Co., Ltd.

On 7th June 2017, the Company set up a new subsidiary DAP Vietnam Co., Ltd. The Company invested USD3.00 million in cash, equivalent to RMB 204,273.00 yuan, and the shareholding ratio was 100.00%. The voting rights of the board of directors are the same as the proportion of shares held. The chairman, general manager and chief financial officer are all dispatched by the Company. The Company controls DAP Vietnam Co., Ltd., which was incorporated into the scope of consolidation of the Company since its establishment.

(2) Establish a new subsidiary ShangGong Sewing Equipment (Zhejiang) Co., Ltd.

On 9th October 2017, the Company set up a new subsidiary ShangGong Sewing Equipment (Zhejiang) Co., Ltd. The Company invested 1,000 million yuan in cash, and the shareholding ratio was 100.00%. The voting rights of the board of directors are the same as the proportion of shares held. The chairman, general manager and chief financial officer are all dispatched by the company. The Company controls ShangGong Sewing Equipment (Zhejiang) Co., Ltd., which was incorporated into the scope of consolidation of the Company since its establishment.

(3) PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. absorbed Duerkopp Adler Sewing Equipment (Suzhou) Co., Ltd.

On 18th September 2016, the 32nd Meeting of the 7th Board of Directors of the Company decided that the subsidiary PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. will absorb another subsidiary Duerkopp Adler Sewing Equipment (Suzhou) Co., Ltd. The business cancellation of Duerkopp Adler Sewing Equipment (Suzhou) Co., Ltd. was completed on 13th June 2017. All assets and liabilities are directly assumed by PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. After the merger is completed, the Company directly holds 30.25% of equity in PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., holds the remaining 69.75% through the Company's subsidiaries PFAFF GmbH, DA AG, and DAPSH. As the Company directly manages the business activities of PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., this company will be included in the scope of consolidation from the date of the merger.

9. Equity in Other Entities

9.1 Equity in Subsidiaries

(1) Composition of Enterprise Groups

Name of Subsidiary	Domicile of Primary Operation	Registered Place	Business Nature	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.	Shanghai	Shanghai	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 SGSEB Electronics Co., Ltd.	Shanghai	Shanghai	Production and sales of electronic equipment	100.00		Investment
Shanghai SGSEB 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
DAP Industrial AG	Germany	Germany	Production and sales of sewing machines	100.00		Investment



Zhejiang 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
PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.	Zhangjiagang	Zhangjiagang	Production and sales of sewing machines	30.25	69.75	Note
DAP Vietnam Co., Ltd.	Vietnam	Vietnam	Sales of sewing machines	100.00		Investment
ShangGong Sewing Equipment (Zhejiang) Co., Ltd.	Zhejiang	Zhejiang	Production and sales of sewing machines	100.00		Investment

Note: After PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. absorbed Duerkopp Adler Sewing Equipment (Suzhou) Co., Ltd. in 2017, the Company directly held 30.25% of its equity and indirectly held the remaining 69.75% of the equity through other subsidiaries. As the Company directly manages the business activities of PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., this company will be included in the scope of consolidation from the date of the merger.

(2) Important Non-wholly Owned Subsidiary

Unit: Yuan, Currency: RMB

Name of subsidiary	Minority shareholders Shareholding%	Profit and loss attributable to minority shareholders for the current period	Other comprehensive income attributable to minority shareholders in this period	The dividend declared to minority shareholders in the current period
Dürkopp Adler AG	6.00	12,866,128.20	1,883,843.40	79,175,627.62
Zhejiang ShangGong GEMSY CO., LTD.	40.00	-1,832,050.52		84,337,439.46
Shanghai Shensy Enterprise Development Co., Ltd.	59.97	4,131,685.07		147,703,716.37

(3) Major restrictions on the use of group assets and liquidation of group debt

Not applicable.

(4) Financial Support or Other Support Provided to Structured Entities Included in the Scope of Consolidated Financial Statements

Not applicable.

9.2 Equity in Joint Operation and Joint Venture

9.2.1 Important Joint Operation and Joint Venture

Unit: Yuan, Currency: RMB

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

9.2.2 Main Financial Information of Joint Operation and Joint Venture

Unit: 10,000 Yuan, Currency: RMB

	Ending balance / 2017	Beginning balance / 2016



	H. Stoll AG & Co. KG	H. Stoll AG & Co. KG
Current assets	168,299.51	146,192.99
Non-current assets	26,033.15	25,725.05
Total assets	194,332.66	171,918.04
Current liabilities	57,559.13	49,572.98
Non-current liabilities	33,250.28	27,952.89
Total liabilities	90,809.41	77,525.87
The book value of equity investments in joint operation and joint venture	27,579.96	25,358.66
Operating income	195,797.19	205,175.28
Net profit	8,659.06	11,607.98

9.2.3 Description of Major Restrictions on the Ability of a Joint Venture or an Associate to Transfer Funds to the Company

Not applicable.

9.2.4 Excessive Losses Incurred by Joint Ventures or Associates

Not applicable.

9.2.5 Unconfirmed Commitments Related to Investment in Joint Ventures

Not applicable.

9.2.6 Contingent Liabilities Related to Investments in Joint Ventures or Associates

Not applicable.

9.3 Important Common Management

Not applicable.

9.4 Equity in Structured Entities not Included in the Scope of Consolidated Financial Statements

Not applicable.

10. Risks Related to Financial Instruments

The Company faces various financial risks in the course of its operations: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for risk management objectives and policies. The Board of Directors reviews the effectiveness of the implemented procedures and the rationality of risk management objectives and policies through monthly reports submitted by the heads of functional departments and subsidiaries. The Company's internal audit department will audit the risk management policies and procedures and report the findings to the audit committee.

The overall goal of the Company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the Company's competitiveness and resilience.

10.1 Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The Company's credit risk is mainly related to accounts receivable.

(1) Accounts Receivable

The accounts receivable of the Company are mainly exposed to the credit risk of customers caused by credit sales. Before opening up new customers and signing new framework contracts, the Company will evaluate new customers' credit risks, including external credit ratings and, in some cases, bank credit certificates (when this information is available).

For the sewing machine business and export trading business, the Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval. For sales that exceed the credit limit, the Company only sells it on the premise of additional approval. Otherwise, it must demand that it pay the corresponding amount in advance. For customers who have not completed payment in a timely manner on the previous credit sale, the Company will no longer accept new product orders before recovering accounts receivable.

For the logistics business, the Company only deals with customers that have been approved and have a good reputation and have a certain scale. After the credit period expires, the Company will perform various forms of collection for customers who have not paid on time. Due to the high dispersion of customers in the logistics business, there is no significant concentration of credit risk.

As of the end of the report period, the top five customers' accounts receivable of the Company accounted for 15.62% of the ending balance, and the Company did not have significant credit risk.

(2) Other Receivables

The Company's other receivables mainly include export tax refund receivables, various types of deposits and deposits. The Company manages and monitors this type of payments together with related economic activities to ensure that the Company does not have significant bad debt risks.

10.2 Market Risk

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk that the Company may face is mainly derived from bank loans that carry interest at floating rates.

As of 31st December 2017, the Company's short-term bank loans with Euribor as a benchmark interest rate totaled 1.31 million euros, and euro bank long-term borrowings with a base interest rate of Euribor totaled 7.878 million euros. Under the assumption that other variables remain unchanged, a 50% benchmark change in interest rates will have no significant impact on the Company's current profit or loss and shareholders' equity.

(2). Exchange Rate Risk

Exchange rate risk refers to the risk of loss due to exchange rate changes. The foreign exchange risk of the Company mainly includes the risk associated with the monetary assets and liabilities formed by the Company and its subsidiaries and overseas customers through the settlement of non-standard currencies, as well as the risk of translation differences in foreign currency statements. The former risk affects the current period profit and loss, and the latter risk affects owner's equity (other comprehensive income).

See Note 7.77 for details of monetary items in foreign currency as of 31st December 2017.

Exchange rate risk sensitivity analysis:

With the other variables unchanged, the pre-tax impact of reasonable changes in exchange rates on the current profit or loss and owner's equity is as follows:

Unit: Yuan, Currency: RMB.

Item	Exchange rate changes	2017		2016	
		Impact on current profits and losses	Impact on owner's equity	Impact on current profits and losses	Impact on owner's equity
Convert foreign currency statements	10% appreciation of RMB	18,052,832.71	91,994,946.53	12,105,061.61	68,714,474.73
Convert foreign currency statements	10% depreciation of RMB	-18,052,832.71	-91,994,946.53	-12,105,061.61	-68,714,474.73
Foreign Currency Items	10% appreciation of RMB	6,211,726.82	6,211,726.82	6,979,757.95	6,979,757.95
Foreign Currency Items	10% depreciation of RMB	-6,211,726.82	-6,211,726.82	-6,979,757.95	-6,979,757.95

(3) Other Price Risks

The Company holds equity investments in other listed companies. The management of the Company believes that the market price risks faced by these investment activities are acceptable. The listed company's equity investment held by the Company is listed as follows:

Unit: Yuan, Currency: RMB.

Item	Ending Balance	Beginning Balance
Available for sale financial assets	89,721,694.56	107,984,989.31

As of 31st December 2017, if all other variables remain unchanged, if the value of the equity instrument increases or decreases by 20%, the Company will increase or decrease the other comprehensive income by 17,944,757.88 yuan (31st December 2016: Others Comprehensive income of 21,597,344.16 yuan). The management of the Company believes that 20% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

10.3 Liquidity Risk

Liquidity risk refers to the risk of shortage of funds when performing obligations settled by way of delivery of cash or other financial assets. The Company's policy is to ensure that it has sufficient cash to repay the debts due. Liquidity risk is centrally controlled by the Company's financial department. By monitoring cash balances, marketable securities that can be realised at any time, and rolling forecasts of cash flows for the next 12 months, the financial department ensures that the Company has sufficient funds to repay debts under all reasonably foreseen circumstances.



The Company's external sources of funds mainly include bank loans. As of 31st December 2017, the Company's unused bank loan quota was 4.35 million euros (is equivalent to 33.94 million yuan at the end of the period) and 384.70 million yuan. The Company's own funds are relatively abundant and liquidity risk is relatively small.

11. Disclose of Fair Value

11.1 The Fair Value at End of Current Period of Assets and Liabilities Measured at Fair Value

Unit: Yuan, Currency: RMB

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	89,721,694.56			89,721,694.56
a. Investment in debt instruments				
b. Investments in equity instruments	89,721,694.56			89,721,694.56
c. Others				
(3) Investment property				
A. Use right of leased land				
B. Leased buildings				
C. Land use right held for transfer upon appreciation				
(4) Biological assets				
A. Consumable biological assets				
B. Productive biological assets				
Total amount of assets measured at fair value based on going concern	89,721,694.56			89,721,694.56
(5) Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
(6) 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 sale				
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				



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.

11.2 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 31th December 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 31th December 2017.

12. Related Party and Related Party Transaction

12.1 The Parent Company of the Company

The Company is a listed company with no controlling shareholder and no actual controller.

12.2 The Subsidiaries of the Company

See the Note 9 Equity in Other Entities for the details.

12.3 The Joint Operation and Joint Ventures of the Company

See the Note 9 Equity in Other Entities for the details.

12.4 Other Related Parties

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.	Subsidiary's minority shareholders
Zhejiang GEMSY Electromechanical Co., Ltd.	Subsidiary's minority shareholders
Stoll Electronics Co., Ltd.	Other related party

12.5 Related Transactions

(1) Related Transactions for Purchase and Sale of Goods, Receiving and Rendering of Services

Table of purchase of goods / receipt of services

Unit: Yuan, Currency: RMB.

Related Party	Content of Related Transaction	2017	2016
Zhejiang GEMSY Electromechanical Co., Ltd.	Purchase of fixed assets		11,398,608.00
Zhejiang GEMSY Electromechanical Co., Ltd.	Purchase of goods		420,458.64
Stoll Electronics Co., Ltd.	Receiving of service	19,673,427.20	5,939,203.09

Table of sales of goods/rendering of services

Unit: Yuan, Currency: RMB.

Related Party	Content of Related Transaction	2017	2016
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Shanghai Fuji Xerox Co., Ltd.	Sales of goods	21,610,693.53	30,492,057.89
Shanghai Fuji Xerox Co., Ltd.	Rendering of service		403,666.58
Zhejiang GEMSY Electromechanical Co., Ltd.	Sales of goods	317,000.00	92,240.42
Stoll Electronics Co., Ltd.	Sales of goods	664,436.40	249,611.04

(2) Associated Trusteeship/Contracting and Entrusted Management/Outsourcing

Not applicable.

(3) Related Lease

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

(4) Related Guarantees

Not applicable.

(5) Related Party Funds Lending

Not applicable.

(6) Related Party Assets Transfer and Debt Reorganization

Not applicable.

(7) Compensation for Key Managers

单位: 万元 币种: 人民币

Item	2017	2016
Compensation for Key Managers	638.57	470.75

Note: In 2017, the Company's key manages include directors, supervisors, general manager, deputy general manager s, and board secretary, a total of 17 (17 in 2016).

12.6 Receivables and Payables from Related Parties

(1) Receivables

Unit: Yuan, Currency: RMB

Item	Related Party	Ending Balance		Beginning Balance	
		Book Balance	Provision for Bad Debts	Book Balance	Provision for Bad Debts
Accounts receivable	Zhejiang GEMSY Electromechanical Co., Ltd.	2,365,537.24	118,276.86	2,986,768.97	149,338.45
Accounts receivable	Zhejiang GEMSY Electromechanical Co., Ltd.			112,831.24	5,641.56
Prepayment	Zhejiang GEMSY Electromechanical Co., Ltd.	6,147,650.83		6,874,421.03	
Other receivables	Zhejiang GEMSY Electromechanical Co., Ltd.	617,279.69			

(2) Payables

Unit: Yuan, Currency: RMB



Item	Related Party	Ending Balance	Beginning Balance
Account payables	Stoll Electronics Co., Ltd.	1,630,680.70	750,113.09

12.7 Related Party Commitments

Not applicable.

13. Share Payment

Not applicable.

14. Commitments and Contingencies

14.1 Important Commitments

Not applicable.

14.2 Contingencies

14.2.1 Important Contingent Events at the Balance Sheet Date

(1) Contingent liabilities formed by debt guarantees provided by the Company for its subsidiary DAP AG as of 31st December 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, DAP Industrial AG, 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, DAP Industrial AG, 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, DAP Industrial AG, 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, DAP Industrial AG, 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 31st December 2017, there is no outflow of economic benefits arising from the above contingencies.

(2) The Agreement to Increase Capital to Shanghai Shensy Enterprise Development Co., Ltd.

According to the capital increase agreement of Shanghai Shensy Enterprise Development Co., Ltd., by 30th June 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 the 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 assist it in the approval process of State-owned Assets Supervision and Administration Commission, commercial registration, etc. Per the agreement, the Company and Zhang Ping will respectively assume 50% of the above mentioned amount, and the 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 31st December 2017, SHENSY is expected to have failed to complete its IPO before 30th June 2018, and will not be listed on the A-shares independently. Shanghai Pudong New Industrial Investment Co., Ltd. has not yet signed a follow-on repurchase agreement with the Company for the repurchase. The equity repurchasing has great uncertainty.

(3) Arbitration on investment of 26% equity in H. Stoll AG & Co. KG

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 and with greater uncertainty.

(4) Controversial litigation with Shanghai Card Line World Supply Chain Management Co., Ltd. (hereinafter refer to as “KXTX”)

The Company’s wholly-owned subsidiary, Shanghai Shensy Kaile Things Network Co., Ltd., had a dispute with KXTX during the current period. The case has been publicly heard by the People's Court of Pudong New Area, Shanghai and the first-instance judgment was issued on 7th September 2017 with the (2017) civil judgment No. Hu0115 Minchu18286. Shanghai Shensy Kaile Things Network Co., Ltd. is required to pay a total of 1,186,599.88 yuan for the transportation fee of KXTX based on the judgment.

Shanghai Shensy Kaile Things Network Co., Ltd. has filed an appeal on 25th September 2017. As of the date of filing of the financial statements, the court has not made a second-instance judgment. Shanghai Shensy Kaile Things Network Co., Ltd. has provided corresponding estimated liabilities according to the judgment of the first instance.

15. Post Balance Sheet Event

15.1 Important Non-adjusting Events

Not applicable.

15.2 Profit Distribution

According to the resolution of the Company’s 4th Meeting of the 8th Board of Directors on 13th April 2018, no dividends of 2017 will be distributed.

15.3 Sales Return

Not applicable.

15.4 Others

On 16th August 2017, the Company received the civil judgment of Shanghai No.1 Intermediate People's Court. The judgment confirmed that 48% equity of Shanghai Pacific Industrial Co., Ltd. was owned by the Company. In November 2017, the Company applied to the court for enforcement of the judgment. On 23rd February 2018, the Company completed the change of industrial and commercial information and began to enjoy the corresponding shareholder rights and interests.

16 Other Significant Events

16.1 Correction of previous accounting errors

16.1.1 Retrospective restatement

Not applicable.

16.1.2 Future Applicable Method

Not applicable.

16.2 Debt Reorganization

Not applicable.

16.3 Asset Replacement

Not applicable.

16.4 Annuity Plan

Not applicable.



16.5 Discontinued operations

Not applicable.

16.6 Division Information

16.6.1 Report Division's Financial Information

Unit: Yuan, Currency: RMB.

Item	Sewing Equipment Division	Logistics Service Division	Export Trade Division	Other Business Segments	Offset between Divisions	Total
1. Operating income	2,363,126,655.14	768,874,679.88	203,596,075.53	113,900,240.48	384,526,150.24	3,064,971,500.79
Including: External transaction income	1,996,526,025.87	768,874,679.88	198,240,193.62	101,330,601.42		3,064,971,500.79
Inter-segment transaction income	366,600,629.27		5,355,881.91	12,569,639.06	384,526,150.24	
2. Investment income from associates and joint ventures	23,693,078.64				5,702,354.72	17,990,723.92
asset impairment losses	20,422,405.13	716,732.36	8,293,596.75	5,912,872.36	9,147,943.82	26,197,662.78
4. Depreciation and amortization	73,140,146.99	2,390,824.81	69,790.82	9,969,092.11		85,569,854.73
5. Total profit	265,095,710.34	10,682,085.38	-12,448,266.55	46,454,283.15	14,201,953.64	295,581,858.68
6. Income tax expenses	78,108,915.15	3,676,224.77	1,030,557.80	281,294.71	168,122.77	82,928,869.66
7. Net profit	186,986,795.19	7,005,860.61	-13,478,824.35	46,172,988.44	14,033,830.87	212,652,989.02
8. Total assets	2,837,803,495.91	366,009,523.70	23,642,186.30	1,690,824,683.03	1,214,764,817.34	3,703,515,071.60
9. Total liabilities	1,505,157,734.98	119,278,855.51	15,882,686.60	158,089,415.93	551,325,081.56	1,247,083,611.46
10. Other important non-cash items						

16.7 Other Significant Events

Not applicable.

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

17.1 Accounts Receivable

17.1.1 Disclosure of Classification of Accounts Receivable

Unit: Yuan, Currency: RMB.

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	15,115,630.80	13.88	5,561,028.32	36.79	9,554,602.48					
Accounts receivable with provision for bad debt made on a portfolio with similar risk characteristics basis	80,650,765.60	74.09	61,342,035.96	76.06	19,308,729.64	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	13,092,694.77	12.03	5,109,454.83	39.03	7,983,239.94					
Total	108,859,091.17	100.00	72,012,519.11	66.15	36,846,572.06	59,365,318.22	100.00	55,963,466.80	94.27	3,401,851.42

Accounts receivable with significant single amount and provision for bad debts made on an individual basis at the end of report period

Unit: Yuan, Currency: RMB.

Accounts Receivable(By Entity)	Ending Balance			
	Accounts Receivable	Provision for Bad Debts	Provision Ratio	Reason for Provision
Customer C	5,526,814.87	5,081,587.52	91.94	Impairment was occurred on a separate test.
Customer D	5,311,940.70	265,597.04	5.00	Impairment was occurred on a separate test.
Customer E	4,276,875.23	213,843.76	5.00	Impairment was occurred on a separate test.
Total	15,115,630.80	5,561,028.32	36.79	

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

Unit: Yuan, Currency: RMB.

Aging	Ending Balance		
	Accounts Receivable	Provision for Bad Debts	Provision Ratio (%)
Within 1 year	19,240,818.83	962,040.95	5.00
1 to 2 years	648,093.20	129,618.64	20.00
2 to 3 years	1,022,954.40	511,477.20	50.00
Over 3 years	59,738,899.17	59,738,899.17	100.00
Total	80,650,765.60	61,342,035.96	

The amount of provision for bad debts was 1,178,411.60 yuan in current period; the amount of bad debt provision recovered or reversed in the current period was RMB 34,506.55.

17.1.2 Accounts Receivable Actually Written off in Current Period

Unit: Yuan, Currency: RMB.

Item	Write-off amount
Accounts receivable actually written off	1,759,276.88

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

Unit: Yuan, Currency: RMB.

Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable (%)	Provision for Bad Debts
Customer A	11,530,775.39	10.59	11,530,775.39
Customer B	7,480,189.67	6.87	7,480,189.67
Customer C	5,526,814.87	5.08	5,526,814.87
Customer D	5,311,940.70	4.88	265,597.04
Customer E	4,679,327.49	4.30	4,679,327.49



Company Name	Ending Balance		
	Accounts Receivable	Proportion in Total Accounts Receivable (%)	Provision for Bad Debts
Total	34,529,048.12	31.72	29,482,704.46

17.1.4 Receivables Derecognized due to Transfer of Financial Assets

Not applicable.

17.1.5 Transfer of accounts receivable and continued involvement in the formation of assets, liabilities

Not applicable.

17.2 Other Receivables

17.2.1 Disclosure of Classification of Other Receivables

Unit: Yuan, Currency: RMB.

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debts		Book Value	Book Balance		Provision for Bad Debts		Book Value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables with significant single amount and provision for bad debt made on an individual basis	61,325,622.45	32.26	61,325,622.45	100.00	0.00	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	125,819,372.64	66.20	20,769,399.12	16.51	105,049,973.52	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	2,925,886.51	1.54	21,735.00	0.74	2,904,151.51					
Total	190,070,881.60	100.00	82,116,756.57	43.20	107,954,125.03	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 at the end of report period

Unit: Yuan, Currency: RMB.

Other Receivables (By Entity)	Ending Balance			
	Other Receivables	Provision for Bad Debts	Proportion of Provision (%)	Reason for Provision
Customer A	48,020,840.95	48,020,840.95	100.00	Impairment was occurred on a separate test.
Customer E	13,304,781.50	13,304,781.50	100.00	Impairment was occurred on a separate test.
Total	61,325,622.45	61,325,622.45	100.00	

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

Unit: Yuan, Currency: RMB.

Aging	Ending Balance



	Other Receivables	Provision for Bad Debts	Proportion of Provision (%)
Within 1 year	110,362,997.18	5,518,149.86	5.00
1 to 2 years	231,029.76	46,205.95	20.00
2 to 3 years	40,604.79	20,302.40	50.00
Over 3 years	15,184,740.91	15,184,740.91	100.00
Total	125,819,372.64	20,769,399.12	16.51

17.2.2 Withdrawal, Recovery or Reversal of Provision for Bad Debt

The provision for bad debts in current period was 3,713,685.51 yuan, and the amount of provision for bad debt recovered or reversed this period was 697,911.34 yuan.

17.2.3 Other Receivables Actually Written off in Current Period

Not applicable.

17.2.4 Other Receivables Classified by Nature of Payment

Not applicable.

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

Unit: Yuan, Currency: RMB.

Company Name	Nature of Fund	Ending Balance	Aging	Proportion in Total Other Receivable (%)	Ending Balance of Provision for Bad Debts
Customer A	Current accounts	48,020,840.95	From within 1 year to over 3 years	25.26	48,020,840.95
Customer B	Current accounts	42,712,807.15	Within 1 year	22.47	2,135,640.36
Customer C	Current accounts	28,500,000.00	Within 1 year	14.99	1,425,000.00
Customer D	Current accounts	20,000,000.00	Within 1 year	10.52	1,000,000.00
Customer E	Current accounts	13,304,781.50	From within 1 year to over 3 years	7.00	13,304,781.50
Total	/	152,538,429.60		80.24	65,886,262.81

17.2.6 Receivables Involving Government Grants

Not applicable.

17.2.7 Other Receivables Derecognized due to the Transfer of Financial Assets

Not applicable.

17.2.8 Transfer of Other Receivables and Continued Involvement in the Formation of Assets, Liabilities

Not applicable.

17.3 Long-term Equity Investments

Unit: Yuan, Currency: RMB.

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment in subsidiaries	644,810,221.03	5,500,000.00	639,310,221.03	638,117,724.99	8,632,624.09	629,485,100.90
Investment in associates and joint ventures						
Total	644,810,221.03	5,500,000.00	639,310,221.03	638,117,724.99	8,632,624.09	629,485,100.90



17.3.1 Investment in Subsidiaries

Unit: Yuan, Currency: RMB.

Name	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
DAP Industrial AG	142,370,693.64			142,370,693.64		
Shanghai Shangong Butterfly Sewing Machines Co., Ltd	79,000,000.00			79,000,000.00		
DAP (Shanghai) Co., Ltd.	59,425,828.73		379,152.87	59,046,675.86		
Shanghai SGSB 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			
Shanghai SMPIC Imp. & Exp. Co., Ltd.	12,000,000.00			12,000,000.00		
Shanghai SGSB 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
Zhejiang 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		
PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.		12,553,070.89		12,553,070.89		
DAP Vietnam Co., Ltd.		204,273.00		204,273.00		
ShangGong Sewing Equipment (Zhejiang) Co., Ltd.		10,000,000.00		10,000,000.00		
Total	638,117,724.99	22,757,343.89	16,064,847.85	644,810,221.03		5,500,000.00

17.3.2 Investment in Associates and Joint Ventures

Not applicable.

17.4 Operating Income and Operating Costs

Unit: Yuan, Currency: RMB.

Item	2017		2016	
	Income	Cost	Income	Cost
Main Business	167,723,172.35	124,224,886.12	8,240,323.71	6,794,097.74
Other Business	39,895,020.71	15,258,267.48	27,384,684.44	13,068,646.13
Total	207,618,193.06	139,483,153.60	35,625,008.15	19,862,743.87

17.5 Investment Income

Unit: Yuan, Currency: RMB.

Item	2017	2016
Long-term equity investment measured at cost method	4,000,000.00	
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	16,690.26	11,448.29
Investment income from holding of available-for-sale financial assets		



Item	2017	2016
Investment income from holding of available-for-sale financial assets	16,249,837.40	23,537,656.97
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	10,441,937.48	9,494,074.41
Total	30,708,465.14	33,758,732.27

18. Supplementary Information

18.1 Extraordinary Profit or Loss for Current Period

Unit: Yuan, Currency: RMB.

Item	Amount	Note
Profits or losses from disposal of non-current assets	23,550,480.53	
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)	11,861,884.98	
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	10,553,231.30	
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	5,690,312.52	
Other profits or losses which can be deemed as non-recurring profits or losses		
Income tax effects	-3,576,783.35	
Minority interest effects	-5,345,419.70	
Total	42,733,706.28	



18.2 Return on Equity and Earnings Per Share

Profit in Report Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	9.8004	0.3600	0.3600
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	7.6797	0.2821	0.2821

18.3 Differences in Accounting Data under Domestic and Overseas Accounting Standards

Not applicable.

CHAPTER 12 DOCUMENTS FOR REFERENCE

1. Financial Statements signed by the legal representative, chief accountant and accounting manager and sealed by the Company.
2. Audit report signed by certified public attantants and sealed by the accounting firm.
3. Original documentation and announcements published by the Company in the newspaper appointed by CSRC within the report period.

Shang Gong Group Co., Ltd.

Chairman of Board of Directors: Zhang Min

13th March 2018