



Shang Gong Group Co., Ltd.

Semi-annual Report 2018



IMPORTANT NOTES

1. The board of directors, the board of supervisors, directors, supervisors and senior executives of the Company undertake that the content of the semi-annual report is true, accurate and complete, and contains no false records, misleading statements, or major omissions, and will assume joint and several legal liabilities arising therefrom.

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

3. The semi-annual report is not audited.

4. Zhang Min, Chairman of the Company, Li Jiaming, the principal in charge of the accounting, and Zhao Lixin, Chief of Accounting Affairs, declare and guarantee the veracity, accuracy and integrity of the financial report in the semi-annual report.

5. Plan of profit distribution or transfer of reserves deliberated by the board

The profit distribution cannot be made in report period, neither the transferring of capital reserves into share capital.

6. Warning statement of forward-looking statements

The Company's future plan, development strategy and other forward-looking statements in the report do not constitute any material commitment of the Company to investors. Investors and relevant persons shall be sufficiently mindful of risks, and undertake the difference in plans, predictions and commitments.

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 waring

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

10. This report is prepared in both Chinese and English. In the case of any inconsistent understanding between the Chinese version and the English version, the Chinese version shall prevail.



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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, STOLL	refers to	H. Stoll AG & Co. KG
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
SGGEMSY	refers to	Zhejiang ShangGong GEMSY CO., LTD.
PIZ	refers to	PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.
DAMSH	refers to	Dürkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd.
Richpeace	refers to	Tianjin Richpeace Computer & Machinery Co.,Ltd
DAPSH	refers to	DAP (China) Co., Ltd.
SG Butterfly	refers to	Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.
SHENSY	refers to	Shanghai Shensy Enterprise Development Co., Ltd.
Report period, reporting period	refers to	From 1 st January 2018 to 30 th June 2018
Yuan, RMB	refer to	The lawful currency of the People's Republic of China
Euro, EUR	refer to	The lawful currency of the European Union

Chapter 2 Company Profile and Main Financial Index

1. Company information

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

2. Contact information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Zhou Yongqiang	Shen Lijie
Office address	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai
Tel	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. Place for information disclosure and consulting

Newspaper selected by the Company for information disclosure	Shanghai Securities News; Hong Kong Commercial Daily
Website appointed by CSRC for publishing semi-annual report	http://www.sse.com.cn
Lodging address of semi-annual report of the Company	Office of the Company

5. 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

Not applicable.

7. Main accounting data and financial index

7.1 Main accounting data

Unit: Yuan, Currency: RMB

Main accounting data	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)	Increase or decrease over the same period of the previous year (%)
Operating income	1,494,794,413.27	1,532,562,601.12	-2.46
Net profit attributable to shareholders of listed company	100,161,346.50	125,980,892.71	-20.49
Net profit attributable to shareholders of listed company after deduction of non-recurrent account profits and losses	89,370,615.19	113,282,323.52	-21.11
Net cash flow from operating activities	-57,703,154.75	-59,790,323.47	N/A
	30 th June 2018	31 st December 2017	Increase or decrease at the end of the reporting period from the end of the previous year(%)
Net assets attributable to shareholders of listed company	2,214,142,646.86	2,145,214,676.69	3.21
Total assets	3,824,540,859.31	3,703,515,071.60	3.27

7.2 Main financial index

Main financial index	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)	Increase or decrease over the same period of the previous year (%)
Basic earnings per share (yuan/share)	0.1826	0.2296	-20.47
Diluted earning per share (yuan/share)	0.1826	0.2296	-20.47
Basic earnings per share after deduction of non-recurrent profits and losses (yuan/share)	0.1629	0.2065	-21.11
Weighted average return on net assets (%)	4.5625	6.3648	Decrease 1.80 percent
Weighted average return on net assets after deduction of non-recurrent profits and losses (%)	4.0710	5.7232	Decrease 1.65 percent



8. Accounting data differences between domestic and foreign accounting standards

Not applicable.

9. Items and amount of non-recurring profit and loss

Unit: Yuan, Currency: RMB

Item	Amount
Profits and losses from disposal of non-current assets	-571,141.92
Government subsidies recorded in the current profit and loss	2,636,373.56
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	7,286,382.96
Other non-operating income and expenditure except the above-said items	2,380,381.79
Impact on minority interests	-776,580.59
Impact on income tax	-164,684.49
Total	10,790,731.31

Chapter 3 Summary of Company Business

1. The Company's main business, business model in the report period and industry situation

During the reporting period, the Company's main business is the sewing equipment manufacturing industry. The Company's business also involved flat knitting machines, office machinery, logistics services and trade. The Company's sewing equipment includes industrial sewing machines, household sewing machines and custom-made industrial machines for special purposes.

The Company adheres to globalization of business, and implements unified management of sales of sewing equipment. The Company adopts a gradient-based specialized multi-brand marketing strategy, and conducts gradient division management on production sites throughout Europe and Asia. The Company pays attention to collaborative research and development, and seizes the global high-end market of sewing equipment with leading technology. At the same time, the Company is cultivating the business model of "Shanghai Manufacturing", which means R&D and marketing in Shanghai while production in Jiangsu, Zhejiang and other provinces.

In recent years, through the implementation of mergers and acquisitions at home and abroad and the reorganization and integration within the Company, with the business philosophy of "market orientation and benefit first" to manage subsidiaries in a unified manner, the synergy effect has gradually emerged and the international business model has achieved good results.

China's sewing machinery manufacturing industry is a branch of light industry in China. It has established the most complete industrial system in the world, and is capable of manufacturing a full range of sewing machinery products, including household and industrial sewing machine, embroidery machine and cutting machine, and the related controller, motor ability and spare parts, which satisfies all kinds of social needs. However, compared with the advanced in the world, there is still a large gap for China's sewing



machinery manufacturing industry in independent innovation ability, industrial structure, technology, product and brand quality and other aspects. The whole industry is big but not strong. The development of the world sewing machinery industry started in the middle of the nineteenth Century in Europe and the United States. After 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 the first half of 2018, China's sewing machinery industry seized the opportunities of the upgrading needs of downstream industry and the changing of domestic and foreign market structure, accelerated the adjustment of product structure, continued to increase production and quality, actively expanded the international market, continued to expand the scale of the industry, and continued to maintain medium and high growth in production. The economic operation in the first half of 2018 is characterized by "stable but slower growth". According to statistics from China Sewing Machinery Association, from January to June 2018, the top 100 backbone machine manufacturers in the industry achieved total industrial output value of 10,126 million yuan, a year-on-year increase of 23.87%, and the total amount of sewing machines produced was 3,417,500 sets, a year-on-year increase of 21.70%. Among them, 2,586,000 industrial sewing machines were produced, a year-on-year increase of 31.81%. However, since the second quarter, the industry's domestic demand market has been sharply reduced. The sales of sewing machinery products, especially industrial sewing machine products, have maintained double-digit growth year-on-year, but the chain growth has turned negative. In the first half of 2018, the operating income of enterprises above designated size grew by 20.38% year-on-year; total profit increased by 9.13% year-on-year; gross profit margin was 17.87%, a decrease of 0.89% year-on-year.

2. Description of major changes in main assets of the Company during the reporting period

For details of major changes in the Company's major assets in 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 2,038.3241 million yuan, accounting for 53.3% 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 SGE acquired DA AG in 2005, acquired PFAFF GmbH and KSL in 2013, and invested in STOLL KG in 2016.

3. Core competitiveness analysis in the report period

]The Company is the first listed company with the longest history in the domestic sewing equipment industry, and has more than 50-year experience in sewing equipment production. The Company's "Butterfly" household sewing machine originated in 1919 and has a history of nearly 100 years. The Company controlled DA AG and PFAFF GmbH, both are famous sewing machine manufacturing companies in the world with more than 150 years' history, as well as PFAFF KSL Branch, which possesses the world's top sewing technology. STOLL KG, which is invested by the Company and the Company is its biggest limited partner, also has a history of more than 140 years and possesses a leading position in the field of flat knitting machine manufacturing technology in the global industry. In the report period, the Company focused on the main



industry – sewing equipment manufacturing, continued to promote the integration of global resources, further promote the reorganization and integration of SGE, strengthen research and development ability and increase investment in research and development. 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 always adheres to the guidance of science and technology and develop through innovation, attaches much 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, has advanced testing methods and has strong continuous development capabilities of product and application technology.

. The research and development of Industrial 4.0, which has been developed by the R & D team, has made preliminary achievements in the application of sewing equipment. ShangGong Technology Centre is the city level of research and development centre in Shanghai, and the technology R&D centre of SGGEMSY is also the province level of research and development centre in Zhejiang.

(2) Advanced technology advantage

The Company has the world's high-end intelligent and 3D sewing technology of flexible material, and the Company is a global leader in special sewing machine for medium or heavy materials, garment automatic sewing unit, robot-control 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 fields, such as automobile, environmental protection, aeronautics and astronautics and renewable energy, etc. Especially, the Company has a leading position in 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

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 99 years' history, Bee, Flyingman, and Shanggong with over 50 years' history. In recent years, the Company is cultivating industrial machine brands, such as SGGEMSY, Mauser and so on. The Company has a full range of high-end sewing equipment product chain, these brands of the Company has a high recognition and reputation in the industry. The Company has a group of customers with great value and stability in the field of high-end automotive accessories manufacturing and luxury goods manufacturing.

(4) 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. The Company not only has a wide sales network and business base in China, but also has established a relatively complete marketing channel and service network

in the world. The Company has established three sewing machine R&D and production bases in Shanghai, Zhejiang and Zhangjiagang; the Company also has five R&D and manufacturing bases in Germany, Czech Republic and Romania.

(5) Internationalized operation and management experience

Since 2004, 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 the Business Operation

1. Discussion and analysis on the business operation

During the reporting period, the Company achieved operating income of 1.495 billion yuan, down 2.46% year-on-year, of which sewing equipment operating income was 986 million yuan, up 4.64% year-on-year. The main reason for the slight decline in operating income was the decrease in the company's logistics service business revenue year-on-year. The Company achieved operating profit of 143 million yuan, down 23.03% year-on-year; net profit attributable to shareholders of listed companies was 100 million yuan, down 20.49% year-on-year. The main reason for the decrease in profit was the slight decrease in the gross profit margin of sewing equipment sales and the impact of exchange losses, as well as the large consulting fees during the restructuring of the Company's overseas subsidiaries.

As one of the representative enterprises of "Made in Shanghai", the Company has not forgotten the initial intention of revitalizing Shanghai's old brands, seized the opportunity of the state to attach importance to the development of real economy, and vigorously developed China Manufacturing and Shanghai Intelligent Manufacturing while maintaining the Company's leading technology in the global sewing industry. In June 2018, the Company was awarded the title of "Top 30 Enterprises in China's Light Industry Equipment Manufacturing Industry" and "Top Ten Enterprises in China's Sewing Machinery Industry" in 2017.

In the first half of 2018, the Company focused on the following aspects:

(1) Continue to deepen internal integration and promote mergers and acquisitions in due course

In the first half of 2018, the Company implemented the internal asset restructuring and business integration of as planned. In Europe, the Company overcame difficulties and steadily promoted DAP AG's squeeze-out of about 6% of the minority shareholders of DA AG. In July 2018, DAP AG completed the commercial record of the merger of DAP AG and DA AG. The legal procedures for this merger have been basically completed. In the first half of 2018, the Company launched the integration of PFAFF GmbH and its KSL Branch, and has started to adjust its organization; production integration and product transfer are underway. The goal of the integration is to promote the transformation of PFAFF GmbH to KSL technology and products, and realize the rapid development of the Company's intelligent equipment R & D and

manufacturing. Through the asset restructuring and business integration of SGE, the Company can make full use of the technology, production, procurement, sales, capital and human resources of DA AG and its subsidiaries, PFAFF GmbH and KSL Branch to give full play to the overall advantages and enhance profitability. In China, the import and export business integration of Butterfly Imp. & Exp., Shanggong Imp. & Exp. and SMPIC Imp. & Exp. has been steadily advanced, and the transfer of personnel and business has been basically completed. In addition, with the merger of SG Butterfly and DAPSH into the parent company, the effect of the materialized operation of the parent company has gradually emerged. The rising cost of human resources has been digested, and the operating profit of the parent company has increased significantly.

The Company continues to take advantage of the strong acquisition and integration capabilities and timely promote mergers and acquisitions suitable for enterprise development. The Company focused on the main business of sewing equipment manufacturing, promoted the implementation of the Company's sewing intelligent strategy, and actively prepared for the acquisition of 65% equity of Richpeace and capital increase in the first half of 2018. This acquisition will help solve the problem of the Company's relatively weak ability to undertake KSL product technology in domestic software development and automatic sewing solution technology, thereby enhancing the Company's market share in the domestic high-end special sewing equipment field, which will help improve the overall performance of the Company. Furthermore, Richpeace's automated cutting and embroidering equipment complements the Company's product range. Its automatic patterning machine and other automation solutions are also an effective extension of the Company's existing business. At the beginning of August 2018, the Company has completed the relevant procedures for the acquisition of the 65% equity in Richpeace, and the business collaboration has already begun.

(2) Adhere to specialized multi-brand strategy, increase product market share

The Company will adhere to the Market-oriented, Benefit-first business philosophy, unswervingly continue to implement the specialized multi-brand marketing strategy, expand brand influence, and increase the market share of each classified product.

In the first half of 2018, the Company further improved the marketing management of countries in Southeast Asia such as Singapore, Vietnam and Indonesia, and started the official operation of sales organizations in South Asia such as India and Bangladesh, and achieved good operating results; meanwhile, SGG and DAP AG established sales organizations in South America and Africa, gradually restored the sales share in the South American market and consolidated the sales share in the African market. In report period, the Company continued to do a good job in domestic market sales, timely adjusted the sales organization framework, and achieved unified management and coordinated development. The Company has actively developed the Mauser brand promotion strategy for positioning mid-range products. The Mauser special garment machine and the Mauser industrial thick material machine series are being complemented. The Company further improved the four automatic sample pipelines of "Two Suits Two Pants" and actively sought to cooperate with brand clothing enterprises for customized production. Further overcome the weak market such as sofas and luggage, and has made major breakthroughs. At the same time, SGG actively develop the prison market and strive to achieve sales breakthroughs in basic products. In 2018, Butterfly Branch continued



to sell household sewing machines, actively carried out the "Butterfly" brand promotion activities, and participated in the EXPOSITION ON CHINA INDIGENOUS BRAND, which achieved good results.

(3) Maintain product technology leadership and strengthen manufacturing capabilities

The Company sticks to the technology-leading and innovative-development strategy as always. Through integration of Made-in-China and Made-in –Germany, the Company vigorously develops Shanghai Intelligent Manufacturing and ShangGong Creation, and accelerates the construction of production base to enhance manufacturing ability.

The Company introduced QONDAC 4.0 to the market vigorously in the first half of 2018. And research and develop the prototype machine of new M-type 3.0 as planned. Continuous improvement of automatic sewing units was developed as well. The Company continued to research and trial-produce the button attaching and holing machine and the sewing machine, improve the market competitiveness of shirt automatic sewing products, and research and manufacture front trousers sealing machine and cowboy series machines as planned. In addition, the Mauser brand basic series product design is basically completed, and the L-Type platform project market research work is in progress.

(4) Link subsidiaries at home and abroad, consolidate the production base

In the first half of 2018, the Company actively promoted the construction of production bases and continuously enhanced its manufacturing capabilities. In Europe, in order to increase the R&D investment of automatic and intelligent sewing equipment, solve the problem of limited production site of KSL Branch, and maximize economic benefits, as approved by the board of directors of SGG, DAP AG invested in the development of intelligent product development centers and trial production bases in Bensheim, Germany. DA AG's expansion project at the DARO plant in Romania is under construction. As the core components will determine the quality level of automatic sewing units and special sewing equipment, DARO will further increase production capacity and increase the self-manufacturing rate of core components. In China, the Company completed the preparatory work for the feasibility study and analysis of the investment in the construction of the Taizhou Huangyan Manufacturing Base. Based on the existing industry, the Company will graft German DA AG and PFAFF Industrial product technology, develop multi-brand and intelligent product manufacturing, and build the Company's largest sewing machine production base in Huangyan, Taizhou. PIZ actively carried out the localization of parts and components, and started the domestic collaborative processing of parts and components of DA1767 and other parts and components. By introducing technology and integrating resources, DAMSH has tried to expand the robot control technology into the processing technology of rigid materials and the field of automated assembly technology, laying a solid foundation for the Company to expand its intelligent manufacturing business.

1.1 Main business analysis

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

Unit: Yuan, Currency: RMB

Item	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)	Increase or decrease over the same period of the previous year (%)	Reason
Operating income	1,494,794,413.27	1,532,562,601.12	-2.46	Note 1
Operating cost	1,052,451,025.46	1,088,801,959.30	-3.34	Note 2



Selling expenses	147,600,554.52	141,412,181.17	4.38	Note 3
General and administration expenses	154,556,576.41	143,922,099.95	7.39	Note 4
Finance expenses	12,091,231.56	-6,849,775.62	276.52	Note 5
Net cash flow from operating activities	-57,703,154.75	-59,790,323.47	3.49	Note 6
Net cash flow from investing activities	-78,130,173.37	-43,334,008.59	-80.30	Note 7
Net cash flow from financing activities	53,164,117.81	-20,766,385.53	356.01	Note 8
Research and development expenditures	50,906,101.66	41,659,397.60	22.20	Note 9

Note 1: Mainly due to the year-on-year decline in logistics service revenue.

Note 2: Mainly due to the year-on-year decrease in operating income and corresponding reduction in costs.

Note 3: Mainly due to the year-on-year increase in sales expenses of overseas subsidiaries.

Note 4: Mainly due to the year-on-year increase in project consulting fees and remuneration.

Note 5: Mainly due to the year-on-year increase in exchange losses.

Note 6: Mainly due to the year-on-year decrease in taxes paid and the increase in cash paid to employees and the increase in cash paid for employees.

Note 7: Mainly due to the year-on-year increase in bank entrusted loans and expenditures in the purchase and construction of fixed assets.

Note 8: Mainly due to the year-on-year increase in bank loans.

Note 9: Mainly due to the year-on-year increase in expenditure on R&D projects by DAP AG.

1.1.2 Others

(1) Detailed description of major changes in the Company's profit composition or source of profit

Significant changes of items in the Company's consolidated statement of comprehensive incomes during the reporting period and the reasons

Unit: Yuan, Currency: RMB

Item	Reporting period	Same period of the previous year	Increase / Decrease (Amount)	Increase / Decrease (%)	Reason
Financial expense	12,091,231.56	-6,849,775.62	18,941,007.18	276.52	Note 1
Assets impairment loss	-350,484.13	4,522,446.97	-4,872,931.10	-107.75	Note 2
Asset disposal income	-571,141.92	9,747,624.59	-10,318,766.51	-105.86	Note 3
Non-operating income	3,355,954.72	105,785.34	3,250,169.38	3,072.42	Note 4
Non-operating expense	955,572.93	305,083.71	650,489.22	213.22	Note 5
Net after tax of other consolidated income	-27,605,940.81	30,819,765.91	-58,425,706.72	-189.57	Note 6

Note 1: Mainly due to the year-on-year increase in exchange losses.

Note 2: Mainly due to the reversal of accounts receivable bad debt provision resulting from the receipt of bad debt provision for accounts receivable in the report period.

Note 3: Mainly due to the year-on-year reduction of housing relocation compensation income.

Note 4: Mainly due to the clearing of accounts payable unable to pay in the current period.

Note 5: Mainly due to the year-on-year increase in external donations and forfeit penalty.

Note 6: Mainly due to the decrease in the gains and losses from changes in fair value of available-for-sale financial assets and the decrease in the translation differences in foreign currency financial statements.



(2) Others

①Cash flow

Unit: Yuan, Currency: RMB

Item	Reporting period	Same period of the previous year	Increase / Decrease (Amount)	Increase / Decrease (%)	Reason
Net cash flow from investing activities	-78,130,173.37	-43,334,008.59	-34,796,164.78	-80.30	Note 1
Net cash flow from financing activities	53,164,117.81	-20,766,385.53	73,930,503.34	356.01	Note 2
Influence of fluctuation of exchange rate upon cash and cash equivalents	-5,925,323.34	22,569,433.51	-28,494,756.85	-126.25	Note 3

Note 1: Mainly due to the year-on-year increase in bank entrusted loans and expenditures in the purchase and construction of fixed assets.

Note 2: Mainly due to the year-on-year increase in bank loans.

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

②Main business by industry

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	985,774,967.92	605,647,768.16	38.56	4.64	6.85	Decrease 1.28 percent
Logistic service	362,468,133.25	328,405,699.46	9.40	-8.87	-10.20	Increase 1.35 percent
Export trade	71,866,470.94	69,998,913.72	2.60	-30.10	-30.03	Decrease 0.09 percent
Office equipment and film materials	25,407,756.35	22,184,504.00	12.69	-9.52	-5.13	Decrease 4.03 percent
Others	3,695,477.63	2,978,009.45	19.41	-20.43	-1.39	Decrease 15.57 percent
Total	1,449,212,806.09	1,029,214,894.79	28.98	-1.77	-2.81	Increase 0.76 percent

③Main business by region

Unit: Yuan, Currency: RMB

Region	Operating income	Increase/ Decrease (%)
Domestic	825,303,711.19	-5.65
Overseas	729,241,145.97	2.01

1.2 Explanation of significant changes in profit caused by non-main business

Not applicable.

1.3 Analysis on assets and liabilities

1.3.1 Analysis on assets and liabilities

Unit: Yuan, Currency: RMB

Item	Ending balance (30 th June 2018)	Ratio of Ending Balance to Total Assets (30 th June 2018) (%)	Ending balance (31 st December 2017)	Ratio of Ending Balance to Total Assets (31 st December 2017) (%)	Increase / Decrease (%)	Reason
Prepayments	25,109,489.12	0.66	64,393,627.71	1.74	-61.01	Mainly due to the land transfer



Item	Ending balance (30 th June 2018)	Ratio of Ending Balance to Total Assets (30 th June 2018) (%)	Ending balance (31 st December 2017)	Ratio of Ending Balance to Total Assets (31 st December 2017) (%)	Increase / Decrease (%)	Reason
						payments prepaid by domestic subsidiaries were carried over to the "intangible assets" subject in reporting period
Dividends receivable	37,322,644.64	0.98	0.00	0.00		Due to the dividends distributed by STOLL KG and Shanghai Fuji Xerox Co., Ltd.
Other receivable	78,240,002.47	2.05	58,944,411.21	1.59	32.74	Mainly due to the temporary borrowings increased by domestic subsidiaries in the current period.
Construction in progress	23,656,574.34	0.62	12,665,274.09	0.34	86.78	Mainly due to the increase in the cost of the construction of modern logistics management center project and the Czech factory workshop renovation project in current period.
Notes payable	40,489,531.56	1.06	12,311,525.18	0.33	228.88	Due to the increase of bank acceptance bills of SGGEMSY in the current period.
Dividends payable	1,490,484.14	0.04	1,110,553.06	0.03	34.21	Mainly due to the increase in interest payable on bank borrowings by the overseas subsidiaries in the report period.
Long-term loans	92,374,501.87	2.42	62,956,504.27	1.70	46.73	Due to the newly-added long-term borrowing of DAP AG borrowed from ABC Frankfurt branch.
Other comprehensive income	-97,564,133.00	-2.55	-72,163,452.90	-1.95	-35.20	Mainly due to the decrease in the fair value of the available-for-sale financial assets and the decrease in the foreign currency statement translation difference

1.3.2 Restricted major assets as of the end of the reporting period

Not applicable.

1.4 Analysis of investment

(1) General analysis

Unit: 10,000 Yuan, Currency: RMB

Long - term equity investment in the report period	2,000
Increase / Decrease	2,000
Long - term equity investment in 2016	0
Increase / Decrease (%)	/

During the reporting period, SGG invested 20,000,000 yuan in its subsidiary DAMSH. After the capital increase was completed, SGG directly held 51.28% equity of DAMSH and held 48.72% equity of DAMSH through its wholly-owned subsidiary DAPSH.

(2) Significant equity investment

Not applicable.

(3) Significant non-equity investment

Not applicable.

(4) Financial assets at fair value

Unit: Yuan, Currency: RMB

Stock code	Stock Abbreviation	Initial Investment	Accounting for the	Book Value at the End of the	Profit or Loss for the Report	Changes in Owners' Equity	Accounting Item	Source of Shares
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		Cost	proportion of the company's equity (%)	Period	Period	during the Report Period		
600757	Changjiang Publishing & Media	72,085,722.82	0.85	58,598,658.46	1,029,853.40	-12,976,152.84	Available for sale financial assets	Note 1
900932	Lujia Share B	773,099.71	0.01	2,138,690.51	/	5,985.65		Enforcement
000166	Shenwan & Hongyuan	200,000.00	0.00	955,378.14	/	-218,622.00		Purchased
601229	Bank of Shanghai	951,400.00	0.01	16,493,738.32	/	1,653,560.06		Purchased
Total		74,010,222.53	/	78,186,465.43	1,029,853.40	-11,535,229.13	/	/

Note: 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.

1.5 Significant assets and equity sale

Not applicable.

1.6 Analysis of main subsidiaries

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	198,173	95,767	73,712	9,191	6,136
Shanghai Shensy Enterprise Development Co., Ltd.	Freight, Logistics services	17,882	41,861	25,652	36,247	1,319	979
Zhejiang ShangGong GEMSY CO., LTD.	Sewing equipment manufacturing and sales	21,600	33,415	20,946	16,201	-130	-147

1.7 Structured entities controlled by the Company

Not applicable.

2. Others

2.1 Warning and destription if the Company predicts that its accumulated net profit form the beginning of the year to the end of the next reporting period may be negative or may have any significant change as compared with the profit in the same period of the previous.

Not applicable.

2.2 Possible risks

(1) Industrial and market risk

The sewing equipment industry is an industry full of market competition, with obvious periodicity, and has strong dependence on downstream textile and garment, leather bags and other industries, and is greatly affected by the macroeconomic environment. Due to the large proportion of the Company's sewing equipment industry, the Company is more likely to be affected by the overall industry fluctuations. The Company may face increased competition in the industry, lower gross profit margins and lower product prices.

(2) Transnational operations and integration risk

With the expansion of the Company's overseas assets and business scale, transnational operations put forward higher requirements for the Company's organizational structure, business model, management team and staff. In the process of production, operation and the integration of overseas subsidiaries, the Company will face challenges arising from differences in domestic and international policy systems, corporate culture and management concepts.

(3) Risk of exchange rate fluctuations

The bookkeeping base currency of the Company's consolidated statements is RMB. Domestic product exports are mostly settled in US dollars. The daily operations of the Company's subsidiary DAP AG and its holding subsidiaries are mainly settled in foreign currencies such as the Euro. Fluctuations in the RMB exchange rate will bring certain exchanges on the future operation of the Company, resulting in asset depreciation risk.

2.3 Others

(1) Implementation of further integration of SGE

At the thirty-fifth meeting of the seventh board of directors of the company, the “Proposal on Further Integration of SGE” was reviewed and approved, and the plan for further integration of the company’s wholly-owned subsidiary SGE and its subsidiaries was agreed. It includes SGE's merger with its holding subsidiary DA AG, squeezing out the minority shareholders holding approximately 5.99% of DA AG's shares.(For details, please refer to Announcements 2017-029, 2018-003, 2018-005, 2018-016, 2018-020, and 2018-023 disclosed by SGG on September 26, 2017, February 9, 2018, March 27, 2018, June 1, 2018, June 23, 2018, and July 18, 2018.)

The matter was basically completed by the end of July 2018, and DA AG’s shares have been delisted from the Frankfurt, Berlin and Düsseldorf stock exchanges. After the completion of the above matters, the name of SGE was renamed to “Dürkopp Adler AG” by “DAP Industrial AG”.

Chapter 5 Important Events

1. 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 2017 Annual Shareholders’ Meeting	20 th June 2018	www.sse.com.cn	21 st June 2018

2. Plan of profit distribution or transfer of reserves

Whether distribute profits or transfer reserves	No
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3. 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	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	29 th December 2016 to 28 th December 2019	Yes	Yes	N/A	N/A



			December 2019.				
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4. Appointment and dismiss of accounting firm

Not applicable.

5. Bankruptcy

Not applicable.

6. Important lawsuit and 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.

7. Punishment on and rectification of listed company and its directors, supervisors, senior managers, controlling shareholders, actual controller and purchaser

Not applicable.

8. Credit status of the company and its controlling shareholder and actual controller

Not applicable.

9. Company stock right incentives, espo, and other employee incentives

Not applicable.

10. Major related party transactions

Summary of matters	Query index
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 2018, the amount of products that it will sell to Fiji Xerox is 20 million yuan, and in the report period, the sales amount was 9.8061 million yuan	For details, please refer to Announcement No. 2018-009 disclosed by SGG on 17 th April 2018.

11. Significant contracts and their implementation

11.1 Trusteeship, contracting and lease

Not applicable.

11.2 Guarantee

Unit: 10,000 Yuan, Currency: RMB

公司对外担保情况 (不包括对子公司的担保)													
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	Overdue amounts available?	If counter 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	6,733	30 June 2014	1 July 2014		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank Shanghai Branch	10,100	19 September 2016	19 Sept. 2016		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Commerzbank Shanghai Branch	8,417	28 August 2015	28 August 2015		Joint liability guarantee	No	No	0	No	No	
SGG	The Company	Industrial & Commercial Bank of China Shanghai Hongkou Branch	6,121	21 December 2015	21 Dec. 2015	21 Dec. 2020	Joint liability guarantee	No	No	0	No	No	
DAP AG	Wholly owned subsidiary	Commerzbank	2,104	07 January 2016	07 January 2016	30 July 2018	Joint liability guarantee	No	No	0	No	No	
Guarantee amounts spent during the report period (excluded guarantee to affiliate company).												0	
Total balance of guarantee at the end of period (affiliate companies are not quailed.) (A)												40,475	
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)												40,475	
Ratio of total guarantee amounts to company net assets (%)												18.28	
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 Commerzbank for a current fund loan of not more than the equivalent of 58 million yuan in euro, the Shanghai Branch of 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 Commerzbank for a current fund loan of 8 million euro, the Shanghai Branch of 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 Commerzbank for a short-term credit loan of 12 million euro, the Shanghai Branch of 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 Commerzbank for a loan of 10.00 million euro, the Shanghai Branch of 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.

11.3 Other significant contracts

Not applicable.

12. Poverty alleviation of listed company

Not applicable.

13. Convertible corporate bonds

Not applicable.

14. 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.

15. Other significant events

15.1 The changes, causes and effects of changes in accounting policies, accounting estimates and accounting methods compared with the previous accounting period

Not applicable.

15.2 The correction of major accounting errors during the reporting period

Not applicable.



15.3 Others

In May 2018, the Company entrusted Bank of Shanghai Co., Ltd. Fumin Branch to issue a loan of RMB 53 million to Richpeace. The loan period was from May 22, 2018 to November 22, 2018, with an annual interest rate of 4.7%. Richpeace is collateralized by the property located at No. 6 Baozhong Road, Tianjin (prescription certificate No. 124031304818, and Tianjin (2016) Baodi District No. 1001390). At the same time, all the equity of Richpeace held by Tianjin Tongshang Software Co., Ltd. and Shenzhen Yingning Venture Capital Co., Ltd. were also pledged to the Company in May 2018.

Reviewed and approved by the Company's 6th meeting of the 8th Board of Directors held on July 31, 2018, it is agreed to acquire 65% equity of Richpeace and increase its capital. The total investment is 156.137 million yuan, including: equity acquisition of 136,663,800 yuan and capital increase of 19.5 million yuan. On August 9, 2018, Richpeace completed the change of registration caused by the equity acquisition and obtained the latest business license. SGG has paid the first equity transfer price on August 15, 2018.

Chapter 6 Changes in Shares of Common Stock and Information about Common Stock Shareholders

1. Changes in shares of common stock

1.1 Changes in shares of common stock

Not applicable.

1.2 Change of non-tradable shares

Not applicable.

2. Shareholder

2.1 Total number of shareholders

Total number of shareholder at the end of report period	56,562 (A Share: 29,705; B Share: 26,857)
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2.2 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	Proportion (%)	Restricted Share	Shares Pledged or Frozen		Nature of shareholders
					Status	Amount	
Shanghai Puke Flyingman Investment Co., Ltd.	0	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	242,136	5,151,591	0.94	0	/		Foreign Legal Person



GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	0	4,770,654	0.87	0	/		State-owned Legal Person
ISHARES CORE MSCI EMERGING MARKETS ETF	3,880,500	4,236,700	0.77	0	/		Foreign Legal Person
Industrial and Commercial Bank of China Co., Ltd.-Hua'an Reverse Strategy Hybrid Securities Investment Fund	3,761,900	3,761,900	0.69	0	/		Other
VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	3,678,113	0.67	0	/		Foreign Legal Person
Zeng Weili	3,540,091	3,540,091	0.65	0	/		Domestic Natural 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	5,151,591	B Share	5,151,591				
GREAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD.	4,770,654	A Share	4,770,654				
ISHARES CORE MSCI EMERGING MARKETS ETF	4,236,700	B Share	4,236,700				
Industrial and Commercial Bank of China Co., Ltd.-Hua'an Reverse Strategy Hybrid Securities Investment Fund	3,761,900	A Share	3,761,900				
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,678,113	B Share	3,678,113				
Zeng Weili	3,540,091	A Share	3,540,091				
Notes on shareholder relationship and consistent actions:	REAT WALL GUORONG INVESTMENT AND MANAGEMENT CO., LTD. is the wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd. The Company does not know the relationship and consistent of other shareholders						

The Number of Restricted Shares Held by Top Ten Shareholders and the Conditions for Sale:

Not applicable.

2.3 Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares

Not applicable.

3. Change of controlling shareholder and actual controller

Not applicable.

Chapter 7 Information about Preferred Shares

Not applicable.



Chapter 8 Information about Directors, Supervisors and Senior Managers

1. Share change

1.1 Share change of current and former directors, supervisors and senior managers

Unit: Share

Name	Title	Shares Held at the Beginning of reporting period	Shares Held at the End of reporting period	Increase / Decrease during the reporting period	Reason
Zheng Ying	Senior manager	21,500	23,500	2,000	Increased holdings in the secondary market

1.2 Equity incentive granted to directors, supervisors, and senior managers in the report period

Not applicable.

2. Change of directors, supervisors and senior managers of the Company

Name	Title	Change
Zheng Ying	Deputy General Manager	Outgoing
Li Wenhao	Director	Out going
Li Chen	Director	Election

Note:

1. Ms. Zheng Ying submitted her resignation application on February 26, 2018, and no longer holds any position in the company and its subsidiaries.

2. Mr. Li Wenhao submitted his resignation application on April 4, 2018, and no longer serves as a director of the Company and a member of the Strategy Committee.

3. The 2017 Annual Shareholders' Meeting held on June 20, 2018 selected Mr. Li Chen as a director of the Company.

Chapter 9 Corporate Bonds

Not applicable.



Chapter 10 Financial Report

1. Audit report

Not applicable.

2. Financial statements

Shang Gong Group Co., Ltd.
Consolidated Statement of Financial Position
30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		646,652,222.60	723,337,878.53
Deposit reservation for balance			
Lending funds			
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		71,154,988.87	61,337,538.87
Accounts receivable		526,607,735.97	464,759,380.20
Prepayment		25,109,489.12	64,393,627.71
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable			21,645.73
Dividends receivable		37,322,644.64	
Other receivables		78,240,002.47	58,944,411.21
Redemptory monetary capital for sale			
Inventories		792,428,800.07	705,141,821.59
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		383,988,701.58	366,533,356.84
Total current assets		2,561,504,585.32	2,444,469,660.68
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets		109,512,714.88	118,959,944.05
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		253,201,385.72	275,799,606.70
Investment properties		147,443,679.65	149,502,332.46
Fixed assets		386,655,827.26	397,788,367.78
Construction in progress		23,656,574.34	12,665,274.09
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			



Item	Note	Ending Balance	Beginning Balance
Intangible assets		186,743,200.28	149,988,157.46
Development expenditures		16,810,150.46	16,683,772.84
Goodwill		71,081,127.21	72,482,033.43
Long-term deferred expenses		1,444,628.38	1,631,013.88
Deferred income tax assets		66,486,985.81	63,544,908.23
Other non-current assets			
Total non-current assets		1,263,036,273.99	1,259,045,410.92
Total assets		3,824,540,859.31	3,703,515,071.60
Current liabilities:			
Short-term loans		354,170,348.62	330,389,201.62
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		40,489,531.56	12,311,525.18
Accounts payable		203,320,210.56	194,031,795.38
Receipt in advance		34,936,329.32	38,326,094.65
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable		78,968,315.54	91,112,179.00
Taxes and surcharges payable		10,408,022.03	14,074,587.91
Interest payable		1,490,484.14	1,110,553.06
Dividends payable		1,032,818.86	1,032,818.86
Other payables		174,677,791.04	193,617,747.74
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	1,260,000.00
Other current liabilities		45,909.00	48,330.03
Total current liabilities		900,799,760.67	877,314,833.43
Non-current liabilities:			
Long-term loans		92,374,501.87	62,956,504.27
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		2,982,645.99	3,121,893.11
Long-term employee benefits payable		234,900,081.93	247,420,777.32
Special payables			
Estimated liabilities		546,461.91	546,461.91
Deferred income		2,340,000.00	2,340,000.00
Deferred income tax liabilities		54,798,654.66	52,863,141.42



Item	Note	Ending Balance	Beginning Balance
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		388,462,346.36	369,768,778.03
Total liabilities		1,289,262,107.03	1,247,083,611.46
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		966,167,899.33	972,000,595.56
Less: treasury stock			
Other comprehensive income		-97,564,133.00	-72,163,452.90
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		792,403,038.01	692,241,691.51
Total owners' equity attributable to the parent company		2,214,142,646.86	2,145,214,676.69
Minority equity		321,136,105.42	311,216,783.45
Total owners' equity		2,535,278,752.28	2,456,431,460.14
Liabilities and owners' equity		3,824,540,859.31	3,703,515,071.60

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Financial Position

30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		100,425,649.01	137,028,156.51
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		11,112,204.19	18,619,880.00
Accounts receivable		39,942,843.94	36,846,572.06
Prepayment		380,597.56	3,488,722.53
Interest receivable			
Dividends receivable		9,949,000.00	
Other receivables		129,928,237.91	107,954,125.03
Inventories		134,102,254.13	114,386,355.60
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		325,620,952.57	310,981,332.13
Total current assets		751,461,739.31	729,305,143.86
Non-current assets:			
Available-for-sale financial assets		109,512,714.88	118,959,944.05
Held-to-maturity investments			



Item	Note	Ending Balance	Beginning Balance
Long-term receivables		134,908,835.57	135,720,449.62
Long-term equity investments		659,310,221.03	639,310,221.03
Investment properties		85,384,196.83	88,389,027.77
Fixed assets		6,072,256.85	8,036,379.04
Construction in progress		1,685,694.08	2,871,501.40
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		11,098,980.59	11,541,893.86
Development expenditures			
Goodwill			
Long-term deferred expenses		1,334,557.48	1,496,482.78
Deferred income tax assets		587,977.83	587,977.83
Other non-current assets			
Total non-current assets		1,009,895,435.14	1,006,913,877.38
Total assets		1,761,357,174.45	1,736,219,021.24
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		143,551,161.23	123,067,605.01
Receipt in advance		2,799,019.60	14,500,867.77
Employee benefits payable		1,326,805.83	9,133,348.57
Taxes and surcharges payable		364,948.66	579,085.22
Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Other payables		155,151,331.38	153,278,589.85
Liabilities held for sale			
Non-current liabilities maturing within one year		1,260,000.00	1,260,000.00
Other current liabilities			
Total current liabilities		305,834,234.18	303,200,463.90
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			
Deferred income tax liabilities		1,197,067.41	1,197,067.41



Item	Note	Ending Balance	Beginning Balance
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		4,781,364.91	4,781,364.91
Total liabilities		310,615,599.09	307,981,828.81
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		4,176,242.90	15,711,472.03
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
Undistributed profits		-109,853,197.79	-143,892,809.85
Total owners' equity		1,450,741,575.36	1,428,237,192.43
Liabilities and owners' equity		1,761,357,174.45	1,736,219,021.24

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Consolidated Statement of Comprehensive Incomes

From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
1. Incomes		1,494,794,413.27	1,532,562,601.12
Including: operating income		1,494,794,413.27	1,532,562,601.12
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		1,371,509,135.49	1,377,803,455.91
Including: Cost of sales		1,052,451,025.46	1,088,801,959.30
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
taxes and surcharges		5,160,231.67	5,994,544.14
Selling expenses		147,600,554.52	141,412,181.17
General and administrative expenses		154,556,576.41	143,922,099.95
Financial expenses		12,091,231.56	-6,849,775.62
Losses from asset impairment		-350,484.13	4,522,446.97
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for losses)		17,485,066.32	18,495,885.65
Including: income from investment in associates and		-1,691,101.14	11,737,352.98



Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
joint ventures			
Gains on disposal of assets		-571,141.92	9,747,624.59
Foreign exchange gains ("- for losses)			
Other gains		2,616,373.56	2,540,381.10
3. Operating profits ("- for losses)		142,815,575.74	185,543,036.55
Plus: non-operating income		3,355,954.72	105,785.34
Less: non-operating expenses		955,572.93	305,083.71
4. Total profits ("- for total losses)		145,215,957.53	185,343,738.18
Less: income tax expenses		32,930,028.35	46,499,111.30
5. Net profit ("- for net loss)		112,285,929.18	138,844,626.88
(1) Classified by operating sustainability			
a. Net profit from continuing operations ("- for losses)		112,285,929.18	138,844,626.88
b. Net profit from discontinued operations ("- for losses)			
(2) Classified by ownership			
a. Non-controlling interests		100,161,346.50	125,980,892.71
b. Net profit attributable to owners of the parent company		12,124,582.68	12,863,734.17
6. Net of tax of other comprehensive income		-27,605,940.81	30,819,765.91
Net of tax of other comprehensive income attributable to owners of the parent company		-25,400,680.10	26,307,833.02
(1) Other comprehensive income can't be reclassified to gains and losses later			
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan			
b. The shares in other comprehensive income of the investee that can't be reclassified to gains and losses under the equity method			
(2) Other comprehensive income to be reclassified to gains and losses later		-25,400,680.10	26,307,833.02
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		-11,535,229.13	-6,813,128.79
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		-13,865,450.97	33,120,961.81
f. Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders		-2,205,260.71	4,511,932.89
7. Total comprehensive incomes		84,679,988.37	169,664,392.79
Total comprehensive income attributable to owners of the parent company		74,760,666.40	152,288,725.73
Total comprehensive income attributable to non-controlling shareholders		9,919,321.97	17,375,667.06
8. Earnings per share			
(1) Basic earnings per share (yuan/share)		0.1826	0.2296
(2) Diluted earnings per share (yuan/share)		0.1826	0.2296

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Statement of Comprehensive Incomes

From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
1. Operating income		184,812,505.26	46,385,796.09
Less: Operating cost		125,430,105.96	23,996,317.49
tax and surcharges		2,284,387.24	1,891,943.39
Selling expenses		18,213,101.44	2,643,464.25
General and Administration expenses		25,487,850.62	20,078,331.44
Finance expenses		63,811.51	-8,681,598.18
Impairment losses on assets		1,388,117.84	177,256.58
Plus: gains from changes in fair value ("- " for losses)			
Investment income ("- " for losses)		18,852,017.46	6,106,969.93
Including: Investment income in associates and joint ventures			
Gain on disposal of assets ("- " for losses)		1,906.38	9,449,919.98
Other income		524,688.70	30,381.10
2. Operating profits ("- " for losses)		31,323,743.19	21,867,352.13
Plus: Non-operating income		3,287,449.06	1,060.85
Less: Non-operating expenses		571,580.19	200,000.00
3. Total profits ("- " for total losses)		34,039,612.06	21,668,412.98
Less: income tax expenses			
4. Net profit ("- " for net loss)		34,039,612.06	21,668,412.98
a. Net profit from continuing operations ("- " for losses)		34,039,612.06	21,668,412.98
b. Net profit from discontinued operations ("- " for losses)			
5. Net of tax of other comprehensive income		-11,535,229.13	-6,813,128.79
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			
(2) Other comprehensive income to be reclassified to gains and losses later		-11,535,229.13	-6,813,128.79
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		-11,535,229.13	-6,813,128.79
c. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
d. The effective portion of the gains and losses from cash flow hedging			
e. Translation differences of financial statements			
f. Others			
6. Total comprehensive incomes		22,504,382.93	14,855,284.19
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



Consolidated Statement of Cash Flows

From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		1,468,995,000.92	1,558,790,106.65
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		24,524,599.65	23,417,955.22
Cash received from other operating activities		20,025,299.88	21,723,964.87
Sub-total of cash inflows from operating activities		1,513,544,900.45	1,603,932,026.74
Cash paid for goods purchased and services received		1,000,221,408.15	1,106,016,865.34
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		359,869,785.40	323,950,873.52
Cash paid for taxes and surcharges		66,300,639.21	101,258,510.93
Cash paid for other operating activities		144,856,222.44	132,496,100.42
Sub-total of cash outflows from operating activities		1,571,248,055.20	1,663,722,350.21
Net cash flows from operating activities		-57,703,154.75	-59,790,323.47
2. Cash flows from investing activities:			
Cash inflow from divestment		415,980,156.89	606,327,427.90
Cash inflow from investment incomes		1,290,784.50	801,400.43
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		497,493.66	10,661,268.33
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		417,768,435.05	617,790,096.66
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		50,035,946.10	41,015,907.75
Cash paid for investments		445,862,662.32	620,108,197.50
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			



Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
Sub-total of cash outflows from investing activities		495,898,608.42	661,124,105.25
Net cash flows from investing activities		-78,130,173.37	-43,334,008.59
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		137,855,600.00	330,195,595.00
Cash received from bonds issuance			
Cash received from other financing activities			429,112.68
Sub-total of cash inflows from financing activities		137,855,600.00	330,624,707.68
Cash paid for debt repayments		77,888,834.00	341,839,165.55
Cash paid for distribution of dividends and profits or payment of interest		6,802,648.19	9,551,927.66
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			1,833,942.30
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		84,691,482.19	351,391,093.21
Net cash flows from financing activities		53,164,117.81	-20,766,385.53
4. Effect of fluctuation in exchange rate on cash and cash equivalents		-5,925,323.34	22,569,433.51
5. Net increase in cash and cash equivalents		-88,594,533.65	-101,321,284.08
Plus: beginning balance of cash and cash equivalents		713,813,720.45	750,357,929.63
6. Ending balance of cash and cash equivalents		625,219,186.80	649,036,645.55

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Statement of Cash Flows

From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		197,477,098.52	50,038,010.69
Refunds of taxes and surcharges		997,057.43	29,728.60
Cash received from other operating activities		18,901,316.47	11,242,643.33
Sub-total of cash inflows from operating activities		217,375,472.42	61,310,382.62
Cash paid for goods purchased and services received		139,833,572.71	25,174,592.83
Cash paid to and on behalf of employees		27,806,037.36	14,056,014.14
Cash paid for taxes and surcharges		3,134,689.28	3,224,645.83
Cash paid for other operating activities		53,107,805.94	35,520,905.54
Sub-total of cash outflows from operating activities		223,882,105.29	77,976,158.34
Net cash flows from operating activities		-6,506,632.87	-16,665,775.72
2. Cash flows from investing activities:			
Cash inflow from divestment		376,654,041.82	526,075,598.49
Cash inflow from investment incomes		1,472,034.50	10,692,049.83
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		980.58	9,901,416.00
Cash inflow from disposal of subsidiaries and other operating units			



Item	Note	Reporting period (from January to June 2018)	Same period of the previous year (from January to June 2017)
Cash received from other investing activities			10,303,934.17
Sub-total of cash inflows from investing activities		378,127,056.90	556,972,998.49
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		192,643.35	2,231,017.10
Cash paid for investments		408,033,790.00	520,211,083.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		408,226,433.35	522,442,100.10
Net cash flows from investing activities		-30,099,376.45	34,530,898.39
3. Cash flows from financing activities			
Cash received from investors			
Cash received from loans			
Cash received from bonds issuance			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			
Cash paid for debt repayments			
Cash paid for distribution of dividends and profits or payment of interest			
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities			
Net cash flows from financing activities			
4. Effect of fluctuation in exchange rate on cash and cash equivalents		3,501.82	1,977.90
5. Net increase in cash and cash equivalents		-36,602,507.50	17,867,100.57
Plus: beginning balance of cash and cash equivalents		137,028,156.51	119,210,234.41
6. Ending balance of cash and cash equivalents		100,425,649.01	137,077,334.98

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Consolidated Statement of Changes in Equity
From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Reporting 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				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
Plus: accounting policy changes													0.00
Correction of previous-period accounting errors													0.00
Business combination involving entities under common control													0.00
Others													0.00
2. Beginning balance of current year	548,589,600.00				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
3. Increase/ (decrease) for the current year ("-" for losses)					-5,832,696.23		-25,400,680.10				100,161,346.50	9,919,321.97	78,847,292.14
(1) Total comprehensive incomes							-25,400,680.10				100,161,346.50	9,919,321.97	84,679,988.37
(2) Investment/ (divestment)					-5,832,696.23								-5,832,696.23
a. Common shares from shareholders													0.00
b. Investment capital from the holders of other equity instruments													0.00
c. Amount of the share-based payment included in the owners' equity													0.00
d. Others					-5,832,696.23								-5,832,696.23
(3) Distribution of profits													
a. Surplus reserves													
b. General risk reserves													
c. Distribution to owners or shareholders													
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													



Item	Reporting 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										
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	0.00	0.00	0.00	966,167,899.33	0.00	-97,564,133.00	0.00	4,546,242.52	0.00	792,403,038.01	321,136,105.42	2,535,278,752.28

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



Item	Same period of the previous year												
	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										
equity													
d. Others					-3,413,389.32								-3,413,389.32
(3) Distribution of profits												-1,833,942.30	-1,833,942.30
a. Surplus reserves													0.00
b. General risk reserves													0.00
c. Distribution to owners or shareholders												-1,833,942.30	-1,833,942.30
d. Others													0.00
(4) Internal transfer of owners' equity													0.00
a. Capital reserve turn to stock equity													0.00
b. Surplus reserve turn to stock equity													0.00
c. Surplus reserve to recover loss													0.00
d. Others													0.00
(5) Special reserves													0.00
a. Appropriation for current year													0.00
b. Use in current year													0.00
(6) Others													0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	968,189,730.95	0.00	-76,836,213.13	0.00	4,546,242.52	0.00	620,735,357.95	307,526,292.94	2,372,751,011.23

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Statement of Changes in Equity
From 1 January 2018 to 30 June 2018

Unit: Yuan, Currency: RMB

Item	Reporting 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		15,711,472.03		4,546,242.52	-143,892,809.85	1,428,237,192.43
Plus: accounting policy changes											0.00
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	15,711,472.03	0.00	4,546,242.52	-143,892,809.85	1,428,237,192.43



Item	Reporting 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							
year											
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	0.00	0.00	-11,535,229.13	0.00	0.00	34,039,612.06	22,504,382.93
(1) Total comprehensive incomes							-11,535,229.13			34,039,612.06	22,504,382.93
(2) Investment/ (divestment)											0.00
a. Common shares from shareholders											0.00
b. Investment capital from the holders of other equity instruments											0.00
c. Amount of the share-based payment included in the owners' equity											0.00
d. Others											0.00
(3) Distribution of profits											0.00
a. Surplus reserves											0.00
b. Distribution to owners or shareholders											0.00
c. Others											0.00
(4) Internal transfer of owners' equity											0.00
a. Capital reserve turn to stock equity											0.00
b. Surplus reserve turn to stock equity											0.00
c. Surplus reserve to recover loss											0.00
d. Others											0.00
(5) Special reserves											0.00
a. Appropriation for current year											0.00
b. Use in current year											0.00
(6) Others											0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	4,176,242.90	0.00	4,546,242.52	-109,853,197.79	1,450,741,575.36

Item	Same period of the previous year										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		33,970,766.78		4,546,242.52	-206,831,240.38	1,383,558,056.65
Plus: accounting policy changes											0.00
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	33,970,766.78	0.00	4,546,242.52	-206,831,240.38	1,383,558,056.65



Item	Same period of the previous year										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
year											
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	5,646,023.55	0.00	-6,813,128.79	0.00	0.00	21,668,412.98	20,501,307.74
(1) Total comprehensive incomes							-6,813,128.79			21,668,412.98	14,855,284.19
(2) Investment/ (divestment)					5,646,023.55						5,646,023.55
a. Common shares from shareholders											0.00
b. Investment capital from the holders of other equity instruments											0.00
c. Amount of the share-based payment included in the owners' equity											0.00
d. Others					5,646,023.55						5,646,023.55
(3) Distribution of profits											0.00
a. Surplus reserves											0.00
b. Distribution to owners or shareholders											0.00
c. Others											0.00
(4) Internal transfer of owners' equity											0.00
a. Capital reserve turn to stock equity											0.00
b. Surplus reserve turn to stock equity											0.00
c. Surplus reserve to recover loss											0.00
d. Others											0.00
(5) Special reserves											0.00
a. Appropriation for current year											0.00
b. Use in current year											0.00
(6) Others											0.00
4. Ending balance of the current year	548,589,600.00	0.00	0.00	0.00	1,008,928,711.28	0.00	27,157,637.99	0.00	4,546,242.52	-185,162,827.40	1,404,059,364.39

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



(In the following notes, amounts are expressed in RMB yuan unless otherwise specified.)

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 22 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 28 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 26 March 2014.

On 29 December 2016, Pudong SASAC, the former controlling shareholder and former 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 31 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 7th meeting of the 8th board of directors, the financial statements were approved for disclosure by all directors of the Company on 29 August 2018.



3.2 Scope of the consolidated financial statements

As of 30 December 2018, 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.
14. Dürkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd.

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 for 12 months from 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 for business combinations under or 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 shall 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 shall 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) shall 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 unified accounting policies.

Accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements shall 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 identifiable net 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 owner's equity of subsidiaries, net profits and losses in the current period and comprehensive income attributable to minority shareholders in the current period shall separately presented under the item of owner's equity of the Consolidated Statement of Financial Position, the item of net profit of the Consolidated Statement of Comprehensive Income and the item of total comprehensive income. The difference formed by the loss in the current period 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 period of the subsidiaries shall be used to offset the minority equity.

(1) Increase in subsidiaries or business

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

If the Company controls the investee under common control from additional investments, it shall be deemed that the parties involved in the combination have make adjustments at the current state when the ultimate controller starts its control. For the equity investments held before the Company controls the acquiree, the relevant profit and loss, other comprehensive income and changes in other net assets 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, shall be used to offset the retained earnings at the beginning of the period or the current profit and loss in the period of the comparative statements.

In the report period, if the Company increased subsidiaries or business from combinations not under common control, the beginning amount of the Consolidated Statement of Financial Position shall not be adjusted; the incomes, expenses and profits from the subsidiaries and business from the acquisition date to the end of the report period shall be included in the Consolidated Statement of Comprehensive Income; cash flows



of the subsidiaries or business from the acquisition date to the end of the report period shall be included in the Consolidated Statement of Cash Flows.

If the Company controls 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 on the acquisition date and include the difference of fair value and book value in the investment income in the current period.

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.

If the equity of the acquiree held before the acquisition date involves the other comprehensive income and changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution accounted under equity method, the relevant other comprehensive income and changes in other owner's equity shall be transferred to investment income in the current period 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

① 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.

② 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.

5.9.4 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.

5.9.5 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.

5.9.6 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



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

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

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.

(2) 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

Not applicable

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%、10%、11%、16%、17%、19%
Business tax	Levied based on the taxable income (reclassified to VAT from 1 st May 2016)	
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

Item	Ending Balance	Beginning Balance
Cash on hand	607,616.78	707,925.98
Bank deposit	624,229,571.66	712,794,196.15
Other monetary funds	21,815,034.16	9,835,756.40
Total	646,652,222.60	723,337,878.53
Including: total amount of cash and cash equivalents offshore	319,099,196.70	373,357,927.57

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

Item	Ending Balance	Beginning Balance	Note
Bank Acceptance Deposit Guarantee	20,983,035.80	6,539,032.60	Note 1
Deposit held for foreign exchange inspection		2,585,125.48	
Other guaranteed deposit	450,000.00	400,000.00	Note 2
Total	21,433,035.80	9,524,158.08	

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 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

Not applicable.

7.3 Derivative financial assets

Not applicable.

7.4 Notes receivable

7.4.1 Presentation of notes receivable by category

Item	Ending Balance	Beginning Balance
Bank acceptance bills	52,624,035.60	47,405,556.75
Commercial acceptance bills	18,530,953.27	13,931,982.12
Total	71,154,988.87	61,337,538.87

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

Item	Termination Amount as at 30 June 2018	Untermated Confirmation Amount as at 30 June 2018
Bank acceptance bills	10,807,531.96	
Commercial acceptance bills		
Total	10,807,531.96	

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

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book Value	Book balance		Provision for bad debt		Book Value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with significant individual amount and provision for bad debt is accrued separately	93,824,615.95	14.54	19,243,522.50	20.51	74,581,093.45	79,818,629.27	13.64	19,622,784.50	24.58	60,195,844.77
Accounts receivable with provision for bad debt accrued by credit risk characteristics of a portfolio	144,540,052.79	22.39	73,122,242.33	50.59	71,417,810.46	119,721,460.79	20.46	72,220,264.69	60.32	47,501,196.10
Accounts receivable with insignificant individual amount but provision for bad debt is accrued separately	407,077,372.30	63.07	26,468,540.24	6.50	380,608,832.06	385,572,745.19	65.90	28,510,405.86	7.39	357,062,339.33
Total	645,442,041.04	100.00	118,834,305.07	18.41	526,607,735.97	585,112,835.25	100.00	120,353,455.05	20.57	464,759,380.20

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

Accounts receivable (By entity)	Ending balance			
	Accounts receivable	Provision for bad debt	Proportion of provision%	Reason for provision
No.1 Client	32,005,363.63			Unimpaired according to the separate test
No.2 Client	19,243,522.50	19,243,522.50	100.00	Impaired according to the separate test



No.3 Client	15,188,120.84			Unimpaired according to the separate test
No.4 Client	14,667,925.50			Unimpaired according to the separate test
No.5 Client	12,719,683.48			Unimpaired according to the separate test
Total	93,824,615.95	19,243,522.50	20.51	/

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

Aging	Ending balance		
	Accounts receivable	Provision for bad debt	Proportion of provision
Within 1 year	70,323,893.08	3,516,194.66	5.00
1-2 years	4,262,124.05	852,424.80	20.00
2-3 years	2,400,825.59	1,200,412.80	50.00
Over 3 years	67,553,210.07	67,553,210.07	100.00
Total	144,540,052.79	73,122,242.33	50.59

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

Accounts Receivable (By Entity)	Ending Balance			Reason for Provision
	Accounts Receivable	Provision for Bad Debt	Proportion of Provision %	
Other insignificant accounts receivable (Note 1)	19,159,368.44	10,404,886.11	54.31	Impaired according to the separate test
Other insignificant accounts receivable (Note 2)	226,034,375.30	8,424,322.73	3.73	Impaired according to the separate test
Other insignificant accounts receivable (Note 3)	13,615,878.23	983,465.88	7.22	Impaired according to the separate test
Other insignificant accounts receivable (Note 4)	119,735,577.68			Unimpaired according to separate test
Other insignificant accounts receivable (Note 5)	261,219.20	261,219.20	100.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 6)	11,610.00	11,610.00	100.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 7)	285,616.31			Unimpaired according to separate test
Other insignificant accounts receivable (Note 8)	307,600.00			Unimpaired according to separate test
Other insignificant accounts receivable (Note 9)	5,039,543.75	251,977.19	5.00	Impaired according to the separate test
Other insignificant accounts receivable (Note 10)	16,594,700.26	99,176.00	0.60	Impaired according to the separate test
Other insignificant accounts receivable (Note 11)	6,031,883.13	6,031,883.13	100.00	Impaired according to the separate test
Total	407,077,372.30	26,468,540.24	6.50	

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

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

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

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

Note 6: It mainly represents the accounts receivable due from Shanghai SGSE Electronics Co., Ltd., and the provision for impairment is accrued based on separate test.

Note 7: It mainly represents the accounts receivable due from DAP Vietnam Co., Ltd., and is unimpaired based on separate test.

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

Note 9: It mainly represents the accounts receivable due from PIZ, and the provision for impairment is accrued based on separate test.

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

Note 11: It mainly represents the accounts receivable due from SG Butterfly, and the provision for impairment is accrued based on 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 5,739,430.83 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 7,787,922.44 yuan.

7.5.3 Accounts receivable actually write-off in the current period

Item	Amount
Accounts receivable actually write-off	3,436,227.61

7.5.4 Top five accounts receivable in terms of their ending balance

Company name	Ending balance		
	Accounts receivable	Proportion in total accounts receivable ratio (%)	Provision for bad debt
No.1 Client	32,005,363.63	4.96	
No.2 Client	19,243,522.50	2.98	19,243,522.50
No.3 Client	15,188,120.84	2.35	
No.4 Client	14,667,925.50	2.28	
No.5 Client	12,719,683.48	1.97	
Total	93,824,615.95	14.54	19,243,522.50

7.6 Prepayment

7.6.1 Presentation of prepayments by aging

Aging	Ending Balance		Beginning Balance	
	Book Balance	Proportion (%)	Book Balance	Proportion (%)
Within 1 year	18,938,959.38	75.43	58,228,035.05	90.44
1-2 years	5,242.00	0.02	9,442.01	0.00
2-3 years	6,153,751.37	24.50	6,153,752.47	9.56
Over 3 years	11,536.37	0.05	2,398.18	0.00
Total	25,109,489.12	100.00	64,393,627.71	100.00

7.6.2 Top five prepayments to suppliers in terms of their ending balance

Supplier	Ending Balance	Proportion in Total Ending Balance of Advances to Suppliers (%)
No.1 Supplier	6,147,650.83	24.48
No.2 Supplier	3,676,882.99	14.64
No.3 Supplier	2,000,000.00	7.97
No.4 Supplier	1,414,872.75	5.63



No.5 Supplier	1,154,533.00	4.60
Total	14,393,939.57	57.32

7.7 Interest receivable

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

7.8 Dividends receivable

Investee	Ending Balance	Beginning Balance
Shanghai Fuji Xerox Co., Ltd.	9,949,000.00	
H. Stoll AG & Co. KG	27,373,644.64	
Total	37,322,644.64	

7.9 Other receivables

7.9.1 Disclosure of other receivables by category

Type	Ending Balance					Beginning Balance				
	Book Balance		Provision for Bad Debt		Book Value	Book Balance		Provision for Bad Debt		Book Value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables with significant individual amount and provision for bad debt is accrued separately	55,150,317.72	50.33	13,651,280.20	24.75	41,499,037.52	30,666,334.88	33.51	13,304,781.50	43.39	17,361,553.38
Other receivables with provision for bad debt accrued by credit risk characteristics of a portfolio	23,629,081.18	21.57	16,849,284.10	71.31	6,779,797.08	24,977,450.21	27.29	16,622,435.95	66.55	8,355,014.26
Other receivables with insignificant individual amount but provision for bad debt is accrued separately	30,787,853.38	28.10	826,685.51	2.69	29,961,167.87	35,869,414.39	39.20	2,641,570.82	7.36	33,227,843.57
Total	109,567,252.28	100.00	31,327,249.81	28.59	78,240,002.47	91,513,199.48	100.00	32,568,788.27	35.59	58,944,411.21

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

Other Receivables (By Entity)	Ending Balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason for Provision
No.1 Client	24,213,732.50			Unimpaired according to the separate test
No.2 Client	13,651,280.20	13,651,280.20	100.00	Impaired according to the separate test
No.3 Client (Note)	10,785,305.02			Unimpaired according to the separate test
No.4 Client	3,500,000.00			Unimpaired according to the separate test
No.5 Client	3,000,000.00			Unimpaired according to the separate test
Total	55,150,317.72	13,651,280.20	24.75	/

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

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

Aging	Ending Balance		
	Other receivables	Provision for bad debt	Proportion of provision%
Within 1 year	6,531,177.64	326,558.88	5.00%
1-2 years	352,923.20	70,584.64	20.00%



2-3 years	585,679.52	292,839.76	50.00%
Over 3 years	16,159,300.82	16,159,300.82	100.00%
Total	23,629,081.18	16,849,284.10	71.31

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

	Book balance	Provision for bad debt	Proportion of provision (%)	Reason for provision
Other insignificant other receivables (Note 1)	1,123,511.90	19,335.00	0.47	Impaired according to the separate test
Other insignificant other receivables (Note 2)	353,051.55			Unimpaired according to the separate test
Other insignificant other receivables (Note 3)	2,629,049.41			Impaired according to the separate test
Other insignificant other receivables (Note 4)	25,021,160.96	757,350.51	3.03	Impaired according to the separate test
Other insignificant other receivables (Note 5)	1,202,841.13			Unimpaired according to the separate test
Other insignificant other receivables (Note 6)	96,746.78			Impaired according to the separate test
Other insignificant other receivables (Note 7)	18,228.07			Unimpaired according to the separate test
Other insignificant other receivables (Note 8)	293,263.58			Impaired according to the separate test
Other insignificant other receivables (Note 9)	50,000.00	50,000.00	100.00	Impaired according to the separate test
Total	30,787,853.38	826,685.51	2.69	

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 DAPSH, which is unimpaired based on the separate test.

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

Note 4: It mainly represents the other receivables of SHENSY, and the provision for impairment is accrued based on the separate test.

Note 5: It mainly represents the other receivables of SGGEMSY, which is unimpaired based on the separate test.

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

Note 7: It mainly represents the other receivables of ShangGong Sewing Machine (Zhejiang) Co., Ltd., which is unimpaired based on the separate test.

Note 8: It mainly represents the other receivables of Shanghai ShangGong Asset Management Co., Ltd., which is unimpaired based on the separate test.

Note 9: It mainly represents the other receivables of Shanghai SGSB Electronics Co., Ltd., and the provision for impairment is accrued 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 1,677,260.40 yuan. The amount reversed or recovered of the provision for bad debts in the current period is 38,095.00 yuan.



7.9.3 Other receivables actually write-off in the current period

Item	Amount
Other receivables actually write-off	534,288.45

7.9.4 Top five other receivables in terms of their ending balance

Company name	Nature	Ending balance	Aging	Proportion in the ending balance of total other receivable (%)	Provision for bad debt ending balance
No.1 Client	Current accounts	24,213,732.50	Within 1 year	22.10	
No.2 Client	Current accounts	13,651,280.20	From within 1 year to over 3 years	12.46	13,651,280.20
No.3 Client	Export tax refund receivable	10,785,305.02	Within 1 year	9.84	
No.4 Client	Current accounts	3,500,000.00	Within 1 year	3.19	
No.5 Client	Current accounts	3,000,000.00	Within 1 year	2.74	
Total	/	55,150,317.72		50.33	13,651,280.20

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.

7.10 Inventories

7.10.1 Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	301,357,553.44	50,711,796.95	250,645,756.49	285,435,138.31	52,813,472.76	232,621,665.55
Goods in progress	174,185,839.20	27,956,246.49	146,229,592.71	153,406,126.71	28,555,276.42	124,850,850.29
Finished goods	318,688,609.66	37,963,289.59	280,725,320.07	283,033,493.86	39,909,017.40	243,124,476.46
Revolving materials	864,868.58		864,868.58	1,427,640.89		1,427,640.89
Consigned processing materials	2,533,368.32		2,533,368.32	3,273,904.32		3,273,904.32
Dispatched goods	17,990,212.66		17,990,212.66	20,569,892.77		20,569,892.77
Labor costs	93,439,681.24		93,439,681.24	79,273,391.31		79,273,391.31
Total	909,060,133.10	116,631,333.03	792,428,800.07	826,419,588.17	121,277,766.58	705,141,821.59

7.10.2 Inventory depreciation reserve

Item	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	52,813,472.76			2,101,675.81		50,711,796.95
Goods in progress	28,555,276.42			599,029.93		27,956,246.49
Finished goods	39,909,017.40	226,353.29		197,763.14	1,974,317.96	37,963,289.59
Total	121,277,766.58	226,353.29		2,898,468.88	1,974,317.96	116,631,333.03

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

Item	Ending balance	Beginning balance
Input tax to be credited	31,109,538.78	31,638,470.24
Rentals and insurance fees	4,540,107.68	1,592,432.66
Overpaid enterprise income tax	339,055.12	902,284.30
Financial products	20,000,000.00	
Structured deposit	275,000,000.00	332,000,000.00
Unamortized expense		400,169.64
Entrusted Loan	53,000,000.00	
Total	383,988,701.58	366,533,356.84

Note: The entrusted loan is a loan that the company entrusted the Bank of Shanghai Co., Ltd. Fumin Sub-branch to Richpeace.

7.14 Available-for-sale financial assets

7.14.1 Available-for-sale financial assets

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Available for sale debt instruments						
Available for sale equity instruments	111,210,846.79	1,698,131.91	109,512,714.88	120,658,075.96	1,698,131.91	118,959,944.05
Including:						
Measured at fair value	78,186,465.43		78,186,465.43	89,721,694.56		89,721,694.56
Measured at cost	33,024,381.36	1,698,131.91	31,326,249.45	30,936,381.40	1,698,131.91	29,238,249.49
Total	111,210,846.79	1,698,131.91	109,512,714.88	120,658,075.96	1,698,131.91	118,959,944.05

Available-for-sale financial assets measured at fair value as at the end of report period:

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	78,186,465.43		78,186,465.43
Accumulated changes in fair value included in other comprehensive income	4,176,242.90		4,176,242.90
Accrued provision for impairment			

7.14.2 Available-for-sale financial assets measured at cost at the end of report period

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	9,949,000.00
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	



Investee	Book balance				Provision for impairment				Shareholding ratio in investee (%)	Cash dividend in report period
	Beginning balance	+	-	Ending balance	Beginning balance	+	-	Ending balance		
Shanghai Xingguang Underwear Factory (South Africa)	308,033.99			308,033.99	308,033.99			308,033.99	14.30	
Wuxi Shanggong Sewing Machines Co., Ltd. (Note 3)	153,814.26			153,814.26	153,814.26			153,814.26	80.00	
China Perfect Machinery Co., Ltd.	90,000.00			90,000.00					0.0993	
Shanghai Baoding Investment Co., Ltd.	7,500.00			7,500.00					0.008	
Shanghai Shanggong Jiarong Sewing Machine Trade Co., Ltd.	500,000.00			500,000.00	500,000.00			500,000.00	12.50	
Shanghai Pacific Industrial Co., Ltd. (Note 4)		2,087,999.96		2,087,999.96					48.00	
Total	30,936,381.40	2,087,999.96		33,024,381.36	1,698,131.91			1,698,131.91		10,849,000.00

Note 1: SGG 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: SGG holds 23.04% shares of Shanghai Huazhijie Plastic Co., Ltd. According to the articles of association, SGG 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: SGG holds 80.00% shares of Wuxi Shanggong Sewing Machines Co., Ltd. According to the articles of association, SGG 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.

Note 4: SGG holds 48.00% shares of Shanghai Pacific Industrial Co., Ltd. SGG 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 Pacific Industrial Co., Ltd.

7.14.3 Changes in available-for-sale financial assets in current period

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 January 2018	1,698,131.91		1,698,131.91
Provision in Report Period			
Including: transfer-in from other comprehensive income			
Decrease in Report Period			
Including: reversal due to the subsequent increase in			

fair value		
Balance of provision for impairment accrued as at 30 June 2018	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

Investees	Beginning Balance	Change in current period							Ending Balance	Ending Balance of Provision of Impairment	
		Invest	es in	Return on Investment under Equity Method	Other Comprehensive Income Adjustment	Changes in	Declared Cash Dividends or Profit	Other			Increases in Investment
Joint operation											
H. Stoll AG & Co. KG	275,799,606.70			-1,691,101.14			15,587,523.17		-5,319,596.67	253,201,385.72	
Subtotal	275,799,606.70			-1,691,101.14			15,587,523.17		-5,319,596.67	253,201,385.72	
Total	275,799,606.70			-1,691,101.14			15,587,523.17		-5,319,596.67	253,201,385.72	

7.18 Investment properties

Investment property measured at cost

Item	Buildings and Constructions	Leased Land Use Rights	Investment Real Estate Decoration	Total
1. Original book value				
(1) Beginning balance	226,181,075.92	50,523,752.24	2,583,492.92	279,288,321.08
(2) Increase in current period	2,257,192.50			2,257,192.50
① Outsourcing	2,257,192.50			2,257,192.50
② Transfer in from inventories, fixed assets or construction in progress				
③ Increase by corporate combination				
(3) Decrease in current period	1,748,829.60			1,748,829.60
① Disposal				
② Others				
③ Exchange rate fluctuation	1,748,829.60			1,748,829.60
(4) Ending balance	226,689,438.82	50,523,752.24	2,583,492.92	279,796,683.98
2. Accumulated depreciation and accumulated amortization				
(1) Beginning balance	105,181,671.01	16,183,322.31	688,931.76	122,053,925.08
(2) Increase in current period	2,266,441.82	552,001.62	252,499.28	3,070,942.72
① Amortization or accrual	2,266,441.82	552,001.62	252,499.28	3,070,942.72
(3) Decrease in current period	354,484.51			354,484.51
① Disposal				
② Others				
③ Exchange rate fluctuation	354,484.51			354,484.51
(4) Ending balance	107,093,628.32	16,735,323.93	941,431.04	124,770,383.29
3. Provision for impairment				
(1) Beginning balance	7,732,063.54			7,732,063.54
(2) Increase in current period	81,186.01			81,186.01
① Accrual	81,186.01			81,186.01
(3) Decrease in current period	230,628.51			230,628.51
① Disposal				



② Others				
③ Exchange rate fluctuation	230,628.51			230,628.51
(4) Ending balance	7,582,621.04			7,582,621.04
4. Book value				
(1) Book value at the end of the period	112,013,189.46	33,788,428.31	1,642,061.88	147,443,679.65
(2) Book value at the beginning of the period	113,267,341.37	34,340,429.93	1,894,561.16	149,502,332.46

7.19 Fixed assets

7.19.1 Fixed assets

Item	Buildings and Constructions	Machinery Equipment	Transportation Equipment	Electronic Equipment	Other Equipment	Total
1. Original book value						
(1) Beginning 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) Increase in current period	665,680.50	8,746,480.52	457,746.67	173,931.72	10,816,088.00	20,859,927.41
① Purchase	489,696.00	8,746,480.52	457,746.67	164,046.81	10,816,088.00	20,674,058.00
② Transfer from construction in progress	175,984.50					175,984.50
③ Increase by corporate combination						
④ Exchange rate fluctuation				9,884.91		9,884.91
(3) Decrease in current period	9,337,713.11	18,049,772.71	130,687.09	244,299.70	8,573,582.19	36,336,054.80
① Disposal or scrap	1,334,825.00	7,994,397.05	130,687.09	244,299.70	1,723,785.18	11,427,994.02
② Exchange rate fluctuation	8,002,888.11	10,055,375.66			6,849,797.01	24,908,060.78
(4) Ending Balance	440,519,161.91	382,582,213.64	15,262,751.52	3,846,599.75	282,845,091.98	1,125,055,818.80
2. Accumulated depreciation						
(1) Beginning 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
(2) Increase in current period	4,664,501.54	8,749,489.73	804,691.85	343,840.48	7,692,988.94	22,255,512.54
① Accrual	4,664,501.54	8,749,489.73	804,691.85	343,840.48	7,692,988.94	22,255,512.54
② Exchange rate fluctuation						
(3) Decrease in current period	5,762,995.99	12,705,285.07	92,468.63	212,772.85	7,706,130.94	26,479,653.48
① Disposal or scrap	1,025,915.06	5,673,168.65	92,468.63	212,772.85	1,651,711.00	8,656,036.19
② Exchange rate fluctuation	4,737,080.93	7,032,116.42			6,054,419.94	17,823,617.29
(4) Ending balance	225,547,915.82	257,318,444.86	8,678,051.76	2,798,394.70	231,915,557.23	726,258,364.37
3. Provision for impairment						
(1) Beginning balance	4,913,777.92	7,232,165.07	75,908.67	37,818.61	1,402.83	12,261,073.10
(2) Increase in current period						
① Accrual						
(3) Decrease in current period		119,445.93				119,445.93
① Disposal or scrap		119,445.93				119,445.93
(4) Ending balance	4,913,777.92	7,112,719.14	75,908.67	37,818.61	1,402.83	12,141,627.17
4. Book value						
(1) Book value at the end of the period	210,057,468.17	118,151,049.64	6,508,791.09	1,010,386.44	50,928,131.92	386,655,827.26
(2) Book value at the	217,631,006.33	123,379,100.56	6,893,954.73	1,211,822.05	48,672,484.11	397,788,367.78

beginning of the period					
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7.19.2 Idle fixed assets

Not applicable.

7.19.3 Fixed assets leased through financial lease

Item	Book value	Accumulated depreciation	Impairment	Book value
Transportation Equipment	1,276,282.05	261,248.39		1,015,033.66
Total	1,276,282.05	261,248.39		1,015,033.66

7.19.4 Fixed assets leased out through operating leases

Not applicable.

7.19.5 Fixed assets without certificate of title

Item	Book value	Reason for failure in completing the formalities for obtaining certificates of title
Buildings and constructions (Note 1)	1,755,677.80	Self-built housing, the certificates are in the process
Buildings and constructions (Note 2)	63,486.74	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

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sewing Equipment Engineering	7,944,603.26		7,944,603.26	4,347,153.83		4,347,153.83
ERP project	471,415.10		471,415.10			
Household multifunctional sewing machine	1,214,278.98		1,214,278.98	1,025,599.74		1,025,599.74
Zhangjiagang manufacture base project				1,845,901.66		1,845,901.66
Modern logistics management center	12,145,141.67		12,145,141.67	4,858,082.75		4,858,082.75
Huangyan factory reconstruction	201,496.64		201,496.64			
Czech workshop reconstruction	1,493,472.01		1,493,472.01	402,369.43		402,369.43
Kingdee QR code system project	186,166.68		186,166.68	186,166.68		186,166.68
Total	23,656,574.34		23,656,574.34	12,665,274.09		12,665,274.09

7.20.2 Changes in major construction in progress for current period

Item	Budget	Beginning balance	Increase in current period	Amount Transferred in Fixed Assets for the Current Period	Other decreases in current period	Ending balance	Proportion of the accumulated investment in project in budget (%)	Construction in progress	Accumulated amount of interest capitalization	Including: amount of interest capitalization in 2017	Interest capitalization rate in 2017(%)	Source of Fund
Sewing Equipment Engineering		4,347,153.83	3,773,433.93	175,984.50		7,944,603.26						Self-owned fund
ERP project (Note)			471,415.10			471,415.10						Raised fund
Household multifunctional sewing machine		1,025,599.74	188,679.24			1,214,278.98						Self-owned fund
Zhangjiagang manufacture base project		1,845,901.66			1,845,901.66							Self-owned fund



Item	Budget	Beginning balance	Increase in current period	Amount Transferred in Fixed Assets for the Current Period	Other decreases in current period	Ending balance	Proportion of the accumulated investment in project in budget (%)	Construction in progress	Accumulated amount of interest capitalization	Including: amount of interest capitalization in 2017	Interest capitalization rate in 2017(%)	Source of Fund
Modern logistics management center		4,858,082.75	7,287,058.92			12,145,141.67						Self-owned fund
Huangyan factory reconstruction			201,496.64			201,496.64						Self-owned fund
Kingdee QR code system project		186,166.68				186,166.68						Self-owned fund
Czech workshop reconstruction		402,369.43	1,091,102.58			1,493,472.01						Self-owned fund
Total		12,665,274.09	13,013,186.41	175,984.50	1,845,901.66	23,656,574.34						/

Note: The second phase of ERP project

7.20.3 Provision for impairment of construction in progress in the current period

Not applicable.

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

Item	Land Use Right	Patent and Non-patent Technology	Trademark Use Right	Computer Software	Others	Total
1. Original book value						
(1) Beginning balance	101,054,020.23	134,827,412.78	20,161,268.51	5,273,690.04	6,187,223.90	267,503,615.46
(2) Increase in current period	37,499,895.00	14,247,590.00	0.00	0.00	0.00	51,747,485.00
① Purchase	37,499,895.00	1,709,710.80				39,209,605.80
② Transfer from construction in progress/development expenditure		12,537,879.20				12,537,879.20
③ Exchange rate fluctuation						
(3) Decrease in current period		4,044,335.93				4,044,335.93
① Disposal						
② Exchange rate fluctuation		4,044,335.93				4,044,335.93
(4) Ending Balance	138,553,915.23	145,030,666.85	20,161,268.51	5,273,690.04	6,187,223.90	315,206,764.53
2. Accumulated amortization						
(1) Beginning balance	9,445,749.34	79,996,390.86	20,161,268.51	1,724,825.39	6,187,223.90	117,515,458.00
(2) Increase in current period	1,333,445.98	9,300,372.48	0.00	500,231.93	0.00	11,134,050.39
① Accrual	1,333,445.98	9,300,372.48		500,231.93		11,134,050.39
(3) Decrease in current period		185,944.14				185,944.14
① Disposal						



Item	Land Use Right	Patent and Non-patent Technology	Trademark Use Right	Computer Software	Others	Total
② Exchange rate fluctuation		185,944.14				185,944.14
4. Ending Balance	10,779,195.32	89,110,819.20	20,161,268.51	2,225,057.32	6,187,223.90	128,463,564.25
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. Book value						
(1) Book value at the end of the period	127,774,719.91	55,919,847.65		3,048,632.72		186,743,200.28
(2) Book value at the beginning of the period	91,608,270.89	54,831,021.92		3,548,864.65		149,988,157.46

At the end of the period, the intangible assets formed through internal research and development of the company accounted for 6.71% of the balance of intangible assets.

7.25.2 Land use right without certificate of title

Not applicable.

7.26 Development Expenditures

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Internal Development Expenditure	Others	Recognized as Intangible Assets	Transferred to Current Profits and Losses	
Sewing equipment	11,968,675.38	12,664,256.82		12,537,879.20		12,095,053.00
Freight platform	3,615,282.96					3,615,282.96
WeChat platform	1,099,814.50					1,099,814.50
Total	16,683,772.84	12,664,256.82		12,537,879.20		16,810,150.46

7.27 Goodwill

7.27.1 Book value of goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period		Decrease in Current Period		Ending Balance
		Acquisition	Others	Disposal	Exchange Rate Fluctuation	
PFAFF GmbH	72,482,033.43				1,400,906.22	71,081,127.21
Beisler	22,732,781.28				439,370.88	22,293,410.40
Total	95,214,814.71				1,840,277.10	93,374,537.61

7.27.2 Provision for impairment of goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period		Decrease in Current Period		Ending Balance
		Acquisition	Others	Disposal	Exchange Rate Fluctuation	
Beisler	22,732,781.28				439,370.88	22,293,410.40
Total	22,732,781.28				439,370.88	22,293,410.40

7.28 Long-term deferred expenses

Item	Beginning Balance	Increase in Current Period	Amortization in Current Period	Other Decreases in Current Period	Ending Balance
Enterprise Mailbox rental expense	142,249.20		3,300.00	129,049.20	9,900.00



Online brand registration fee	486,727.12		19,716.90	187,464.45	279,545.77
Landscape engineering	134,531.10		24,460.20		110,070.90
Tooling cost	743,589.75	316,513.65	120,708.42		939,394.98
Leasehold improvements	123,916.71		18,199.98		105,716.73
Total	1,631,013.88	316,513.65	186,385.50	316,513.65	1,444,628.38

Note: In current period, the amortized amount of long-term deferred expenses is 186,385.50 yuan, which is recorded in general and administrative expenses.

7.29 Deferred income tax assets / deferred income tax liabilities

7.29.1 Deferred income tax assets without offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Long-term assets		7,585,901.32		353,743.29
Inventories		20,792,206.45		19,654,766.53
Receivables		2,604,410.62		1,885,764.75
Other liabilities		4,176,672.81		3,796,682.43
Unrealized profits from internal transactions		11,066,767.51		11,066,767.51
Pension (Europe)		30,814,948.31		34,005,022.74
Deferred income		550,000.00		550,000.00
Estimated liabilities		136,615.48		136,615.48
Offset number		-11,240,536.69		-7,904,454.50
Total		66,486,985.81		63,544,908.23

7.29.2 Deferred income tax liabilities

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Long-term assets		57,240,132.93		49,472,348.52
Inventories		437,604.05		446,228.60
Receivables		5,249,536.68		6,146,045.08
Other liabilities		3,111,913.33		4,702,973.72
Offset number		-11,240,532.33		-7,904,454.50
Total		54,798,654.66		52,863,141.42

7.30 Other non-current assets

Not applicable.

7.31 Short-term loans

Item	Ending balance	Beginning balance
Mortgage loans		10,221,013.00
Guaranteed loans	353,822,200.00	319,820,040.00
Credit loans	348,148.62	348,148.62
Total	354,170,348.62	330,389,201.62

Note 1: The guaranteed loans are: the funds amounted to 205,060,200.00 yuan (26,800,000.00 euros) borrowed by DAP AG from the Bielefeld Branch of Commerzbank; and funds amounted to 61,212,000.00

yuan (8,000,000.00 euros) borrowed by PFAFF GmbH from Kaiserslautern Branch of Commerzbank. Guarantees related to the above matters refer to Note 14.2.

Note 2: Except the guaranteed loans above; other guaranteed loans are as follows: SHENSY borrowed 15,000,000.00 yuan from Bank of Shanghai Fumin Branch; SHENSY borrowed 30,000,000.00 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

Not applicable.

7.35 Accounts payable

Item	Ending Balance	Beginning Balance
Payables to suppliers	203,320,210.56	194,031,795.38
Total	203,320,210.56	194,031,795.38

7.36 Receipt in advance

Item	Ending Balance	Beginning Balance
Advances on sales	34,936,329.32	38,326,094.65
Total	34,936,329.32	38,326,094.65

7.37 Employee compensation payable

7.37.1 Employee compensation payable

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Short-term remuneration	70,429,400.35	311,321,764.46	323,651,259.57	58,099,905.24
Post-employment benefits - defined benefit plans	591,856.15	6,890,465.75	6,445,016.60	1,037,305.30
Dismissal welfare				
Defined benefit plan maturing within one year	20,090,922.50	19,831,105.00	20,090,922.50	19,831,105.00
Total	91,112,179.00	338,043,335.21	350,187,198.67	78,968,315.54

7.37.2 Short-term remuneration

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
(1) Salary, bonus, allowance and subsidy	69,704,983.42	245,188,227.88	258,130,757.94	56,762,453.36
(2) Employee welfare	8,639.56	60,007,529.04	60,002,191.84	13,976.76
(3) Social insurance expenses	490,969.52	3,868,691.46	3,628,187.11	731,473.87
Including: medical insurance premium	342,596.18	3,180,774.14	2,978,844.59	544,525.73
Work-related injury insurance premium	37,465.61	299,857.36	289,339.40	47,983.57
Maternity insurance premium	20,885.53	288,091.07	264,948.23	44,028.37
Other	90,022.20	99,968.89	95,054.89	94,936.20
(4) Housing provident funds	160,871.34	1,723,306.00	1,458,392.10	425,785.24



Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
(5) Labor union expenditures and employee education expenses	63,936.51	534,010.08	431,730.58	166,216.01
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	70,429,400.35	311,321,764.46	323,651,259.57	58,099,905.24

7.37.3 Defined contribution plan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Basic endowment insurance premium	574,972.14	6,700,673.78	6,280,238.08	995,407.84
Unemployment insurance premium	16,884.01	189,791.97	164,778.52	41,897.46
Payment of annuity				
Total	591,856.15	6,890,465.75	6,445,016.60	1,037,305.30

7.38 Taxes and surcharges payable

Item	Ending balance	Beginning balance
Value-added tax	3,537,447.13	4,454,097.17
Enterprise income tax	2,967,674.60	3,646,204.96
Individual income tax	3,342,181.47	5,613,216.71
Urban maintenance and construction tax	154,606.52	186,230.26
Educational surtax	170,421.11	168,142.01
Use tax of land	231,028.00	
Stamp tax	4,663.20	6,696.80
Total	10,408,022.03	14,074,587.91

7.39 Interest Payable

Item	Ending balance	Beginning balance
Term interest on long-term borrowings due in installments	454,600.48	471,243.32
Short-term loan interest payable	1,035,883.66	639,309.74
Total	1,490,484.14	1,110,553.06

7.40 Dividends payable

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

7.41 Other payables

Item	Ending balance	Beginning balance
Other payables	174,677,791.04	193,617,747.74
Total	174,677,791.04	193,617,747.74

7.42 Liabilities held for sale

Not applicable.

7.43 Non-current liabilities maturing within 1 year

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



7.44 Other current liabilities

Item	Ending balance	Beginning balance
Short-term bond payable		
Interest and rentals	45,909.00	48,330.03
Total	45,909.00	48,330.03

7.45 Long-term loans

Item	Ending balance	Beginning balance
Mortgage loans	60,278,517.00	61,466,519.40
Credit loans	32,095,984.87	1,489,984.87
Total	92,374,501.87	62,956,504.27

Note 1: The amount of mortgage loans at the end of report period is 60,278,517.00 yuan (7,938,398.00 euros). The relevant matters of the mortgage loan above see Note 14.2.

Note 2: The amount of credit loans at the end of report period is 30,606,000.00 yuan (4,000,000.00 euros), which is lent by DAP AG from Agricultural Bank of China Co., Ltd. Frankfurt Branch.

7.46 Bonds payable

Not applicable.

7.47 Long-term payables

Item	Beginning balance	Ending balance
Financing lease payments payable	960,531.14	679,488.44
Less: Unconfirmed financing charges	79,007.64	39,349.69
Others	2,240,369.61	2,342,507.24
Total	3,121,893.11	2,982,645.99

7.48 Long-term employee compensation payable

Item	Ending balance	Beginning balance
1. Post-employment benefits - net liability of defined benefit plan	231,071,533.86	243,516,774.09
2. Dismissal welfare		
3. Other long-term benefits	3,828,548.07	3,904,003.23
Total	234,900,081.93	247,420,777.32

Note: 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.

7.49 Special payable

Not applicable.

7.50 Estimated liabilities

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

7.51 Deferred income

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
Government grants	2,340,000.00			2,340,000.00	



Total	2,340,000.00			2,340,000.00	/
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Projects that involve government grants:

Item	Beginning Balance	Subsidies Increased in Current period	Subsidies Included in Current Non-operating Income	Other Change	Ending Balance	Asset-related / 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	2,340,000.00				2,340,000.00	/

7.52 Other non-current liabilities

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

7.53 Share capital

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

7.54 Other equity instruments

Not applicable.

7.55 Capital reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Stock premium	851,345,853.61			851,345,853.61
Other capital reserves	120,654,741.95		5,832,696.23	114,822,045.72
Total	972,000,595.56		5,832,696.23	966,167,899.33

7.56 Treasury stock

Not applicable.

7.57 Other Comprehensive Income

Item	Beginning Balance	Change in Current Period					Ending Balance
		Accrual before Income tax for the Current Period	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current year	Less: Income Tax Expenses	Attributable to Owners of the Parent Company	Attributable to Minority Shareholders	
1. Other comprehensive income that cannot be reclassified in the loss and gain in the future	-43,487,893.99						-43,487,893.99
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan	-43,487,893.99						-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	-28,675,558.91	-25,400,680.10			-25,400,680.10	-2,205,260.71	-54,076,239.01
Including: a share in other							



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	
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	15,711,472.03	-11,535,229.13			-11,535,229.13		4,176,242.90
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	-44,387,030.94	-13,865,450.97			-13,865,450.97	-2,205,260.71	-58,252,481.91
Total other comprehensive income	-72,163,452.90	-25,400,680.10			-25,400,680.10	-2,205,260.71	-97,564,133.00

7.58 Special reserve

Not applicable.

7.59 Surplus reserves

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserves	2,273,121.26			2,273,121.26
Discretionary surplus reserves	2,273,121.26			2,273,121.26
Total	4,546,242.52			4,546,242.52

7.60 Undistributed profits

Item	Reporting period	Same period of the previous year
Adjustments to undistributed profits as at December 31, 2017	692,241,691.51	494,754,465.24
Adjustments to total undistributed profits as at January 1, 2018 ("+" for increase, "-" for decrease)		
Adjusted undistributed profits as at January 1, 2018	692,241,691.51	494,754,465.24
Plus: net profit attributable to owners of the parent company for current period	100,161,346.50	125,980,892.71
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Adjustments to undistributed profits as at June 30, 2018	792,403,038.01	620,735,357.95

7.61 Operating income and operating costs

Item	Reporting period		Same period of the previous year	
	Income	Cost	Income	Cost
Main business	1,449,212,806.09	1,029,214,894.79	1,475,369,961.67	1,058,968,570.27
Other businesses	45,581,607.18	23,236,130.67	57,192,639.45	29,833,389.03



Total	1,494,794,413.27	1,052,451,025.46	1,532,562,601.12	1,088,801,959.30
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7.62 Taxes and surcharges

Item	Reporting period	Same period of the previous year
Urban maintenance and construction tax	806,953.97	1,544,451.83
Educational surtax	718,049.63	1,127,628.59
Property tax	2,215,365.99	2,099,054.97
land use tax	958,617.88	563,526.02
Vehicle and vessel tax	16,544.80	14,736.70
Stamp tax	444,355.20	372,161.70
Other	344.20	272,984.33
Total	5,160,231.67	5,994,544.14

7.63 Selling expenses

Item	Reporting period	Same period of the previous year
Employee compensation	68,477,738.65	61,279,120.79
Fix and after-sale service charges	11,855,231.61	10,393,706.68
Office expenses	411,478.32	748,646.43
Travelling expenses	9,834,477.29	9,321,861.67
Transportation cost	12,094,658.88	10,512,550.73
Advertising expense	2,394,034.63	2,899,425.63
Commission	11,350,261.62	12,103,473.04
Leasing and storage charges	3,982,825.41	5,401,842.88
Insurance premium	328,652.94	706,961.69
Conference fees	118,897.55	1,088,991.90
Depreciation costs	1,211,664.30	1,009,487.88
Exhibition fees	1,585,467.46	3,241,152.99
Sample printed matter and product loss	5,905,187.62	5,033,980.47
Entertainment expenses	757,129.82	363,905.44
Other	17,292,848.42	17,307,072.95
Total	147,600,554.52	141,412,181.17

7.64 General and administrative expenses

Item	Reporting period	Same period of the previous year
Employee compensation	69,551,075.61	63,094,127.39
Office expenses	1,947,623.71	3,083,576.02
Water and electricity	571,118.40	609,344.98
Entertainment expenses	3,324,228.18	2,626,271.81
Property insurance premium	1,172,655.05	1,192,827.02
Conference fees	130,873.98	741,776.34
Travelling expenses	3,880,277.57	4,188,197.13
Depreciation costs	4,242,979.64	3,479,775.53
Repair charges	242,365.23	432,790.41
Transportation cost	776,519.62	2,360,059.15
Rental fees	5,210,376.21	3,455,833.49
Costs of board meetings and supervisors' meetings	251,601.17	1,217,959.56
Agency fees and advisory expenses	10,898,525.41	5,537,470.16



Litigation cost	485,226.44	390,851.06
New product development expenses	46,213,646.73	45,322,190.06
Amortization of intangible assets	708,107.57	1,068,674.61
Amortization of long-term deferred expenses	186,385.50	152,812.53
Other	4,762,990.39	4,967,562.70
Total	154,556,576.41	143,922,099.95

7.65 Financial expenses

Item	Reporting period	Same period of the previous year
Interest expenses	6,107,454.56	6,091,395.25
Less: Interest income	-2,498,914.91	-487,251.03
Gains and losses on exchange	7,052,428.53	-13,178,688.63
Others	1,430,263.38	724,768.79
Total	12,091,231.56	-6,849,775.62

7.66 Losses from asset impairment

Item	Reporting period	Same period of the previous year
Losses from bad debts	-409,326.21	4,347,324.27
Losses from inventory impairment	58,842.08	175,122.70
Total	-350,484.13	4,522,446.97

7.67 Gains from changes in fair value

Not applicable.

7.68 Investment income

Item	Reporting period	Same period of the previous year
Long-term equity investments measured under equity method	-1,691,101.14	11,737,352.98
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	26,338.67	9,509.24
Investment income of the held-to-maturity investment during the holding period		
Investment income derived from available-for-sale financial assets	11,889,784.50	1,001,400.43
Investment income from disposal of available-for-sale financial assets		
After the loss of control, the residual equity is measured at fair value		
Others	7,260,044.29	5,747,623.00
Total	17,485,066.32	18,495,885.65

7.69 Gains on disposal of assets

Item	Reporting period	Same period of the previous year
Fixed assets	-571,141.92	9,747,624.59
Total	-571,141.92	9,747,624.59

7.70 Other gains

Item	Reporting period	Same period of the previous year
Financial support fund	466,000.00	
Unemployment insurance subsidies	46,700.00	



Innovation Drives Industry Transformation and Upgrade Assessment Award	80,000.00	
Property tax return	717,178.80	
Qiantang Economic Development Zone Subsidy	1,250,000.00	2,510,000.00
Comprehensive Bonded Area Management Committee Subsidy	44,000.00	
Other	12,494.76	30,381.10
Total	2,616,373.56	2,540,381.10

7.71 Non-operating income

Non-operating income

Item	Reporting period	Same period of the previous year	Amount included in current non-recurring gains and losses
Government grants	20,000.00	102,594.49	20,000.00
Unpayable payables	398,451.43		398,451.43
Other	2,937,503.29	3,190.85	2,937,503.29
Total	3,355,954.72	105,785.34	3,355,954.72

Government grants included in current profit and loss

Item	Reporting period	Same period of the previous year	Asset-related /Income-related
Financial support fund	466,000.00		Income-related
Unemployment insurance subsidies	46,700.00		Income-related
Innovation Drives Industry Transformation and Upgrade Assessment Award	80,000.00		Income-related
Innovation Award of Science and Technology Bureau of Jiaojiang District, Taizhou City	20,000.00		Income-related
Property tax return	717,178.80		Income-related
Qiantang Economic Development Zone Subsidy	1,250,000.00	2,510,000.00	Income-related
Comprehensive Bonded Area Management Committee Subsidy	44,000.00		Income-related
Financial subsidies for employee vocational training	11,988.70	27,570.22	Income-related
Shanghai old public housing management fee subsidies		102,594.49	Income-related
Other	506.06	2,810.88	Income-related
Total	2,636,373.56	2,642,975.59	/

7.72 Non-operating expenses

Item	Reporting period	Same period of the previous year	Amount Included in Current Non-recurring Gains and Losses
Donations made	651,000.00	200,000.00	651,000.00
Amercement and overdue fine outlay	217,621.81	102,210.07	217,621.81
Others	86,951.12	2,873.64	86,951.12
Total	955,572.93	305,083.71	955,572.93

7.73 Income tax expenses

Item	Reporting period	Same period of the previous year
Current income tax expenses	31,390,146.67	41,432,540.20
Deferred income tax expenses	1,539,881.68	5,066,571.10
Total	32,930,028.35	46,499,111.30

7.74 Other comprehensive income

See notes for details.

7.75 Items of the statement of cash flows

7.75.1 Cash received from other operating activities

Item	Reporting period	Same period of the previous year
Current accounts and advances withdrawn	14,390,620.52	12,540,492.70
Special subsidies and grants	2,636,373.56	2,642,975.59
Interest income	1,914,330.36	853,706.23
Non-operating income:	49,158.26	278,981.82
Other	1,034,817.18	5,407,808.53
Total	20,025,299.88	21,723,964.87

7.75.2 Cash paid for other operating activities

Item	Reporting period	Same period of the previous year
Current accounts paid	30,750,544.80	6,762,109.04
Selling expenses	50,045,373.71	58,958,164.15
General and administrative expenses	56,975,876.20	59,104,891.27
Non-operating expenses	766,673.43	296,919.37
Others	6,317,754.30	7,374,016.59
Total	144,856,222.44	132,496,100.42

7.75.3 Cash received from other investing activities

Not applicable.

7.75.4 Cash paid from other investing activities

Not applicable.

7.75.5 Cash received from other financing activities

Item	Reporting period	Same period of the previous year
Bank deposit, security deposit and other pledge, mortgage		429,112.68
Total		429,112.68

7.75.6 Cash paid from other financing activities

Not applicable.

7.76 Supplementary information to the statement of cash flows

7.76.1 Supplementary information to the statement of cash flows

Supplementary Information	Reporting period	Same period of the previous year
1. Net profit adjusted to cash flows from operating activities		
Net profit	112,285,929.18	138,844,626.88
Plus: Provision for assets impairment	-350,484.13	4,522,446.97
Depreciation of fixed assets and others	25,407,641.27	22,411,409.44
Amortization of intangible assets	11,134,050.39	11,462,504.90
Amortization of long-term deferred expenses	186,385.50	152,812.53
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	571,141.92	-9,747,624.59
Losses on write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	13,159,883.09	-7,087,293.38
Investments losses ("-" for gains)	-17,485,066.32	-18,495,885.65
Decreases in the deferred income tax assets ("-" for increases)	-2,942,077.58	-3,010,459.74



Supplementary Information	Reporting period	Same period of the previous year
Increases in the deferred income tax liabilities (“-” for decreases)	1,935,513.24	8,292,541.39
Decreases in inventories (“-” for increases)	-82,640,544.93	-69,790,264.64
Decreases in operating payables (“-” for increases)	-105,872,538.02	-83,128,510.00
Increases in operating payables (“-” for decreases)	-13,092,988.36	-54,216,627.58
Others		
Net cash flows from operating activities	-57,703,154.75	-59,790,323.47
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	625,219,186.80	649,036,645.55
Less: beginning balance of cash	713,813,720.45	750,357,929.63
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-88,594,533.65	-101,321,284.08

7.76.2 Net cash paid to acquire subsidiaries during the current period

Not applicable.

7.76.3 Net cash received from disposal of subsidiaries during the current period

Not applicable.

7.76.4 Composition of cash and cash equivalents

Item	Ending balance	Beginning balance
1. Cash	625,219,186.80	713,813,720.45
Including: cash on hand	607,616.78	707,925.98
Unrestricted bank deposit	624,229,571.66	712,794,196.15
Other unrestricted monetary funds	381,998.36	311,598.32
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 2018	625,219,186.80	713,813,720.45
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		

7.77 Notes of items in Statement of Changes in Equity

Not applicable.

7.78 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	2,143.30	Bank acceptance money deposit and foreign exchange funds to be verified
Notes receivable		



Item	Book value at the end of period	Restricted reasons
Inventory		
Fixed assets	9,828.04	Bank loan guarantee
Intangible assets		
Investment property	2,832.74	Financing Bond Guarantee
Long-term equity investment	4,607.61	Equity purchase price guarantee
Total	19,411.69	/

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

7.79 Monetary items in foreign currency

7.79.1 Monetary items in foreign currency

Item	Ending balance of foreign currency	Exchange rate	Ending balance of conversion into RMB
Monetary funds			
Including: USD	6,306,655.76	6.6166	41,728,618.53
EUR	40,553,602.43	7.6515	310,295,888.99
HKD	459,386.82	0.8431	387,309.03
SGD	1,932,805.81	4.8386	9,352,074.19
VND	2,911,637,000.00	0.00003	87,349.11

7.79.2 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.

7.80 Hedging

Not applicable.

7.81 Government grants

Type	Amount	Item	Amount recognized in current profits and losses
Financial support fund	466,000.00	Other income	466,000.00
Unemployment insurance subsidies	46,700.00	Other income	46,700.00
Innovation Drives Industry Transformation and Upgrade Assessment Award	80,000.00	Other income	80,000.00
Innovation Award of Science and Technology Bureau of Jiaojiang District, Taizhou City	20,000.00	Non-operating income	20,000.00
Property tax return	717,178.80	Other income	717,178.80
Qiantang Economic Development Zone Subsidy	1,250,000.00	Other income	1,250,000.00
Comprehensive Bonded Area Management Committee Subsidy	44,000.00	Other income	44,000.00
Financial subsidies for employee vocational training	11,988.70	Other income	11,988.70
Other	506.06	Other income	506.06
Total	2,636,373.56		2,636,373.56

7.82 Others

Not applicable.

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

During the reporting period, the Company invested RMB 20 million to increase the capital of DAMSH, with a shareholding ratio of 51.28%. The chairman, general manager and chief financial officer are all dispatched by the Company to directly manage the business. DAMSH is included in the direct consolidation scope of the Company from the date of completion of the capital increase.

9. Equity in other entities

9.1 Equity in subsidiaries

9.1.1 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 SGSB Electronics Co., Ltd.	Shanghai	Shanghai	Production and sales of electronic equipment	100.00		Investment
Shanghai SGSB Asset Management Co., Ltd.	Shanghai	Shanghai	Asset and property management	100.00		Investment
Shanghai Fengjian Property Co., Ltd.	Shanghai	Shanghai	Property Management	100.00		Business combination under common control
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
Dirkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Production and sales of sewing machines	51.28	48.72	Investment

Note: As the Company directly manages the business activities of PIZ, PIZ included in the scope of consolidation from the date of the merger.

9.1.2 Important non-wholly owned subsidiary

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	6,844,016.46		83,814,383.37
Zhejiang ShangGong GEMSY CO., LTD.	40.00	-588,153.70		83,749,285.76
Shanghai Shensy Enterprise Development Co., Ltd.	59.97	5,868,719.92		153,572,436.29

9.1.3 Major restrictions on the use of group assets and liquidation of group debt

Not applicable.

9.1.4 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

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

H. Stoll AG & Co. KG	Ending balance / Current period	Beginning balance / Same period of the previous year
Current assets	150,122.43	168,299.51
Non-current assets	31,141.61	26,033.15
Total assets	181,264.04	194,332.66
Current liabilities	50,040.81	57,559.13
Non-current liabilities	33,131.00	33,250.28
Total liabilities	83,171.81	90,809.41
The book value of equity investments in joint operation and joint venture	26,613.24	27,579.96
Operating income	82,096.92	108,918.28
Net profit	76.52	5,218.24

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 30 June 2018, the Company's short-term bank loans with Euribor as benchmark interest rate totaled 34.80 million euros, and long-term loans with Euribor as benchmark interest rate totaled 11.878 million euros. Supposing that other variables remain unchanged, a 50% benchmark change in interest rates would 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 30 June 2018.

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:

Item	Exchange rate changes	Reporting period		Same period of the previous year	
		Impact on current profits and losses	Impact on owner's equity	Impact on current profits and losses	Impact on owner's equity
Foreign currency statement conversion	10% appreciation of RMB	6,146,172.97	95,841,411.32	10,300,943.11	83,066,369.13
Foreign currency statement conversion	10% depreciation of RMB	-6,146,172.97	-95,841,411.32	-10,300,943.11	-83,066,369.13
Foreign Currency Items	10% appreciation of RMB	7,693,309.93	7,693,309.93	6,813,799.33	6,813,799.33
Foreign Currency Items	10% depreciation of RMB	-7,693,309.93	-7,693,309.93	-6,813,799.33	-6,813,799.33

(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:

Item	Ending Balance	Beginning Balance
Available-for-sale financial assets and trading financial assets	78,186,465.43	89,721,694.56

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 14,802,044.51 yuan (31st December 2017: Others Comprehensive income of 15,711,472.03 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 30 June 2018, the Company's unused bank loan quota was 10.75 million euros (is equivalent to 82.2536 million yuan at the end of the period) and 300.00 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

Item	Fair value at the end of reporting period			
	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	78,186,465.43			78,186,465.43
a. Investment in debt instruments				
b. Investments in equity instruments	78,186,465.43			78,186,465.43
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	78,186,465.43			78,186,465.43



Item	Fair value at the end of reporting period			
	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
(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				

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 at end of reporting period of available-for-sale financial assets was determined on the basis of the closing price of Shenzhen Stock Exchange and Shanghai Stock Exchange on the last trading day in June 2018.

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

Not applicable.

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

12.5.1 Related transactions for purchase and sale of goods, receiving and rendering of services

Table of purchase of goods / receipt of services

Related Party	Content of Related Transaction	Reporting period	Same period of the previous year
Stoll Electronics Co., Ltd.	Purchase of goods / Receiving of service	10,978,177.50	6,436,020.33



Table of sales of goods /rendering of services

Related Party	Content of Related Transaction	Reporting period	Same period of the previous year
Shanghai Fuji Xerox Co., Ltd.	Sales of goods	9,806,140.15	12,162,227.27
Stoll Electronics Co., Ltd.	Sales of goods	454,513.14	293,594.29

12.5.2 Associated trusteeship/contracting and entrusted management/outsourcing

Not applicable.

12.5.3 Related lease

The Company acted as lessor:

Unit: 10,000 Yuan, Currency: RMB

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

12.5.4 Related guarantees

Not applicable.

12.5.5 Related party funds lending

Not applicable.

12.5.6 Related party assets transfer and debt reorganization

Not applicable.

12.5.7 Compensation for key managers

Not applicable.

12.6 Receivables and payables from related parties

12.6.1 Receivables

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shanghai Fuji Xerox Co., Ltd.	1,999,860.81	99,993.04	2,365,537.24	118,276.86
	Stoll Electronics Co., Ltd.	49,745.00			
Prepayment	Zhejiang GEMSY Electromechanical Co., Ltd.	6,147,650.83		6,147,650.83	
Dividends receivable	Shanghai Fuji Xerox Co., Ltd.	9,949,000.00			
Dividends receivable	H. Stoll AG & Co. KG	27,373,644.64			
Other receivables	Zhejiang GEMSY Electromechanical Co., Ltd.	701,761.69		617,279.69	

12.6.2 Payables

Item	Related party	Ending balance	Beginning balance
Account payables	Stoll Electronics Co., Ltd.	2,418,441.66	1,630,680.70

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 30 June 2018

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 ICBC for a loan of no more than 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 30 June 2018, 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 30 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 30 June 2018, it has 6 months (e.g. before 31 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 30 June 2018, SHENSY has failed to complete its IPO and be listed on the A-shares independently. Shanghai Pudong New Industrial Investment Co., Ltd. has already formally notified the Company to fulfill the agreement to repurchase all the shares held by Shanghai Pudong New Industrial Investment Co., Ltd.

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

Accounting to the Contract signed on 29th August 2015 by SGE, 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. SGE has received the Application for Arbitration submitted by Michael Stoll, Corinna Stoll and other 10 limited partners of STOLL KG on 20 July 2017. SGE 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 great 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 7 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 25 September 2017. As of 30 June 2018, 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 7th Meeting of the 8th Board of Directors on 29 August 2018, no dividends of the first half of 2018 will be distributed.

15.3 Sales return

Not applicable.

15.4 Others

(1) 500,000 shares mortgage of DA AG

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 7 January 2016 to 30 July 2017 and from 7 January 2016 to 30 July 2018 respectively. It provided guarantees for DAP AG to pay equity purchase price to German H. Stoll AG & Co. KG equity sellers. As of 30 June 2017, DAP AG has paid the third equity purchase price. The 500,000 shares of DA AG were released from mortgage on 26 July 2018.

(2) DAP AG merges its holding subsidiary DA AG

DAP AG, a wholly-owned subsidiary of SGG, merges its holding subsidiary DA AG, squeezing out the minority shareholders holding approximately 5.99% shares of DA AG. This matter was recorded on July 2018 in the District Court of Bielefeld, Germany. And DA AG has completed the trading of its shares on the Frankfurt, Berlin and Düsseldorf stock exchanges at the end of July 2018.

(3) SGG acquire 65% equity of Richpeace and capital increase of Richpeace

Reviewed and approved by the Company's 6th meeting of the 8th Board of Directors held on July 31, 2018, it is agreed to acquire 65% equity of Richpeace and increase its capital. The total investment is 156.137 million yuan, including: equity acquisition of 136,663,800 yuan and capital increase of 19.5 million yuan. The matter is in progress.

(4) Investment and construction of Taizhou Manufacturing Base

Reviewed and approved by the Company's 6th meeting of the 8th Board of Directors held on July 31, 2018, it is agreed to invest to construct manufacturing base in Huangyan District, Taizhou, Zhejiang. The total investment is 154 million yuan, including: purchase of land use right and related tax and expenses of 37 million yuan and construction of plant and supporting facilities of 117 million yuan. The source of funds is self-owned funds. The undertaking unit of this project is the Company's wholly-owned subsidiary ShangGong Sewing Machine (Zhejiang) Co., Ltd.

16. Other significant events

16.1 Correction of previous accounting errors

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 Basis for determining the report division

According to the Company's development strategy, four report divisions are identified according to the nature of the business: sewing equipment, logistics services, export trade and other business segments. Each of the Company's reporting segments offers different products and services.

16.6.2 Report division's financial information

Item	Sewing equipment division	Logistics service division	Export trade division	Other business segments	Offset between divisions	Total
1. Operating income	1,243,429,826.77	362,468,133.25	68,834,028.31	56,221,864.47	236,159,439.53	1,494,794,413.27
Including: External transaction income	1,013,250,015.18	362,468,133.25	68,834,028.31	50,242,236.53		1,494,794,413.27
Inter-segment transaction income	230,179,811.59	-	-	5,979,627.94	236,159,439.53	
2. Investment income from associates and joint ventures	-1,232,754.40	-	-	-	458,346.74	-1,691,101.14
asset impairment losses	-187,737.85	-278,617.45	-117,160.01	-19,942.47	-252,973.65	-350,484.13
4. Depreciation and amortization	30,246,257.57	1,205,635.93	5,415.30	5,270,768.36		36,728,077.16
5. Total profit	110,582,259.24	13,047,783.86	-80,874.94	11,237,651.22	-8,028,756.36	142,815,575.74
6. Income tax expenses	30,480,024.94	3,261,690.94	-	57,487.94	869,175.47	32,930,028.35
7. Net profit	82,502,616.09	9,786,092.92	-80,874.94	11,180,163.28	-8,897,931.83	112,285,929.18
8. Total assets	3,697,502,543.60	418,613,690.46	30,534,425.72	989,987,043.06	1,312,096,843.53	3,824,540,859.31
9. Total liabilities	1,599,929,613.50	162,096,929.35	22,465,178.07	142,802,158.78	638,031,772.67	1,289,262,107.03
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

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	9,823,991.89	8.78	5,385,491.84	54.82	4,438,500.05	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 credit characteristics basis	88,866,687.61	79.46	61,497,260.66	69.20	27,369,426.95	80,650,765.60	74.09	61,342,035.96	76.06	19,308,729.64
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis	13,154,311.21	11.76	5,019,394.27	38.16	8,134,916.94	13,092,694.77	12.03	5,109,454.83	39.03	7,983,239.94
Total	111,844,990.71	100.00	71,902,146.77	64.29	39,942,843.94	108,859,091.17	100.00	72,012,519.11	66.15	36,846,572.06

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

Accounts receivable (By entity)	Ending balance			
	Accounts receivable	Provision for bad debts	Provision ratio	Reason for provision
Customer C	5,713,872.47	5,179,985.87	90.66	Impairment was occurred on a separate test.
Customer E	4,110,119.42	205,505.97	5.00	Impairment was occurred on a separate test.
Total	9,823,991.89	5,385,491.84	54.82	/

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

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year	26,034,904.42	1,301,745.23	5%
1 to 2 years	3,043,895.14	608,779.03	20%
2 to 3 years	402,303.31	201,151.66	50%
Over 3 years	59,385,584.74	59,385,584.74	100%
Total	88,866,687.61	61,497,260.66	69.20

17.1.2 Bad debt provision recovered or reversed in report period

The amount of provision for bad debts was 1,526,013.93 yuan in current period; the amount of bad debt provision recovered or reversed in the current period was 137,896.09 yuan.

17.1.3 Accounts receivable actually written off in current period

Item	Write-off amount
Accounts receivable actually written off	3,436,227.61

17.1.4 Top five accounts receivable by the ending balance of the borrowers

Company name	Ending balance		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer A	11,530,775.39	10.31	11,530,775.39
Customer B	7,480,189.67	6.69	7,480,189.67
Customer C	5,713,872.47	5.11	5,179,985.87
Customer D	4,679,327.49	4.18	4,679,327.49
Customer E	4,110,119.42	3.67	205,505.97
Total	33,514,284.44	29.96	29,075,784.39

17.1.5 Receivables derecognized due to transfer of financial assets

Not applicable.

17.1.6 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

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	62,643,254.90	29.34	61,720,677.84	98.53	922,577.06	61,325,622.45	32.26	61,325,622.45	100.00	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	144,429,440.88	67.63	21,875,233.92	15.15	122,554,206.96	125,819,372.64	66.20	20,769,399.12	16.51	105,049,973.52
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	6,470,788.89	3.03	19,335.00	0.30	6,451,453.89	2,925,886.51	1.54	21,735.00	0.74	2,904,151.51
Total	213,543,484.67	100.00	83,615,246.76	39.16	129,928,237.91	190,070,881.60	100.00	82,116,756.57	43.20	107,954,125.03

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

Other receivables (By entity)	Ending Balance			
	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason for provision
Customer B	48,991,974.70	48,069,397.64	98.12	Unexpected to recover
Customer E	13,651,280.20	13,651,280.20	100.00	Unexpected to recover
Total	62,643,254.90	61,720,677.84	98.53	/

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

Aging	Ending Balance		
	Other Receivables	Provision for Bad Debts	Proportion of Provision (%)
Within 1 year	128,847,914.69	6,442,395.73	5.00
1 to 2 years	185,800.00	37,160.00	20.00
2 to 3 years	96.00	48.00	50.00
Over 3 years	15,395,630.19	15,395,630.19	100.00
Total	144,429,440.88	21,875,233.92	15.15

17.2.2 Withdrawal, recovery or reversal of provision for bad debt

The provision for bad debts in current period was 1,498,490.19 yuan, and the amount of provision for bad debt recovered or reversed this period was 0 yuan.

17.2.3 Other receivables actually written off in current period

Item	Write off amount
Other receivables actually written off	534,288.45

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

Company name	Nature of fund	Ending balance	Aging	Proportion in total other receivable (%)	Ending balance of provision for bad debts
Customer A	Current accounts	58,701,194.06	Within 1 year	27.49	2,935,059.70



Customer B	Current accounts	48,991,974.70	From within 1 year to over 3 years	22.94	48,069,397.64
Customer C	Current accounts	31,755,000.00	Within 1 year	14.87	1,587,750.00
Customer D	Current accounts	20,181,250.00	Within 1 year	9.45	1,009,062.50
Customer E	Current accounts	13,651,280.20	From within 1 year to over 3 years	6.39	13,651,280.20
Total	/	173,280,698.96		81.14	67,252,550.04

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

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	664,810,221.03	5,500,000.00	659,310,221.03	644,810,221.03	5,500,000.00	639,310,221.03
Investment in associates and joint ventures						
Total	664,810,221.03	5,500,000.00	659,310,221.03	644,810,221.03	5,500,000.00	639,310,221.03

(1) Investment in subsidiaries

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
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	79,000,000.00			79,000,000.00		
DAP Industrial AG	142,370,693.64			142,370,693.64		
DAP (Shanghai) Co., Ltd.	59,046,675.86			59,046,675.86		
Shanghai SGSB Electronics Co., Ltd	20,000,000.00			20,000,000.00		
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		
Dürkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd. (Note)		20,000,000.00		20,000,000.00		
Total	644,810,221.03	20,000,000.00		664,810,221.03		5,500,000.00

Note: SGG increase the capital of DAMSH with RMB 20,000,000 yuan in report period, which held 51.28% of equity of DAMSH. DAMSH became the subsidiary of the Company from the Company's third-level subsidiary.



(2) Investment in associates and joint ventures

Not applicable.

17.4 Operating income and operating costs

Item	Reporting period		Same period of the previous year	
	Income	Cost	Income	Cost
Main Business	161,971,986.03	119,608,864.69	22,930,783.21	17,955,581.70
Other Business	22,840,519.23	5,821,241.27	23,455,012.88	6,040,735.79
Total	184,812,505.26	125,430,105.96	46,385,796.09	23,996,317.49

17.5 Investment income

Item	Reporting period	Same period of the previous year
Long-term equity investment measured at cost method		
Long-term equity investment measured at equity method		
Investment income from disposal of long-term equity investments		
Investment income from holding of financial assets measured at fair value through current profit and loss		
Investment income from disposal of financial assets measured at fair value through current profit and loss	26,338.67	9,509.24
Investment income from holding of available-for-sale financial assets		
Investment income from holding of available-for-sale financial assets	11,889,784.50	1,001,400.43
Investment income from disposal of available-for-sale financial assets		
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	6,935,894.29	5,096,060.26
Total	18,852,017.46	6,106,969.93

18. Supplementary information

18.1 Extraordinary profit or loss for current period

Item	Amount	Note
Profits or losses from disposal of non-current assets	-571,141.92	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	2,636,373.56	
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	7,286,382.96	
Reversal of the impairment provision for receivables subject to separate impairment test		
Profits or losses from entrusted loans		



Item	Amount	Note
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	2,380,381.79	
Other profits or losses which can be deemed as non-recurring profits or losses		
Income tax effects	-164,684.49	
Minority interest effects	-776,580.59	
Total	10,790,731.31	

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	4.5625	0.1826	0.1826
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	4.0710	0.1629	0.1629

18.3 Differences in accounting data under domestic and overseas accounting standards

Not applicable.



Chapter 11 Documents for Reference

Documents for reference	Financial statements signed and sealed by the chairman of the Company, the principal in charge of accounting and the Chief of Accounting Affairs. The originals of all the Company's documents and announcements publicly disclosed on the website designated by China Securities Regulatory Commission in the report period.
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Shang Gong Group Co., Ltd.
Chairman of Board of Directors: Zhang Min
29th August 2018