



**ShangGong Group**

**Shang Gong Group Co., Ltd.**

**Semi-Annual Report 2016**



### Important Notes

1. The Board of Directors, the Board of Supervisors, and all the directors, supervisors, and senior managers guarantee that there are no false statement, vital misunderstandings or important omissions in this report, and hold both individual and joint liability for the authenticity, accuracy and integrity of its contents.
2. All the members of the Board of Directors attended the Board Meeting of Shang Gong Group Co., Ltd.
3. This semi-annual financial report of the Company was 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, make the pledge for the authenticity and integrity of the attached financial statements.
5. There was no occupation of fund of the Company occurred for non-operating use by holding shareholder and the related party.
6. There was no external guarantee against the rules and regulations of the Company.
7. If the English Version of this Semi-Annual Report involves any differences from the Chinese Version, the latter shall be effective.

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## Chapter 1 Definition

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

Definition of common terms		
ShangGong Group, the Company	Refer to	Shang Gong Group Co., Ltd
Pudong SASAC	Refers to	Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission, the main shareholder and actual controller
ShangGong Europe, SGE	Refer to	ShangGong (Europe) Holding Corp. GmbH
DA AG	Refers to	Dürkopp Adler AG, a German listed company, ShangGong Europe holding approx. 94.01% of its stock rights
PFAFF GmbH	Refers to	PFAFF Industriesysteme und Maschinen GmbH
KSL GmbH	Refers to	KSL Keilmann Sondermaschinenbau GmbH
KSL and its affiliated companies	Refer to	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH, and KSA GmbH & Co. KG
DAP Shanghai	Refers to	DAP (Shanghai) Co., Ltd
SHENSY	Refers to	Shanghai Shensy Enterprise Development Co., Ltd
Shanggong Butterfly	Refers to	Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.
SG & GEMSY	Refers to	Zhejiang SG & GEMSY Sewing Technology Co., Ltd.
Stoll KG	Refers to	H. Stoll AG & KG
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Report Period	Refers to	From January1, 2016 to June 30,2016
Articles of Association	Refers to	The Articles of Association of Shang Gong Group Co., Ltd.
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
RMB	Refers to	The lawful currency of China
EUR	Refers to	The lawful currency of the European Union



## Chapter 2 Company Profile

### 1. Company information

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

### 2. Contact information

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

### 3. Basic situation introduction

Registered Address	Room A-D, 12 <sup>th</sup> 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 Area, Shanghai
Postal Code of Office address	201206
Website	<a href="http://www.sgsbgroup.com">http://www.sgsbgroup.com</a>
Email	sgsb@sgsbgroup.com

### 4. Information disclosure and place for consulting

Name of newspaper selected by the Company for information release	Shanghai Securities News; Hong Kong Commercial Daily
Website appointed by CSRC for publishing semi-annual report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Lodging address of semi-annual report of the Company	Office of the Company

### 5. Corporate stock

Introduction to Company's Stock				
Type of Stock	Stock Exchange	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A Share	Shanghai Stock Exchange	SGSB	600843	
B Share	Shanghai Stock Exchange	SGBG	900924	

### 6. Registration modification information

Registration date	April 13, 2016
Registration place	Room A-D, 12th Floor, Orient Mansion, No. 1500, Century Avenue, China (Shanghai) Pilot Free Trade Zone
Enterprise unified social credit code	91310000132210544K



## Chapter 3 Accounting Data and Financial Index Highlights

### 1. The Company's main accounting data and financial index

#### (1) Main accounting data

Unit: Yuan, Currency: RMB

Main accounting data	This Report Period (from January to June)	Same period in the previous year	Increase or decrease in this Report Period over the previous year (%)
Operating income	1,359,342,529.45	1,039,062,089.09	30.82
Net profit attributed to shareholders	101,164,717.70	100,341,086.85	0.82
Net profit attributed to shareholders after non-recurrent account profit/loss	95,925,846.84	90,696,688.83	5.77
Net cash flow from operating activities	-45,943,085.71	-8,407,210.31	Inapplicable
	At the end of this Report Period	At the end of the previous year	Increase or decrease at the end of this Report Period over the previous year (%)
Net assets attributed to shareholders	1,864,209,688.74	1,774,674,087.49	5.05
Total assets	3,409,534,677.67	3,146,701,717.06	8.35

#### (2) Main financial data

Main financial data	This Report Period (from January to June)	Same period in the previous year	Increase or decrease in this Report Period over the same period in the previous year (%)
Basic earnings per share (yuan/share)	0.1844	0.1829	0.82
Diluted earnings per share (yuan/share)	0.1844	0.1829	0.82
Basic EPS after non-recurrent account profit/loss (yuan/share)	0.1749	0.1653	5.81
Weighted rate of return on net assets (%)	5.5425	6.0951	Decrease 0.55 percent
Weighted average return on net assets after non-recurrent account profit/loss (%)	5.2555	5.5093	Decrease 0.25 percent

### 2. Items and amount of non-recurring profit and loss

Unit: Yuan, Currency: RMB

Items and amount of non-recurring profit and loss	Amount
Profits and losses from disposal of non-current assets	-557,934.71
Government subsidies recorded in the current profit and loss	4,973,690.84
Except effective hedging business relevant to the normal business of the Company, gains and losses from changes in fair value arising from trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	2,956,194.83
Other non-operating income and expenditure except the above-said items	-57,067.79
Impact on minority interests	-1,350,348.82
Impact on income tax	-725,663.49
Total	5,238,870.86



## Chapter 4 Report by the Board of Directors

### 1. Discussion and analysis by the Board regarding the operation of the Company during report period

In the first half of 2016, the international environment is still complicated and grim. The world economic recovery is less than expected. Influenced by events such as Brexit, the uncertainty of the world economy is increasing. From a domestic perspective, China's economy continues to maintain the overall-smooth, steady-progress development trend in the first half of 2016. China's economy is at a critical stage of structural adjustment, transformation and upgrading, the labor pains continue in the adjustment.

In the first half of 2016, the domestic and international market growth momentum of China's sewing machinery industry is weak. The production and sales continued to decline, and revenue declined slightly. Export was in modest recovery while innovation and upgrading was accelerating. The sales of smart products were great. And some efficiency indicators increased as well. In general, the economic downturn of the industry has slowed down. The industry economy maintains stable and may have hit bottom. Data from the National Bureau of Statistics show that the industrial added value of enterprises above designated size in China's sewing machinery industry increased by 3% in the first half of 2016, three percentage points lower than the national industrial added value growth rate over the same period. According to the China Sewing Machinery Association, from January to June 2016, the production of sewing machine of top 100 enterprises in the industry is 23.574 million sets, reduced by 13.11% comparing to the first half of 2015; the sales volume is 24.876 million sets, decreased by 13.78; sales income realized is RMB 8,211 million, declined by 3.37%.

In this context, with the effort of the Company's managers and staff, in the Report Period, ShangGong Group realized operating income of RMB 1,359.34 million, rose by 30.82%; the Company realized operating profit of RMB 155.18 million, increased by 12.35%; net profit attributable to shareholders of the listed company totaled RMB 101.16 million, increased by 0.82%; net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses increased by 5.77. Subsidiaries at home and abroad of the Company operated stably in the Report Period.

According to the operating plan of 2016, the Company mainly implemented the following work:

#### (1) Actively explore the market reform, seek opportunities for industrial chain expansion

In the first half of 2016, the Company actively explored the market reform measures and sought opportunities to expand the company's industry. In the Report Period, the Company provided support to Pudong SASAC, the controlling shareholder/actual controller of the Company, on transferring shares of the Company. Up to now, this issue is still in process. Moreover in the first half of 2016, the Company's stock was suspended from trading due to planning major asset reorganization. The Company put much effort on the reorganization about overseas asset merger and acquisition. The Company carried out multi round negotiations with the parties to the transaction, but failed to reach an agreement on key provisions within the prescribed time. Finally, the Company's board of directors terminated the reorganization.

#### (2) Build domestic manufacturing bases, develop made-in-China ability

In order to achieve the Company's strategic objectives -- accelerate domestic manufacturing base construction during the 13<sup>th</sup> five-year plan, in the Report Period, the Company completed the reorganization of DA Suzhou and PFAFF Taicang, and relocated to Zhangjiagang base. The Company is making effort to build the Zhangjiagang base into a thick-material machine production base. In addition, through several months of running after establishment, SG & GEMSY has basically been on the right track. In the Report Period, SG & GEMSY realized operating income of approx. RMB 92.52 million, and achieved a little profit.

#### (3) Continue to promote internal integration, enhance the profitability of the parent company

In the Report Period, the Company continued to promote internal integration. According to changes in the market, the Company has made adjustments to the organization and other aspects. In order to integrate the Company's resources, reduce management costs, improve operational efficiency, the Company began to carry out the merger of SG Butterfly, the Company's wholly-owned subsidiary. It is of benefit to optimize



the management structure of the Company. In this way the parent company will have profitable business in China, directly control sales, and become a profit centre. It helps to solve the problem that the parent company cannot distribute profit for a long time as the undistributed profit is negative, so that the Company could better return the shareholders of the listed company.

## 1.1 Analysis on main business

### 1.1.1 Analysis on Change of Relevant Items in Financial Statements

Unit: Yuan, Currency: RMB

Item	Current period	Previous period	Variable proportion (%)
Operating income	1,359,342,529.45	1,039,062,089.09	30.82
Operating cost	954,500,289.41	701,662,230.84	36.03
Sales expenses	124,035,260.82	113,957,035.76	8.84
Administration expense	131,096,375.43	100,450,384.67	30.51
Financial expenses	10,089,517.50	4,949,996.23	103.83
Net cash flow from operating activities	-45,943,085.71	-8,407,210.31	-446.47
Net cash flow from investing activities	-155,320,334.25	145,227,247.78	-206.95
Net cash flow from financing activities	35,222,499.79	-93,121,196.84	137.82
Research and development expenditures	32,046,934.73	22,386,716.12	43.15

Reasons for changes in operating income: mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Reasons for changes in operating cost: mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Reasons for changes in sales expenses: mainly caused by the increase of sales expenses led by the increase of sales revenue of SGE comparing to the same period last year.

Reasons for changes in administration expense: mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Reasons for changes in financial expenses: mainly caused by the increase of exchange loss comparing to the same period last year.

Reasons for changes in net cash flow from operating activities: mainly caused by business model characteristics and market share expansion by the holding subsidiaries in China in the Report Period.

Reasons for changes in net cash flow from investing activities: mainly caused by investing in 26% equity of Stoll KG by SGE and the decrease of cash received from disposal of fixed assets comparing to the same period last year.

Reasons for changes in net cash flow from financing activities: mainly caused by the increase of bank loan and the decrease of cash paid in dividend distribution.

Reasons for changes in research and development expenditures: mainly caused by the increase of R&D expenditures spent in automatic sewing unit by SGE.

#### (1) Large change of items in the balance sheet of the Company at the end of Report Period and reasons

Unit: Yuan, Currency: RMB

Item	June 30, 2016	December 31, 2015	Increase/decrease	Increase/decrease (%)	Reason
Prepayments	39,544,224.85	27,058,587.15	12,485,637.70	46.14	Note 1
Long-term equity investments	249,884,481.94	-	249,884,481.94	Inapplicable	Note 2
Construction in process	32,542,606.21	24,088,386.74	8,454,219.47	35.10	Note 3
Long-term deferred expenses	888,271.73	579,474.57	308,797.16	53.29	Note 4
Other current liabilities	863,079.88	319,502.32	543,577.56	170.13	Note 5
Long-term loan	79,353,328.43	29,374,120.87	49,979,207.56	170.15	Note 6
Long-term accounts payable	74,338,217.87	4,724,683.15	69,613,534.72	1473.40	Note 7

Note 1: Mainly caused by prepayment increase of SHENSY in Report Period.

Note 2: Caused by investing in 26% equity of Stoll KG by ShangGong Europe in the Report Period.

Note 3: Mainly caused by the increase of investment in sewing equipment project and manufacturing base construction.



Note 4: Mainly caused by the increase of cost of moulds of subsidiaries in the Report Period.

Note 5: Mainly caused by the increase of interest and rental fees of subsidiaries overseas in the Report Period.

Note 6: Mainly caused by the increase of long-term loan of SGE in the Report Period.

Note 7: Mainly caused by the increase of unpaid balance payment according to the agreement of investing in Stoll KG through SGE in the Report Period.

(2) Large change of items in the income statement of the Company in Report Period and reasons

Unit: Yuan, Currency: RMB

Item	Report period	Same period in the previous year	Increase/decrease	Increase/decrease (%)	Reason
Operating income	1,359,342,529.45	1,039,062,089.09	320,280,440.36	30.82	Note 1
Operating cost	954,500,289.41	701,662,230.84	252,838,058.57	36.03	Note 2
Business taxes and surcharges	4,180,944.00	3,119,612.56	1,061,331.44	34.02	Note 3
General and administration expense	131,096,375.43	100,450,384.67	30,645,990.76	30.51	Note 4
Financial expenses	10,089,517.50	4,949,996.23	5,139,521.27	103.83	Note 5
Losses from asset impairment	-1,574,549.62	-2,815,816.88	1,241,267.26	44.08	Note 6
non-operating expenses	3,300,707.74	334,406.84	2,966,300.90	887.03	Note 7
Minority interest	12,993,109.73	9,471,015.73	3,522,094.00	37.19	Note 8
Net of tax of other comprehensive income	-21,624,435.26	22,964,056.08	-44,588,491.34	-194.17	Note 9

Note 1: Mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Note 2: Mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Note 3: Mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Note 4: Mainly caused by the increase of enterprises and months incorporated into the scope of consolidation comparing to the same period last year.

Note 5: Mainly caused by the increase of exchange loss comparing to the same period last year.

Note 6: Mainly caused by increase of provision for bad debts of accounts receivable and the decrease of Provisions for decline in inventory.

Note 7: Mainly caused by the increase of loss on disposal of fixed assets.

Note 8: Mainly caused by the change of consolidation period of SHENSY which was incorporated into the scope of consolidation in May 2015.

Note 9: Mainly caused by the decrease of changes in the fair value of available-for-sale financial assets and the increase of translation difference of foreign currency financial statements comparing to the same period last year.

(3) Large change of items in the statement of cash flows of the Company in Report Period and reasons

Unit: Yuan, Currency: RMB

Item	Report period	Same period in the previous year	Increase/decrease	Increase/decrease (%)	Reason
Net cash flows from operating activities	-45,943,085.71	-8,407,210.31	-37,535,875.40	-446.47	Note 1
Net cash flows from investing activities	-155,320,334.25	145,227,247.78	-300,547,582.03	-206.95	Note 2
Net cash flows from financing activities	35,222,499.79	-93,121,196.84	128,343,696.63	137.82	Note 3
Effect of fluctuation in exchange rate on cash and cash equivalents	15,358,918.84	-24,238,194.98	39,597,113.82	163.37	Note 4

Note 1: Mainly caused by business model characteristics and market share expansion by the holding subsidiaries in China in the Report Period.

Note 2: Mainly caused by investing in 26% equity of Stoll KG by SGE and the decrease of cash received from disposal of fixed assets comparing to the same period last year.

Note 3: Mainly caused by the increase of bank loan and the decrease of cash paid in dividend distribution.

Note 4: Mainly caused by the change of euro exchange rate.



### 1.1.2 Others

(1) Detailed description of major changes of profit composition or profit source

In the Report Period, the main business of the Company was stable, and there was no major change in profit structure and profit sources of the Company.

(2) Analysis and description on the earlier-stage implementation progress of various financing and major asset restructuring events of the Company.

The 2013 third temporary general meeting of shareholders held by the Company on August 20, 2013, reviewed and adopted the pre-plan of non-public share offering (A Shares). In February 28, 2014, CSRC examined and approved the non-public share offering of the Company. This offering was completed on March 28, 2014, the actual offering amount was 99,702,823 shares, the offering price was RMB 6.73 Yuan/share, the amount of raised funds was RMB 670,999,998.79, and after deduction of offering fees of RMB 32,791,767.81, the net amount of raised funds was RMB 638,208,230.98. Refer to *Special report on the storage and actual use of the funds raised (From January 1, 2016 to June 30, 2016)* which is published on Shanghai Stock Exchange Website for details.

(3) Statement on progress of operation plan

In this Report Period, the Company actively organized to implement the annual operation plan established by the Board of Directors at the earlier of this year, and the production and operation of Company were healthy and steady. Without consideration of the impact of irregular factors, the operation performance basically met expectations.

## 1.2 Analysis on operation by industry, products or region

### 1.2.1 Principal operating activities by industry

Unit: Yuan, Currency: RMB

Main business by industries						
Industry	Operating income	Operating cost	Gross margin (%)	Operating income Increase/decrease (%)	Operating cost Increase/decrease (%)	Gross margin Increase/decrease (%)
Sewing equipment	817,409,862.43	471,904,502.94	42.27	14.50	13.25	Increase 0.64 percent
Logistics service	331,071,742.92	299,358,373.64	9.58	223.15	236.88	Decrease 3.69 percent
Export trade	120,525,022.03	117,698,791.94	2.34	-15.28	-15.97	Increase 0.8 percent
Office Equipment and film material	36,505,321.97	31,158,290.55	14.65	-22.87	-21.69	Decrease 1.28 percent
Others	8,740,169.41	4,438,266.34	49.22	37.02	72.71	Decrease 10.49 percent
Total	1,314,252,118.76	924,558,225.41	29.65	29.83	34.39	Decrease 2.39 percent

### 1.2.2 Principal operating activities by regions.

Unit: Yuan, Currency: RMB

Region	Operating revenue	Increase / decrease of operating income over the previous year (%)
Domestic	765,711,781.25	47.03
Overseas	655,747,866.63	11.28

## 1.3 Core competitiveness

The Company is the first listed enterprise with the longest history in the domestic sewing equipment industry, and has multiple years of experience in production of sewing equipment. The Company successfully purchased German DA AG in 2005, one of the famous sewing machine manufacturing companies in the world, which gives the Company the most advanced sewing machine manufacturing technology in the world. In 2013, through cross-border merger and acquisition, the Company successfully controlled German PFAFF AG and German KSL GmbH and its affiliates, both of which were well-established sewing equipment manufacturing enterprises in the same industry, to make its international influence and brand recognition improve largely, and further enhance the core competence of



the Company. In the Report Period, the Company invested in Stoll KG which expand the Company's industrial chain and supplement the Company's business and product. Meanwhile, the Company invested in SG & GEMSY in China. The manufacturing capacity is enhanced in China. During the report period, the Company started the merger of SG Butterfly, a wholly owned subsidiary of the Company, which will improve the Company's management efficiency, reduce the management level, and optimize the Company's management organization. The core competence of the Company is mainly shown in the following aspects:

#### I. Technology Advancement Advantage

German KSL GmbH, purchased by the Company, holds the leading position in CNC and robot controlled automatic sewing technologies, and its products are not only applied in the traditional market for sewing machine industry but also applied in some emerging fields, such as automobile, environmental protection, aeronautics and astronautics and renewable energy, etc. In many fields, such as automobile airbags, filters protecting environment, light carbon fiber structure for plane, etc., the sewing application technology of KSL GmbH has the absolute competition advantage, and especially, it originally created the sewing technology for light carbon fiber and 3D sewing automation. Technologies of KSL GmbH together with technologies of German DA AG and PFAFF AG make the Company own the most advanced sewing technologies in the world.

#### II. Brand and Product Advantage

Through overseas acquisition, the Company owns some internationally well-known brands, such as "DA" and "PFAFF" with 150 years' history, and "KSL" and "Beisler" with more than 50 years' history, etc., and some famous domestic brands, such as "Butterfly" brand with more than 90 years' history and "Shanggong" brand with more than 50 years' history. These brands have a high recognition and reputation in the sewing machine industry. The products of the Company focus on smart, modularized and highly efficient automatic sewing unit and other sewing equipment with integrated machinery and electronics, covering various advanced technologies in the field of high-end sewing equipment, and the Company holds the leading position in the segmented market of sewing equipment.

#### III. Technological Research and Development Capability

The Company highly attaches importance to the construction of technological research and development capabilities, which have become the important force driving the development of the Company. The Company has owned a powerful technological research and development team and had the complete and efficient scientific and technological innovation system, the leading sewing machine design plan and the first class assessment method for testing sewing machines in the world. Shanggong technology center domestically is the city level of research and development center in Shanghai, and has the strong digestion and absorption and supporting development capability.

#### IV. Sales Network throughout the Globe

The products of the Company are widely sold domestically, and the Company has established the relatively perfect marketing channel and service network, and had a great number of valuable and stable high-end clients which manufacture automobile accessories and luxuries.

#### V. Internationalized Operation and Management Experience

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

During the Report Period, the Company continued to promote the integration of global resources and accelerate the construction of manufacturing base in China. The Company's core competitiveness kept on strengthening.

### 1.4 Investment by the Company

#### 1.4.1 Analysis on the equity investment

Unit: 10,000 Yuan, Currency: RMB

Amount of long-term equity investment in the Report Period	27,232
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Increase or decrease on the amount of long-term equity investment	19,683
Amount of long-term equity investment in the same period of previous year	7,549
Increase or decrease proportion	260.74%

Status of invested company:

Name	Main business	Proportion in the invested company
Shanghai SGSB Finance Lease Co., Ltd	Finance lease	The Company holds 51% equity directly; DA AG, holding subsidiary of the Company's wholly-owned subsidiary ShangGong Europe, holds 49% equity.
H. Stoll AG & Co. KG	Production, distribution and planning of electronically and mechanically controlled, fully automatic flat knitting machines, including related services and financing	ShangGong Europe, a wholly-owned subsidiary of the Company, holds 26% equity of Stoll KG

(1) Investment in stock exchange

Not applicable.

(2) Stock equity of other listed companies held by the Company

Unit: Yuan, Currency: RMB

Code	Entity	Initial investment	Proportion in the invested company	Period-end book value	Profit/loss	Change in shareholder equity	Account title	Origin of equity
600757	Changjiang Publishing & Media	72,085,722.82	<5	86,404,700.26		-26,673,203.06	Available-for-sale financial assets	Note 1
900932	Lujia B Shares	773,099.71	<5	2,330,508.98	47,305.05	-984,495.90	Available-for-sale financial assets	Enforcement
000166	Shenwan & Hongyuan	200,000.00	<5	1,361,932.22		-372,466.60	Available-for-sale financial assets	Note 2
Total		73,058,822.53	/	90,097,141.46	47,305.05	-28,030,165.56	/	/

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

Note 2: While Shenwan & Hongyuan was founded and established, the Company subscribed to its equity, and now it is untradeable.

(3) Stock equity of non-listed financial institutions held by the Company

Company	Initial investment	Quantity of shares	Proportion in the invested company	Period-end book value	Profit/loss	Change in shareholder equity	Account title	Origin of equity
Bank of Shanghai	951,400.00	<5	<5	951,400.00			Available-for-sale financial assets	Purchased
Baoding Investment	7,500.00	<5	<5	7,500.00			Available-for-sale financial assets	Purchased
Total		/	/	958,900.00			/	/

Note: While the above-said financial enterprises were founded and established, the Company subscribed to their equity, and holds them until now.



1.4.2 Status of investment in entrusted financing and derivatives of non-financial companies

(1) Entrusted Financing

Unit: 10,000 Yuan, Currency: RMB

Name of partner	Product name	Amount	Starting date	Ending date	Method of determining gains	Predicted gains	Principal actually recovered	Gains actually obtained	Whether legal proceedings are involved	Amount of provision for impairment	Whether affiliated transaction is involved	Whether lawsuit is involved	Fund source and whether it is raised fund	Affiliated relationship
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (intravenous Drip into Gold) Financial Product (WG15154S)	5,000	2015/11/2	2016/2/3	Guarantee gains with guaranteed principal	3.70%	5,000	47.14	Yes	0	No	No	Yes	
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (intravenous Drip into Gold) Financial Product (WG15154S)	7,000	2015/11/2	2016/2/3	Guarantee gains with guaranteed principal	3.70%	7,000	65.99	Yes	0	No	No	No	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 86 days	5,000	2015/11/11	2016/2/5	Guarantee gains with guaranteed principal	3.50%	5,000	41.23	Yes	0	No	No	Yes	
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (intravenous Drip into Gold) Financial Product (WG15M03043)	6,000	2015/11/18	2016/2/17	Guarantee gains with guaranteed principal	3.60%	6,000	53.85	Yes	0	No	No	No	
Xiamen International Bank Shanghai Branch	Win Step-by-step phase 152001	7,000	2015/12/11	2016/3/11	Floating gains with guaranteed principal	3.72%	7,000	65.82	Yes	0	No	No	No	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 90 days	4,000	2015/12/15	2016/3/14	Guarantee gains with guaranteed principal	3.50%	4,000	34.52	Yes	0	No	No	Yes	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 90 days	1,000	2015/12/15	2016/3/14	Guarantee gains with guaranteed principal	3.50%	1,000	8.63	Yes	0	No	No	No	
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (intravenous Drip into Gold) Financial Product (WG16017S)	5,000	2016/2/4	2016/5/5	Guarantee gains with guaranteed principal	3.18%	5,000	39.64	Yes	0	No	No	Yes	
Bank of Shanghai Fumin	Bank of Shanghai "Winner" Currency and	6,000	2016/2/4	2016/5/5	Guarantee gains with	3.18%	6,000	47.57	Yes	0	No	No	No	



Branch	Bond Series (intravenous Drip into Gold) Financial Product (WG16017S)				guaranteed principal									
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 88 days	5,000	2016/2/6	2016/5/4	Guarantee gains with guaranteed principal	3.20%	5,000.00	38.58	Yes	0	No	No	Yes	
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (intravenous Drip into Gold) Financial Product (WG16018S)	5,000	2016/2/22	2016/5/23	Guarantee gains with guaranteed principal	3.20%	5,000	39.89	Yes	0	No	No	No	
Bank of Shanghai Fumin Branch	"Wenjin" No. 2 SD21606M018A	7,500	2016/3/15	2016/9/13	Floating gains with guaranteed principal	3.20%			Yes	0	No	No	No	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 88 days	2,500	2016/3/17	2016/6/13	Guarantee gains with guaranteed principal	3.20%	2,500	19.29	Yes	0	No	No	Yes	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 88 days	2,500	2016/3/17	2016/6/13	Guarantee gains with guaranteed principal	3.20%	2,500	19.29	Yes	0	No	No	No	
Bank of Shanghai Fumin Branch	"Wenjin" No. 2 SD21606M031A	8,300	2016/5/10	2016/11/10	Floating gains with guaranteed principal	3.08%			Yes	0	No	No	Yes	
Bank of Shanghai Fumin Branch	"Wenjin" No. 2 SD21606M031A	1,200	2016/5/10	2016/11/10	Floating gains with guaranteed principal	3.08%			Yes	0	No	No	No	
Bank of Shanghai Fumin Branch	"Wenjin" No. 2 SD21606M034B	8,000	2016/5/26	2016/11/24	Floating gains with guaranteed principal	3.00%			Yes	0	No	No	No	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 87 days	2,500	2016/6/14	2016/9/9	Guarantee gains with guaranteed principal	3.00%			Yes	0	No	No	Yes	
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 87 days	2,500	2016/6/14	2016/9/9	Guarantee gains with guaranteed principal	3.00%			Yes	0	No	No	No	
Total	/	91,000	/	/	/		61,000	521.44	/	/	/	/	/	/



Aggregate principal and gains amount overdue and non-refunded (RMB)	0
Statement on consigned financing	With the review and approval of the 21 <sup>st</sup> meeting of the Seventh Board of Directors on April 28, 2015, it is resolved that idle raised funds of RMB 250 million and self-owned funds of 250 million were managed in purchasing RMB financial products of the bank with principal guaranteed. With the review and approval of the 26 <sup>th</sup> meeting of the Seventh Board of Directors on March 18, 2016, it is resolved that idle raised funds of RMB 130 million and self-owned funds of 250 million were managed in purchasing RMB financial products of the bank with principal guaranteed.

(2) Entrusted loan

Applicable  Not applicable

(3) Other investment in financing products and derivatives

Applicable  Not applicable



1.4.3 Use of Raised Funds

(1) Overall Use of Raised Funds

Unit: Yuan, Currency: RMB

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds spent in this Report Period	Total amount of raised funded aggregately spent	Total amount of raised funded not spent	Usage and allocation of raised funded not spent
2014	Non-public offering	670,999,998.79	25,408,947.73	525,738,978.95	135,491,773.14	saved in special account of raised funds, continue to use in the committed project
Total	/	670,999,998.79	25,408,947.73	525,738,978.95	135,491,773.14	/
Overall use statement on raised funds	As at June 30, 2016, the balance of Company's raised funds is RMB 135,491,773.14 (including interests). Total amount of raised funded aggregately spent is RMB 525,738,978.95. Approved by the Board, idle raised funds of RMB 130 million were managed in purchasing RMB financial products with principal guaranteed.					

(2) Committed projects for which funds are raised

Unit: 10,000 Yuan, Currency: RMB

Name of committed project	Whether project is changed	Amount of raised funds to be invested	Investment amount of raised funds in this Report Period	Aggregate amount of raised funds actually invested	Whether scheduled progress is met	Project progress (%)	Predicted gains	Gains produced	Whether predicted gains are met	Statement on scheduled progress and gains not met	Reason for change and statement on change procedures of raised funds
PFAFF project and KSL and its affiliates project invested through ShangGong Europe	Yes	45,000	0	34,502.63				-657.65 (Note 1)			Note 2
Project of Research and development and production of automatic sewing unit and electronic controlled system	Yes	15,100	982.25	3,177.63							Note 2
Project of developing modern household multi-functional sewing machines	Yes	5,000	0	238.06							Note 2
Project of establishing and perfecting internal Enterprise Resource Planning (ERP) system	Yes	2,000	58.64	255.58							Note 2
Total	/	67,100	1,040.89	38,173.90	/	/	/	/	/	/	/
Statement on raised funds spent in committed projects	Refer to <i>Special report on the storage and actual use of the funds raised (From 01/01/2016 to 30/06/2016)</i> which is published on Shanghai Stock Exchange Website for details.										

Note 1: main reasons which influenced the gains produced are:

① Focusing on the overall efficiency, the Company has integrated the subsidiaries of ShangGong Europe adjusted the division of each subsidiary, and developed coordinately, after the acquisition of PFAFF GmbH and KSL GmbH by ShangGong Europe. Through integration after the acquisition, the economic efficiency has greatly improved. In the Report Period, the operating profit of ShangGong Europe is RMB 126 million, increased by 14.27 comparing to the first half of 2015.

② PFAFF Taicang, a wholly-owned subsidiary of PFAFF GmbH, relocated to Zhangjiagang in the Report Period. Its operation was influenced and some expenses, such as relocation cost and personnel placement fee, were generated which caused the poor earnings in the Report Period.

Note 2: the First temporary shareholders' meeting in 2015 has approved the change of project for which funds are raised. Refer to Temporary bulletin No. 2015-036 released on September 30, 2015 by the Company for details.



(2) Change of project for which funds are raised

Unit: 10,000 Yuan, Currency: RMB

Total amount of raised funds to be invested in the project after the change						16,759.31				
Project name after the change	Corresponding original project	Amount of raised funds to be invested in the project after the change	Investment amount of raised funds in this Report Period	Aggregate amount of raised funds actually invested	Whether scheduled progress is met	Predicted gains	Gains produced	Project schedule	Whether predicted gains are met	Statement on scheduled progress and gains not met
Invest in SG & GEMSY	PFAFF project and KSL and its affiliates project invested through ShangGong Europe	15,259.31	0	12,900.00			19.37			
Supplement working capital permanently	Project of establishing and perfecting internal Enterprise Resource Planning (ERP) system	1,500.00	1,500.00	1,500.00			Inapplicable			
Total	/	16,759.31	1,500	14,400.00	/		/	/	/	/

Note: the First temporary shareholders' meeting in 2015 has approved the change of project for which funds are raised.

1.4.4 Analysis on main subsidiaries and companies of which ShangGong Group holds shares

Unit: Yuan, Currency: RMB

Company name	Business scope	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ShangGong (Europe) Holding Corp. GmbH	Investment in, assets management on, and production, processing and sales of industrial sewing equipment	EUR 12.5 million	1,755,505,356.14	669,557,352.17	663,330,748.41	126,013,662.46	85,383,661.07
Shanghai Shensy Enterprise Development Co., Ltd	Road freight transportation, distribution, warehousing services etc.	RMB 178.82 million	377,336,635.29	240,706,483.69	331,071,742.92	8,179,921.52	8,342,057.90
Zhejiang SG & GEMSY Sewing Technology Co., Ltd	Manufacturing and sales of various sewing equipment	RMB 216 million	261,465,995.43	215,051,373.08	92,515,943.23	207,286.67	193,662.48
DAP (Shanghai) Co., Ltd.	Sales of various sewing equipment	USD 6 million	190,938,025.47	83,721,658.64	148,519,677.58	11,271,987.95	9,465,388.39
Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.	Manufacturing and sales of various sewing equipment	RMB 79 million	105,292,618.13	79,216,486.44	76,007,809.10	270,200.73	557,177.11

1.4.5 Utility of non-collected funds

Unit: 10,000 Yuan, Currency: RMB

Name	Amount	Schedule	Amount invested in the Report Period	Accumulated actual investment amount	Project return
Invest in Stoll KG	EUR 28.50 million	Completed	23,887	23,887	1,134



through SGE					
Total	EUR 28.50 million	/	23,887	23,887	/

## 2. Pre-plan of profit distribution and capitalization of capital reserve

### 2.1 Implementation or adjustment on profit distribution plan performed in the report period

In the Report Period, the 2015 shareholders' meeting of the Company had adopted the profit distribution plan under which the dividend was not distributed in cash, no bonus shares were allotted, and no stock capital was capitalized, and such plan has been implemented.

### 2.2 Pre-plan of profit distribution and capitalization of capital reserve to be prepared within the half year

Whether profit is distributed or capital reserve is capitalized?	No
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## 3. Other issues disclosed

### 3.1 Warning and description for forecasting the cumulative net profit from January 1, 2016 to December 31, 2016 may be negative or have a significant change over the same period of previous year

Applicable  Not applicable

### 3.2 Statement of the Board of Directors and the Supervision Committee on Non-standard Auditing Report Issued by the Certified Accountants Firm

Applicable  Not applicable



## Chapter 5 Important Events

### 1. Major litigations and arbitrations and issues generally questioned by media

Applicable  Not applicable

### 2. Issues relevant to bankruptcy and restructuring

Applicable  Not applicable

### 3. Assets transaction and enterprise merger

Applicable  Not applicable

### 4. Equity incentive of the company and its impact

Applicable  Not applicable

### 5. Major associated transactions

#### 5.1 Associated Transactions Relevant to Daily Operations

Issues already disclosed in the temporary bulletin and for which there was no progress or change in the follow-up implementation:

Summary of Issues	Inquiry Index
Shanghai SGSB Electronic Co., Ltd., one wholly-owned subsidiary of the Company, sells products to Fiji Xerox of Shanghai Limited., and is its permanent accessory supplier, and the above-said transaction constitutes the daily associated transaction. It is estimated that in 2016, the amount of products that it will sell to Fiji Xerox is RMB 33 million, and in this report period, the sales amount was RMB 15.43 million, and there was no major change.	The bulletin No. 2016-015 disclosed by the Company on March 22, 2016, published in Shanghai Securities News and Hong Kong Commercial Daily and website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> ).

### 6. Major contracts and their performance

#### 6.1 Trusteeship, contracting and lease

Applicable  Not applicable

#### 6.2 Guarantee

Unit: 10,000 Yuan, Currency: RMB

Company external guarantee list (excluded those for subsidiaries)													
Guarantor	Relations of the guarantor to public company	Security party	Amount guaranteed	Guarantee date (agreement sign-off date)	Guarantee starting date	Guarantee expiration date	Type of guarantee	If guarantee is done	If guarantee is overdue	Guarantee overdue amounts	If counter-guarantee available?	If it is affiliate guarantee?	Guarantee relation
ShangGong Group	The Company	Commerzbank Shanghai Branch	7,000	March 25, 2014	March 25, 2014		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Commerzbank Shanghai Branch	6,490	June 30, 2014	July 1, 2014		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Commerzbank Shanghai Branch	10,244	October 8, 2015	October 8, 2015		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Commerzbank Shanghai Branch	8,113	August 28, 2015	August 28, 2015		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Industrial & Commercial Bank of China Shanghai Hongkou Branch	5,900	December 21, 2015	December 21, 2015	December 21, 2020	Joint liability guarantee	No	No	0	No	No	No
ShangGong Europe	Subsidiary of sole investment	Commerzbank	2,028	January 7, 2016	January 7, 2016	July 30, 2017	Joint liability guarantee	No	No	0	No	No	No
ShangGong	Subsidiary	Commerzbank	2,028	January 7, 2016	January 7, 2016	July 30, 2017	Joint	No	No	0	No	No	No



Europe	of sole investment			2016	2016	2018	liability guarantee						
Guarantee amounts spent during the report period (excluded guarantee to affiliate company).								4,056					
Total balance of guarantee at the end of period (affiliate companies are not quailed.) (A)								41,803					
Guarantee of company to affiliates													
Total guarantee amounts of subsidiaries in the report period								0					
Total balance of guarantee to subsidiaries at the end of report period (B)								0					
Company total guarantee amounts (including those to subsidiaries)													
Total guarantee amounts (A+B)								41,803					
Ratio of total guarantee amounts to company net assets (%)								19.42					
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)													

**Statement on Guarantee:**

1. On March 25, 2014, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for current funds loan equivalent to not more than RMB 58 million, 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 RMB 70 million as counter guarantee for the abovementioned financing guarantee letter.

2. On June 30, 2014, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a current fund loan of EUR 8 million, 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 EUR 8.8 million as counter guarantee for the abovementioned financing guarantee letter.

3. On October 8, 2015, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a short-term loan line of EUR 12 million, 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 EUR 10.5 million as counter guarantee for the abovementioned financing guarantee letter.

4. On August 28, 2015, PFAFF GmbH, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a loan of EUR 10 million, 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 EUR 11 million as counter guarantee for the abovementioned financing guarantee letter.

5. On December 21, 2015, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Industrial & Commercial Bank of China Frankfurt Branch for a loan of EUR 7.878 million to pay for 26% equity of Stoll KG. Industrial & Commercial Bank of China Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company mortgaged real estate in No.603 Dapu Road, Shanghai for the abovementioned counter guarantee.

6. ShangGong Europe mortgaged 500,000 shares of DA AG held by ShangGong Europe for two bank guarantee letters of EUR 2.75 million issued by Commerzbank to guarantee the money paid by ShangGong Europe to the seller of Stoll KG shares. The time limit of the two letters is from January 1, 2016 to July 30, 2017 and from January 1, 2016 to July 30, 2018.

**7. Performance of committed issues**

Background of commitment	Type of commitment	Commitment party	Content	Time limit	Whether there is a time limit	Whether timely and strictly perform
Commitments	Others	The Company	The Company will not plan major	From July	Yes	Yes



related to major asset restructuring			asset restructuring from July 26, 2016 to January 25, 2017.	26, 2016 to January 25, 2017		
Other commitment	Non-tradable shares	Pudong SASAC	From July 10, 2016 to January 10, 2016, Pudong SASAC will not sell the Company's shares in the secondary market.	From July 10, 2016 to January 10, 2016	Yes	Yes

#### 8. Engagement and dismiss of accountants firm

In the Report Period, with the approval of the shareholders' meeting of the Company, the Company continuously engaged BDO China Shu Lun Pan Certified Public Accountants LLP to act as the auditor of financial statements and internal control of the Company for 2016.

#### 9. Punishment on and rectification of listed company and its directors, supervisors, senior officers, shareholders holding over 5% shares, actual controller and purchaser

Applicable  Not applicable

#### 10. Convertible bonds

Applicable  Not applicable

#### 11. Company governance

In the Report Period, the Company, in strict accordance with relevant provisions of laws and regulations, such as *the Company Law*, *the Securities Law*, and *the Code of Corporate Governance for Listed Companies*, etc., and relevant requirements of CSRC, established and perfected and strictly implemented the internal control system, strengthened the inside information management, enhanced the information disclosure, gradually perfected the corporate governance structure, and practically maintained the interests of the Company and all the shareholders. There is no discrepancy between the governance of the Company and the requirements in *the Code of Corporate Governance for Listed Companies*.

#### 12. Notes of other important issues

Applicable  Not applicable



## Chapter 6 Changes in Share Capital and Shareholder Status

### 1. Capital Stock Change

#### 1.1 Share Change

During the reporting period, the total number of shares of the Company and the capital structure has not changed.

#### 1.2 Change of non-tradable shares

Applicable  Not applicable

### 2. Shareholder Status

#### (1) Total number of shareholders

Total Number of Shareholder at the End of Reporting Period	60,473 (A share: 31,487; B share: 29,986)
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#### (2) Shareholding status of top 10 shareholders and top 10 unrestricted shareholders

Unit: Share

Top 10 Shareholders						
Shareholder Description	Changes in Report Period	Total Shares Held	Holding Percentage (%)	Restricted Share	Shares pledged or frozen	Shareholder Status
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	0	105,395,358	19.21%	0	No	State
China Great Wall Asset Management Corporation	0	22,200,000	4.05%	0	No	State-owned legal person
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	0	10,968,033	2.00%	0	No	State-owned legal person
SCBHK A/C KG INVESTMENTS ASIA LIMITED	-13,500	4,839,543	0.88%	0	No	Foreign legal person
Wuhu Changyuan Private Equity Fund (limited partnership)	0	4,770,654	0.87%	0	No	Unknown
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	73,000	3,352,701	0.61%	0	No	Foreign legal person
Lianxun securities - Everbright Bank – Lianxun securities Lianxin No. 1 Collective asset management plan	0	2,870,011	0.52%	0	No	Unknown
China Minsheng Trust Co., Ltd.- Minsheng trust value selection first phase Securities investment trust	0	2,800,000	0.51%	0	No	Unknown
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	0	2,545,396	0.46%	0	No	Foreign legal person
Bank of China- ChinaAMC Return Fund	-164,600	1,935,400	0.35%	0	No	Unknown
Top 10 Unrestricted Shareholder						
Name of Shareholders	Unrestricted Shares	Share type and amount				
		Type	Amount			
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	105,395,358	A share	105,395,358			
China Great Wall Asset Management Corporation	22,200,000	A share	22,200,000			
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	10,968,033	A share	10,968,033			
SCBHK A/C KG INVESTMENTS ASIA LIMITED	4,839,543	B share	4,839,543			
Wuhu Changyuan Private Equity Fund (limited partnership)	4,770,654	A share	4,770,654			
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	3,352,701	B share	3,352,701			



Lianxun securities - Everbright Bank – Lianxun securities Lianxin No. 1 Collective asset management plan	2,870,011	A share	2,870,011
China Minsheng Trust Co., Ltd.- Minsheng trust value selection first phase Securities investment trust	2,800,000	A share	2,800,000
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	2,545,396	B share	2,545,396
Bank of China- ChinaAMC Return Fund	1,935,400	A share	1,935,400
Shareholder Relationship and Consistent Actions Notes	Relationship between the above shareholders is not known to the Company		

### 3. Change of Controlling Shareholder or Actual Controller

Applicable  Not applicable

### 4. Others

Pudong SASAC, controlling shareholder/actual controller of the Company, signed the *Share Transfer Agreement on Transferring 60 Million A Shares of Shang Gong Group Co., Ltd* with Shanghai Puke Feiren Investment Co., Ltd.(hereinafter refers to Puke), a wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd on June 29, 2016. This issue has to be approved by the SASAC before implementation. If this issue is successfully implemented, Puke will hold 60 million shares (approximately 10.94%) of ShangGong Group, and Pudong SASAC will hold 45,395,358 shares (approximately 8.27%). As of the date of this report, this issue is still in progress.

## Chapter 7 Relevant Situation about Preferred Shares

Applicable  Not applicable

## Chapter 8 Director, Supervisor, Officer and Employee Status

### 1. Shareholding change

#### 1.1 Shareholding change of current and dismissed directors, supervisors and senior officers in the report period

Applicable  Not applicable

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

Applicable  Not applicable

### 2. Change of directors, supervisors and senior officers of the company

Applicable  Not applicable

## Chapter 9 Relevant Situation about Corporate Bond

Applicable  Not applicable



## Chapter 10 Financial Report

### 1. Audit report

□ Applicable ✓ Not applicable

### 2. Financial statements

**Shang Gong Group Co., Ltd.**  
**Consolidated Statement of Financial Position**  
**As of June 30, 2016**

Unit: Yuan, Currency: RMB

Item	Notes	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		622,651,976.73	773,572,182.69
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		64,943,408.89	63,502,861.92
Accounts receivable		476,437,506.33	373,164,448.57
Prepayment		39,544,224.85	27,058,587.15
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable			
Dividends receivable			
Other receivables		69,502,755.50	62,684,178.64
Redemptory monetary capital for sale			
Inventories		672,194,832.53	581,295,155.15
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets		326,124,977.49	373,659,277.60
<b>Total current assets</b>		<b>2,271,399,682.32</b>	<b>2,254,936,691.72</b>
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets		120,286,798.34	148,716,963.61
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		249,884,481.94	
Investment properties		104,036,347.57	105,831,480.56
Fixed assets		354,979,546.62	336,334,409.01
Construction in progress		32,542,606.21	24,088,386.74
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		123,361,882.60	127,464,082.18
Development expenditures		36,142,745.88	37,111,588.93
Goodwill		68,512,489.47	65,913,195.29
Long-term deferred expenses		888,271.73	579,474.57
Deferred income tax assets		47,499,824.99	45,725,444.45
Other non-current assets			
<b>Total non-current assets</b>		<b>1,138,134,995.35</b>	<b>891,765,025.34</b>
<b>Total assets</b>		<b>3,409,534,677.67</b>	<b>3,146,701,717.06</b>
Current liabilities:			
Short-term loans		304,419,881.79	300,547,829.62
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			
Accounts payable		198,360,365.50	161,024,708.59



Item	Notes	Ending Balance	Beginning Balance
Receipt in advance		26,996,952.71	25,598,146.20
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable		74,562,963.51	78,096,683.38
Taxes and surcharges payable		42,780,692.23	49,065,663.29
Interest payable		60,512.50	88,934.73
Dividends payable		1,032,818.86	1,032,818.86
Other payables		171,914,739.75	171,163,174.57
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Classified as liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities		863,079.88	319,502.32
<b>Total current liabilities</b>		<b>820,992,006.73</b>	<b>786,937,461.56</b>
Non-current liabilities:			
Long-term loans		79,353,328.43	29,374,120.87
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		74,338,217.87	4,724,683.15
Long-term employee benefits payable		241,047,861.38	239,476,427.52
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities		40,159,810.06	35,136,271.15
Other non-current liabilities		520,000.00	520,000.00
<b>Total non-current liabilities</b>		<b>435,419,217.74</b>	<b>309,231,502.69</b>
<b>Total liabilities</b>		<b>1,256,411,224.47</b>	<b>1,096,168,964.25</b>
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		968,157,579.65	956,286,021.43
Less: treasury stock			
Other comprehensive income		-108,771,572.53	-85,270,897.86
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		451,687,839.10	350,523,121.40
Total owners' equity attributable to the parent company		1,864,209,688.74	1,774,674,087.49
Minority equity		288,913,764.46	275,858,665.32
<b>Total owners' equity</b>		<b>2,153,123,453.20</b>	<b>2,050,532,752.81</b>
<b>Liabilities and owners' equity</b>		<b>3,409,534,677.67</b>	<b>3,146,701,717.06</b>

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

**Shang Gong Group Co., Ltd.**  
**Statement of Financial Position**  
**As of June 30, 2016**

Unit: Yuan, Currency: RMB

Item	Notes	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		135,119,705.79	139,839,269.51
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		200,000.00	210,000.00
Accounts receivable		3,070,224.21	2,768,214.13
Prepayment		1,377,755.47	532,941.05
Interest receivable			
Dividends receivable			



Item	Notes	Ending Balance	Beginning Balance
Other receivables		79,636,633.16	58,219,199.88
Inventories		3,713,966.03	4,310,781.84
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets		301,727,424.64	351,766,361.4
<b>Total current assets</b>		524,845,709.30	557,646,767.81
Non-current assets:			
Available-for-sale financial assets		120,286,790.96	148,716,956.51
Held-to-maturity investments			
Long-term receivables		122,990,482.62	116,625,633.32
Long-term equity investments		597,595,339.37	564,142,909.37
Investment properties		83,671,988.55	86,239,724.61
Fixed assets		17,758,871.17	18,441,058.74
Construction in progress		7,016,581.62	4,740,428.42
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		13,053,736.78	13,245,172.99
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		962,373,791.07	952,151,883.96
<b>Total assets</b>		1,487,219,500.37	1,509,798,651.77
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		17,461,378.45	20,234,518.45
Receipt in advance		2,623,429.85	2,993,707.32
Employee benefits payable			4,000,000.00
Taxes and surcharges payable		96,185.71	50,849.35
Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Other payables		113,053,599.13	107,026,319.64
Classified as liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities			
<b>Total current liabilities</b>		134,615,560.62	135,686,362.24
Non-current liabilities:			
Long-term loans		1,489,984.87	1,489,984.87
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		1,611,944.32	1,611,944.32
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income			
Deferred income tax liabilities		1,197,067.41	1,197,067.41
Other non-current liabilities		520,000.00	520,000
<b>Total non-current liabilities</b>		4,818,996.60	4,818,996.60
<b>Total liabilities</b>		139,434,557.22	140,505,358.84
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		17,038,318.94	45,068,484.49
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52



Item	Notes	Ending Balance	Beginning Balance
Undistributed profits		-225,671,906.04	-232,193,721.81
<b>Total owners' equity</b>		<b>1,347,784,943.15</b>	<b>1,369,293,292.93</b>
<b>Liabilities and owners' equity</b>		<b>1,487,219,500.37</b>	<b>1,509,798,651.77</b>

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

**Shang Gong Group Co., Ltd**  
**Consolidated Statement of Comprehensive Incomes**  
**January – June 2016**

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Year
1. Incomes		1,359,342,529.45	1,039,062,089.09
Including: operating income		1,359,342,529.45	1,039,062,089.09
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		1,222,327,837.54	921,323,443.18
Including: Cost of sales		954,500,289.41	701,662,230.84
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			
Business taxes and surcharges		4,180,944.00	3,119,612.56
Selling expenses		124,035,260.82	113,957,035.76
General and administrative expenses		131,096,375.43	100,450,384.67
Financial expenses		10,089,517.50	4,949,996.23
Losses from asset impairment		-1,574,549.62	-2,815,816.88
Plus: gains from changes in fair value ("- " for losses)			
Investment income ("- " for losses)		18,165,848.81	20,386,398.17
Including: income from investment in associates and joint ventures		11,338,598.93	
Foreign exchange gains ("- " for losses)			
3. Operating profits ("- " for losses)		155,180,540.72	138,125,044.08
Plus: non-operating income		7,659,396.08	7,858,279.71
Including: gains from disposal of non-current assets		2,540,561.45	311,518.30
Less: non-operating expenses		3,300,707.74	334,406.84
Including: losses from disposal of non-current assets		3,098,496.16	113,231.77
4. Total profits ("- " for total losses)		159,539,229.06	145,648,916.95
Less: income tax expenses		45,381,401.63	35,836,814.37
5. Net profit ("- " for net loss)		114,157,827.43	109,812,102.58
Net profit attributable to owners of the parent company		101,164,717.70	100,341,086.85
Non-controlling interests		12,993,109.73	9,471,015.73
6. Net of tax of other comprehensive income		-21,624,435.26	22,964,056.08
Net of tax of other comprehensive income attributable to owners of the parent company		-23,500,674.67	28,780,026.28
(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		-23,500,674.67	28,780,026.28
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		-28,030,165.55	58,379,704.76
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		4,529,490.88	-29,599,678.48
f. Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders		1,876,239.41	-5,815,970.20



Item	Notes	Current Period	Same Period in Previous Year
7. Total comprehensive incomes		92,533,392.17	132,776,158.66
Total comprehensive income attributable to owners of the parent company		77,664,043.03	129,121,113.13
Total comprehensive income attributable to non-controlling shareholders		14,869,349.14	3,655,045.53
8. Earnings per share:			
(1) Basic earnings per share		0.1844	0.1829
(2) Diluted earnings per share		0.1844	0.1829

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

**Shang Gong Group Co., Ltd**  
**Statement of Comprehensive Incomes**  
**January – June 2016**

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Year
1. Operating income		18,604,456.82	21,274,614.98
Less: Operating cost		8,113,595.28	11,805,326.85
Sales tax and surcharges		2,072,413.03	1,926,102.87
Selling expenses		258,334.34	787,037.72
General and Administration expenses		12,210,527.32	17,034,717.65
Finance expenses		-4,016,794.71	3,591,492.67
Impairment losses on assets		1,512,395.93	-2,828,510.44
Plus: gains from changes in fair value ("- for losses)			
Investment income ("- for losses)		6,827,249.88	17,630,536.99
Including: Investment income in associates and joint ventures			
2. Operating profits ("- for losses)		5,281,235.51	6,588,984.65
Plus: Non-operating income		1,451,036.51	6,539,135.00
Including: gains from disposal of non-current assets		165,136.00	
Less: non-operating expenses		210,456.25	263,536.40
Including: losses from disposal of non-current assets		10,456.25	63,536.40
3. Total profits ("- for total losses)		6,521,815.77	12,864,583.25
Less: income tax expenses			
4. Net profit ("- for net loss)		6,521,815.77	12,864,583.25
4. Net of tax of other comprehensive income		-28,030,165.55	58,379,704.76
(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		-28,030,165.55	58,379,704.76
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		-28,030,165.55	58,379,704.76
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		-21,508,349.78	71,244,288.01
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

**Shang Gong Group Co., Ltd**  
**Consolidated Statement of Cash Flows**  
**January – June 2016**

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Year
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods and provision of services		1,437,839,370.97	1,234,634,702.28
Net increase in customer bank deposits and placement from banks and other			



Item	Notes	Current Period	Same Period in Previous Year
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		30,980,782.69	31,554,998.72
Cash received from other operating activities		25,698,235.62	13,776,580.70
Sub-total of cash inflows from operating activities		1,494,518,389.28	1,279,966,281.70
Cash paid for goods purchased and services received		1,045,794,957.00	902,022,241.32
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		299,241,866.26	256,898,952.41
Cash paid for taxes and surcharges		76,973,192.74	50,044,465.42
Cash paid for other operating activities		118,451,458.99	79,407,832.86
Sub-total of cash outflows from operating activities		1,540,461,474.99	1,288,373,492.01
<b>Net cash flows from operating activities</b>		-45,943,085.71	-8,407,210.31
<b>2. Cash flows from investing activities:</b>			
Cash inflow from divestment		615,261,697.25	532,350,218.55
Cash inflow from investment incomes			7,295,645.53
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		852,535.50	66,610,149.60
Cash inflow from disposal of subsidiaries and other operating units		1,115,552.60	
Cash received from other investing activities			60,250,855.95
Sub-total of cash inflows from investing activities		617,229,785.35	666,506,869.63
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		45,556,680.50	41,279,621.85
Cash paid for investments		726,993,439.10	480,000,000.00
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		772,550,119.60	521,279,621.85
<b>Net cash flows from investing activities</b>		-155,320,334.25	145,227,247.78
<b>3. Cash flows from financing activities</b>			
Cash received from investors			
Including: cash received by subsidiaries from investments by non-controlling shareholders			
Cash received from loans		206,901,370.20	9,000,000.00
Cash received from bonds issuance			
Cash received from other financing activities		355,261.67	4,333,644.42
Sub-total of cash inflows from financing activities		207,256,631.87	13,333,644.42
Cash paid for debt repayments		166,820,569.00	58,869,017.00
Cash paid for distribution of dividends and profits or payment of interest		5,213,563.08	47,308,375.12
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities			277,449.14
Sub-total of cash outflows from financing activities		172,034,132.08	106,454,841.26
<b>Net cash flows from financing activities</b>		35,222,499.79	-93,121,196.84
<b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		15,358,918.84	-24,238,194.98
<b>5. Net increase in cash and cash equivalents</b>		-150,682,001.33	19,460,645.65
Plus: beginning balance of cash and cash equivalents		744,700,658.82	581,848,889.10
<b>6. Ending balance of cash and cash equivalents</b>		594,018,657.49	601,309,534.75

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd  
Statement of Cash Flows  
January – June 2016

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods and provision of services		17,776,248.12	22,927,787.45
Refunds of taxes and surcharges		25,900.51	1,613,100.00
Cash received from other operating activities		16,236,047.04	8,050,784.30
Sub-total of cash inflows from operating activities		34,038,195.67	32,591,671.75
Cash paid for goods purchased and services received		4,648,663.54	14,543,225.30
Cash paid to and on behalf of employees		12,105,236.53	12,817,937.00
Cash paid for taxes and surcharges		2,270,830.52	3,237,488.41
Cash paid for other operating activities		36,846,820.39	22,554,986.49
Sub-total of cash outflows from operating activities		55,871,550.98	53,153,637.20
<b>Net cash flows from operating activities</b>		<b>-21,833,355.31</b>	<b>-20,561,965.45</b>
<b>2. Cash flows from investing activities:</b>			
Cash inflow from divestment		615,261,697.25	532,350,218.55
Cash inflow from investment incomes			7,295,645.53
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment			66,044,064.00
Cash inflow from disposal of subsidiaries and other operating units		1,115,552.6	
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		616,377,249.85	605,689,928.08
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		5,814,046.20	11,229,154.40
Cash paid for investments		593,452,430.00	
Net cash paid to acquire subsidiaries and other business units			555,490,000.00
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		599,266,476.20	566,719,154.40
<b>Net cash flows from investing activities</b>		<b>17,110,773.65</b>	<b>38,970,773.68</b>
<b>3. Cash flows from financing activities</b>			
Cash received from investors			
Cash received from loans			
Cash received from bonds issuance			4,333,644.42
Cash received from other financing activities		0.00	4,333,644.42
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			4,333,644.42
<b>Net cash flows from financing activities</b>		<b>3,017.94</b>	<b>-36.11</b>
<b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		<b>-4,719,563.72</b>	<b>22,742,416.54</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>114,839,269.51</b>	<b>150,504,700.28</b>
Plus: beginning balance of cash and cash equivalents		110,119,705.79	173,247,116.82

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd  
Consolidated Statement of Changes in Equity  
January – June 2016

Unit: Yuan, Currency: RMB

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



b. General risk reserves													
c. Distribution to owners or shareholders													
d. Others												-1,814,250	-1,814,250.00
(4) Internal transfer of owners' equity													
a. Capital reserve turn to stock equity													
b. Surplus reserve turn to stock equity													
c. Surplus reserve to recover loss													
d. Others													
(5) Special reserves													
a. Appropriation for current year													
b. Use in current year													
(6) Others													
4. Ending balance of the current year	548,589,600.00				968,157,579.65		-108,771,572.53		4,546,242.52		451,687,839.10	288,913,764.46	2,153,123,453.20

Item	Previous period												Minority equity	Total owners' equity
	Owners' equity attributable to the parent company													
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits			
	Preference shares	Perpetual bond	Others											
1. Previous year ending balance brought forward	548,589,600.00				949,310,284.01		-99,466,982.70		4,546,242.52		193,106,033.92	40,079,662.83	1,636,164,840.58	
Plus: accounting policy changes														
Correction of previous-period accounting errors														
Business combination involving entities under common control														
Others														
2. Beginning balance of current year	548,589,600.00				949,310,284.01		-99,466,982.70		4,546,242.52		193,106,033.92	40,079,662.83	1,636,164,840.58	



3. Increase/(decrease) for the current year ("-" for losses)					8,303,849.03		28,780,026.28				100,341,086.85	139,685,751.08	277,110,713.24
(1) Total comprehensive incomes							28,780,026.28				100,341,086.85	3,655,045.53	132,776,158.66
(2) Investment/(divestment)					8,303,849.03							136,030,705.55	144,334,554.58
a. Common shares from shareholders													
b. Investment capital from the holders of other equity instruments													
c. Amount of the share-based payment included in the owners' equity													
d. Others					8,303,849.03							136,030,705.55	144,334,554.58
(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 loss													
d. Others													
(5) Special reserves													
a. Appropriation for current period													
b. Use in current period													
(6) Others													
4. Ending balance of current period	548,589,600.00				957,614,133.04		-70,686,956.42		4,546,242.52		293,447,120.77	179,765,413.91	1,913,275,553.82

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd  
Consolidated Statement of Changes in Equity  
January – June 2016

Unit: Yuan, Currency: RMB

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



equity											
c. Surplus reserve to recover loss											
d. Others											
(5) Special reserves											
a. Appropriation for current period											
b. Use in current period											
(6) Others											
4. Ending balance of the current period	548,589,600.00				1,003,282,687.73		17,038,318.94		4,546,242.52	-225,671,906.04	1,347,784,943.15

Item	Previous 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 bond	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		16,789,785.05		4,546,242.52	-237,700,994.08	1,335,507,321.22
Plus: accounting policy changes											
Correction of previous-period accounting errors											
Others											
2. Beginning balance of current year	548,589,600.00				1,003,282,687.73		16,789,785.05		4,546,242.52	-237,700,994.08	1,335,507,321.22
3. Increase/(decrease) for the current year ("-" for losses)							58,379,704.76			12,864,583.25	71,244,288.01
(1) Total comprehensive incomes							58,379,704.76			12,864,583.25	71,244,288.01
(2) Investment/(divestment)											
a. Common shares from shareholders											
b. Investment capital from the holders of other equity instruments											
c. Amount of the share-based payment included in the owners' equity											
d. Others											
(3) Distribution of profits											



a. Surplus reserves											
b. Distribution to owners or shareholders											
c. Others											
(4) Internal transfer of owners' equity											
a. Capital reserve turn to stock equity											
b. Surplus reserve turn to stock equity											
c. Surplus reserve to recover loss											
d. Others											
(5) Special reserves											
a. Appropriation for current period											
b. Use in current period											
(6) Others											
4. Ending balance of the current period	548,589,600.00				1,003,282,687.73		75,169,489.81		4,546,242.52	-224,836,410.83	1,406,751,609.23

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



## Notes to the Financial Statements

(Amounts are expressed in RMB unless otherwise stated)

### 3. Basic information of the Company

#### 3.1 Company Profile

Shang Gong Group Co., Ltd., a joint stock limited company which publicly issued A & B shares on Shanghai Stock Exchange, is the first listed company in the sewing machinery industry of China. The Company was incorporated in April 1994. The enterprise unified social credit code is 91310000132210544K. The organizational form of the Company is a joint stock limited company (a Sino-foreign joint venture and a listed company) and the registered capital amounts to RMB 548,589,600.00. The registered address is Room A-D, Floor 12, 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, China. The legal representative is Mr. Zhang Min.

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

On February 28, 2015, the China Securities Regulatory Commission 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. ([2015] 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 and had been verified by the Verification Report (PCPAR [2015] No.111126) issued by BDO China Shu Lun Pan Certified Public Accountants LLP on March 26, 2015.

As at June 30, 2016, the total number of share capital is 548,589,600.00, 100% of which are shares without restrictive conditions for sales.

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

The Company's parent company is Shang Gong Group Co., Ltd. and its actual controller is Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission.

This financial report has been approved by the 31<sup>st</sup> meeting of the seventh board of directors on August 29, 2016.

#### 3.2 Scope of consolidated financial statements

As of June 30, 2016, subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

Subsidiaries
1. Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.
2. DAP (Shanghai) Co., Ltd.
3. SMPIC IMPORT & EXPORT CO.,LTD.
4. Shanghai SGSB Electronics Co., Ltd.
5. Shanghai SGSB Asset Management Co., Ltd.
6. Shanghai Sewing Construction Property Co., Ltd.
7. Dürkopp Adler Sewing Equipment (Suzhou) Co., Ltd.
8. ShangGong (Europe) Holding Corp. GmbH
9. Zhejiang SG & GEMSY Sewing Technology Co., Ltd.
10. Shanghai Shensy Enterprise Development Co., Ltd
11. Shanghai SGSB Finance Lease Co., Ltd.



See "Note 10 Changes in the scope of consolidation" and "Note 9 Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.

#### **4. Preparation basis of financial statements**

##### **4.1 Preparation basis**

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

##### **4.2 Going concern**

The Company has going-concern ability within 12 months as of the end of the reporting 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**

Notes to specific 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 reporting period.

##### **5.2 Accounting period**

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

##### **5.3 Operating cycle**

The Company's operating cycle is 12 months.

##### **5.4 Functional currency**

The Company adopts RMB as its functional currency.

##### **5.5 Accounting treatment methods of business combinations under common control and not under common control**

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

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



combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit and loss after review.

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

## 5.6 Preparation methods of consolidated financial statements

### 5.6.1 Scope of consolidation

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

### 5.6.2 Consolidation procedure

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

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

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

#### (1) Increase in subsidiaries or business

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

Where the Company can control the investee under common control from additional investments, it should deem that parties involved in the combination have make adjustments at the current state when the ultimate controller starts its control. Equity investments held before the Company controls the acquiree, the relevant profit and loss recognized during the period from the later of the date when the Company obtains the original equity and the date when the acquirer and the acquiree are under common control, other



comprehensive income and changes in other net assets shall be used to offset the retained earnings at the beginning of the year or the current profit and loss in the period of the comparative statements.

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

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

## (2) Disposal of subsidiaries or business

### a. General treatment methods

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

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

### b. Disposal of subsidiary by stages

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

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

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control



should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

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

#### (3) Purchase of minority interest of subsidiaries

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

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

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

### 5.7 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 is or are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

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

#### (2) Held-to-maturity investments

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

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

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

#### (3) Receivables

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

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

#### (4) Available-for-sale financial assets

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

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



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

(5) Other financial liabilities

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

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 the current profit and loss:

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

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

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

#### 5.10.2 Provision for bad debts of receivables made on credit risk characteristics portfolio basis:

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



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

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5	5
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 should be separately made. When there is objective evidence suggesting that receivables are impaired, provision for bad debts shall be made at the difference of present value of estimated future cash flows in short of their book values and should be included in the current profit and loss.

## 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, consigned processing materials and others.

### 5.11.2 Measurement method of dispatched inventories

Inventories are measured with weighted average method when dispatched.

### 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.

### 5.11.5 Amortization method of low-cost consumables and packaging materials

(1) one-off amortization method is adopted for low-cost consumables;

(2) one-off amortization method is adopted for packaging materials.



## 5.12 Long-term Equity Investments

### 5.12.1 Criteria for judgment of common control and significant influence

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

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

### 5.12.2 Recognition of initial investment costs

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

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

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

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

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

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

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

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

### 5.12.3 Subsequent measurement and recognition of gains and losses

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

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration



which have been declared but not yet distributed, the Company recognizes the investment income in the current year at the cash dividends or profits declared by the investee.

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

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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



other comprehensive income and profit distribution should all transferred to the current profit and loss when the equity method confirmed is no longer adopted.

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

In case the disposed equity is acquired from additional investments or other reasons, when the Company prepares the individual financial statements, where the remaining equity after the disposal is accounted for under the cost method or the equity method, other comprehensive income and other owner's equity recognized from the accounting of equity investments held before the acquisition date under the equity method shall be transferred according to the proportion; where accounting treatment of the remaining equity after the disposal is changed to be made according to the recognition and measurement principles of financial instruments, all of other comprehensive income and other owner's equity shall be transferred.

### 5.13 Investment property

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

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

### 5.14 Fixed assets

#### 5.14.1 Recognition criteria for fixed assets

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

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

#### 5.14.2 Depreciation method

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

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

Category	Depreciation life (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings and constructions	5-50	0-10	1.8-20
Machinery equipment	5-15	0-10	6-20
Transportation equipment	3-14	0-10	6.43-33.33
Electronic equipment	3-14	0-10	6.43-33.33
Renovations of fixed assets	5-15	0	6.67-20



Other equipment	3-14	0-10	6.43-33.33
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### 5.15 Construction in progress

The book values of the construction in progress are stated at total expenditures incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when working condition is reached. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

### 5.16 Borrowing costs

#### 5.16.1 Recognition criteria for capitalization of borrowing costs

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

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

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

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

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

#### 5.16.2 Capitalization period of borrowing costs

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

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

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

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

#### 5.16.3 Period of capitalization suspension

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



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

#### 5.16.4 Capitalization rate and measurement of capitalized amounts of borrowing costs

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

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

### 5.17 Intangible assets

#### 5.17.1 Measurement of intangible assets

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

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

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

#### (2) Subsequent measurement

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

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

#### 5.17.2 Estimate of the useful life of the Intangible assets with finite useful lives:

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

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

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



### 5.18 Impairment of long-term assets

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

The impairment test is at least conducted at the period-end in respect of the goodwill.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. The book value of goodwill is amortized to relevant asset groups or combinations of asset groups according to the proportion of the fair value of such asset groups or combinations of asset groups in the total fair value of relevant asset groups or combinations of asset groups. Where the fair value cannot be reliably measured, it should be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups.

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

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

### 5.19 Employee compensation

#### 5.19.1 Accounting treatment of short-term remuneration

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

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

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

#### 5.19.2 Accounting treatment of benefits paid after departure

##### (1) Defined withdrawal plan

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



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

#### (2) Defined benefit plan

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

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

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

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

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

#### 5.19.3 Accounting treatment of dismissal welfare

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

### 5.20 Estimated liabilities

#### 5.20.1 Recognition criteria for estimated liabilities

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

- (1) That 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; and the amount of the obligation can be measured reliably.

#### 5.20.2 Measurement of estimated liabilities

The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations. the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.



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

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

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

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

## 5.21 Revenues

### 5.21.1 Timing for recognition of revenues from sales of goods

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

### 5.21.2 Recognition of the revenues from transfer of assets use right

When the economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of the assets use right is determined as follows:  
(1) measured based on the length of time for which the Company's monetary funds is used by others and the applicable interest rate; or  
(2) amount of royalties revenues, which shall be measured according to the period and method of charging as stipulated in the relevant agreements or contracts.

### 5.21.3 Measurement principles and methods of completion stage where revenues from rendering of labor are recognized under percentage-of-completion method

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

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

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

- (1) If the service costs incurred are expected to be fully recoverable, the amounts equal to the labor costs incurred shall be recognized as revenues and the equivalent amounts of labor costs shall be carried forward;
- (2) If the service costs incurred are not expected to be fully recoverable, the labor costs incurred shall be included in the current profit and loss, with no revenue from the rendering of labor services not recognized.



## 5.22 Government subsidies

### 5.22.1 Types

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

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

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

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

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

### 5.22.2 Accounting treatment

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

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

## 5.23 Deferred income tax assets and deferred income tax liabilities

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

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

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

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

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance



income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

## 5.24 Lease

### 5.24.1 Accounting Treatment of operating lease

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

If the expense related to the lease which shall be paid by the Company is assumed by the lesser 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.

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.

## 5.25 Discontinued operation

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

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

## 5.26 Adjustment for changes in principal accounting policies and accounting estimates

### 5.26.1 Adjustment for changes in accounting policies

There were no changes in the accounting policies in the current reporting period.

### 5.26.2 Adjustment for changes in principal accounting estimates

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

## 6. Tax

### 6.1 Main taxes and tax rates applicable to the company

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



Note: The tax rate applicable to ShangGong Europe, a subsidiary of the Company, and other companies in the scope of consolidation of ShangGong Europe varies in a range from 16% to 38%. The VAT rate is 19%.

## 7. Notes to the items of consolidated financial statements

### 7.1 Cash and cash equivalents

Unit: Yuan, Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	924,344.07	1,454,927.52
Bank deposit	617,499,047.28	759,297,757.06
Other cash and cash equivalents	4,228,585.38	12,819,498.11
Total	622,651,976.73	773,572,182.69
Including: Total amount abroad deposit	285,291,459.58	445,777,843.66

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

Unit: Yuan, Currency: RMB

Item	Ending balance	Beginning balance	Remark
L/C deposit	788,000.00	744,130.00	Note 1
Fixed term deposit used for guarantee	25,000,000.00	25,000,000.00	Note 2
Security deposit	2,845,319.24	3,127,393.87	Note 3
Total	28,633,319.24	28,871,523.87	

Note 1: This item is the deposit of Shanghai SMPIC IMPORT & EXPORT CO., LTD. which was used to open a letter of credit in China Construction Bank Shanghai Forth Branch.

Note 2: The counter guarantee provided by the Company for Commerzbank AG Shanghai Branch by means of pledge of fixed-term deposit, amounting to RMB 25,000,000.00, to acquire the working capital borrowed from Commerzbank AG Bielefeld Branch to ShangGong Europe, the subsidiary of the Company.

Note 3: The deposit, amounting to EUR 385,806.00, were pledged by ShangGong Europe to Commerzbank, which were equivalent to RMB 2,845,319.24.

### 7.2 Notes receivable

#### 7.2.1 Presentation of notes receivable by category

Item	Ending balance	Beginning balance
Bank acceptance bills	52,979,580.91	48,897,695.47
Commercial acceptance bills	11,963,827.98	14,605,166.45
Total	64,943,408.89	63,502,861.92

7.2.2 Notes that were endorsed by the Company to other companies but did not come due as at the end of the period: None.

7.2.3 Notes receivable pledged as at the end of period: None.

7.2.4 Notes receivable transferred to accounts receivable due to the issuer's performance failure: None.

### 7.3 Accounts receivable

#### 7.3.1 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 single amount and individual provision for bad debts	97,364,555.51	16.61	18,548,125.00	19.05	78,816,430.51	59,416,103.38	12.38	17,844,428.00	30.03	41,571,675.38
Accounts receivable with	159,585,575.18	27.22	82,819,197.71	51.90	76,766,377.47	139,096,685.51	28.97	74,788,750.49	53.77	64,307,935.02



provision for bad debts accrued by credit risk features portfolio:											
Accounts receivable with individually insignificant amount and individual provision for bad debt	329,236,381.88	56.17	8,381,683.53	2.55	320,854,698.35	281,547,899.02	58.65	14,263,060.85	5.07	267,284,838.17	
Total	586,186,512.57	/	109,749,006.24	/	476,437,506.33	480,060,687.91	/	106,896,239.34	/	373,164,448.57	

Note: EUR 1,062,078.78 (equivalent to RMB 7,832,831.00) of the ending balance of accounts receivable was restricted, which was the deposit for the letter of guarantee from Deutsche Bank by PFAFF GmbH, the subsidiary of ShangGong Europe by virtue of the accounts receivable.

Accounts receivable with individually significant amount and individual provision for bad debt as at the end of period

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Provision for bad debt	Proportion of provision	Reason for provision
No.1	38,671,763.10			Unimpaired according to the separate test
No.2	18,548,125.00	18,548,125.00	100.00%	Impaired according to the separate test
No.3	16,135,148.34			Unimpaired according to the separate test
No.4	12,065,500.00			Unimpaired according to the separate test
No.5	11,944,019.07			Unimpaired according to the separate test
Total	97,364,555.51	18,548,125.00	/	/

Bad-debt provision made under the aging analysis method in the portfolio:

Aging	Ending balance		
	Accounts receivable	Provision for bad debt	Proportion of provision
Within 1 year	74,593,326.91	3,729,666.39	5.00%
1-2 years	5,688,177.86	1,137,635.58	20.00%
2-3 years	2,704,349.36	1,352,174.69	50.00%
Over 3 years	76,599,721.05	76,599,721.05	100.00%
Total	159,585,575.18	82,819,197.71	

Accounts receivable with individually insignificant amount and individual provision for bad debt as at the end of period:

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Provision for bad debt	Proportion of provision	Reason for provision
Other insignificant accounts receivable (Note 1)	2,020,198.55	2,020,198.55	100%	Impaired according to the separate test
Other insignificant accounts receivable (Note 2)	9,356,189.83			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 3)	203,209,795.76	6,361,484.98	3.13%	Impaired according to the separate test
Other insignificant accounts receivable (Note 4)	108,922,529.09			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 5)	5,727,668.65			Unimpaired according to the separate test
Total	329,236,381.88	8,381,683.53	2.55%	/

Note 1: It represents the accounts receivable of the subsidiary Shangong Butterfly Sewing Machines Co., Ltd., for which the provision for impairment is made based on the separate test.

Note 2: It represents the accounts receivable of the subsidiary DAP (Shanghai) Co., Ltd., for which the



provision for impairment is not made based on the separate test.

Note 3: It represents the accounts receivable of the subsidiary ShangGong Europe, for which the provision for impairment is made based on the separate test.

Note 4: It represents the accounts receivable of the subsidiary Shanghai Shensy Enterprise Development Co., Ltd., for which the provision for impairment is not made based on the separate test.

Note 5: It represents the accounts receivable of the subsidiary Zhejiang SG & GEMSY Sewing Technology Co., Ltd., for which the provision for impairment is not made based on the separate test.

#### 7.3.2 Provision for bad debts and their reversal or recovery in the current period

The provision for bad debts in the current period had an amount of RMB 4,615,836.21; provision for bad debts that was reversed or recovered had an amount of RMB 2,996,948.61.

#### 7.3.3 Actual write-off of accounts receivable in the current period

None.

7.3.4 No amount was due from shareholders with 5% or more of voting shares of the Company among the accounts receivables as at the end of period.

#### 7.3.5 Top five accounts receivable in terms of their ending balance

Company name	Ending balance		
	Accounts receivable	Proportion in total accounts receivable ratio (%)	Provision for bad debt
No.1	38,671,763.10	6.60	
No.2	18,548,125.00	3.16	18,548,125.00
No.3	16,135,148.34	2.75	
No.4	12,065,500.00	2.06	
No.5	11,944,019.07	2.04	
Total	97,364,555.51	16.61	18,548,125.00

7.3.6 See Note 11.5 for details of accounts receivable due from related parties.

## 7.4 Prepayment

#### 7.4.1 Presentation of prepayments by aging

Aging	Ending balance		Beginning balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	35,974,195.74	90.97	24,526,404.72	90.64
1-2 years	1,112,482.44	2.81	1,330,069.97	4.92
2-3 years	1,255,037.36	3.18	56,999.54	0.21
Over 3 years	1,202,509.31	3.04	1,145,112.92	4.23
Total	39,544,224.85	100.00	27,058,587.15	100.00

#### 7.4.2 Top five advances to suppliers in terms of their ending balance

Supplier	Ending balance	Proportion in total ending balance of advances to suppliers (%)
No.1	3,193,979.94	8.08
No.2	1,862,615.84	4.71
No.3	1,793,000.00	4.53
No.4	1,699,261.12	4.30
No.5	1,600,288.91	4.05
Total	10,149,145.81	25.67

#### 7.4.3 Provision for bad debts and their reversal or recovery in the current period

None.

7.4.4 No amount was due from shareholders with 5% or more of voting shares of the Company among the advances to suppliers as at the end of period.



## 7.5 Interests receivable

□ Applicable ✓ Not applicable

## 7.6 Dividends receivable

□ Applicable ✓ Not applicable

## 7.7 Other receivables

### 7.7.1 Classified disclosure of other receivables

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 individually significant amount and individual provision for bad debts	37,634,183.42	38.16	12,235,166.60	32.51	25,399,016.82	39,127,176.28	42.80	11,881,666.00	30.27	27,245,510.28
Other receivables with provision for bad debts accrued by credit risk features portfolio:	25,213,097.32	25.57	16,882,224.85	66.96	8,330,872.47	24,148,336.32	26.42	16,797,190.17	69.56	7,351,146.15
Other receivables with individually insignificant amount and individual provision for bad debt	35,774,946.21	36.27	2,080.00	0.01	35,772,866.21	28,139,602.21	30.78	52,080.00	0.19	28,087,522.21
Total	98,622,226.95	/	29,119,471.45	/	69,502,755.50	91,415,114.81	/	28,730,936.17	/	62,684,178.64

Other receivable with individually significant amount and individual provision for bad debt as at the end of period

Other receivable (by unit)	Ending balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason for provision
No.1 customer	12,235,166.60	12,235,166.60	100%	Impaired according to the separate test
Export tax refund receivable (Note 1)	12,069,016.82			Unimpaired according to the separate test
No.3 customer	5,000,000.00			Unimpaired according to the separate test
No.4 customer	4,830,000.00			Unimpaired according to the separate test
No.5 customer	3,500,000.00			Unimpaired according to the separate test
Total	37,634,183.42	12,235,166.60	/	/

Note 1: It represents the export tax refund receivable arising from the export sale by the subsidiary, which was unimpaired according to the separate impairment test.

Other receivables for which bad-debt provision is made under the aging analysis method in the portfolio:

Aging	Ending balance		
	Other receivables	Provision for bad debt	Proportion of provision
Within 1 year	5,667,579.90	283,378.99	5.00%
1-2 years	3,578,752.19	715,750.44	20.00%
2-3 years	167,339.62	83,669.81	50.00%
Over 3 years	15,799,425.61	15,799,425.61	100.00%
Total	25,213,097.32	16,882,224.85	

Other receivables with individually insignificant amount and individual provision for bad debt at the end of period

Content of other receivables	Book balance	Provision for bad debt	Proportion of provision (%)	Reason for provision
Other insignificant receivables (Note 1)	2,080,923.76			Unimpaired according to the separate test
Other insignificant receivables (Note 2)	2,080.00	2,080.00	100.00	Impaired according to the separate test
Other insignificant receivables (Note 3)	5,682,497.11			Unimpaired according to the separate test
Other insignificant receivables (Note 4)	227,522.23			Unimpaired according to the separate test



Other insignificant receivables (Note 5)	27,781,923.11			Unimpaired according to the separate test
Total	35,774,946.21	2,080.00	0.005	

Note 1: It represents the other receivable of the subsidiary DAP (Shanghai) Co., Ltd., which was unimpaired according to the separate test.

Note 2: It represents the other receivable of the subsidiary Shanggong Butterfly Sewing Machines Co., Ltd., for which the provision for impairment is made based on the separate test.

Note 3: It represents the other receivable of ShangGong Europe, which was unimpaired according to the separate test.

Note 4: It represents the other receivable of the subsidiary SG & GEMSY, which was unimpaired according to the separate test.

Note 5: It represents the other receivable of the subsidiary Shanghai Shensy Enterprise Development Co., Ltd, which was unimpaired according to the separate test.

#### 7.7.2 Provision for bad debts and their reversal or recovery in the current period

The provision for bad debts in the current period had an amount of RMB 516,751.79; provision for bad debts that was reversed or recovered had an amount of RMB 30,032.85.

#### 7.7.3 Actual write-off of other receivable in the current period

None.

#### 7.7.4 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	Current account	12,235,166.60	From within 1 year to over 3 year	18.35	
No.2	Export tax refund receivable	12,069,016.82	Within 1 year	10.83	11,537,041.00
No.3	Current account	5,000,000.00	Within 1 year	1.26	1,343,094.74
No.4	Current account	4,830,000.00	Within 1 year	0.89	948,662.60
No.5	Current account	3,500,000.00	Within 1 year	0.76	40,549.12
Total	/	37,634,183.42	/	32.09	13,869,347.46

7.7.5 No amount was due from shareholders with 5% or more of voting shares of the Company among the other receivables as at the end of period.

## 7.8 Inventories

### 7.8.1 Classification of inventories

Item	Balance as at June 30, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	264,115,651.87	40,603,962.40	223,511,689.47	238,545,363.19	43,490,629.95	195,054,733.24
Goods in process	158,316,261.23	29,044,550.34	129,271,710.89	136,221,003.08	28,022,238.05	108,198,765.03
Finished goods	260,540,200.90	34,576,049.87	225,964,151.03	225,253,531.44	33,480,586.14	191,772,945.30
Revolving materials	2,226,523.33		2,226,523.33	4,677,820.47	2,254,846.51	2,422,973.96
Consigned processing materials	1,155,462.49		1,155,462.49	1,806,944.86		1,806,944.86
Material purchase	99,865.26		99,865.26	87,404.47		87,404.47
Cost of service	69,695,279.58		69,695,279.58	68,499,972.56		68,499,972.56
Goods in transit	20,270,150.48		20,270,150.48	13,451,415.73		13,451,415.73
Others	2,166,889.90	2,166,889.90		2,166,889.90	2,166,889.90	
Total	778,586,285.04	106,391,452.51	672,194,832.53	690,710,345.70	109,415,190.55	581,295,155.15

### 7.8.2 Inventory provision

Item	Balance as at	Increase in current period	Decrease in current period	Balance as at June
------	---------------	----------------------------	----------------------------	--------------------



	January 1, 2016	Provision	Others	Reversal or write-off	Others	30, 2016
Raw materials	43,490,629.95		1,628,124.01	4,514,791.56		40,603,962.40
Goods in process	28,022,238.05		1,034,610.73	12,298.44		29,044,550.34
Finished goods	33,480,586.14	800,000.00	893,191.93	597,728.20		34,576,049.87
Revolving materials	2,254,846.51			2,254,846.51		
Others	2,166,889.90					2,166,889.90
Total	109,415,190.55	800,000.00	3,555,926.67	7,379,664.71		106,391,452.51

## 7.9 Other current assets

Item	Ending Balance	Beginning Balance
Held-to-maturity investments	10,564,041.89	10,163,252.89
Input tax to be credited	12,731,587.50	11,845,579.89
Rentals and insurance fees	2,829,348.10	1,638,714.56
Overpaid enterprise income tax		11,730.26
Financial products	145,000,000.00	280,000,000.00
Structured deposit	155,000,000.00	70,000,000.00
Total	326,124,977.49	373,659,277.60

## 7.10 Available-for-sale financial assets

### 7.10.1 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	120,286,798.34		120,286,798.34	150,415,095.52	1,698,131.91	148,716,963.61
Including:						
Measured at fair value	90,097,141.47		90,097,141.47	118,127,307.02		118,127,307.02
Measured at cost	30,189,656.87		30,189,656.87	32,287,788.50	1,698,131.91	30,589,656.59
Total	120,286,798.34		120,286,798.34	150,415,095.52	1,698,131.91	148,716,963.61

### 7.10.2 Available-for-sale financial assets measured at fair value as at June 30, 2016

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments	73,058,822.53		73,058,822.53
Fair value	90,097,141.47		90,097,141.47
Changes in fair value accumulated included in other comprehensive income	17,038,318.94		17,038,318.94
Provision for impairment provided			

### 7.10.3 Available-for-sale financial assets measured at cost as at June 30, 2016

Investee	Book balance				Provision for impairment				Shareholding ratio in investee (%)	Cash dividend in current period
	As at January 1, 2016	Increase in current period	Decrease in current period	As at June 30, 2016	As at January 1, 2016	Increase in current period	Decrease in current period	As at June 30, 2016		
Shanghai Fuji Xerox Co., Ltd.	29,140,749.49			29,140,749.49					15.92	
Shanghai Hirose Precision Industrial Co., Ltd. (Note 1)									30.00	850,000.00
Bank of Shanghai Co., Ltd.	951,400.00			951,400.00					<5	
Changshu Qixing Elec-plating Co., Ltd.									90.00	
Shanghai Huazhijie Plastic Co., Ltd. (Note 2)	736,283.66			736,283.66	736,283.66			736,283.66	23.04	
Shanghai Hualian Sewing Machinery Co., Ltd. (Note 3)	400,000.00		400,000.00							
Shanghai Xingguang	308,033.99			308,033.99	308,033.99			308,033.99	14.30	



Investee	Book balance				Provision for impairment				Shareholding ratio in investee (%)	Cash dividend in current period
	As at January 1, 2016	Increase in current period	Decrease in current period	As at June 30, 2016	As at January 1, 2016	Increase in current period	Decrease in current period	As at June 30, 2016		
Underwear (South Africa)										
Wuxi Shangong Sewing Machines Co., Ltd (Note 4)	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					<5	
Shanghai Baoding Investment Co., Ltd.	7,500.00			7,500.00					<5	
Shanghai Shangong Jiarong Sewing Machine Trade Co., Ltd.	500,000.00			500,000.00	500,000.00			500,000.00	12.50	
Pfaff Industrial Iberica S.A.U.	7.10	0.28		7.38					49.00	
Total	32,287,788.50	0.28	400,000	31,887,788.78	1,698,131.91			1,698,131.91	/	

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

Note 2: Shang Gong Group Co., Ltd. holds 23.04% shares of Shanghai Huazhijie Plastic Co., Ltd. According to the articles of association, Shang Gong Group Co., Ltd. does not have facto control over the invested enterprise. In addition, it 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: Shanghai Hualian Sewing Machinery Co., Ltd. has been liquidated and closed in the Report Period.

Note 4: Shang Gong Group Co., Ltd. holds 80% shares of Wuxi Shangong Sewing Machines Co., Ltd. According to the articles of association, Shang Gong Group Co., Ltd. does not have facto control over the invested enterprise. In addition, it 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 Shangong Sewing Machines Co., Ltd.

#### 7.10.4 Changes in available-for-sale financial assets for this year

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Balance of provision for impairment provided as at January 1, 2016	1,698,131.91		1,698,131.91
Provision in current period			
Including: transfer-in from other comprehensive income			
Decrease in current period			
Including: reversal due to the increase in post balance sheet fair value			
Balance of provision for impairment provided as at June 30, 2016	1,698,131.91		1,698,131.91

#### 7.11 Long-term equity investment

Investee	Open balance	Increase/decrease in the Report Period							Ending Balance	End balance of provision for impairment
		Additional investment	disinvestment	Investment profit and loss recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment		
1. Joint operation										
Subtotal										
2. Joint venture										
H.Stoll		238,872,154.81		11,338,598.93	-326,271.80					249,884,481.94



AG & Co. KG										
Subtotal		238,872,154.81		11,338,598.93		-326,271.80				249,884,481.94
Total		238,872,154.81		11,338,598.93		-326,271.80				249,884,481.94

Note: In the Report Period, ShangGong Europe, wholly-owned subsidiary of the Company, invested in German H.Stoll AG & Co. KG. ShangGong Europe became a limited partner which holds 26% equity of Stoll KG.

## 7.12 Investment properties

Investment property measured at cost

Item	Use right of leased land	Leasehold improvement	Buildings and constructions	Total
1. Total original book value				
(1) Balance as at January 1, 2016	151,624,469.83	50,523,752.24	2,583,492.92	204,731,714.99
(2) Increase in current period	1,866,244.17			1,866,244.17
- Outsourcing				
- Inventories \ fixed assets \ transfer-in from construction in progress				
- Increase due to business combinations				
- Exchange rate fluctuation	1,866,244.17			1,866,244.17
(3) Decrease in current period				
- Reclassification to fixed assets				
- Others				
(4) Balance as at June 30, 2016	153,490,714.00	50,523,752.24	2,583,492.92	206,597,959.16
2. Total accumulated depreciation and accumulated amortization				
(1) Balance as at January 1, 2016	77,618,137.89	13,906,301.91	344,465.76	91,868,905.56
(2) Increase in current period	2,678,194.35	586,508.58	119,393.00	3,384,095.93
- Provision or amortization	1,861,834.48	586,508.58	119,393.00	2,567,736.06
- Exchange rate fluctuation	816,359.87			816,359.87
(3) Decrease in current period				
- Reclassification to fixed assets				
- Others				
(4) Balance as at June 30, 2016	80,296,332.24	14,492,810.49	463,858.76	95,253,001.49
3. Provision for impairment				
(1) Balance as at January 1, 2015	7,031,328.87			7,031,328.87
(2) Increase in current period	277,281.23			277,281.23
- Provision				
- Exchange rate fluctuation	277,281.23			277,281.23
(3) Decrease in current period				
- Disposal				
- Others				
(4) Balance as at June 30, 2016	7,308,610.10			7,308,610.10
4. Book value				
(1) Book value as at June 30, 2016	65,885,771.66	36,030,941.75	2,119,634.16	104,036,347.57
(2) Book value as at January 1, 2016	66,975,003.07	36,617,450.33	2,239,027.16	105,831,480.56

## 7.13 Fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic equipment	Other equipment	Total
1. Total original book value						



(1) Balance as at January 1, 2016	427,577,258.71	308,851,865.56	15,621,511.70	4,118,493.33	222,468,855.52	978,637,984.82
(2) Increase in current period	11,486,058.32	35,995,051.14	186,741.88	215,201.35	14,735,333.87	62,618,386.56
- Acquisition	154,875.00	25,178,648.58	186,741.88	215,201.35	5,368,398.15	31,103,864.96
- Transfer-in from construction in progress		1,821,625.00			1,351,589.45	3,173,214.45
- Reclassification from Investment properties	11,331,183.32	8,994,777.56			8,008,508.66	28,334,469.54
- Increase due to business combinations					6,837.61	6,837.61
(3) Decrease in current period	12,180.00	12,458,956.94	465,934.00	188,544.92	1,878,315.42	15,003,931.28
- Disposal or write-off	12,180.00	11,212,396.49	465,934.00	188,544.92	1,878,315.42	13,757,370.83
- Exchange rate fluctuation		1,246,560.45				1,246,560.45
(4) Balance as at June 30, 2016	439,051,137.03	332,387,959.76	15,342,319.58	4,145,149.76	235,325,873.97	1,026,252,440.10
2. Total accumulated depreciation						
(1) Balance as at January 1, 2016	204,574,789.41	224,080,185.14	9,061,909.59	2,409,658.56	194,074,594.83	634,201,137.53
(2) Increase in current period	11,839,904.40	14,181,725.64	697,036.73	432,373.88	12,240,244.36	39,391,285.01
- Provision	4,789,987.90	7,408,165.64	697,036.71	427,400.94	5,072,413.53	18,395,004.72
- Reclassification from Investment properties	7,049,916.50	6,773,560.00		4,972.94	7,161,177.68	20,989,627.12
- Increase due to business combinations		0	0.02		6,653.15	6,653.17
(3) Decrease in current period	3,403.40	7,713,589.35	240,925.00	139,400.08	1,795,213.06	9,892,530.89
- Disposal or write-off	3,403.40	7,697,117.61	240,925.00	139,400.08	1,795,213.06	9,876,059.15
- Exchange rate fluctuation		16,471.74				16,471.74
(4) Balance as at June 30, 2016	216,411,290.41	230,548,321.43	9,518,021.32	2,702,632.36	204,519,626.13	663,699,891.65
3. Provision for impairment						
(1) Balance as at January 1, 2016	4,913,777.92	3,024,604.52	48,170.70	59,705.35	56,179.79	8,102,438.28
(2) Increase in current period						
- Provision						
(3) Decrease in current period		529,436.45				529,436.45
- Disposal or write-off		529,436.45				529,436.45
(4) Balance as at June 30, 2016	4,913,777.92	2,495,168.07	48,170.70	59,705.35	56,179.79	7,573,001.83
4. Book value						
(1) Book value as at June 30, 2016	217,726,068.70	99,344,470.26	5,776,127.56	1,382,812.05	30,750,068.05	354,979,546.62
(2) Book value as at January 1, 2016	218,088,691.38	81,747,075.90	6,511,431.41	1,649,129.42	28,338,080.90	336,334,409.01

Note: among the above balance of fixed assets as at June 30, 2016, the buildings and constructions of RMB 130,223,047.59 (of which the euro is EUR 13,231,136.00, equivalent to RMB 97,579,628) are used to obtain a loan from banks; see the Note 12.1 Commitments and Contingencies for information on mortgage loans and credit extension.

7.13.2 There were no idle fixed assets as at June 30, 2016.

7.13.3 There were no held-for-sale fixed assets as at June 30, 2016.

7.13.4 There were no fixed assets without certificate of title as at June 30, 2016.

Item	Book value	Reason for failure in completing the formalities for obtaining certificates of title	Expected date of completion of the formalities for obtaining the certificates of title
Buildings and constructions (Note 1)	1,905,896.20	Self-built housing, the certificates are in the process	
Buildings and constructions (Note 2)	298,703.26	Self-built housing, the certificates are in the process	
Total	2,204,599.46		

Note1: Self-built housing of Shanghai SGSB Asset Management Co., Ltd.

Note2: Self-built housing of the Company.

## 7.14 Construction in progress

### 7.14.1 Construction in progress

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
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	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sewing Equipment Engineering	9,325,034.67		9,325,034.67	3,917,373.59		3,917,373.59
Sewing unit and electric control	2,846,940.28		2,846,940.28	2,856,279.73		2,856,279.73
ERP project	1,974,852.20		1,974,852.20	1,629,852.20		1,629,852.20
Shenbei building decoration - Household multi-functional sewing machine	370,466.13		370,466.13	280,881.22		280,881.22
Jinyuan Building project	236,388.53		236,388.53			
SG & GEMSY equipment engineering	596,744.64		596,744.64			
Nanxiang factory construction	397,674.76		397,674.76			
Zhangjiagang base project	2,244,505.00		2,244,505.00	854,000.00		854,000.00
Modern logistics management center	14,550,000.00		14,550,000.00	14,550,000.00		14,550,000.00
Total	32,542,606.21		32,542,606.21	24,088,386.74		24,088,386.74

#### 7.14.2 Major changes in construction in progress for the current period

Project Name	Budget	Balance as at January 1, 2016	Increase in current period	Amount transferred in the fixed assets for the current period	Other decreases in current period	Balance as at June 30, 2016	Proportion of the accumulated investment in project in budget (%)	Construction in progress	Accumulated amount of interest capitalization	Including: amount of interest capitalization in current period	Interest capitalization rate in current period (%)	Source of fund
Sewing Equipment Engineering		3,917,373.59	8,571,536.08	3,163,875.00		9,325,034.67						Self-owned fund
Sewing unit and electric control		2,856,279.73		9,339.45		2,846,940.28						Raised fund
ERP project	5,000,000.00	1,629,852.20	345,000.00			1,974,852.20						Raised fund
Shenbei building decoration - Household multi-functional sewing machine		280,881.22	89,584.91			370,466.13						Raised fund
Jinyuan Building project			236,388.53			236,388.53						Self-owned fund
SG & GEMSY equipment engineering			596,744.64			596,744.64						Self-owned fund
Nanxiang factory construction			397,674.76			397,674.76						Self-owned fund
Zhangjiagang base project		854,000.00	1,390,505.00			2,244,505.00						Self-owned fund
Modern logistics management center		14,550,000.00				14,550,000.00						Self-owned fund
Total		24,088,386.74	11,627,433.92	3,173,214.45		32,542,606.21						

Note: Amount increased in current period of modern logistics management center project is caused by Shanghai Shensy Enterprise Development Co., Ltd incorporated into the scope of consolidation.

#### 7.15 Intangible assets

Item	Land use right	Patent	Right to use of trademarks	Computer software	Others	Total
1. Original book value						
(1) Balance as at January 1, 2016	90,660,420.23	79,375,268.18	20,161,268.51	3,082,118.91	5,627,912.64	198,906,988.47
(2) Increase in current period		3,925,356.82		44,085.47	463,689.49	4,433,131.78
- Acquisition		840,750.00		44,085.47	22,905.66	907,741.13
- Exchange rate fluctuation		3,084,606.82			221,937.36	3,306,544.18
- Others					218,846.47	218,846.47
(3) Decrease in current period				218,846.47		218,846.47
- Disposal						
- Others				218,846.47		218,846.47
(4) Balance as at June 30, 2016	90,660,420.23	83,300,625.00	20,161,268.51	2,907,357.91	6,091,602.13	203,121,273.78
2. Total accumulated						



Item	Land use right	Patent	Right to use of trademarks	Computer software	Others	Total
depreciation						
(1) Balance as at January 1, 2016	5,589,786.23	38,236,901.39	20,161,268.51	1,827,037.52	5,627,912.64	71,442,906.29
(2) Increase in current period	1,214,880.03	6,716,163.70		158,032.63	355,969.61	8,445,045.97
- Provision	1,214,880.03	5,155,239.00		158,032.63	5,471.17	6,533,622.83
- Exchange rate fluctuation		1,560,924.70			221,937.36	1,782,862.06
- Others					128,561.08	128,561.08
(3) Decrease in current period				128,561.08		128,561.08
- Disposal						
- Others				128,561.08		128,561.08
(4) Balance as at June 30, 2016	6,804,666.26	44,953,065.09	20,161,268.51	1,856,509.07	5,983,882.25	79,759,391.18
3. Provision for impairment						
(1) Balance as at January 1, 2016						
(2) Increase in current period						
- Provision						
(3) Decrease in current period						
- Disposal						
(4) Balance as at June 30, 2016						
4. Book value						
(1) Book value as at June 30, 2016	83,855,753.97	38,347,559.91		1,050,848.84	107,719.88	123,361,882.60
(2) Book value as at January 1, 2016	85,070,634.00	41,138,366.79		1,255,081.39		127,464,082.18

## 7.16 Development expenditures

Item	Balance as at January 1, 2016	Increase in current period		Transfer-out in current period		(4) Balance as at June 30, 2016
		Internal development expenditure	others	Recognized as intangible assets	Included in the current profit and loss	
WeChat platform	374,528.29	56,603.77				431,132.06
Freight platform	1,203,773.57	467,924.52				1,671,698.09
Sewing equipment	35,533,287.07	1,757,752.63	2,899,768.85		6,173,892.82	34,016,915.73
New type paper shredder		23,000.00				23,000.00
Total	37,111,588.93	2,305,280.92	2,899,768.85		6,173,892.82	36,142,745.88

Note: Balances as at January 1, 2016 and June 30, 2016 of WeChat and Freight platform represent the development costs of Shanghai Shensy Enterprise Development Co., Ltd. Balances as at January 1, 2016 and June 30, 2016 of sewing equipment represent the development costs of ShangGong (Europe) Holding Corp. GmbH. Balances as at January 1, 2016 and June 30, 2016 of New type paper shredder represent the development costs of Shanghai SMPIC IMPORT & EXPORT CO., LTD.

## 7.17 Goodwill

### 7.17.1 Book value of goodwill

Name of investee or goodwill formation events	Balance as at January 1, 2016	Increase in current period		Decrease in current period	Balance as at June 30, 2016
		Formation due to business combinations	Exchange rate fluctuation	Disposal	
PFAFF Industriesysteme und Maschinen GmbH	65,913,195.29		2,599,294.18		68,512,489.47
Beisler	20,672,574.72		815,225.28		21,487,800.00
Total	86,585,770.01		3,414,519.46		90,000,289.47



### 7.17.2 Provision for impairment of goodwill

Name of investee or goodwill formation events	Balance as at January 1, 2016	Increase in current period		Decrease in current period	Balance as at June 30, 2016
		Provision	Exchange rate fluctuation	Disposal	
Beisler	20,672,574.72		815,225.28		21,487,800.00
Total	20,672,574.72		815,225.28		21,487,800.00

### 7.18 Long-term deferred expenses

Item	Balance as at January 1, 2016	Increase in current period	Amortization in current period	Other decreases in current period	Balance as at June 30, 2016
Mailbox rental	26,400.00		3,300.00		23,100.00
Network brand registration fee	320,702.67		16,980.00		303,722.67
Landscape Engineering	232,371.90		24,460.20		207,911.70
Warehouse decoration		90,000.00			90,000.00
Monitoring equipment		65,000.00			65,000.00
Cost of the tool and moulds		198,537.36			198,537.36
Total	579,474.57	353,537.36	44,740.20		888,271.73

### 7.19 Deferred income tax assets / deferred income tax liabilities

#### 7.19.1 Deferred income tax assets

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Provision for asset impairment	12,428,197.96	9,183,493.71
Unrealized profits of internal transactions	6,273,401.51	6,301,546.87
Deductible losses	305,975.02	305,975.02
Pension (Europe)	28,492,250.50	29,934,428.85
Total	47,499,824.99	45,725,444.45

#### 7.19.2 Deferred income tax liabilities

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Appreciation of assets evaluation due to business combinations not under common control	34,063,027.99	31,520,487.16
Others	6,096,782.07	3,615,783.99
Total	40,159,810.06	35,136,271.15

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

### 7.20 Short-term loans

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Mortgage loans	19,322,500.00	18,589,424.00
Guaranteed loans	283,977,123.99	271,341,134.57
Credit loans	1,120,257.80	10,617,271.05
Total	304,419,881.79	300,547,829.62

Note 1: DA AG, the subsidiary of ShangGong Europe, raised loans from Commerzbank by pledging fixed assets amounting to RMB 97,579,628.00 (EUR 13,231,136.00). RMB 19,322,500.00 (EUR 2,620,000.00) of the loans belongs to short-term loan, and RMB 19,322,500.00 (EUR 2,620,000.00) belongs to long-term loan.

Note 2: ShangGong Europe and PFAFF GmbH raised guaranteed loans from Commerzbank Bielefeld Branch. (Details referred to below 10. Commitment) Shanghai Shensy Enterprise Development Co., Ltd raised guaranteed loans amounting to RMB 27,900,000.00 from China Construction Bank Shanghai Baoshan Branch, RMB 10,000,000.00 from Bank of Communications Shanghai Baoshan Branch, RMB 5,000,000.00 from Shanghai Pudong Development Bank Waigaoqiao Branch and RMB 5,000,000.00 from Bank of Shanghai Fumin Branch, which was guaranteed by its subsidiary Shanghai Shensy Keller



Network Co., Ltd.

## 7.21 Accounts payable

### 7.21.1. Presentation of accounts payable

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Payables to suppliers	198,360,365.50	161,024,708.59
Total	198,360,365.50	161,024,708.59

7.21.2 No amount was due to shareholders holding more than 5% (inclusive) voting shares of the Company among amounts as at June 30, 2016.

7.21.3 Please refer to the Note 9.6 for details on amounts due to related parties among accounts payable as at June 30, 2016.

7.21.4 There were no accounts payable with aging of more than one year and large amount among amounts as at June 30, 2016.

## 7.22 Receipt in advance

### 7.22.1 Presentation of advances from customers

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Advances on sales	26,996,952.71	25,598,146.20
Total	26,996,952.71	25,598,146.20

7.22.2 There were no advances from shareholders holding more than 5% (inclusive) voting shares of the Company among amounts as at June 30, 2016.

7.22.3 There were no advances from related parties among amounts as at June 30, 2016.

7.22.4. There were no advances from customers with aging of more than one year and large amount among amounts as at June 30, 2016.

## 7.23 Employee compensation payable

### 7.23.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016
Short-term remuneration	56,177,117.00	277,967,868.85	283,082,021.74	51,062,964.11
Post-employment benefits - defined benefit plans	427,882.72	6,821,486.40	5,902,458.81	1,346,910.31
Dismissal welfare	418,939.66	2,164,604.62	2,334,205.19	249,339.09
Defined benefit plan maturing within one year	21,072,744.00	8,754,186.52	7,923,180.52	21,903,750.00
Total	78,096,683.38	295,708,146.39	299,241,866.26	74,562,963.51

Note: the defined benefit plan maturing within one year refers to the employee compensation payable relating to ShangGong Europe.

### 7.23.2 Presentation of short-term remuneration

Item	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016
(1) Salary, bonus, allowance and subsidy	55,728,197.76	228,953,081.45	234,553,884.89	50,127,394.32
(2) Employee welfare	88,691.79	43,145,660.35	43,233,823.14	529.00
(3) Social insurance expenses	246,872.69	3,741,234.40	3,327,468.82	660,638.27
Including: medical insurance premium	206,709.03	3,231,234.99	2,864,763.29	573,180.73
Work-related injury insurance premium	18,345.57	278,477.15	251,522.70	45,300.02
Maternity insurance premium	21,818.09	231,522.26	211,182.83	42,157.52
(4) Housing provident funds	110,220.80	1,626,581.90	1,475,309.90	261,492.80



(5)Labor union expenditures and employee education expenses	3,133.96	501,310.75	491,534.99	12,909.72
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	56,177,117.00	277,967,868.85	283,082,021.74	51,062,964.11

### 7.23.3 Presentation of defined benefit plans

Item	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016
Basic endowment insurance premium	393,324.08	6,103,304.22	5,234,352.44	1,262,275.86
Unemployment insurance premium	34,558.64	336,137.06	341,227.85	29,467.85
Payment of annuity		382,045.12	326,878.52	55,166.60
Total	427,882.72	6,821,486.40	5,902,458.81	1,346,910.31

### 7.24 Taxes and surcharges payable

Tax and surcharge items	Balance as at June 30, 2016	Balance as at January 1, 2016
Value-added tax	717,120.20	1,627,575.29
Business tax	35,790.06	47,864.23
Enterprise income tax	40,864,534.31	42,415,008.13
Individual income tax	979,883.06	4,473,566.06
Urban maintenance and construction tax	85,659.88	88,576.02
Property tax		179,294.70
Educational surtax	72,433.32	73,626.10
River management fee	12,574.25	14,725.17
Water conservancy construction fund	12,697.15	24,237.67
Land use tax		121,189.92
Total	42,780,692.23	49,065,663.29

Overseas subsidiaries were subject to the statutory tax rates in accordance with the corresponding countries' tax law.

### 7.25 Interest payable

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Interest on short-term borrowings	60,512.50	88,934.73

### 7.26 Dividends payable

Company name	Balance as at June 30, 2016	Balance as at January 1, 2016	Reasons for failure to pay for more than one year
Light Industrial Holding Group Co., Ltd	959,269.79	959,269.79	long aging, unable to pay
Privately-owned corporate shares	73,549.07	73,549.07	long aging, unable to pay
Total	1,032,818.86	1,032,818.86	

### 7.27 Other payables

#### 7.27.1 Presentation of other payables by nature of accounts

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Other payables:	171,914,739.75	171,163,174.57

### 7.28 Non-current liabilities maturing within one year

Not applicable.

### 7.29 Other current liabilities

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Interest and rentals	698,703.22	319,502.32
Accrued exhibitions fee - Electricity fees	164,376.66	
Total	863,079.88	319,502.32



### 7.30 Long-term loans

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Mortgage loans	77,863,343.56	27,884,136.00
Credit loans	1,489,984.87	1,489,984.87
Total	79,353,328.43	29,374,120.87

Note: see Note 1 of Note 7.20 Short-term Loans for details on disclosed mortgage assets.

### 7.31 Long-term payables

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Others	74,338,217.87	4,724,683.15
Total	74,338,217.87	4,724,683.15

Note: Balance as at June 30, 2016 of Others includes final payment of acquiring H.Stoll AG & Co. KG amounting to RMB 69,253,194.94.

### 7.32 Long-term employee compensation payable

#### 7.32.1 Presentation of long-term employee compensation payable

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
1. Post-employment benefits - net liability of defined benefit plan	239,507,354.34	237,994,365.76
2. Dismissal welfare		
3. Other long-term benefits	1,540,507.04	1,482,061.76
Total	241,047,861.38	239,476,427.52

Note: Defined benefit plan of ShangGong Europe is based on supporting commitment. The base of measuring supporting liability is on insurance actuarial approach and hypothesis, not only consider known and possessed right to draw defined benefit plan, but the increase of future payroll and defined benefit plan.

### 7.33 Other non-current liabilities

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
Other non-current liabilities	520,000.00	520,000.00
Total	520,000.00	520,000.00

### 7.34 Share capital

Item	Balance as at January 1, 2016	Increase (+) and decrease (-) for the current year			Balance as at June 30, 2016
		Issuance of new shares	Others	Sub-total	
Total shares	548,589,600.00				548,589,600.00

### 7.35 Capital reserves

Item	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016
Stock premium	851,345,853.61			851,345,853.61
Other capital reserves	104,940,167.82	11,871,558.22		116,811,726.04
Total	956,286,021.43	11,871,558.22		968,157,579.65

Note: Changes in capital reserve of subsidiaries within the combination scope were the reason for the increase in other capital reserves.

### 7.36 Other comprehensive income

Item	Balance as at January 1, 2016	Current Period					Balance as at June 30, 2016
		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 period	Less: income tax expenses	Attributable to owners of the parent company	Attributable to minority shareholders	
1. Other comprehensive income	-36,674,709.19						-36,674,709.19



that cannot be reclassified in the loss and gain in the future							
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan	-36,674,709.19						-36,674,709.19
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	-48,596,188.67	-21,624,435.26			-23,500,674.67	1,876,239.41	-72,096,863.34
Including: a share in other comprehensive income of investee that will be reclassified in the loss and gain under the equity method							
Losses and gains on the change in fair value of available-for-sale financial assets	45,068,484.49	-28,030,165.55			-28,030,165.55		17,038,318.94
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	-93,664,673.16	6,405,730.29			4,529,490.88	1,876,239.41	-89,135,182.28
Total other comprehensive income	-85,270,897.86	-21,624,435.26			-23,500,674.67	1,876,239.41	-108,771,572.53

Note: The amounts above are other comprehensive income attributable to parent company.

### 7.37 Surplus reserves

Item	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016
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

### 7.38 Retained earnings

Item	Current period	Previous period
Adjustments to retained earnings as at December 31, 2015	350,523,121.40	193,106,033.92
Adjustments to total retained earnings as at January 1, 2016 ("+" for increase, "-" for decrease)		
Adjusted retained earnings as at January 1, 2016	350,523,121.40	193,106,033.92
Plus: net profit attributable to owners of the parent company for current period	101,164,717.70	100,341,086.85
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves in current period		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Other transfer-out	451,687,839.10	293,447,120.77
Adjustments to retained earnings as at June 30, 2016	350,523,121.40	193,106,033.92

### 7.39 Operating income and operating costs

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Primary business	1,314,252,118.76	924,558,225.41	1,012,319,769.02	687,978,806.08
Other businesses	45,090,410.69	29,942,064.00	26,742,320.07	13,683,424.76
Total	1,359,342,529.45	954,500,289.41	1,039,062,089.09	701,662,230.84



#### 7.40 Business taxes and surcharges

Item	Current period	Previous period
Business tax	822,711.29	1,038,198.21
Urban maintenance and construction tax	1,061,926.25	499,872.67
Educational surtax	798,583.35	378,953.28
Others	1,497,723.11	1,202,588.40
Total	4,180,944.00	3,119,612.56

#### 7.41 Selling expenses

Item	Current period	Previous period
Employee compensation	54,152,469.93	46,923,736.41
Fix and after-sale service charges	9,471,495.27	7,883,535.51
Office expenses	1,925,818.50	1,348,806.64
Travelling expenses	7,777,406.50	7,323,743.45
Transportation cost	10,013,901.46	8,443,184.44
Advertising expense	2,588,996.06	2,786,858.53
Commission	12,983,415.23	9,389,082.61
Leasing and storage charges	2,988,594.08	4,283,239.87
Insurance premium	626,283.69	792,832.13
Packing expenses	20,789.73	9,561.71
Conference fees	1,097,735.43	751,926.35
Depreciation costs	885,340.61	363,048.58
Exhibition fees	1,543,023.79	3,020,714.30
Utility bills	22,560.95	6,557.49
Loading and unloading expenses	13,392.08	11,224.44
Samples, printing materials and scraps	4,975,397.89	4,399,830.64
Others	12,948,639.62	16,219,152.66
Total	124,035,260.82	113,957,035.76

#### 7.42 General and administrative expenses

Item	Current period	Previous period
Employee compensation	60,728,834.32	52,268,080.59
Office expenses	3,503,878.91	1,655,571.01
Utility bills	467,566.82	398,877.76
Entertainment expenses	1,775,131.30	1,139,269.11
Property insurance premium	1,132,959.90	1,377,864.09
Conference fees	441,720.48	150,853.00
Travelling expenses	4,103,270.72	2,742,430.88
Depreciation costs	4,339,234.24	2,745,058.93
Repair charges	377,155.90	323,339.46
Transportation cost	1,268,999.53	628,854.29
Rental fees	1,718,338.58	1,635,198.11
Costs of board meetings and supervisors' meetings	264,294.69	256,714.36
Agency fees and advisory expenses	5,695,258.76	5,241,031.04
Litigation cost	29,171.75	109,352.82
New product development expenses	35,847,223.71	22,386,716.12
Taxes and surcharges	1,231,380.14	325,579.36
Amortization of intangible assets	1,036,624.09	828,200.88
Others	7,135,331.59	6,237,392.86
Total	131,096,375.43	100,450,384.67

#### 7.43 Financial expenses

Type	Current period	Previous period
Interest expenses	6,802,996.00	6,379,828.00
Less: interest income	-920,275.58	-814,788.26



Gains and losses on exchange	2,500,640.84	-2,356,547.53
Others	1,706,156.24	1,741,504.02
Total	10,089,517.50	4,949,996.23

#### 7.44 Losses from asset impairment

Item	Current period	Previous period
Losses from bad debts	2,105,606.54	-4,235,208.57
Losses from inventory impairment	-3,680,156.16	1,419,391.69
Losses from long-term investment impairment		
Losses on impairment of goodwill		
Total	-1,574,549.62	-2,815,816.88

#### 7.45 Investment income

Item	Current period	Previous period
Long-term equity investments measured under equity method	11,338,598.93	
Investment income from disposal of long-term equity investments		
Investment income from financial assets measured at fair value through current profit and loss during the		
Investment income from disposal of financial assets measured at fair value through current profit and loss		1,071,204.85
Investment income from holding of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets	897,305.05	5,280,318.44
Investment income from disposal of available-for-sale financial assets	715,552.60	
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	5,214,392.23	14,034,874.88
Total	18,165,848.81	20,386,398.17

Note: "others" mainly refer to the gains of RMB 11,279,013.70 from finance products among other current assets and the investment income of RMB 2,755,861.18 from business combination not under common control.

#### 7.46 Non-operating income

Item	Current period	Previous period	Amounts included in the non-recurrent profit and loss for the current period
Total gains from disposal of non-current assets	2,540,561.45	311,518.30	2,540,561.45
Including: gains from disposal of fixed assets	2,540,561.45	311,518.30	2,540,561.45
Gains on disposal of intangible assets			
Gains from debt restructuring			
Gains from exchange of non-monetary assets/Gains from transaction of non-currency assets			
Donation accepted			
Government subsidies	4,973,690.84	1,639,575.49	3,173,690.84
Penalty revenue	4,799.00	100.00	4,799.00
Others	140,344.79	5,907,085.92	1,940,344.79
Total	7,659,396.08	7,858,279.71	7,659,396.08

#### Government subsidies included in current profit and loss

Item	Current period	Previous period	Asset-related / income-related
Governmental financial subsidies from Pudong New Area	1,260,000.00	399,000.00	Income-related
Enterprise staff vocational training financial subsidies from Pudong New Area	14,117.78		Income-related
Special funds of Shanghai Municipality for overseas investment cooperation		1,220,100.00	Income-related
Special subsidiary for replacing business tax with value-added tax	25,900.51		Income-related
Funds of Shanghai Hongkou District Finance Bureau of Shanghai Municipality for Supporting the Development of Enterprises	120,000.00		Income-related
Special funds of industrial transformation and upgrading in Shanghai	500,000.00		Income-related
Subsidies for dying out of yellow-label cars		10,000.00	Income-related



Subsidies for Management of Old Public Houses in Shanghai Municipality	73,672.55	10,475.49	Income-related
Finance of science and technology development	1,100,000.00		Income-related
Exhibition subsidies	80,000.00		Income-related
Sitang Economic Development Zone subsidies	1,800,000.00		Income-related
Total	4,973,690.84	1,639,575.49	

#### 7.47 Non-operating expenses

Item	Current period	Previous period	Amounts included in the non-recurrent profit and loss for the current year
Total losses from disposal of non-current assets	3,098,496.16	113,231.77	3,098,496.16
Including: losses from disposal of fixed assets	3,098,496.16	113,231.77	3,098,496.16
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from exchange of non-monetary assets			
Donations made	200,000.00	200,000.00	200,000.00
Amercement and overdue fine outlay	2,211.58	16,175.07	2,211.58
Others		5,000.00	
Total	3,300,707.74	334,406.84	3,300,707.74

#### 7.48 Income tax expenses

Item	Current period	Previous period
Current income tax calculated according to the tax law and relevant provisions	43,949,360.97	37,361,247.95
Deferred income tax expenses	1,432,040.66	-1,524,433.58
Total	45,381,401.63	35,836,814.37

#### 7.49 Items of statement of cash flows

##### 7.49.1 Cash received from other operating activities

Item	Current period	Previous period
Current accounts and advances withdrawn	18,027,242.83	12,961,792.44
Special subsidies and grants	4,973,690.84	
Interest income	1,353,725.70	814,788.26
Non-operating income	751,209.40	
Other income	592,366.85	
Total	25,698,235.62	13,776,580.70

##### 7.49.2 Cash paid for other operating activities

Item	Current period	Previous period
Current accounts paid	16,128,438.76	7,861,986.09
Selling expenses	50,284,745.90	43,331,239.23
General and administrative expenses	44,224,118.91	26,251,928.45
Non-operating expenses	272,798.76	221,175.07
Bank charges and other expenses	7,541,356.66	1,741,504.02
Total	118,451,458.99	79,407,832.86

##### 7.49.3 Cash received for other investing activities

Item	Current period	Previous period
Cash and cash equivalents received at combining date		60,250,855.95
Total		60,250,855.95

##### 7.49.4 Cash received from other financing activities

Item	Current period	Previous period
Cash allocation of Shanghai Huayuan Enterprise Development Co., Ltd's bankruptcy reorganization		4,333,644.42
Mortgage and pledge (e.g. certificate of term deposit, security deposit)	355,261.67	
Total	355,261.67	4,333,644.42



#### 7.49.5 Cash paid for other financing activities

Item	Current period	Previous period
Directiaonal seasoned offering and the relevant expenses		
Mortgage and pledge (e.g. certificate of term deposit, security deposit)		277,449.14
Capital reduction of minority shareholder		
Total		277,449.14

### 7.50 Supplementary information to statement of cash flows

#### 7.50.1 Supplementary information to the statement of cash flows

Supplementary information:	Current period	Previous period
1. Net profit adjusted to cash flows from operating activities		
Net profit	114,157,827.43	109,812,102.58
Plus: provision for assets impairment	-1,574,549.62	-2,815,816.88
Depreciation of fixed assets and others	20,962,740.78	15,434,126.76
Amortization of intangible assets	6,533,622.83	5,037,831.04
Amortization of long-term deferred expenses	34,600.20	3,300.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	547,478.46	-261,822.93
Losses on write-off of fixed assets ("-" for gains)	10,456.25	63,536.40
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	9,303,636.84	9,545,162.26
Investments losses ("-" for gains)	-18,165,848.81	-20,386,398.17
Decreases in the deferred income tax assets ("-" for increases)	-1,774,380.54	-89,496.38
Increases in the deferred income tax liabilities ("-" for decreases)	5,023,538.91	-2,334,944.47
Decreases in inventories ("-" for increases)	-87,875,939.34	-11,958,536.78
Decreases in operating payables ("-" for increases)	-129,324,032.36	-65,699,090.99
Increases in operating payables ("-" for decreases)	36,197,763.26	-44,757,162.75
Others		
Net cash flows from operating activities	-45,943,085.71	-8,407,210.31
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 finance lease		
3. Net change in cash and cash equivalents:		
Balance of cash as at June 30, 2016	594,018,657.49	601,309,534.75
Less: balance as at January 1, 2016 of cash	744,700,658.82	581,848,889.10
Plus: balance as at June 30, 2016 of cash equivalents		
Less: balance as at January 1, 2016 of cash equivalents		
Net increase in cash and cash equivalents	-150,682,001.33	19,460,645.65

#### 7.50.2 Composition of cash and cash equivalents

Item	Balance as at June 30, 2016	Balance as at January 1, 2016
1. Cash	594,018,657.49	744,700,658.82
Including: cash on hand	924,344.07	1,454,927.52
Unrestricted bank deposit	592,499,047.28	731,170,363.19
Other unrestricted monetary funds	595,266.14	12,075,368.11
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 June 30, 2016	594,018,657.49	744,700,658.82
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		



Note: Cash and cash equivalents restricted for use for more than three months by the parent company or subsidiaries within the group were not included in cash and cash equivalents

## 7.51 Monetary items denominated in foreign currency

### 7.51.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at June 30, 2016	Exchange rate	Balance in RMB as at June 30, 2016
Cash and cash equivalents			
Including: USD	5,915,147.91	6.6312	39,224,528.84
EUR	40,336,028.71	7.3750	297,478,211.71
HKD	3,788,802.41	0.8547	3,238,289.42
JPY	213,023.99	0.064491	13,738.13
SGD	137,479.97	4.9239	676,937.63

### 7.51.2 Description of overseas operating entities

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

## 8. Change in the scope of consolidation

### 8.1 Change in the scope of consolidation for other reasons

On June 22, 2016, the Company and DA AG jointly funded Shanghai SGSB Finance Leasing Co., Ltd. The Company invested USD \$5.1 million which holds 51.00% of equity; DA AG invested USD \$4.9 million which holds 49.00% of equity. Shanghai SGSB Finance Leasing Co., Ltd. was incorporated into the Company's scope of consolidation from the date of its establishment.

## 9. Equity in other entities

### 9.1 Equity in subsidiaries

Name of subsidiary	Domicile of primary operation	Registered place	Business nature	Shareholding ratio (%)		Way of acquisition
				Direct	Indirect	
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	Shanghai	Shanghai	Production and sales of sewing machines	100.00		Investment
Dürkopp PFAFF Trade (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of sewing machines	60.00	40.00	Investment
Shanghai SMPIC IMPORT & EXPORT Co., Ltd.	Shanghai	Shanghai	Sales of office equipment	100.00		Investment
Shanghai Shanggong SMPIC Electronics Co., Ltd.	Shanghai	Shanghai	Production and sales of electronic equipment	100.00		Investment
Shanghai SGSB Asset Management Co., Ltd.	Shanghai	Shanghai	Asset and property management	100.00		Investment
Shanghai Fengjian Property Co., Ltd.	Shanghai	Shanghai	Property Management	100.00		Business combination under common control
Dürkopp Adler Sewing Equipment (Suzhou) Co., Ltd.	Suzhou	Suzhou	Production and sales of sewing machines	51.00	49.00	Business combination not under common control
ShangGong (Europe) Holding Corp. GmbH	Europe	Europe	Production and sales of sewing machines	100.00		Investment
Zhejiang SG & GEMSY Sewing Technology Co., Ltd	Taizhou	Taizhou	Sewing equipment, etc.	60.00		Investment
Shanghai Shensy Enterprise Development Co., Ltd	Shanghai	Shanghai	Road freight transportation	40.03		Business combination not under common control
Shanghai SGSB Finance Leasing Co., Ltd.	Shanghai	Shanghai	Finance lease	51.00	49.0	Investment



## 10. Disclose of fair value

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

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

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

### 10.1 The fair value as at June 30, 2016 of assets and liabilities measured at fair value

Item	Fair value as at June 30, 2016			Total
	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	
<b>1. Measurement at fair value based on going concern</b>				
(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	90,097,141.47			90,097,141.47
a. Investment in debt instruments				
b. Investments in equity instruments	90,097,141.47			90,097,141.47
c. Others				
(3) Investment property				
A. Use right of leased land				
B. Leased buildings				
C. Land use right held for transfer upon appreciation				
<b>Total amount of assets measured at fair value based on going concern</b>	90,097,141.47			90,097,141.47
(4) Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
(5) Designated financial liabilities measured at fair value through current profit and loss				
<b>Total amount of liabilities measured at fair value based on going concern</b>				
<b>2. Measurement at fair value based on going concern</b>				
(1) Assets held for trading				
<b>Total amount of assets measured at fair value not based on going concern</b>				
<b>Total amount of liabilities measured at fair value not based on going concern</b>				



## 10.2 Basis for determination of market price for measurement of fair value of the first level based on going concern and not based on going concern.

The fair value as at June 30, 2016 of available-for-sale financial assets was determined on the basis of the closing price of Shanghai Securities Exchange on June 30, 2016.

## 11. Related party and related party transaction

### 11.1 The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	Shanghai	State-owned		19.21	19.21

Notes to the parent company of the Company:

The parent company of the Company is the Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission, which specializes in managing the state-owned assets of Pudong New Area under the authorization of the Pudong New Area People's Government of Shanghai Municipality;

The ultimate controller of the Company is Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission.

### 11.2 The subsidiaries of the Company

See the Note 11 Equity in Other Entities for the details of subsidiaries of the Company

### 11.3 Other related parties of the Company

Name of other related parties	Relationship with the Company
Shanghai Hirose Precision Industrial Co., Ltd.	Investee
Shanghai Fuji Xerox Co., Ltd.	Investee
Shanghai Keller Investment Management Co., Ltd	Minority shareholders
Zhejiang GEMSY Electromechanical Co., Ltd.	Minority shareholders

### 11.4 Related party transactions

(1) Purchase and sale of goods, and rendering and receipt of services

Table of purchase of goods / receipt of services

Related party	Content of related transaction	Current period	Last period
Zhejiang GEMSY Electromechanical Co., Ltd.	Purchase of fixed assets	15,114,920.79	

Table of sales of goods/rendering of services

Related party	Content of related transaction	Current period	Last period
Shanghai Fuji Xerox Co., Ltd.	Sales of goods	15,430,242.95	20,235,928.65
Zhejiang GEMSY Electromechanical Co., Ltd.	Sales of goods	140,583.32	

(2) Leasing

The Company acted as lessor:

(Monetary unit: RMB10,000)

Name of leasee	Type of leased asset	Rental recognized in current period	Rental recognized in last period
Shanghai Hirose Precision Industrial Co., Ltd.	Machinery equipment	25.00	50.00

(3) Other related transactions

None.

### 11.5 Accounts due from/to the related parties

#### 11.5.1 Accounts receivable

Item	Related party	Balance as at June 30, 2016		Balance as at January 1, 2016	
		Book balance	Provision for	Book balance	Provision for



			bad debts		bad debts
Accounts receivable	Shanghai Fuji Xerox Co., Ltd.	3,009,056.38	150,452.82	3,413,421.14	170,671.06
Accounts receivable	Zhejiang GEMSY Electromechanical Co., Ltd.	164,392.49			
Other receivables	Zhejiang GEMSY Electromechanical Co., Ltd.	268.00		481,669.48	
Prepayments	Zhejiang GEMSY Electromechanical Co., Ltd.	89,765.74		7,366,357.64	

### 11.5.2 Accounts payable

Item	Related party	Balance as at June 30, 2016	Balance as at January 1, 2016
Other payable	Zhejiang GEMSY Electromechanical Co., Ltd.	76,418.73	814,068.18
Other payable	Shanghai Keller Investment Management Co., Ltd		900,000.00
Receipt in advance	Zhejiang GEMSY Electromechanical Co., Ltd.		90.00

## 12. Commitments or Contingencies

### 12.1 Major Commitment Events

#### 12.1.1 Mortgage loans and credit extension

Mortgages/Collaterals	Estimated use	Amount of borrowing	Borrower
Bank deposits of RMB 2,500,000,000.00	Guaranty		ShangGong (Europe) Holding Corp. GmbH
Bank deposits of EUR 38,580,000.00	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Accounts receivable of EUR 106,210 thousand	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Fixed assets of EUR 1,323,110 thousand	Surety margin of credit line	EUR 5,240,000.00	ShangGong (Europe) Holding Corp. GmbH
Fixed assets of EUR 3,264,340 thousand	Guaranty	EUR 7,878,000.00	ShangGong (Europe) Holding Corp. GmbH
500,000 shares of DA AG held by ShangGong (Europe) Holding Corp. GmbH	Guaranty		ShangGong (Europe) Holding Corp. GmbH

### 12.2 Contingencies

#### 12.2.1 Major contingencies on the balance sheet date:

The contingent liabilities arising from the provision of debt guarantees by the Company for its subsidiary, ShangGong (Europe) Holding Corp. GmbH as at June 30, 2016 (Monetary unit: 10'000)

Guarantee	Guarantee amount	Commencement date of guarantee	Expiration date of guarantee	Whether the guarantee has been fulfilled or not	Remark
Commerzbank Shanghai Branch	The equivalent of RMB 58 million in EUR	March 25, 2014		No	Note 1
Commerzbank Shanghai Branch	EUR 800	July 1, 2014		No	Note 2
Commerzbank Shanghai Branch	EUR 1,200	October 8, 2015		No	Note 3
Commerzbank Shanghai Branch	EUR 1,000	August 28, 2015		No	Note 4
Industrial & Commercial Bank of China Shanghai Hongkou Branch	EUR 787.8	December 21, 2015	December 21, 2020	No	Note 5
Commerzbank	EUR 275	January 7, 2016	July 30, 2017	No	Note 6
Commerzbank	EUR 275	January 7, 2016	July 30, 2018	No	Note 7

1. On March 25, 2014, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for current funds loan equivalent to not more than RMB 58 million, 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 RMB 70 million as counter guarantee for the abovementioned financing guarantee letter.

2. On June 30, 2014, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a current fund loan of EUR 8 million, 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 EUR 8.8 million as counter guarantee for the abovementioned financing guarantee letter.

3. On October 8, 2015, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a short-term loan line of EUR 12 million, 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 EUR 10.5 million as counter guarantee for the abovementioned financing guarantee letter.

4. On August 28, 2015, PFAFF GmbH, the Company's wholly owned subsidiary, applied to the Bielefeld Branch of Commerzbank for a loan of EUR 10 million, 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 EUR 11 million as counter guarantee for the abovementioned financing guarantee letter.

5. On December 21, 2015, ShangGong Europe, the Company's wholly owned subsidiary, applied to the Industrial & Commercial Bank of China Frankfurt Branch for a loan of EUR 7.878 million to pay for 26% equity of Stoll KG. Industrial & Commercial Bank of China Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company mortgaged real estate in No.603 Dapu Road, Shanghai for the abovementioned counter guarantee.

6. ShangGong Europe mortgaged 500,000 shares of DA AG held by ShangGong Europe for two bank guarantee letters of EUR 2.75 million issued by Commerzbank to guarantee the money paid by ShangGong Europe to the seller of Stoll KG shares. The time limit of the two letters is from January 1, 2016 to July 30, 2017 and from January 1, 2016 to July 30, 2018.

As of June 30, 2016, there is no flow-out of economic benefits occurred in the Company due to the above guarantee events.

12.2.1 The agreement to increase capital to Shanghai Shensy Enterprise Development Co., Ltd.

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

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

## 13. Post balance sheet events

### 13.1 Profit distribution

According to the decision in the 31<sup>st</sup> board meeting (7th round) on 29 August, 2016, no dividends will be distributed.

### 13.2 Notes to other post balance sheet events

Pudong SASAC, controlling shareholder/actual controller of the Company, signed the *Share Transfer Agreement on Transferring 60 Million A Shares of Shang Gong Group Co., Ltd* with Shanghai Puke Feiren Investment Co., Ltd.(hereinafter refers to Puke), a wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd on June 29, 2016. This issue has to be approved by the SASAC before



implementation. If this issue is successfully implemented, Puke will be the largest shareholder of ShangGong Group, and Pudong SASAC will second largest shareholder.

#### 14. Other significant events

None.

#### 15. Notes to mains items of the financial statements of parent company:

##### 15.1 Accounts receivable

##### 15.1.1 Disclosure of classification of accounts receivable

Type	Balance as at June 30, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis										
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	62,540,289.10	100.00	59,470,064.89	95.09	3,070,224.21	62,209,774.91	100.00	59,441,560.78	95.55	2,768,214.13
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis										
<b>Total</b>	<b>62,540,289.10</b>	<b>/</b>	<b>59,470,064.89</b>	<b>/</b>	<b>3,070,224.21</b>	<b>62,209,774.91</b>	<b>/</b>	<b>59,441,560.78</b>	<b>/</b>	<b>2,768,214.13</b>

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

Aging	Balance as at June 30, 2016		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year	3,007,662.68	150,383.14	5%
1 to 2 years	261,593.40	52,318.68	20%
2 to 3 years	7,339.90	3,669.95	50%
Over 3 years	59,263,693.12	59,263,693.12	100%
<b>Total</b>	<b>62,540,289.10</b>	<b>59,470,064.89</b>	

##### 15.1.2 Accounts receivables provided, reversed or recovered in the report year.

The provision for bad debts for the current period amounted to RMB 28,504.11; the provision for bad debts recovered or reversed in the current period amounted to RMB 4,586.14.

##### 15.1.3 Accounts receivable actually written off for the current year

None

##### 15.1.4 Top five accounts receivable by the balance as at June 30, 2016 of the borrowers

Company name	Balance as at June 30, 2016		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer A	11,530,775.39	18.44	11,530,775.39
Customer B	7,480,189.67	11.96	7,480,189.67
Customer C	4,679,327.49	7.48	4,679,327.49



Company name	Balance as at June 30, 2016		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer D	2,254,884.41	3.61	112,744.22
Customer E	1,687,149.74	2.70	1,687,149.74
Total	27,632,326.70	44.19	25,490,186.51

## 15.2 Other Receivables

### 15.2.1 Disclosure of classification of other receivables

Type	Balance as at June 30, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debt made on an individual basis	56,281,351.71	36.24	56,281,351.71	100.00		55,927,851.11	42.24	55,927,851.11	100.00	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	99,036,615.66	63.76	19,399,982.50	19.59	79,636,633.16	76,488,791.16	57.76	18,269,591.28	23.89	58,219,199.88
Other receivables with insignificant single amount and provision for bad debt made on an individual basis										
Total	155,317,967.37	/	75,681,334.21	/	79,636,633.16	132,416,642.27	/	74,197,442.39	/	58,219,199.88

Other receivables with significant single amount and provision for bad debts made on an individual basis as at June 30, 2016:

Other receivables (by entity):	Balance as at June 30, 2016			
	Other receivables	Provision for bad debts	Proportion of Provision	Reason for provision
Shanghai SGSB Asset-management Co.,Ltd.	44,046,185.11	44,046,185.11	100.00%	Not expected to recover
Shanghai Xinxing Sewing Plant	12,235,166.60	12,235,166.60	100.00%	Not expected to recover
Total	56,281,351.71	56,281,351.71	/	/

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

Aging	Balance as at June 30, 2016		
	Other receivables	Provision for bad debts	Proportion of Provision
Within 1 year	83,792,270.74	4,189,613.54	5.00%
1 to 2 years	42,469.94	8,493.99	20.00%
2 to 3 years			50.00%
Over 3 years	15,201,874.98	15,201,874.98	100.00%
Total	99,036,615.66	19,399,982.51	

15.2.2 Provision for bad debts provided, reversed or recovered in the report year.

The provision for bad debts provided in the current period amounted to RMB 1,488,477.96; the provision for bad debts recovered or reversed in the current period amounted to RMB 0.

15.2.3 Other receivables actually written off during the Reporting Period.

None.

15.2.4 Top five other receivables by the balance as at June 30, 2016 of the borrowers



Company name	Nature of fund	Balance as at June 30, 2016	Aging	Proportion in total other receivables (%) Proportion in total accounts receivable (%)	Balance of provision for bad debts as at June 30, 2016
Customer A	Current accounts	47,294,601.70	From within 1 year to over 3 years	30.45	44,208,605.94
Customer B	Current accounts	28,449,125.00	Within 1 year	18.31	1,422,456.25
Customer C	Current accounts	24,300,388.97	Within 1 year	15.65	1,215,019.45
Customer D	Current accounts	15,568,502.38	Within 1 year	10.02	778,425.12
Customer E	Current accounts	12,235,166.60	Over 3 years	7.88	12,235,166.60
Total		127,847,784.65		82.31	59,859,673.36

### 15.3 Long-term Equity Investments

Item	Balance as at June 30, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	602,595,339.37	5,000,000.00	597,595,339.37	569,142,909.37	5,000,000.00	564,142,909.37
Investments in associates and joint ventures						
Total	602,595,339.37	5,000,000.00	597,595,339.37	569,142,909.37	5,000,000.00	564,142,909.37

Among which, details on investments in subsidiaries

Investee	Balance as at January 1, 2016	Increase in current period	Decrease in current period	Balance as at June 30, 2016	Provision for impairment provided in the current period	Balance of provision for impairment as at June 30, 2016
ShangGong (Europe) Holding Corp. GmbH	142,370,693.64			142,370,693.64		
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	79,000,000.00			79,000,000.00		
DAP (Shanghai) Co., Ltd.	24,403,443.11			24,403,443.11		
Shanghai Shanggong SMPIC Electronics Co., Ltd.	20,000,000.00			20,000,000.00		
Dürkopp Adler Sewing Machines Suzhou Co., Ltd	15,685,694.98			15,685,694.98		
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.						
Zhejiang SG & GEMSY Sewing Technology 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 SGSB Finance Lease Co., Ltd		33,452,430.00		33,452,430.00		
Total	569,142,909.37	33,452,430.00		602,595,339.37		5,000,000.00

### 15.4 Operating Income and Operating Costs

Item	Current period		Last period	
	Income	Cost	Income	Cost
Primary business	3,959,485.46	3,370,976.73	8,128,090.32	6,926,976.34
Other businesses	14,644,971.36	4,742,618.55	13,146,524.66	4,878,350.51
Total	18,604,456.82	8,113,595.28	21,274,614.98	11,805,326.85

### 15.5 Investment Income

Item	Current period	Last period
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		



Item	Current period	Last period
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		1,071,204.85
Investment income from holding of available-for-sale financial assets		
Investment income from holding of available-for-sale financial assets	897,305.05	5,280,318.44
Investment income from disposal of available-for-sale financial assets	715,552.60	
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	5,214,392.23	11,279,013.70
Total	6,827,249.88	17,630,536.99

Note: "others" mainly refer to the gains of RMB 4,556,158.90 from financial products and RMB 658,233.33 from structured deposit among other current assets.

## 16. Supplementary Information

### 16.1 Extraordinary Profit or Loss for the Current Period

Item	Amount
Profits or losses from disposal of non-current assets	-557,934.71
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)	4,973,690.84
Payment for use of state funds received from non-financial institutions recorded in current profits and losses	
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing	
Gains or losses from non-monetary asset exchange	
Gains or losses from entrusting the investments or management of asset	
Impairment provision for force majeure such as natural calamities	
Gains or losses from debt restructuring	
Restructure expenses, such as the compensation for employee relocation and integration costs	
Gains or losses from transactions with obvious unfair transaction price	
Year-to-date net profits or losses of subsidiaries arising from business combinations under common control	
Profits or losses arising from contingencies not related to the company's normal business	
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	2,956,194.83
Reversal of the impairment provision for receivables subject to separate impairment test	
Profits or losses from entrusted loans	
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode	
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses	
Custodian income from entrusted management	
Other non-operating income and expenditure except for the above items	-57,067.79
Other profits or losses which can be deemed as non-recurring profits or losses	
Income tax effects	-725,663.49
Minority interest effects	-1,350,348.82
Total	5,238,870.86

### 14.2 Yield Rate of Net Assets and Earnings Per Share:

Profit for the current year	Yield rate of net weighted average assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.5425	0.1844	0.1844
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	5.2555	0.1749	0.1749



## Chapter 11 For References

1. Semi-Annual Report signed by the legal representative and sealed by the Company;
2. Financial statements signed by the legal representative, Director in charge of accounting affairs and chief accountant;
3. Original documentation and announcements about the Company, published in the newspaper appointed by China Securities Regulatory Commission within the report period.

Shang Gong Group Co., Ltd.  
Chairman of Board of Directors: Zhang Min  
August 29, 2016