

**SGSB GROUP Co., Ltd.**  
**600843**  
**900924**  
**2013 Interim Financial Statements**

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

## **Important Notes**

- 1. The board of directors and the supervision committee of this Company and its directors, supervisors, and senior officers guarantee that the contents of these Interim Financial Statements are true, accurate, and complete, and there is not false record, misleading statement, or major omission herein, otherwise they will assume the joint and several legal responsibilities therefor.**
- 2. All the members of the board of directors of this Company attended the meeting of the board of directors.**
- 3. These Interim Financial Statements of this Company were not audited.**
- 4. Zhang Min, the principal of this Company, Ma Minlang, the principal in charge of the accounting, and Gao Lili, the head of the financial department (director of the financial department) declare that these Interim Financial Statements are true, accurate, and complete.**
- 5. The prospective statements, such as future plans, development strategies, etc., involved in these interim statements do not constitute a material commitment to investors. Therefore, the investors shall be cautious of the investment risk.**
- 6. Are any funds of this Company appropriated by the controlling shareholders and their affiliates?**  
No.
- 7. Are there any external guarantees provided by this Company against regulations and decision procedures?**  
No.

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## Part I Definitions

### 1. Definitions

Except stated otherwise in the context hereof, the following terms shall have the following meaning:

Definitions of common terms		
SGSB, the Company, this Company	means	SGSB GROUP Co., Ltd.
PDSASAC	means	State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government, the controlling shareholder and actual controller of SGSB GROUP Co., Ltd.
SG Europe	means	ShangGong (Europe) Holding Corp. GmbH
Germany DA AG, DA AG	means	Duerkopp Adler AG, a German listed company, 65.49% equity of which is controlled by ShangGong (Europe) Holding Corp. GmbH, the subsidiary of SGSB GROUP Co., Ltd.
SG Butterfly, SG Butterfly Company	means	Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.
DA Trading	means	Dürkopp Adler Trading (Shanghai) Co., Ltd.
FAG AG	means	German FAG Kugelfischer AG, the original controlling shareholder of DA AG
German PFAFF AG, PFAFF AG	means	PFAFF Industriesysteme und Maschinen AG
German KSL GmbH, KSL GmbH	means	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH
German KSL GmbH and its Affiliates, K GmbH	means	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH, KSA GmbH & Co. KG
Chem-land Company	means	Shanghai Chem-land Industry Co., Ltd.
Shuangchong Company	means	Shanghai Shuangchongbao Sewing Machine Co., Ltd.
Heavy duty sewing machine	means	Heavy duty sewing machine, used to produce heavy duty sewn products (such as shoes, bags and suitcases, leathers, canvases, etc.)
CNC	means	Abbreviation of numerical Computer control. This control system can logically deal with procedures specified with control codes or other symbol directives, and they can be decoded by computer, and thus, the equipment can be caused to implement the defined actions to finish the control system of process or task required.
BDO China Shu Lun Pan Certified Public Accountant LLP	means	BDO China Shu Lun Pan Certified Public Accountant LLP (special general partnership)
CSRC	means	China Securities Regulatory Commission
SCC	means	Shanghai Stock Exchange
SHSASAC	means	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government
SHDRC	means	Shanghai Municipal Development & Reform Commission
SHCC	means	Shanghai Municipal Commission of Commerce
Report Period	means	From January 1, 2013, to June 30, 2013
After Report Period	means	From July 1, 2013, to the date of releasing these Statements
Association of Articles	means	Association of Articles of SGSB GROUP Co., Ltd.

## 2013 Interim Financial Statements of SGSB GROUP Co., Ltd.

Company Law	means	The Company Law of the People's Republic of China
Securities Law	means	The Securities Law of the People's Republic of China
RMB, Ten Thousand RMB	means	RMB, Ten Thousand RMB, the legal currency of China
EUR	means	Currency of European Union

## Part II Introduction to Company

### 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	SGSB GROUP CO.,LTD.
Abbreviation of the Company name in English	SGSB
Legal representative of the Company	Zhang Min

### 2. Contact

	Secretary of Board of Directors	Representative of Securities-related Issues
Name	Zhang Jianguo	Shen Lijie
Address	F 12, Orient Building, No. 1500 Century Avenue, Pudong New Area, Shanghai	F 12, Orient Building, No. 1500 Century Avenue, Pudong New Area, Shanghai
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Email	zhangjianguo@sgsbgroup.com	shenlj@sgsbgroup.com

### 3. Company Profile

Registered Address	Room A-D, F 12, Orient Building, No. 1500 Century Avenue, Pudong New Area, Shanghai
Postal Code	200122
Office address	Room A-D, F 12, Orient Building, No. 1500 Century Avenue, Pudong New Area, Shanghai
Postal Code	200122
Website	<a href="http://www.sgsbgroup.com">http://www.sgsbgroup.com</a>
Email	sgsb@sgsbgroup.com

### 4. Information Release and Lodging Address

Name of newspaper selected by the Company for information release	Shanghai Securities News, Hong Kong Commercial Daily
Website appointed by CSRC for publishing interim statements	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Lodging address of interim statements of the Company	Office of board of directors of the Company

### 5. Introduction to Company's Stock

Introduction to Company's Stock				
Type of Stock	Exchange where stock is listed	Abbreviation of Stock	Code of Stock	Abbreviation of Stock before Change
A Share	Shanghai Stock Exchange	SGSB	600843	Shangong Stock, Gongfeng Share
B Share	Shanghai Stock Exchange	Shangong Share	B 900924	Gongfeng B Share

### 6. Registration Change of the Company in the Report Period

There was no registration change of the Company in the Report Period.

## Part III Summary of Accounting Data and Financial Index

### 1. Main Accounting Data and Financial Index of the Company

#### (1) Main Accounting Data

RMB

Main Accounting Data	This Report Period (from Jan. to Jun.)	Same period in the previous year		Increase or decrease in this Report Period over the previous year (%)
		after adjustment	before adjustment	
Operating revenue	871,423,265.72	776,923,825.11	776,923,825.11	12.16
Net profit attributable to shareholders of listed company	30,674,302.78	28,764,043.63	28,764,043.63	6.64
Net profit after deduction of non-recurring profits and losses, attributable to shareholders of listed company	30,691,946.38	27,660,118.14	27,660,118.14	10.96
Net cash flows from operating activities	-31,574,376.14	30,630,307.53	30,630,307.53	-203.08
	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 (%)
		after adjustment	before adjustment	
Net assets attributable to shareholders of listed company	717,407,509.82	704,345,823.10	729,473,292.70	1.85
Total assets	1,796,196,523.06	1,626,633,348.69	1,608,451,075.09	10.42

#### (2) Main Financial Index

Main Financial Index	This Report Period (from Jan. to Jun.)	Same period in the previous year		Increase or decrease of this Report Period over the previous year (%)
		after adjustment	before adjustment	
Basic earnings per share (RMB/share)	0.0683	0.0641	0.0641	6.55
Diluted earnings per share (RMB/share)	0.0683	0.0641	0.0641	6.55
Basic earnings per share after deduction of non-recurring profits and losses (RMB/share)	0.0684	0.0616	0.0616	11.04

Weighted average return on equity (%)	4.2622	4.0487	4.0368	Increase by 0.21%
Weighted average return on equity after deduction of non-recurring profits and losses (%)	4.2646	3.8934	3.8819	Increase by 0.37%

## 2. Items and Amount of Non-recurring Profits and Losses

Unit: RMB Currency: RMB

Items of Non-recurring Profits and Losses	Amount
Profits and losses from disposal of non-current assets	-621.94
government subsidies recorded in the current profit and loss	218,790.00
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	-91,960.49
Other non-operating income and expenditure except the above-said items	-93,256.00
Impact on minority interests	-11,817.09
Impact on income tax	-38,778.08
Total	-17,643.60



## Part IV Report of Board of Directors

### 1. Discussion and Analysis of the Board of Directors on Operating Status of the Company during the Report Period

In the Report Period, intricate and complicated situations continuously appear in the international and domestic economic environment, and the sewing industry remains depressed in the whole. Having confronting the dilemma, the management, together with employees of the Company, made their best efforts to composedly deal with such situation, and with the unremitting efforts of all the employees the business of the Company demonstrated many bright spots and the overall economic operation of the Company was stable. The Company insisted on technology innovation, took measures of differential development and avoided low-cost vicious competition. The Company positively implemented the overseas merger and acquisition strategies of “going out”, accelerated the technology upgrade of the main sewing business, and promoted the transformation and development of the traditional manufacturing industry. In the Report Period, the Company successfully purchased German PFAFF AG, and after the Report Period, successfully purchased German KSL GmbH, and thus, the Company could implement the strategies of synergism and cooperation and complementary advantages to enhance its strength in developing the main sewing business. The Company will further accelerate the consolidation of its main overseas and domestic sewing business and perfect the adjustment of product and production layout, and enhance the construction on global sales network and information system.

In the Report Period, German DA AG, the overseas subsidiary of the Company, continuously kept the good development trend, and its sales revenue and profit increased a bit on a year-on-year basis. From April, PFAFF AG was covered in the consolidated financial statements, the consolidation after purchase was ongoing by efforts, and to a certain extent, PFAFF AG still experienced operating losses. The sales volume of household multifunctional sewing machines manufactured by Shanggong Butterfly increased largely, and its sales volume in the first half year was equal to the sales volume in the whole last year. DA Trading Company enlarged the direct sales proportion of heavy duty sewing machines, improved the gross profit rate of products, positively promoted sales in the market, and gradually increased the market share.

In the Report Period, the operation revenue of the Company was RMB 871,420,000, increasing by 12.16% on a year-on-year basis, wherein, the sales revenue of sewing equipment increased by 13.47%, the operating profit was RMB 76,270,000, increased by 2.36% on a year-on-year basis, the net profit attributable to shareholders of the listed company was RMB 30,670,000, increasing by 6.64% on a year-on-year basis, and the net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses increased by 10.96% on a year-on-year basis.

In the Report Period, the industrial sewing machines produced domestically were 5,261 pieces (sets), decreasing by 26.50% on a year-on-year basis, and the industrial sewing machines sold were 16,324 pieces (sets) (including 9,866 pieces sold by Shanggong Butterfly), decreasing by 17.80% on a year-on-year basis. The foreign exchange revenue of the Company from export (not including DA AG) was USD 39,190,000, increasing by 9.7% on a year-on-year basis. The industrial sewing machines produced and sold by the overseas subsidiaries of the Company were 9,000 and 11,298 pieces (sets), respectively, decreasing by 8.9% and increasing by 28.9%, respectively.

## I. Large Change of Items in the Balance Sheet of the Company at the End of Report Period and Reasons

Unit: RMB Currency: RMB

Items	At the end of this Report Period	At the end of previous year	Amount increase or decrease	Increase or decrease (%)	Analysis for reasons
Notes receivable	3,180,096.00	8,211,621.14	-5,031,525.14	-61.27	Note 1
Account receivable	245,712,001.54	149,571,853.26	96,140,148.28	64.28	Note 2
Advance payment	30,905,340.85	23,453,336.69	7,452,004.16	31.77	Note 3
Dividend receivable	11,952,818.25	638,783.61	11,314,034.64	1771.18	Note 4
Other current assets	2,891,436.57	1,717,181.91	1,174,254.66	68.38	Note 5
Intangible assets	54,460,528.19	30,326,717.44	24,133,810.75	79.58	Note 6
Development expenditure	41,507,639.19	27,797,905.03	13,709,734.16	49.32	Note 7
Goodwill	31,881,381.22	24,234,159.36	7,647,221.86	31.56	Note 8
Account collected in advance	34,897,553.21	26,636,113.70	8,261,439.51	31.02	Note 9
Employee benefits payable	41,345,008.29	25,933,892.09	15,411,116.20	59.42	Note 10
Taxes payable	30,781,905.42	22,551,179.49	8,230,725.93	36.50	Note 11
Long-term loans payable	85,891,712.87	1,489,984.87	84,401,728.00	5664.60	Note 12
Deferred income tax liabilities	34,235,055.12	17,689,822.94	16,545,232.18	93.53	Note 13
Undistributed profit	-51,874,290.40	-82,548,593.18	30,674,302.78	37.16	Note 14

Note 1: mainly caused by accepting the acceptance bill in this Period

Note 2: mainly caused by lower collection amount of DA AG in Europe in this Period than the end of previous year and consolidation of German PFAFF AG into these Consolidated Financial Statements

Note 3: mainly caused by increase of advance payment of subsidiaries in this Period

Note 4: dividend receivable distributed by Fiji Xerox of Shanghai Limited in this Period

Note 5: rent and insurance premium, etc., increased in this Period and borne in the later period, by European subsidiaries

Note 6: mainly caused by consolidation of German PFAFF AG into these Consolidated Financial Statements in this Period

Note 7: mainly caused by consolidation of German PFAFF AG into these Consolidated Financial Statements in this Period

Note 8: caused by consolidated goodwill from purchase of German PFAFF AG by SG Europe in this Period

Note 9: mainly caused by increase of sales revenue received in advance, of subsidiaries in this Period

Note 10: mainly caused by provision of termination benefits by German PFAFF AG

Note 11: mainly caused by increase of balance of income tax payable at the end of this period and value-added tax payable over the beginning of this year due to profit increase in this Period

Note 12: long-term loans payable increased by European DAAG in this Period

Note 13: mainly caused by consolidation of German PFAFF AG into these Consolidated Financial Statements after purchase in this Period

Note 14: caused by profit in this Period

## II. Large Change of Items in the Income Statement of the Company in this Report Period and Reasons

Unit: RMB Currency: RMB

Items	This Report Period	Same period in the previous year	Amount increase or decrease	Increase or decrease (%)	Analysis for reasons
Financial expenses	10,718,964.95	6,131,703.99	4,587,260.96	74.81	Note 1
Loss of asset impairment	-589,244.67	11,523,137.66	-12,112,382.33	-105.11	Note 2
Income from changes in fair value	-80,413.50	-33,802.29	-46,611.21	-137.89	Note 3
Non-business expenditure	316,661.06	150,609.16	166,051.90	110.25	Note 4

Note 1: mainly caused by increase of exchange loss on year-on-year basis

Note 2: mainly caused by reversal of bad debt reserve for account receivable

Note 3: mainly caused by decreasing change gain of fair value of trading financial assets on year-on-year basis

Note 4: mainly caused by increase of charitable donation outlay on year-on-year basis

## III. Large Change of Items in the Cash Flow Statement of the Company in this Report Period and Reasons

Unit: RMB Currency: RMB

Items	This Report Period	Same period in the previous year	Amount increase or decrease	Increase or decrease (%)	Analysis for reasons
Net cash flow from operating activities	-31,574,376.14	30,630,307.53	-62,204,683.67	-203.08	Note 1
Net cash flow from investing activities	-96,239,879.63	4,709,533.48	-100,949,413.11	-2,143.51	Note 2
Net cash flow from financing activities	89,345,710.67	-23,531,677.51	112,877,388.18	479.68	Note 3
Impact of change of exchange rate on cash flow	-9,216,787.28	-5,272,140.58	-3,944,646.70	-74.82	Note 4

Note 1: mainly caused by increase of cash paid to employees and taxes and charges paid on year-on-year basis

Note 2: mainly caused by increase of cash paid for purchase and construction of fixed assets and intangible assets and purchase of German PFAFF AG by European subsidiaries

Note 3: mainly caused by decrease of net repayment amount of short-term bank loans payable and increase of long-term bank loans payable on year-on-year basis

Note 4: mainly caused by impact of change of Euro exchange rate

### (1) Analysis on Main Business

#### I. Analysis on Change of Relevant Items in the Financial Statements

Unit: RMB Currency: RMB

Items	Amount in this Period	Amount in the same period of previous year	Change (%)
Operating revenue	871,423,265.72	776,923,825.11	12.16
Operating expenses	606,814,372.70	539,093,035.03	12.56
Sales expenses	88,494,572.02	72,772,714.18	21.60
Management expenses	98,820,662.84	82,595,250.52	19.64
Financial expenses	10,718,964.95	6,131,703.99	74.81
Net cash flow from operating activities	-31,574,376.14	30,630,307.53	-203.08
Net cash flow from investing activities	-96,239,879.63	4,709,533.48	-2,143.51
Net cash flow from financing activities	89,345,710.67	-23,531,677.51	479.68
Research and development expenditures	26,637,899.76	23,436,504.74	13.66

## II. Others

### (i) Detailed Statement on Major Change in Profit structure and Profit Sources of the Company

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

### (ii) Analysis and Statement on Implementation Progress of Various Financing and Major Assets

#### Restructuring of the Company in the Earlier Stage

Statement on Non-public stock offering Progress of the Company

On February 7, 2013, the second meeting of the seventh board of directors held by the Company discussed and adopted the pre-plan of a non-public stock offering (for details, see the Company's temporary bulletin No. 2013-007 dated February 7, 2013), and the Company prepared to non-publicly offer 150 million shares and raise funds no more than RMB 831 million.

According to the demand of project progress, the third meeting of the seventh board of directors held by the Company on March 6, 2013, and the 2013 first temporary shareholders' meeting held on March 25, 2013, discussed and adopted the proposal of investing in Germany PFAFF AG, respectively. By the end of March, 2013, the Company had completed the closing procedures of 100% equity of Germany PFAFF AG purchased by SG Europe, and on May 8, 2013, the change registration procedures in the industrial and commercial administration had been finished.

According to the demand of project progress, the seventh meeting of the seventh board of directors held by the Company on July 8, 2013, and the 2013 second temporary shareholders' meeting held on July 24, 2013, discussed and adopted the proposal of investing in Germany KSL GmbH and its affiliates, respectively. On July 31, 2013, SG Europe had finished the closing procedures to purchase 100% equity of Germany KSL GmbH.

Because increasing investment in Chem-land and implementing the project of functional thin films and coatings requires the prior consolidation of Chem-land and its affiliates, and the time of consolidation in the earlier stage will be long, through the sufficient discussion by various parties, the Company decided to give up investing funds raised in this project, and adjusted the original total funds of RMB 831 million raised to funds not more than RMB 671 million.

The adjusted pre-plan of non-public stock offering (revised) had been discussed and adopted by the eighth meeting of the seventh board of directors held by the Company on July 25, 2013, and the 2013 third temporary shareholders' meeting held on August 20, 2013 (for details, see the Company's temporary bulletin No. 2013-033 and 2013-037 dated July 27, 2013).

Issues relevant to non-public stock offering had been approved or reviewed and approved by SHSASAC, SHDRRC and SHCC, and after reviewed and approved by CSRC, they can be implemented. The Company is positively carrying on the relevant job, and will perform the obligations of information disclosure in time.

## (2) Analysis on Operation Status by Industry, Product and Region

### I. Main Business Status by Industry and Product

Unit: RMB Currency: RMB

Main Business Status by Industry						
Industry	Operating expenses	Operating expenses	Gross profit rate (%)	Increase or decrease of operating revenue over the previous year (%)	Increase or decrease of operating expenses over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Sewing equipment	631,337,295.48	396,111,939.88	37.26	13.47	15.37	Decrease 1.03%
Export trade	158,851,396.20	154,304,033.94	2.86	10.59	9.21	Increase 1.22%
Image materials	34,231,169.71	29,787,575.36	12.98	-3.33	-5.40	Increase 1.90%
Office machinery	18,282,797.59	16,014,146.66	12.41	6.99	12.98	Decrease 4.6%
Others	1,936,190.02	59,835.46	96.91	-38.42	-95.03	Increase 35.20%
Total	844,638,849.00	596,277,531.30	29.40	11.77	12.19	Decrease 0.27%

## II. Main Business Status by Region

Unit: RMB Currency: RMB

Region	Operating revenue	Increase or decrease of operating revenue over the previous year (%)
Domestic	361,806,640.41	7.29
Overseas	482,832,208.59	15.38

### (3) Analysis on Core Competence

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 Dürkopp Adler AG in 2005, one of the famous sewing machine manufacturing company 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. 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.

## (4) Analysis on Investment Status

### I. Overall Analysis on Foreign Equity Investment

Change of Foreign Equity Investment Amount in the Report Period over the Previous Year on Year-on-year Basis

Project	Amount of Foreign Equity Investment in the Report Period	Investment Amount in the same period of previous year	Increase or decrease of investment amount	Percentage of increase or decrease of investment amount (%)
Purchase of and investment increase in Germany PFAFF AG through SG Europe	EUR 7,100,001	0	EUR 7,100,000	
Establishment of wholly-owned subsidiary from electronic branch	RMB 20 million	0	RMB 20 million	

Name and Main Business of Companies Invested and Equity Proportion in Companies Invested

No.	Name of Companies Invested	Main Business	Investment Amount	Equity Proportion in Companies Invested (%)
2	German PFAFF Industriesystem und Maschinen AG	Mainly undertake production and sales of industrial sewing machines	EUR 7,100,000	100
1	Shanghai SGSB Electronic Co., Ltd.	Mainly undertake production and sales of electronic connectors	RMB 20 million	100

### (i) Securities Investment Status

No.	Securities type	Securities code	Abbreviation of securities	Initial investment	Shareholding number	Book value at the end	Proportion in total	Gains and losses in
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				amount (RMB)	(shares)	of Report Period (RMB)	securities investment at the end of Report Period (%)	the Report Period (RMB)
1	Stock	601558	Sinovel Wind	1,080,000.00	48,000.00	182,880.00	40.73	-69,600.00
2	Stock	300160	Xiuqiang Stock	17,500.00	1,000.00	7,060.00	1.57	-780.00
3	Fund	040002	Huaan	100,000.00	559,435.23	259,018.51	57.69	-30,209.50
Gains and losses from investment of securities sold in the Report Period				/	/	/	/	-11,546.99
Total				1,197,500.00	/	448,958.51	100	-112,136.49

Note: The above-said securities are held by the Company by subscribing the new stock and winning lots.

**(ii) Status of Holding Equity of Other Listed Companies**

Unit: RMB

Securities code	Abbreviation of securities	Initial investment amount	Holding proportion at the beginning of Report Period (%)	Holding proportion at the end of Report Period (%)	Book value at the end of Report Period	Gains and Losses in Report Period	Change of owner's interest in the Report Period	Accounting Items	Share source
600689	Shanghai Sanmao	1,779,800.00	<5%	<5%	3,379,797.90	0	-1,581,192.00	Available-for-sale financial assets	Corporate shares investment
600757	Changjiang Publishing & Media	72,085,722.82	<5%	<5%	60,143,438.56	0	-3,192,545.54	Available-for-sale financial assets	Corporate shares investment
Total		73,865,522.82	/	/	63,523,236.46	0	-4,773,737.54	/	/

Note: Shares of Changjiang Publishing & Media were transferred to the Company by bank to which interests of Changjiang Publishing & Media were compensated in the bankruptcy and restructuring. When other equities were listed, the Company invested in such corporate shares and holds them until now.

**(iii) Status of Holding Equity of Financial Enterprises**

Name of Enterprise	Initial investment amount (RMB)	Holding proportion at the beginning of Report Period (%)	Holding proportion at the end of Report Period (%)	Book value at the end of Report Period (RMB)	Gains and Losses in Report Period	Change of owner's interest in the Report Period	Accounting Items	Share source
Bank of Shanghai	951,400.00	<5	<5	951,400.00	0	0	Long-term equity investment	Purchase
Baoding Investment	7,500.00	<5	<5	7,500.00	0	0	Long-term equity investment	Purchase
Shenyin & Wanguo Securities	200,000.00	<5	<5	200,000.00	0	0	Long-term equity investment	Purchase
Total	1,158,900.00	/	/	1,158,900.00	0	0	/	/

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

**II. Status of Investment in Consigned Financing and Derivatives of Non-financial Companies****(i) Consigned Financing**

No consigned financing in this Report Period

**(ii) Entrusted Loans**

No entrusted loans in this Report Period

**III. Use of Raised Funds**

In this Report Period, the Company did not raise funds, or no funds raised in the earlier stage were used until this Report Period.

**IV. Analysis on Main Subsidiaries and Company of Which SGSB holds shares**

Analysis on Main Subsidiaries

Unit: RMB      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 12,500,000	1,158,753,957.31	437,780,402.83	490,366,736.60	72,816,418.08	48,770,065.77
Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.	manufacturing and sales of various sewing equipment	RMB 79 million	136,832,959.20	77,779,086.52	189,925,161.91	4,497,810.50	3,973,317.03
Dürkopp Adler Trading (Shanghai) Co., Ltd.	Sales of various sewing equipment	USD 6 million	118,188,413.21	44,989,995.21	70,773,597.11	4,108,128.27	3,992,678.45



Circumstance under which the impact of investment gains from single company of which the Company holds shares on net profit of the Company is more than 10%

Unit: 10 thousand RMB      Currency: RMB			
Company Name	Operating revenue	Operating profit	Net profit
Fiji Xerox of Shanghai Limited	155,274	5,533	4,680

## V. Use of Non-Raised Funds

Unit: 10 thousand RMB      Currency: RMB					
Project name	Project amount	Project progress	Amount invested in this Report Period	Actual aggregate amount invested	Project Gains
Purchase of and investment increase in German PFAFF AG	20000	Purchase of 100% equity of German PFAFF AG using EUR 1, and increase of registered capital of EUR 4,800,000, capital reserve of EUR 2,300,000, and loan of EUR 11,500,000 granted by shareholder	EUR 18,600,000	EUR 18,600,000	-537.76
Establishment of Shanghai SGSB Electronic Co., Ltd.	2,000	At the end of the Report Period, registration in the industrial and commercial administration has been completed	2,000	2,000	0
Total	22,000	/	EUR 18,600,000, RMB 20,000,000	EUR 18,600,000, RMB 20,000,000	/

After the Report Period, the Company announced the investment in German KSL GmbH and its affiliates, and the total investment was RMB 250 million, which was used to purchase 100% equity of German KSL GmbH and its affiliates, and invest in and develop the business, such as automatic sewing stations, etc., including 3D sewing technology. At the end of July, the closing of the above-said equity, etc., had been completed, and from August, this company was covered in the consolidated financial statements of the Company. (Exchange rate is temporarily calculated on the basis of 1: 8.3)

The funds raised from this non-public stock offering were prepared to invest in projects of German PFAFF AG and German KSL GmbH and its affiliates, but due to the demand of project progress, the Company had invested in these projects using its own funds in advance, and when the funds are raised, the Company will replace its raised funds with funds raised according to the procedures as specified.

## 2. Profit Distribution and Pre-plan of Capitalization of Capital Reserve

### (V) Implementation or Adjustment on Profit Distribution Plan Performed in the Report Period

In the Report Period, the 2012 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 had been implemented.

## 3. Other Issues Disclosed

**(VI.) Statement of the Board of Directors and the Supervision Committee on Non-standard Auditing Report Issued by the Certified Accountants Firm**

√Not applicable

## Part V Important Issues

### 1. Major Litigations and Arbitrations and Issues generally Questioned by Media

#### (1) Litigations and Arbitrations not Disclosed in the Temporary Bulletin or with the Follow-up Progress

Unit: RMB Currency: RMB

In the Report Period									
Plaintiff (Applicant)	Defendant (Applied)	Party assuming joint and several responsibilities	Type of litigation and arbitration	Basic situation of litigation (arbitration)	Amount involved in litigation (arbitration)	Predicted debts or amount formed in litigation (arbitration)	Progress of litigation (arbitration)	Trial result and impact of litigation (arbitration)	Award enforcement of litigation (arbitration)
Shanghai Shanggong Import and Export Co., Ltd.	Shanghai Shuangchongbao Sewing Machine Co., Ltd.		Bankruptcy and liquidation	Because Shanghai Shuangchongbao Sewing Machine Co., Ltd., one subsidiary controlled by the Company, could not pay off the outstanding and due debts, and be insolvent, in accordance with relevant provisions of the Bankruptcy Law of the People's Republic of China, Shanghai Shanggong Import and Export Co., Ltd., entity in charge of the liquidation, applied for causing Shanghai Shuangchongbao Sewing Machine Co., Ltd. to		No	On June 26 2013, the company received the civil ruling made by the people's court of Pudong New Area, Shanghai [(2013) Pu Min Er (Shang) Po Zi No. 9-1], in which it decided to accept the application of applicant, Shanghai Shanggong Import and Export Co., Ltd., for bankruptcy and liquidating Shuangchongbao Sewing Machine Co., Ltd. On July 16, the Company	The registered capital of Shuangchongbao Sewing Machine Company was RMB 12 million, and the Company held 70% equity and owned 90% voting of Shuangchongbao Sewing Machine Company, and its initial investment amount was RMB 10,800,000. Shuangchongbao Sewing Machine Company had been shut down since 2007, and the Company had drawn the impairment loss for the full amount of its equity investment	

				enter the bankruptcy procedures.			received the civil decision made by the people's court of Pudong New Area, Shanghai [(2013) Pu Min Er (Shang) Po Zi No. 9-3], in which the court appointed Shanghai Hui Ye Law Firm to act as the bankruptcy manager for bankruptcy and liquidation case of Shuangc hong Company.	nt in the previous year. In the Report Period, Shuangc hong Company was not covered in the consolidated statements of the Company.	
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**2. Issues Relevant to Bankruptcy and Restructuring**

No issues relevant to bankruptcy and restructuring in the Report Period

**3. Assets Transaction and Enterprise Merger**

**(1) Purchase and Sales by Company and Enterprise Merger have been disclosed in the temporary bulletin, and there is no change in the follow-up implementation**

Summary and Type of Issues	Inquiry Index
<p>Assets purchased: SG Europe purchased and increase investment in German PFAFF AG</p> <p>The Company is preparing to purchase 100% equity of PFAFF AG in consideration of EUR 1 through SG Europe, and meanwhile, totally invest about EUR 24,100,000 (approximately RMB 200,000,000, temporarily calculated based on the exchange rate of 1:8.3) in it to increase its registered capital and grant the loans from shareholder to fully meet</p>	<p>This issue had been discussed and adopted by the third meeting of the seventh board of directors and the 2013 first temporary shareholders' meeting, and for details, see the Company's temporary bulletin No. 2013-010, 011 dated March 6, 2013, and the Company's temporary bulletin No. 2013-018 dated March 25, 2013, 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>)</p>
<p>Assets purchased: SG Europe invested in German KSL GmbH and its affiliates</p> <p>The Company prepares to purchase and invest in German KSL GmbH and its affiliates through SG Europe, and the total investment amount of project is EUR 30,120,000 (equal to RMB 250,000,000, temporarily calculated based on the exchange rate of 1:8.3), wherein, the purchase cost is EUR 18,500,000 (paid in two installments, and the first installment is EUR 12,950,000, and the second installment is EUR 5,550,000); after the closing of purchase, loan of EUR 11,620,000 will be granted to the target company by the shareholder, and such funds will be used in investing in and developing the business, such as automatic sewing station, etc., including 3D sewing technology.</p>	<p>This issue had been discussed and adopted by the seventh meeting of the seventh board of directors and the 2013 second temporary shareholders' meeting, and for details, see the Company's temporary bulletin No. 2013-028, 030 dated July 9, 2013, and the Company's temporary bulletin No. 2013-032 dated July 25, 2013, 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>)</p>

**4. Equity Incentive of the Company and Its Impact**

√ not applicable

**5. Major Associated Transactions****(1) Associated Transactions Relevant to Daily Operations**

**i. 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
<p>The electronic branch of Shanghai Shenbei, one 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.</p>	<p>The temporary bulletin No. 2013-021 disclosed by the Company on April 26, 2013, 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>).</p>

**6. Major Contracts and Their Performance****(1) Trusteeship, Contracting and Lease**

√ Not applicable

**(2) Guarantees**

Unit: RMB Currency: RMB

External Guarantee of the Company (not including guarantee for subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guaranteed	Guarantee amount	Guarantee Date (signing date of agreement)	Beginning date of guarantee	Expiration date of guarantee	Guarantee Type	Whether guarantee has been fulfilled	Whether guarantee is overdue	Overdue guarantee amount	Whether there is counter-guarantee	Whether it is guarantee for affiliates	Affiliate relationship
GSB Group Co., Ltd.	Headquarters of the Company	Shanghai Pudong Development (Group) Co., Ltd.	11,560	June 9, 2012	June 9, 2012	June 8, 2015	Joint and several liability	No	No	0	No	No	
Total guarantee amount at the end of Report Period (A) (not including guarantee for subsidiaries)								11,560					
Guarantee of the Company for Subsidiaries													
Total guarantee amount for subsidiaries at the end of Report Period (B)								3,786					
Total guarantee amount of the Company (including guarantee for subsidiaries)													
Total guarantee amount (A+B)								15,346					
Proportion of guarantee amount in the net assets of the Company (%)								18.10					

In accordance with share transfer agreement for German DAAG entered into by and between the Company and FAG Kugelfischer GmbH (hereinafter referred to as "FAG GmbH"), this Company shall assume the joint and several responsibilities for the following issues:

In 2005, this Company issued to FAG GmbH a guarantee letter amounting to not more than USD 5,300,000 for house lease of a subsidiary of DAAG in USA with validity term from June 30, 2005, to October 31, 2015, and meanwhile, on June 30, 2005, SG Europe provided FAG GmbH with cash pledge of EUR 635,000 with the same validity term so as to provide the re-guarantee for transaction of house sales-leaseback between a subsidiary of DAAG in USA and UTF Norcross L.L.C.

**(3) Other Major Contracts and Transactions**

No other major contracts and transaction in this Report Period

**7. Performance of Committed Issues**

√ Not applicable

**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 2013 financial statements of the Company.

**9. Punishment on and Rectification of Listed Company and Its Directors, Supervisors, Senior Officers, Shareholders Holding over 5% shares, Actual Controller and Purchaser**

In this Report Period, this Company and its directors, supervisors, senior officers, shareholders holding over

5% shares, actual controller and purchaser were not investigated, imposed on the administrative punishment, and criticized with a circulated notice by CSRC, and publicly censured by the stock exchange.

## **10. 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.

## **11. Statements on Other Major Issues**

### **(1) Analysis and Statements of the Board of Directors on Reasons for and Impact of Change of Accounting Policies, Accounting Estimation or Calculation Methods**

From January 1, 2013, SG Europe, the overseas subsidiary of the Company, and Dürkopp Adler AG, one of its subsidiary, in accordance with the provisions in the amended International Accounting Standards 19 – Employee Benefits, drew the pension reserve. The amended International Accounting Standards 19 – Employee Benefits revokes the corridor approach, and requires full confirmation and re-measurement on the change of net debts or net assets in defined benefit plan. The gains and losses from re-measuring the defined benefit plan are entered into other comprehensive gains. The retrospective adjustment approach was applied in this change of accounting policies, and based on the accumulated amount impacted by the change of accounting policies, the balance of corresponding accounting items at the beginning of period and other comparable data disclosed in the earlier stage of series of report were adjusted.

BDO China Shu Lun Pan Certified Public Accountants LLP issued the Special Auditing Report for Change of Accounting Policies for Pensions reserve of Overseas Subsidiaries of SGSB Group Co., Ltd., (Xin Kuai Shi Bao Zi [2013] No. 113733) for this issue.

## Part VI Share Change and Shareholder Status

### 1. Capital Stock Change

#### (1) Share Change

##### i. Share Change

In the Report Period, there is no change in total share number and capital stock structure of the Company.

#### (2) Non-tradable Share Change

No non-tradable share change in the Company in the Report Period

### 2. Shareholder Status

#### (1) Shareholder Number and Shareholding

Unit: Share

Total number of shareholders at the end of Report Period		44,189 (A Share: 15,445; B Share: 28,744)				
Shareholding of top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shareholding	Increase or decrease in the Report Period	Number of non-tradable shares held	Number of shares pledged or frozen
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	State	23.48	105,395,358	0	0	none
China Great Wall Asset Management Corporation	State	1.23	5,530,514	0	0	Unknown
HSBC BROKING SECURITIES (ASIA) LIMITED CLIENTS ACCOUNT	Overseas corporate	0.58	2,599,948	0	0	Unknown
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	Overseas corporate	0.52	2,329,700	1,962,300	0	Unknown
SHENYIN WANGUO NOMINEES (H.K.) LTD.	Overseas corporate	0.50	2,228,228	-140,000	0	Unknown
Shanghai International Trust Corp., Ltd.	State	0.44	1,965,210	-379,200	0	Unknown
UBS CUSTODY SERVICES SINGAPORE PTE. LTD.	Overseas corporate	0.33	1,485,000	0	0	Unknown
Shanghai Sanmao Enterprise (Group) Co., Ltd.	State-owned corporate	0.31	1,400,000	0	0	Unknown
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas corporate	0.27	1,210,896	0	0	Unknown
Yu Zhongxi	Domestic natural person	0.25	1,126,010	-33,990	0	Unknown
Tradable share holding of top 10 shareholders						

Name of shareholder	Number of tradable shares	Share type and number
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	105,395,358	Common share in RMB 105,395,358
China Great Wall Asset Management Corporation	5,530,514	Common share in RMB 5,530,514
HSBC BROKING SECURITIES (ASIA) LIMITED CLIENTS ACCOUNT	2,599,948	B Share 2,599,948



HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	2,329,700	B Share	2,329,700
SHENYIN WANGUO NOMINEES (H.K.) LTD.	2,228,228	B Share	2,228,228
Shanghai International Trust Corp., Ltd.	1,965,210	Common share in RMB	1,965,210
UBS CUSTODY SERVICES SINGAPORE PTE. LTD.	1,485,000	B Stock	1,485,000
Shanghai Sanmao Enterprise (Group) Co., Ltd.	1,400,000	Common share in RMB	1,400,000
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,210,896	B Share	1,210,896
Yu Zhongxi	1,126,010	B Share	1,126,010
Statement on affiliate relationship between or concerted action of the above-said shareholders	The Company does not know whether or not there is affiliate relationship between the above-said shareholders, or they are persons acting in concert.		

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

In this Report Period, there is no change in controlling shareholder or actual controller of the Company

## **Part VII Directors, Supervisors and Senior Officers Status**

### **1. Shareholding Change**

#### **(1) Shareholding Change of Current Directors, Supervisors and Senior Officers and Dismissed Directors, Supervisors and Senior Officers in the Report Period**

In this Report Period, there is no change in shareholding of directors, supervisors and senior officers of the Company.

### **2. Change of Directors, Supervisors and Senior Officers of the Company**

In this Report Period, there is no change in directors, supervisors and senior officers of the Company.

## **Part VIII Catalogue of Documents for Reference**

- 1. Full text and summary of 2013 interim financial statements of the Company signed by the legal representative and sealed by the Company**
- 2. Financial statements signed and sealed by the legal representative, the principal in charge of accounting, the head of financial department**
- 3. Originals of all Company's documents and originals of bulletins publicly disclosed in the newspapers appointed by China Securities regulatory Commission in the Report Period**

Chairman: Zhang Min  
SGSB Group Co., Ltd.  
August 29, 2013

## Financial Report

The Financial part of 2013 Interim report of the Company is unaudited.  
The Financial Report and Annotations to the Financial Report are attached as follows.

### Balance Sheet June 30, 2013

RMB'

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Cash and cash equivalents		420,692,944.15	468,232,331.76
Provision for settlement			
Fund for lending			
Tradable financial assets		448,958.51	574,196.01
Bills receivable		3,180,096.00	8,211,621.14
Accounts receivable		245,712,001.54	149,571,853.26
Prepayments		30,905,340.85	23,453,336.69
Insurance receivable			
Accounts receivable reinsurance			
Contract provision for accounts receivable reinsurance			
Interest receivable			
Dividend receivable		11,952,818.25	638,783.61
Other receivables		49,128,780.22	39,701,699.79
Financial assets purchased under resale			
Inventories		370,024,351.94	307,439,358.97
Non-current assets to be expired in one year			
Other current assets		2,891,436.57	1,717,181.91
Total current assets		1,134,936,728.03	999,540,363.14
<b>Non-current assets:</b>			
Payment of entrustment loans and advances			
Available for sale financial assets		63,523,236.46	68,296,974.00
Held-to-maturity investment			
Long-term receivables			
Long-term investment on stocks		67,706,456.48	67,564,942.15
Investment properties		111,878,131.95	115,390,463.60
Fixed assets		252,949,215.75	249,032,681.09
Construction in progress		4,799,500.45	5,216,860.31
Construction materials			
Disposal of fixed assets			
Consumable biological asset			
Oil&gas asset			
Intangible assets		54,460,528.19	30,326,717.44
R&D expense		41,507,639.19	27,797,905.03
Goodwill		31,881,381.22	24,234,159.36

Long-term unamortized expense			
Deferred tax, asset		32,553,705.34	39,232,282.57
Other non-current assets			
Total non-current assets		661,259,795.03	627,092,985.55
Total assets		1,796,196,523.06	1,626,633,348.69
<b>Current liabilities:</b>			
Short-term loans		129,776,293.94	120,319,444.25
Loans from central bank			
Deposits and placements			
Borrowing fund			
Tradable financial liabilities			
Bills payable		2,723,979.84	2,734,313.70
Accounts payable		123,204,154.51	111,546,381.94
Advances on sale		34,897,553.21	26,636,113.70
financial assets sold for repurchase			
Fee and commission payable			
Wages and salaries unpaid		41,345,008.29	25,933,892.09
Tax unpaid		30,781,905.42	22,551,179.49
Interest unpaid			
Dividend unpaid		1,032,818.86	1,032,818.86
Other payables		149,107,126.27	137,059,546.43
Accounts payable reinsurance			
provision for insurance contract			
Acting sale of securities			
Acting underwriting securities			
Long-term liabilities to be expired in one year		520,000.00	520,000.00
Other current liabilities		764,860.51	933,818.82
Total current liabilities		514,153,700.85	449,267,509.28
<b>non-current liabilities:</b>			
Long-term borrowings		85,891,712.87	1,489,984.87
Bonds payable			
Long-term accounts payable		4,212,957.80	4,257,092.80
Specific payable			
Contingent liabilities		310,044,082.34	328,338,256.7
Deferred tax, debit		34,235,055.12	17,689,822.94
Other non-current liabilities			
Total non-current liabilities		434,383,808.13	351,775,157.31
Total liabilities		948,537,508.98	801,042,666.59
<b>owners' equity (or shareholder's equity):</b>			
Paid-up capital (or stock)		448,886,777.00	448,886,777.00
Capital reserve fund		377,417,007.81	383,946,474.23
Less: treasury stock			

Special provision			
Surplus reserve fund		4,546,242.52	4,546,242.52
General risk reserve			
Undistributed profit		-51,874,290.40	-82,548,593.18
Difference of foreign currency translation		-61,568,227.11	-50,485,077.47
Total owners' equity attributable to parent company		717,407,509.82	704,345,823.10
Minority interests		130,251,504.26	121,244,859.00
Total owners' equity		847,659,014.08	825,590,682.10
Total liabilities and owners' equity		1,796,196,523.06	1,626,633,348.69

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

### Balance Sheet of Parent Company

June 30, 2013:

RMB'

Item	Note	Ending balance	Beginning balance
<b>Current assets:</b>			
Cash and cash equivalents		38,135,560.86	43,545,254.69
Tradable financial assets		304,738.51	352,348.01
Bills receivable		2,980,096.00	883,761.00
Accounts receivable		16,982,520.42	14,527,589.46
Prepayments		2,251,260.33	4,389,162.31
Interest receivable			
Dividend receivable		11,952,818.25	638,783.61
Other receivables		46,270,077.74	57,091,690.62
Inventories		27,163,970.36	23,183,542.94
Non-current assets to be expired in one year			
Other current assets			
Total current assets		146,041,042.47	144,612,132.64
<b>Non-current assets:</b>			
Available for sale financial assets		63,523,236.46	68,296,974.00
Held-to-maturity investment			
Long-term receivables		82,785,000.00	82,785,000.00
Long-term investment on stocks		337,002,822.17	317,002,822.17
Investment properties		84,785,248.20	86,848,872.22
Fixed assets		44,511,594.35	46,917,230.96
Construction in progress		9,316.24	
Construction materials			
Disposal of fixed assets			
Consumable biological asset			
Oil&gas asset			
Intangible assets		25,197,868.55	25,813,264.49
R&D expense			
Goodwill			

Long-term unamortized expense			
Deferred tax, asset			
Other non-current assets			
Total non-current assets		637,815,085.97	627,664,163.84
Total assets		783,856,128.44	772,276,296.48
<b>Current liabilities:</b>			
Short-term loans		106,348,148.62	115,948,148.62
Tradable financial liabilities			
Bills payable		2,723,979.84	2,734,313.70
Accounts payable		20,745,036.34	19,567,989.77
Advance payment		20,179,610.54	3,398,851.03
Wages and salaries unpaid		981,239.94	943,672.79
Tax unpaid		1,029,530.00	608,321.22
Interest unpaid			
Dividend unpaid		1,032,818.86	1,032,818.86
Other payables		76,499,307.93	73,991,648.94
Long-term liabilities to be expired in one year		520,000.00	520,000.00
Other current liabilities			500,000.00
Total current liabilities		230,059,672.07	219,245,764.93
<b>non-current liabilities:</b>			
Long-term borrowings		1,489,984.87	1,489,984.87
Bonds payable			
Long-term accounts payable		1,611,944.32	1,611,944.32
Specific payable			
Contingent liabilities			
Deferred tax, debit		1,197,067.41	1,197,067.41
Other non-current liabilities			
Total non-current liabilities		4,298,996.60	4,298,996.60
Total liabilities		234,358,668.67	223,544,761.53
<b>owners' equity (or shareholder's equity):</b>			
Paid-up capital (or stock)		448,886,777.00	448,886,777.00
Capital reserve fund		454,754,097.49	459,527,835.03
Less: treasury stock			
Special provision			
Surplus reserve fund		4,546,242.52	4,546,242.52
General risk reserve			
Undistributed profit		-358,689,657.24	-364,229,319.60
Total owners' equity (or shareholder's equity)		549,497,459.77	548,731,534.95
Total liabilities and owners' equity		783,856,128.44	772,276,296.48

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

**Profit/Loss Statement**  
January- June 2013

RMB'

Item	Note	Current period	Last period
1. Total operating revenues		871,423,265.72	776,923,825.11
including: Operating income		871,423,265.72	776,923,825.11
Interest income			
Earned insurance			
Fees and commission income			
2. Total operating cost		806,943,182.84	714,647,290.09
including: Operating expense		606,814,372.70	539,093,035.03
Interest expense			
Fees and commission expense			
Surrender value			
Net claims paid			
net reserve for Extraction of the insurance contract,			
Dividend expense for insurance policy			
Reinsurance costs			
Principal operating tax and associate charge		2,683,855.00	2,531,448.71
Sales expense		88,494,572.02	72,772,714.18
Management expense		98,820,662.84	82,595,250.52
Financial expense		10,718,964.95	6,131,703.99
Impairment of assets		-589,244.67	11,523,137.66
Add: Net income in fluctuation of fair value(less: loss)		-80,413.50	-33,802.29
Investment income(less: loss)		11,870,681.12	12,271,123.38
Including: investment income in associated and joint-ventured enterprises		-1,156,806.53	-982,776.62
Exchange earning(less: loss)			
3. Operating profit (less: loss)		76,270,350.50	74,513,856.11
Add: Non-operating income		441,573.12	607,199.08
Less: Non-operating expense		316,661.06	150,609.16
Including: net loss in disposal of non-current assets		66,661.06	139,799.03
4. Total profit(less: loss)		76,395,262.56	74,970,446.03
Less: Income tax		24,972,535.87	24,989,049.68
5. Net profit(less: loss)		51,422,726.69	49,981,396.35
Net profit attributable to parent company		30,674,302.78	28,764,043.63
Minority interest		20,748,423.91	21,217,352.72
6.: Earning per share			
(1) Basic earning per share		0.0683	0.0641

(2) Diluted earning per share		0.0683	0.0641
7. Other comprehensive income		-21,909,974.10	-28,675,516.02
8. Total comprehensive income		29,512,752.59	21,305,880.33
Total comprehensive income attributable to parent company		14,817,415.60	3,200,387.67
Total comprehensive income attributable to minority interest		14,695,336.99	18,105,492.66

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

**Profit/Loss Statement of Parent Company**  
January- June 2013

RMB'

Item	Note	Current period	Last period
1. Operating revenues		69,747,644.17	72,562,944.94
Less: Operating expense		49,958,633.47	54,593,143.90
Operating tax and associate charge		2,281,840.37	2,132,483.51
Sales expense		1,999,985.46	2,091,519.35
Management expense		21,415,720.54	19,956,870.90
Financial expense		2,424,750.00	4,245,321.07
Impairment of assets		-942,101.96	989,163.47
Add: Net income in fluctuation of fair value(less: loss)		-47,609.50	6,353.71
Investment income(less: loss)		13,039,034.64	13,030,263.90
Including: investment income in associated and joint-ventured enterprises			
2. Operating profit (less: loss)		5,600,241.43	1,591,060.35
Add: Non-operating income		232,836.50	226,445.29
Less: Non-operating expense		293,415.57	23,176.67
Including : net loss in disposal of non-current assets		43,415.57	15,794.67
3. Total profit(less: loss)		5,539,662.36	1,794,328.97
Less: Income tax			
4. Net profit(less: loss)		5,539,662.36	1,794,328.97
5.: Earning per share			
(1) Basic earning per share		0.0123	0.0040
(2) Diluted earning per share		0.0123	0.0040
6. Other comprehensive income		-4,773,737.54	-13,146,494.21
7. Total comprehensive income		765,924.82	-11,352,165.24

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili



**Cash Flow Statement -Consolidated**  
January- June 2013

RMB'

Item	Note	Current period	Last period
<b>1. Cash flow from operating activities:</b>			
Cash inflow from sale of goods and provision of services		905,527,842.18	805,144,342.65
Customer deposits and payments with the net increase placements			
Net increase in loans to the Central Bank			
Net increase in Borrowings to other financial institutions			
Original insurance contract premiums received in cash			
Net cash received reinsurance			
Net increase in insured savings and investment section			
Net increase in disposal of tradable financial assets			
Cash inflow from interest, fees and commission			
Net increase in borrowings			
Net increase in repurchase business funds			
Tax refunds received		27,738,858.53	30,394,316.09
Cash inflow from other operating activities		4,501,485.50	1,830,060.33
Sub-total cash inflow from operating activities		937,768,186.21	837,368,719.07
Cash inflow from sale of goods and provision of services		674,999,807.97	567,590,781.36
Net increase in loans and advances to customers			
Net increase in deposit in central bank and interbank fund			
Cash for payment of original insurance claims			
Cash outflow from interest, fees and commission			
Cash dividends paid to			

policyholders			
Cash paid to and for employees		206,966,779.17	174,154,730.91
Cash paid for tax		23,532,537.46	13,324,944.79
Cash paid for other operating related activities		63,843,437.75	51,667,954.48
Sub-total cash outflow from operating activities		969,342,562.35	806,738,411.54
Net cash in/outflow from operating activities		-31,574,376.14	30,630,307.53
<b>2. Net cash in/outflow generated from investment activities:</b>			
Cash inflow from taking back investment		41,869.09	878,327.78
Cash inflow from return on investment		1,720,736.00	12,056,172.22
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		280,983.04	715,935.20
Cash inflow from disposal of subsidiaries and other operating units			
Other proceeds related to investment activities			
Sub-total cash inflow from investing activities		2,043,588.13	13,650,435.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		27,766,902.96	8,940,901.72
Cash paid for investment			
Net increase in securities in loan			
Cash paid for acquisition of subsidiaries and other operating units		8.05	
Cash paid for other activities related to investment		70,516,556.75	
Sub-total cash outflow from investing activities		98,283,467.76	8,940,901.72
Net cash in/outflow generated from investment activities		-96,239,879.63	4,709,533.48
<b>3. Cash flow from financing activities:</b>			
Absorption of investment			

Including cash inflow from absorbing minority shareholder investment			
Borrowings raised		180,597,322.29	87,752,910.31
Cash received from issuing bonds			
Other cash inflow related to financing activities			12,727.41
Sub-total cash inflow from financing activities		180,597,322.29	87,765,637.72
Cash paid for debt		86,600,000.00	106,600,000.00
Dividend, interest and profit paid		4,288,651.97	4,697,315.23
Including dividend and profit paid by subsidiaries to minority shareholder			
Other cash outflow related to financing activities		362,959.65	
Sub-total cash outflow from financing activities		91,251,611.62	111,297,315.23
Net cash in/outflow from financing activities		89,345,710.67	-23,531,677.51
<b>4. Influence of fluctuation of exchange rate</b>		-9,216,787.28	-5,272,140.58
<b>5. Net increase/decrease in cash and cash equivalents</b>		-47,685,332.38	6,536,022.92
Add: Beginning balance of cash and cash equivalents		461,395,048.30	358,470,076.23
<b>6. Ending balance of cash and cash equivalents</b>		413,709,715.92	365,006,099.15

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

**Cash Flow Statement of Parent Company**  
January- June 2013

RMB'

Item	Note	Current period	Last period
<b>1. Cash flow from operating activities:</b>			
Cash inflow from sale of goods and provision of services		75,269,572.19	75,112,590.76
Tax refunds received		140,790.00	41,090.00
Cash inflow from other operating activities		41,925,197.08	1,495,580.23
Sub-total cash		117,335,559.27	76,649,260.99

inflow from operating activities			
Cash inflow from sale of goods and provision of services		45,888,228.66	46,082,610.40
Cash paid to and for employees		18,515,227.57	18,935,476.26
Cash paid for tax		5,139,769.17	5,163,164.61
Cash paid for other operating related activities		21,783,044.58	16,737,861.39
Sub-total cash outflow from operating activities		91,326,269.98	86,919,112.66
Net cash in/outflow from operating activities		26,009,289.29	-10,269,851.67
<b>2. Net cash in/outflow generated from investment activities:</b>			
Cash inflow from taking back investment			878,327.78
Cash inflow from return on investment		1,725,000.00	12,047,532.22
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		205,000.00	314,314.20
Cash inflow from disposal of subsidiaries and other operating units			1
Other proceeds related to investment activities			
Sub-total cash inflow from investing activities		1,930,000.00	13,240,175.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		236,562.26	522,772.57
Cash paid for investment		20,000,000	
Cash paid for acquisition of subsidiaries and other operating units			
Cash paid for other activities related to investment			

Sub-total cash outflow from investing activities		20,236,562.26	522,772.57
Net cash in/outflow generated from investment activities		-18,306,562.26	12,717,402.63
<b>3. Cash flow from financing activities:</b>			
Absorption of investment			
Borrowings raised		77,000,000.00	86,600,000.00
Cash received from issuing bonds			
Sub-total cash inflow from financing activities			
Cash paid for debt		77,000,000.00	86,600,000.00
Dividend, interest and profit paid		86,600,000.00	106,600,000.00
Other cash outflow related to financing activities		3,510,828.89	4,366,733.23
Sub-total cash outflow from financing activities			
Net cash in/outflow from financing activities		90,110,828.89	110,966,733.23
<b>4. Influence of fluctuation of exchange rate</b>		-13,110,828.89	-24,366,733.23
<b>5. Net increase/decrease in cash and cash equivalents</b>		-1,591.97	171.04
Add : Beginning balance of cash and cash equivalents		-5,409,693.83	-21,919,011.23
<b>6. Ending balance of cash and cash equivalents</b>		43,545,254.69	95,682,363.26
		38,135,560.86	73,763,352.03

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

**Owners' Equity -Consolidated**

January- June 2013

RMB'

Item	Current period balance									
	Owners' equity attributable to parent company								Minority interest	Total owners' equity
	Paid-up capital	Capital reserve	Less: treasury stock	Special provision	Surplus reserve	General risk preparation	Undistributed profit	Others		
1.Last accounting period balance	448,886,777.00	409,073,943.83			4,546,242.52		-82,548,593.18	-50,485,077.47	134,777,594.20	864,250,886.90
Add: accounting policy changes		-25,127,469.60							-13,532,735.20	-38,660,204.80
Correction of previous-period accounting errors										
Others										
2.Beginning balance	448,886,777.00	383,946,474.23			4,546,242.52		-82,548,593.18	-50,485,077.47	121,244,859.00	825,590,682.10
3. Increase/decrease		-6,529,466.42					30,674,302.78	-11,083,149.64	9,006,645.26	22,068,331.98
(1) Net profit							30,674,302.78		20,748,423.91	51,422,726.69
(2)Gains and losses directly into owners' equity		-6,529,466.42						-11,083,149.64	-4,297,358.04	-21,909,974.10

Sub-total of (1) and (2)		-6,529,466.42					30,674,302.78	-11,083,149.64	16,451,065.87	29,512,752.59
(3)Owner inputs and reducing capital									-7,444,420.61	-7,444,420.61
a. Owner inputs capital										
b. Shares included in owners' equity										
c. Others									-7,444,420.61	-7,444,420.61
(4)Profit distribution										
a.Surplus reserve										
b.General risk reserve										
c.Distribution to owners or shareholders										
d. Others										
(5).Inner carry-over 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										
(6).Special provision										
a.Current extraction										
b.Current use										
4.Ending balance										
	448,886,777.00	377,417,007.81			4,546,242.52		-51,874,290.40	-61,568,227.11	130,251,504.26	847,659,014.08

RMB'

Item	Previous period									
	Owners' equity attributable to parent company								Minority interest	Total owners' equity
	Paid-up capital	Capital reserve	Les: treasury stock	Special provision	Surplus reserve	General risk preparation	Undistributed profit	Others		
1.Last accounting period balance	448,886,777.00	425,610,919.31			4,546,242.52		-124,234,846.88	-56,649,039.30	106,292,186.43	804,452,239.08
Add: accounting policy changes		-2,097,762.50							-1,134,587.50	-3,232,350.00
Correction of previous-period accounting errors										
Others										
2.Beginning balance	448,886,777.00	423,513,156.81			4,546,242.52		-124,234,846.88	-56,649,039.30	105,157,598.93	801,219,889.08
3.		-14,506,795.65					28,764,043.63	-11,056,860.31	18,105,492.66	21,305,880.33



Increase/decrease										
(1) Net profit						28,764,043.63		21,217,352.72	49,981,396.35	
(2) Gains and losses directly into owners' equity		-14,506,795.65					-11,056,860.31	-3,111,860.06	-28,675,516.02	
Sub-total of (1) and (2)		-14,506,795.65				28,764,043.63	-11,056,860.31	18,105,492.66	21,305,880.33	
(3) Owner inputs and reducing capital										
a. Owner inputs capital										
b. Shares included in owners' equity										
c. Others										
(4) Profit distribution										
a. Surplus reserve										
b. General risk reserve										
c. Distribution to owners or shareholders										
d. Others										
(5) Inner carry-over 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										
(6).Special provision										
a.Current extraction										
b.Current use										
4.Ending balance										
	448,886,777.00	409,006,361.16			4,546,242.52		-95,470,803.25	-67,705,899.61	123,263,091.59	822,525,769.41

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

**Owners' Equity-Parent Company**  
January- June 2013

RMB'

Item	Current period							Total owners' equity
	Paid-up capital	Capital reserve	Less: treasury stock	Special provision	Surplus reserve	General risk preparation	Undistributed profit	
1. Last accounting period balance	448,886,777.00	459,527,835.03			4,546,242.52		-364,229,319.60	548,731,534.95
Add: accounting policy changes								
Correction of previous-period accounting errors								
Others								
2. Beginning balance	448,886,777.00	459,527,835.03			4,546,242.52		-364,229,319.60	548,731,534.95
3. Increase/decrease		-4,773,737.54					5,539,662.36	765,924.82
(1) Net profit							5,539,662.36	5,539,662.36
(2) Gains and losses directly into owners' equity		-4,773,737.54						-4,773,737.54
Sub-total of (1) and (2)		-4,773,737.54					5,539,662.36	765,924.82
(3) Owner inputs and reducing capital								
a. Owner inputs capital								
b. Shares included in owners' equity								
c. Others								
(4) Profit distribution								

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a. Surplus reserve								
b. General risk reserve								
c. Distribution to owners or shareholders								
d. Others								
(5). Inner carry-over 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								
(6). Special provision								
a. Current extraction								
b. Current use								
4. Ending balance								
	448,886,777.00	454,754,097.49			4,546,242.52		-358,689,657.24	549,497,459.77

RMB'

Item	Previous period							
	Paid-up capital	Capital reserve	Less: treasury stock	Special provision	Surplus reserve	General risk preparation	Undistributed profit	Total owners' equity
1. Last accounting period balance	448,886,777.00	477,346,465.96			4,546,242.52		-347,654,806.42	583,124,679.06
Add: accounting policy changes								
Correction of								

previous-period accounting errors								
Others								
2. Beginning balance	448,886,777.00	477,346,465.96			4,546,242.52		-347,654,806.42	583,124,679.06
3.Increase/decrease		-13,146,494.21					1,794,328.97	-11,352,165.24
(1) Net profit							1,794,328.97	1,794,328.97
(2) Gains and losses directly into owners' equity		-13,146,494.21						-13,146,494.21
Sub-total of (1) and (2)		-13,146,494.21					1,794,328.97	-11,352,165.24
(3)Owner inputs and reducing capital								
a.Owner inputs capital								
b.Shares included in owners' equity								
c. Others								
(4)Profit distribution								
a.Surplus reserve								
b.General risk reserve								
c.Distribution to owners or shareholders								
d. Others								
(5).Inner carry-over 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								
(6).Special provision								
a.Current extraction								
b.Current use								
4.Ending balance	448,886,777.00	464,199,971.75			4,546,242.52		-345,860,477.45	571,772,513.82

Legal representative: Zhang Min

CFO: Ma Minliang

Financial Director: Gao Lili

# Annotations to Financial Statements

## 1. General information

SGSB Group Co., Ltd. (the Company), joint stock limited company with publicly issued A & B shares on Shanghai Stock Exchange, is the first listed company in the sewing machinery sector of the People's Republic of China. The Company got the Corporate Business License numbered 310000400080303 (Municipal Bureau) authorized by local administration of industry and commerce in April, 1994. The Company, with register capital of RMB 448,886,777, has 1201 Luoshan Road, Pudong New Area, Shanghai PRC as register address, 12F, 1200 Century Avenue, Pudong New Area, Shanghai as headquarters' address, and Mr. Zhang Min as legal representative.

The Company is mainly engaged in the manufacture and sales of industrial sewing machines and equipment, with more than 10 major categories of products with a total of 21 series and over 100 different varieties of sewing machines, including high speed lockstitch sewing machines, high speed overlock sewing machines, leather products sewing machines, bartacking sewing machines, bag closing sewing machines, button hole sewing machines and other specialized sewing equipment. Almost all its products are marked with the five registered trademarks "Shanggong", "Shuanggong", "Butterfly", "Bee" and "Flying Man". During recent years, the Company pays priority to the R&D of new sewing machinery products. Particularly after the acquisition of Durkopp Adler AG (public listed company in Germany) in 2005, and the successful acquisition of Pfaff Industrial Systems & Machinery Co., Ltd. ( hereinafter referred to as "PFAFF" ) by the end of March 2013, and the Company has been availing the advanced technology of Durkopp Adler and PFAFF to realize the upgrade and development of the products' structure, and moving gradually the production of DA and PFAFF products which are popular in Asian market to China with purpose of satisfying the growing demand of customers for auto-running sewing machines.

At the meantime, the Company has also its business in office appliances, sensitive films, international trade and logistic industries.

On May 22, 2006, the General Meeting of Shareholders considered and approved the non-tradable equity reform proposal, whose core content is that the non-tradable equity stockholders pay partially their shares to all the tradable equity shareholders at a ratio of 10:6 as consideration of getting tradable rights. After the payment, the total number of shares remains unchanged, but the equity structure has changed as following: as at December 31, 2012, the total number of shares is of 448,886,777, 100% categorized as unconditionally tradable shares.

## 2. Principal accounting policies, estimations and early errors

### 2.1 Basis for the formulation of financial statements

Based on the sustainable operation and according to really occurred transactions and affairs, the Company adopts "Accounting Standards for Business Enterprises-Basic Standards" and related additional regulations in the preparation of its financial statements.

### 2.2 Declaration for the adoption of the Accounting Standards for Enterprises

The financial statements and annotations prepared by the Company, strictly under the guideline of "Accounting Standards for Business Enterprises", reflect truly and integrally the information such as financial status, business achievements and cash flows of the Company.

### 2.3 Accounting Calendar

The Company adopts the Gregorian calendar and defines every accounting year as beginning at January 1 and ending at the same December 31.

### 2.4 Measurement currency

The Company maintains its books and records in Renminbi (RMB).

The overseas subsidiaries of the Company adopt at their books respectively the currency adopted by the places where their principal operations are installed, and translate them into Renminbi on the preparation of financial statements.

### 2.5 Accounting treatment of business combination under/not under the same controller

#### 2.5.1 Under the same controller

The acquired assets and liabilities by the company through business combination are measured at their book value with the merged parties on the date of merger. The capital surplus should be adjusted based on the difference between the book value of net assets obtained from business combination and the book value of the paid price for the combination (or the total nominal value of issued shares). And in case that the capital surplus was less than the write-offs, the retained earnings should be adjusted.

All the direct costs paid by the Company for the conduct of business combination, including audit fees, appraisal fees, legal services, etc., should be accounted into current profit and loss at the time incurred.

The fees, commission, etc., occurred during the issuance of equity securities for the business combination should offset the premium income. In case that the premium income was less than write-downs, the retained earnings should be recorded for reduction.

If the accounting policies adopted by the merged parties are inconsistent with those of the Company, the Company can make adjustment in accordance with its accounting policies on the date of combination, and confirm them in accordance with the Accounting Standards for Enterprises confirmation.

#### 2.5.2 Not under the same controller

The company accounts the assets and liabilities paid as price for the business combination at their fair value on the date of acquisition. The difference between the fair value and the book should be included in current profit and loss.

The company allocates the merger costs on the date of acquisition.

The Company recognize as goodwill the difference of the combination costs more than the fair value of the identifiable net assets obtained from the merged parties, and accounts into current profit and loss the difference of the fair value of the identifiable net assets obtained from the merged parties than the combination costs.

All the other assets except intangible assets (not limited to the identified assets originally belonged to the merged parties), whose economic benefits are likely to flow to the company and whose fair value can be reliably measured, should be accounted separately at their fair value; the intangible assets whose fair value can be reliably measured should be recognized separately as intangible assets and accounted at their fair value; all the other liabilities except contingent liabilities, whose fulfillment is likely to lead to outflow of economic benefits of the Company and whose fair value can be reliably measured, should be accounted separately at their fair value; the contingent liabilities obtained from the merged parties whose fair value can be reliably measured, should be recognized separately as liabilities and accounted at their fair value.

### 2.6 Preparation of the consolidated financial statements



The consolidation scope of the Company's financial statements has the real control as basis, and all subsidiaries are included in the consolidated financial statements.

All the consolidated subsidiaries adopt the same accounting policies and accounting period. In case that the subsidiary's accounting policies and accounting period are inconsistent with those of the Company, the inconsistent elements should be adjusted according to the company's accounting policies and accounting period.

The Company prepares the consolidated financial statements based on the financial statements of the Company itself and of its subsidiaries, with adoption of other relevant information, and after necessary adjustments based on equity method.

There should be offset the influence of the internal transactions between the Company and its subsidiaries, the subsidiaries themselves upon the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated owner's equity sheet.

If the current-period loss for minority shareholders of the subsidiaries is more than the beginning balance of the minority interests, the owner's equity of the Company should be offset when the Articles of Association or any other agreements haven't shown that the minority shareholders should fulfill the obligation; or the minority shareholders should pay for the difference when the Articles of Association or any agreements share have fixed the obligation for them.

During the report period, for those subsidiaries newly absorbed by business combination under the same controller, the Company should adjust the beginning balance of the consolidated balance sheet; include the current-period income, expenses and profits of the subsidiaries into the consolidated profit and loss statement; and include the current-period cash flow of the subsidiaries into the consolidated cash flow statement.

During the report period, for those subsidiaries newly absorbed by business combination not under the same controller, the Company should not adjust the beginning balance of the consolidated balance sheet; include the income, expenses and profits of the subsidiaries from the acquisition date to the period-end into the consolidated profit and loss statement; and include the cash flow of the subsidiaries from the acquisition date to the period-end into the consolidated cash flow statement.

During the report period, on disposal of subsidiaries, the Company should incorporate the income, expenses and profits of the subsidiaries from the period-beginning to the disposal date into the consolidated profit and loss statement; and incorporate the cash flow of the subsidiaries from the period-beginning to the disposal date into the consolidated cash flow statement.

## 2.7 Criteria for the definition of cash and cash equivalent

For the purpose of the cash flow statement, cash represents the cash on hand and ready for payment in cash deposits of the Company, cash equivalent comprises short-term investments with maturity within three months that are characterized with active fluidity, easy to transfer to realizable value and less risky for value fluctuation.

## 2.8 Foreign currency calculation and translation of financial statements in foreign currency

### 2.8.1 Foreign currency calculation

Foreign currency transactions are translated into the measurement currency using the spot exchange rate prevailing at the date of the transaction.

The balance of foreign currency monetary items is adjusted and translated into measurement 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.

#### 2.8.2 Translation of financial statements in foreign currency

All the assets and liabilities items in the Balance Sheet adopt for the translation the spot exchange rate at balance sheet date. The items under the owners' equity, except the undistributed profits, are translated at their occurrence at the spot exchange rate. The spot exchange rate at the transaction date or the exchange rate approximate to spot rate defined by a systematic rational method should be adopted for the income/expense items, and the difference caused by such translations should be listed separately under the owners' equity in the Balance Sheet.

On disposal of overseas operations, the corresponding difference of foreign currency translation related to the overseas operations should be moved from owners' equity to current profits and losses. On partial disposal of overseas operations, the partial proportion of difference should also be converted into current profits and losses.

### 2.9 Financial instruments

Financial instruments consist of financial assets, financial liabilities and equity instruments.

#### 2.9.1 Classification of financial instruments

The Company classifies the financial assets and liabilities by their purposes: financial assets or liabilities at fair value and accounted into current profits and losses (for example, tradable financial assets or liabilities); held to maturity investments; loans and receivable accounts; financial assets available for sale and other financial liabilities.

#### 2.9.2 Definition and measurement of financial instruments

##### 2.9.2.1 Financial assets and liabilities at fair value and accounted into current profits and losses

The fair value (after deduction of cash dividend to be distributed and bonds interest to be received) of the assets on the acquisition should be adopted as initial recognized value, and related transaction expenses should be accounted into current profits and losses.

The interests and cash dividend received should be recognized as investment income during the period, and the difference of fair value between initial and spot dates should be accounted into current profits and losses at the end of period.

On the disposal of the assets, the difference between the obtained price and the book value of investment should be recognized as investment income, and the accumulated fair value profits and losses should be accordingly adjusted.

##### 2.9.2.2 Held to maturity investments

The fair value (after deduction of bond interests whose period has matured but not charged yet) plus the related transactions fees should be adopted as initial recognized value.

During the holding period, the interest income should be confirmed and included into investment income in accordance with the amortized costs and the real interest rate (according to nominal interest rates if the difference between the real interest rate and the nominal interest rate is small). The real interest rate should be determined at the time made, and remain unchanged during the expected duration or applicable shorter period.

On disposal of these investments, the difference between the income from investment and the book value of investment should be accounted into investment income.

##### 2.9.2.3 Receivable accounts

The contract price charged to the buyers should be recognized as initial value for those receivable accounts which mainly composes of the receivable creditor's right caused by the sale of goods and the providing of labor services, and receivables in other companies excluding debt instruments priced in active markets, includes but not limits in receivable bills, receivable accounts, other receivables, prepayments and long-term receivables. If characterized as financing activities, the initial recognition should be priced at present value.

The differences between sale value and book value should be accounted into current profits and losses on its recovery or disposal.

#### 2.9.2.4 Financial assets available for sale

The fair value (less than cash dividend to be distributed and bonds' interest to be received) and relevant transaction expenses of the assets on the acquisition should be adopted as initial recognized value.

The interests and cash dividend received should be recognized as investment income during the period, and the difference of fair value between initial and spot dates should be accounted into capital reserve (other capital reserve).

On the disposal of the assets, the difference between fair value and initial value should be recognized as investment profits and losses, and the accumulated variance of fair value caused by the disposal should be simultaneously moved from shareholders' equity to investment profits and losses.

#### 2.9.2.5 Other financial liabilities

The Company adopts the fair value and relevant transaction expenses as initial recognized value and takes amortized cost for subsequent measurement.

### 2.9.3 Recognition and measurement of the financial assets transfer

On the transfer of financial assets, these assets should be no longer recognized if nearly all the risks and rewards relating to the ownership have been transferred to the transferee; if in contrary cases, they should be still recognized as financial assets of the Company.

The principle of "Substance over Form" is adopted in judging the termination or not of recognizing financial assets. The transfer of financial assets is also divided into two cases: entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for stop recognition, the difference between the amounts of the following 2 items shall recorded in the profits and losses of the current period:

2.9.3.1 The book value of the transferred financial asset;

2.9.3.2 The aggregate consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions for stopping recognition, the carrying amount of the entire financial asset transferred shall, between the portion whose recognition has stopped and the portion whose recognition has not stopped (under such circumstance, the service asset retained shall be deemed as a portion whose recognition has not stopped), be allocated at their respective relative fair value, and the difference between the amounts of the following 2 items:

(1) The book value of the portion whose recognition has stopped;

(2) The aggregate consideration of the portion whose recognition has stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

The Company should recognize financial assets and recognize the reception of consideration as financial liabilities in case the transfer of these financial assets doesn't satisfy the definition of termination.

### 2.9.4 Conditions for derecognizing financial liabilities

If the current obligations of financial liabilities has been lifted in whole or in part, then the Company should derecognize the financial liabilities in whole or in part thereof; if the Company signs an agreement with creditors in order to take on new ways to replace the existing financial liabilities, and the new liabilities and the existing financial terms are substantially different, the Company should terminate recognizing the existing financial liabilities, and begin to recognize the new financial liabilities at the same time.

If the terms of the contract involving the existing financial liabilities have been made with substantive changes in whole or in part, the Company should terminate recognizing the existing financial liabilities in whole or in part, and at the same time, adopt the modified version of financial liabilities as a new one. On derecognizing the financial liabilities in whole or in part, the difference between the book value of these financial liabilities and the payment should be accounted into current profits and losses.

If buying back part of the financial liabilities, on the date of repurchase and in accordance with the comparative fair value of the part to be continuously recognized and to be derecognized, the Company should allocate the whole financial liabilities. The difference between the part assigned to the derecognized book value and the payment (including the roll-out of non-cash assets or new financial liabilities to be assumed) should be included into current-period profits and losses.

#### 2.9.5 Definition of fair value of financial assets and liabilities

The Company adopts the year-end quotations in active markets as fair value of financial assets and liabilities.

#### 2.9.6 Depreciation reserves for financial assets (excluding accounts receivable)

##### 2.9.6.1 Depreciation reserves for financial assets available for sale

At end of report year, the accumulated loss caused by the fair value decrease should be reclassified from the original item of owners' equity and recognized as impairment loss in case the fair value of financial assets available for sale has decreased significantly or the decrease trend is considered to be non-temporary under all the related conditions.

##### 2.9.6.2 Depreciation reserves for held to maturity investments

The impairment loss of held to maturity investments is calculated in the light of the treatment of accounts receivable's depreciation.

#### 2.10 Accounts receivable

##### 2.10.1 Recognition and accrument of provision for bad debt in accounts receivable of individually significant amount

###### 2.10.1.1 Recognition criteria of provision for bad debt in accounts receivable of individually significant amount

The accounts receivable of individually significant amount refer to the top five accounts receivable with significant amount.

###### 2.10.1.2 Accrument of provision for bad debt in accounts receivable of individually significant amount

The Company takes individual depreciation test for those significant receivable accounts, and determines the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and book value.

The estimated future cash flow of short-term accounts receivable shouldn't be discounted at the calculation of their impairment loss for the minor difference between their present value and future cash flow.

##### 2.10.2 Recognition and accrument of provision for bad debt in accounts receivable of insignificant amount but whose package is characterized as highly risky credit portfolio

###### 2.10.2.1 Definition of highly risky credit risk portfolio

For those insignificant receivable accounts, the Company classifies them as several groups whose credit risk level is similar to those individually tested non-depreciation accounts, and determines the impairment loss and makes proportional provision for bad debts based on the end-of-period balance.

#### 2.10.2.2 Accruement based on highly risky credit risk portfolio

The Company determines the following proportion of provision for bad debts based on the actual loss ratio of the anterior-periods receivable accounts with similar credit risk, and the consideration of actual situations:

Age	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
Within one year	5	5
1-2 years	20	20
2-3 years	50	50
Over 3 years	100	100

### 2.11 Inventories

#### 2.11.1 Classification of inventories

The inventories of the Company comprise: materials in transit, raw materials, turnover materials, inventory products, work in progress, finished products, material in outside processing, etc.

#### 2.11.2 Inventory pricing method on their delivery

Inventory products are accounted with weighted average method on their delivery.

#### 2.11.3 Determination of net realizable value of inventories and accruement of stock depreciation provision

The Company takes inventory checkup at end of each accounting period, and states or adjusts depreciation reserves of inventories at the lower of cost or net realizable value.

During normal production, the cash realizable value of inventories directly for sale, such as products, merchants and materials for sale is accounted by the estimated price less the estimated sales expenses and taxes. During normal production, the cash realizable value of materials to be processed is accounted by the estimated price of finished product less the estimated cost, sales expenses and taxes.

For those inventories with purpose of implementing sales contract or labor contract, the cash realizable value is based on the contract price; if the inventories held more than fixed in the contract, the cash realizable value of surplus part is accounted based on the market price.

At end of report year, the Company accrues separately the provisions for depreciation reserves of the inventories. In case of low-cost and numerous-in-variety inventories, the Company classifies the provision for depreciation of each kind of inventories. And the Company consolidates the provision for depreciation of those inventories related to the production and sales of products in the same region, with the same or similar utilization and purpose, and difficult to calculate separately.

In case the factors impacting the write-down of the inventories' value disappear, the write-down amount should be recovered and the according provision of impairment should be returned to current profits and losses.

#### 2.11.4 Inventory system

The Company adopts perpetual inventory system to take periodic or non-periodic inventory checkup.

#### 2.11.5 Provision for depreciation reserves of inventories

2.11.5.1 Inventory products are accounted with weighted average method on their delivery.

2.11.5.2 The amortization treatment of packing materials adopts one-off amortization method.

### 2.12 Long-term equity investment

#### 2.12.1 Initial measurement

#### 2.12.1.1 Long-term equity investment formed in the merger of enterprises

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bears its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. All the directly related expenses, including audit fee, appraisal fee, legal services fee etc, shall be accounted into current profits and losses.

For the merger under different control, the merger cost should be accounted at the fair value of assets paid, liabilities carried and equity bonds issued by the merging party at the merger date, and other direct expenses related to the transaction. For the gradual merger realized by separate procedures, the merger cost should be the sum of every separate transaction. In case of any future events defined in merger contract whose predictable occurrence could influence the merger cost and the related amount could be reliably calculated at merger date, such amount should also be included in merger cost.

#### 2.12.1.2 Long-term equity investment by other methods

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

Under the conditions that the exchange of non-monetary assets is characterized with business essence, and the fair value of the assets received or surrendered can be accounted in a reliable way, the book value of assets received is defined on basis of the fair value of assets surrendered, except there are conclusive evidences for the stronger reliability of the fair value of assets received. For the exchange of those non-monetary assets not meeting the above premises, the book value of assets surrendered and related taxes should be accounted as cost of assets received and the profits and losses shouldn't be concluded.

The initial cost of long-term equity investment obtained by recombination of liabilities shall be accounted at fair value.

### 2.12.2 Subsequent measurement and recognition of profits and losses

#### 2.12.2.1 Subsequent measurement

For a long term equity investment on the subsidiary company of an investing enterprise, the investing enterprise shall be accounted by employing the cost method, and shall make an adjustment by employing the equity method when it works out consolidated financial statements.

The cost method shall be employed when a long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured.

A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured by employing the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity, and the capital reserves (other capital reserves) shall be accordingly adjusted, in accordance with the attributable share of the net profits or losses of the invested entity.

#### 2.12.2.2 Recognition of profits and losses

Under cost method, the investment income recognized by the investing enterprise shall be limited to the amount received from the accumulative net profits that arise after the invested entity has accepted the investment. Where the amount of profits or cash dividends obtained by the investing entity exceeds the aforesaid amount, it shall be regarded as recovery of initial investment cost.

Under equity method, an investing enterprise shall recognize the net losses of the invested enterprise as following process: firstly, it shall dilute the book value of the long-term equity investment; secondly, if the book value of the long-term equity investment is insufficient to dilute, it shall dilute the book value of the long-term receivables under the limit of other long-term rights and interests which substantially form the net investment made to the invested entity; lastly, after the above treatments, it shall recognize the accrued liabilities according to the responsibilities in investment contract or agreement and account them into current profits and losses.

If the invested entity realizes profits in posterior periods, the investing enterprise shall adopt the contrary process, after the unrecognized losses, to write down the balance of the accrued liabilities, recover the book value of other long-term rights and interests which substantially form the net investment made to the invested entity, and recognize the investment profits.

#### 2.12.3 Evidences for significant influences and the invested entity under joint control

Certain control is considered as joint control with other parties over the invested entity when it happens over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. Certain case is considered as significant influences when the investing entity owns the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

#### 2.12.4 Impairment testing methods and impairment accrual method

For those long-term equity investments characterized with significant impact, not quoted in active markets, and whose fair value can't be reliably measured, the impairment loss is determined on basis of the difference between their book value and the present value of similar financial assets whose market rate of return on future cash flows can be discounted.

For those long-term equity investments, except the long- goodwill formed from business combination, if the recoverable amount of the measurement results show that the recoverable amount of the long-term equity investment below its book value, the difference will be recognized as impairment loss.

For goodwill formed by business combination, regardless of whether there is indication of impairment, there should be conducted annual impairment testing.

The impairment loss of long-term equity investments can't be returned back after the recognition.

### 2.13 Investment real estate

Investment real estate refers to the real estate held with purpose of rent earning, capital gaining or both of them, including land user which has been rented out or is held for transference after capital appreciation, and buildings which has been rented out.

The Company adopts cost calculation mode for measurement of investment real estate. On calculating the depreciation, the Company adopts the same policy of fixed assets for measurement of investment

real estate and assets for rent, and the same policy of intangible assets for measurement of right of land use for rent.

On appearance of evidence for depreciation, the Company estimates the recoverable value and defines the impairment loss when the recoverable value is lower than its book value.

The impairment loss of investment real estate can't be returned back after the recognition.

## 2.14 Calculation and depreciation of fixed assets

### 2.14.1 Definition of fixed assets

The fixed assets of the Company refer to those tangible assets with service life more than one year and related to production, labor services, for lease or management. The Company recognizes the fixed assets when they meet the following conditions:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- (2) The cost of the fixed asset can be measured reliably.

### 2.14.2 Impairment method of fixed assets

The provision for decrease in value of fixed assets is made with straight-line method, with consideration of the category of the assets, their estimates of service life and net salvage.

The fixed assets fit-up fee eligible for capitalization should be accrued individually in straight-line method adopting the shorter period between two fit-ups and the remaining service life.

The estimated service life and depreciation rate of fixed assets by category is as following:

Category	Service year	Estimated net scrap value rate	Annual rate of depreciation
House and construction	20-50	10%	1.8% - 4.5%
Machinery and equipment	5-15	10%	6% - 18%
Motor vehicles	5-10	10%	9% - 18%
Electric appliances	5-10	10%	9%-18%
Fixtures	5-15	--	6.6%-20%
Others	5-10	10%	9% - 18%

### 2.14.3 Testing method and provision for depreciation of fixed assets

The Company determines whether there is evidence of impairment that may occur upon fixed assets at end of each period.

If there is indication of impairment of fixed assets, the Company should estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value of fixed assets after subtracting costs of disposal and the present value of expected future cash flows from fixed assets.

When the recoverable amount of fixed assets is below their book value, the book value of fixed assets should be written down to its recoverable amount, and the amount of write-down should recognized as impairment loss of fixed assets, and included into current profits and losses. At the same time, the provision for depreciation of fixed assets should be accrued.

After the recognition of impairment losses of fixed assets, the depreciation of fixed assets for impairment should be accordingly adjusted in future periods so that during the remaining useful life of the fixed assets, the book value of adjusted fixed assets can be systematically amortized (less the estimated net residual value).

After the recognition, the impairment loss of fixed assets shouldn't be recovered in subsequent accounting period.

If there are indications showing that a possible impairment of fixed assets could take place, the Company should estimate its recoverable amount based on individual fixed assets. If difficult to do so, the Company should determine the recoverable amount of the assets group on basis of the asset groups to which the fixed assets belong.



## 2.15 Accounting of construction in progress

### 2.15.1 Category of construction in progress

The Company distinguishes the characteristics of each construction in progress in their real cost accounting.

### 2.15.2 Standards and conversion date from construction in progress to fixed assets

The book value of construction in progress is accounted into fixed assets at all the expenses occurred before the build-up of such assets available for intended use. After available for intended use but before the final settlement, the built-up fixed assets are accounted at estimated value and accrued under the depreciation policy of fixed assets based on construction's budget, cost or real cost. After the settlement, the Company should adjust the provisional estimate by real cost, but not the accrued.

### 2.15.3 Testing method and provision for depreciation of construction in progress

The Company determines whether there is evidence of impairment that may occur upon construction in progress at end of each period.

If there is indication of impairment of construction in progress, the Company should estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value of construction in progress after subtracting costs of disposal and the present value of expected future cash flows from construction in progress.

When the recoverable amount of construction in progress is below their book value, the book value of construction in progress should be written down to its recoverable amount, and the amount of write-down should recognized as impairment loss of construction in progress, and included into current profits and losses. At the same time, the provision for depreciation of construction in progress should be accrued.

After the recognition, the impairment loss of construction in progress shouldn't be recovered in subsequent accounting period.

If there are indications showing that a possible impairment of certain construction in progress could take place, the Company should estimate its recoverable amount based on individual construction. If difficult to do so, the Company should determine the recoverable amount of the assets group on basis of the asset groups to which the construction in progress belongs.

## 2.16 Capitalization of the loan fees

### 2.16.1 Definition of capitalization of the loan fees

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and

(3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

#### 2.16.2 Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the assets of acquisition and construction or production are available for their intended use or marketable condition, the capitalization of loans goes to the end.

When certain part of the assets of acquisition and construction or production is separately completed and available for its intended use, the capitalization of loans for this part of assets goes to the end.

If different parts of the assets of acquisition and construction or production are separately completed, but they could be available for their intended use or marketable condition only after the completion of the construction in whole, the capitalization of loans goes to the end after the whole completion.

#### 2.16.3 Suspension of capitalization period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. Where the interrupted acquisition and construction or production of the qualified asset is available for intended use or marketable condition, the capitalization of loans should reinitiate. The borrowings occurred during the suspension period should be determined as current-period profits and losses, and the capitalization will not reinitiate until the reactivation of the interrupted acquisition and construction or production of the qualified asset.

#### 2.16.4 Calculation of capitalized loan fees

The to-be-capitalized amount of interests of the specially borrowed loans (minus the income of the interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and the ancillary expense incurred to the specifically borrowed loans incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale, shall be capitalized at the incurred amount when they are incurred.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

### 2.17 Calculation of intangible assets

#### 2.17.1 Pricing of intangible assets

##### 2.17.1.1 The Company accounts its intangible assets at their real acquisition cost.

The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

The book value of the intangible assets acquired as debt assets through the recombination of liabilities shall be accounted on basis of the fair value of the intangible assets, and the difference between the

book value of recombined liabilities and the fair value of debt assets should be accounted into current profits and losses.

Under the conditions that the exchange of non-monetary assets is characterized with business essence, and the fair value of the assets received or surrendered can be accounted in a reliable way, the book value of assets received is defined on basis of the fair value of assets surrendered, except there are conclusive evidences for the stronger reliability of the fair value of assets received. For the exchange of those non-monetary assets not meeting the above premises, the book value of assets surrendered and related taxes should be accounted as cost of assets received and the profits and losses shouldn't be concluded.

The book value of the intangible assets acquired through merger of enterprises under the same control should be accounted at the book value of the merged enterprise. The book value of the intangible assets acquired through merger of enterprise not under the same control should be accounted at the fair value of the acquired assets.

The cost of intangible assets developed internally includes: material and labor expenses, register fee, amortization of other patent and franchise fee, interest expense eligible for capitalization during development process, and other direct expenses for making the intangible assets available to its intended use.

#### 2.17.1.2 Subsequent measurement

The Company analyzes the service life of the acquired intangible assets.

For the intangible assets with limited service life, the economic benefits should be amortized with straight-line method; for the intangible assets whose service life of economic benefits can't be predicted, the Company defines them as intangible assets with indefinite service life and won't adopt amortization upon them.

#### 2.17.2 Estimate of service life for the intangible assets with limited life

Classification	Service life
Land use right	50 years
Others	10 years

At end of report period, the Company should recheck the service life and amortization method of the limited-life intangible assets.

The recheck in current period shows that there is no difference in the estimate of service life and adoption of amortization method.

#### 2.17.3 Provision for depreciation of intangible assets

For the intangible assets with definite service life, the Company practices the impairment testing at end of period when there is obvious indications of impairment.

For the intangible assets with uncertain service life, impairment testing should be realized at the end of each period.

With the impairment testing, the Company estimates the recoverable amount of intangible assets. The recoverable amount of intangible assets represents the higher between the net fair value of intangible assets less disposal fees and the present value of estimated future cash flow of intangible assets.

When the recoverable amount of intangible assets is less than their book value, the book value of intangible assets should be written down to its recoverable amount, and the amount of write-down is recognized as an intangible asset impairment losses, included in current profits and losses, and the corresponding provision for depreciation should be accrued at the same time.

After the recognition of impairment losses of intangible assets, the Company should adjust accordingly the depletion or amortization costs in future periods, so that during the remaining useful life, the adjusted book value of intangible assets (less estimated net residual value) can be systematically amortized.

The impairment losses of intangible assets will not be recovered in subsequent accounting periods after the recognition.

If there are indications of a possible impairment of intangible assets, the company should estimate the recoverable amount based on the individual intangible assets. In case that it's difficult to estimate the recoverable amount of the individual intangible assets, the Company determines their recoverable amount based on the assets group to which the individual intangible assets belong.

#### 2.17.4 Criteria for the division of research stage and development stage during internal R&D

Research stage: the stage during which original and planned investigation and research is carried out with purpose of obtaining and understanding new scientific or technical knowledge

Development stage: the stage before the commercial production and utilization, during which the research achievement or other knowledge is applied to a particular project or design in order to produce new or substantially improved materials, devices, products, etc.

The expenses occurred during the research stage of internal R&D projects are accounted into current-period profits and losses.

#### 2.17.5 Criteria for the capitalization of R&D expenses

The expenses during the development stage of internal R&D projects are defined as intangible assets when satisfying the following conditions:

- a. The completion of such intangible assets for use or sale is technically feasible.
- b. The Company has the intention to use or sell the intangible assets after their completion.
- c. The method in which the intangible assets bring economic benefits shows that there exists consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilization.
- d. The Company has sufficient technological, financial and other resources to complete the R&D of the intangible assets and the ability to make them available for use or sale.
- e. The Company can measure in reliable way the expense of such intangible assets during the development stage.

### 2.18 Payment to and for staff

#### 2.18.1 Classification of payment to and for staff

The company's payment to and for staff is composed of wages, bonuses, allowances and subsidies; employees' benefits; medical insurance, pension insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurance premiums; housing provident funds; union funds and employee education funding; non-monetary benefits; result of the dissolution of labor relations with the staff for their compensation (termination benefits), etc.

#### 2.18.2 Definition and calculation of payment to and for staff

The Company treats as liabilities the payment to and for staff during the periods in which the workers provide services, and except the compensation for lifting the labor relations, treats respectively the earning targets under the following circumstances:

- (1) that should be carried by the production of goods and labor services, accounted into production or labor service cost;
- (2) that should be carried by the construction in progress and intangible assets, accounted into cost for construction of fixed assets or intangible assets;
- (3) except the above-mentioned remuneration, directly charged into current profits and losses.

If the State has stipulations about the accrual ratio of payment to and for staff, the Company adopts these stipulations as guideline of accrual. If the State hasn't such regulations, the Company estimates the payment to and for staff from past experience and actual situation, in case that the real cost is more or less than the estimated cost, the Company will supplement or return back the reserves.

If the company offers to its staff the self-owned products or housing, or rents free-of-charge the houses for its staff, it should account respectively in accordance with the fair value of products, depreciation or rent of each house, into self-production cost or current profits and losses dependent to the beneficial objects.

#### 2.18.3 Termination benefits

The company should determine the payment to and for staff and account into current profits and losses according to its formal written plan or proposal that can't be withdrawn unilaterally (including the department, quantity, compensation standards, implementation time, etc.), in case that the Company proposes a compensation for anticipating the termination of labor contract or encouraging the staff to voluntarily cancel the contract.

For the voluntary layoff cases, the Company should estimate the quantity of employees accepting layoffs, and accrue payable for staff according to the quantity and standards of compensation and in line with the articles in "Accounting Standards for Enterprises No. 13 --- Contingent Items".

#### 2.19 Debt reorganization

During report period, the Company determines the debt reorganization respectively under the following circumstances:

2.19.1 The Company accounts the difference between the book value of reorganized debts and the really payable cash into current profits and losses in case of cash settlement of debt.

2.19.2 The Company accounts the difference between the book value of reorganized debts and the fair value of transferred non-cash assets into current profits and losses in case of covering the debts with non-cash assets. And the difference between fair value and book value of transferred non-cash assets also should be accounted into current profits and losses.

2.19.3 In case of conversion of debts into capital, the Company recognizes as capital (or paid-up capital) the total facial value of the equity converted from the abandoned claims of creditors, and the difference between fair value of equity and capital (or paid-up capital) should be determined as capital reserves. The difference between book value of reorganized debts and the fair value of equity should be included into current profits and losses.

2.19.4 On modification of other conditions about debts, the Company will adopt the fair value of debts after modification as book value of reorganized debts. The difference between the book value of reorganized debts and the book value after the reorganization will be accounted into current profits and losses.

2.19.5 In case that the revised terms of debt is related to contingent payable, and such contingent payable meets the conditions for confirming contingent liabilities in "Accounting Standards for Enterprises No. 13 – Contingent Items", the Company should recognize as contingent liabilities such contingent payable. The difference between the book value of reorganized debts and the book value after reorganization plus the sum of contingent liabilities should be included into current profits and losses. The contingent payable refers to the payable for the future situations whose occurrence is considered with uncertainty.

2.19.6 When the debt reorganization is carried out with a combined package of cash settlement, payment with non-cash assets, debt to capital, and modification of debts' conditions, the Company will write-off the book value of the reorganized debts in order of cash, non-cash assets, and fair value of equity by creditors, and at last, treat them with the revised terms of debt.

#### 2.20 Contingent liabilities

The company recognizes as contingent liabilities those matters involving the Company in litigation, debt guarantees, loss of contracts and reconstruction, which are likely to require the Company to deliver assets or provide services in future, and whose amount can be reliably measured.

#### 2.20.1 Criteria of contingent liabilities

The obligations related to contingent items are defined as contingent liabilities when satisfying the following conditions:

This obligation means a present obligation for the Company;

The fulfillment of this obligation is likely to lead to outflow of economic benefits of the Company;

The amount of this obligation can be reliably measured.

#### 2.20.2 Measurement of contingent liabilities

The company accounts for initial measurement of contingent liabilities the best estimated amount of expenditure to fulfill the related current obligations.

On defining the best estimated amount, the Company considers integrally the factors of risk, uncertainty and currency related to contingent items. For the significant influence of currency's time value, the Company determines the best estimated amount through the discount of future cash outflows.

The best estimated amount is treated separately under the following circumstances:

There is a continuous range (or scope) of required expenditure among which the possibility for occurring different results maintains the same, the best estimated amount should be defined by the median, which means the average amount of upper and lower limits of the continuous range.

If it doesn't exist a continuous range (or scope), or within the continuous range the possibility for occurring different cases result in different situations, the best estimated amount should be defined by the most possibly occurred amount when the contingent items are related to individual project, and be defined by the combination of different possible results and their probabilities.

### 2.21 Revenue recognition

#### 2.21.1 Criteria for the time definition of income from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

#### 2.21.2 Basis for determining the income from transferring the right to use assets

When the economic benefits related to the transaction will be likely to flow to the Company and the income amount can be reliably calculated. The treatment will be different in the following conditions:

2.21.2.1 The income of interests is determined on basis of the time and real interest rate of the Company's cash funds which is utilized by other persons.

2.21.2.2 The income of royalties is determined on basis of the chargeable time and method fixed in relevant agreement or contract.

#### 2.21.3 Basis and method to define the progress of contracted construction on determining the income from rendering of labor services through percentage-of-completion method

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. An enterprise may adopt the measurement of the work completed to ascertain the schedule of completion under the transaction concerning the providing of labor services.

The Company determines the total revenue from labor services in accordance with the received or receivable purchase price fixed by contract or agreement, except when the price is unfair. On balance sheet date, the Company confirms current-period labor services income according to the total revenue of labor services multiplied by the percentage of completion and less the accumulated determined services revenues in previous periods. At the same time, the Company confirms current-period labor services expenditure according to the total cost of labor services multiplied by the percentage of completion and less the accumulated determined services expenditure in previous periods.

If an enterprise can't, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

- (1) If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or
- (2) If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

## 2.22 Government subsidies

### 2.22.1 Divisions of government subsidies

Government subsidies refer to the monetary and non-monetary assets that the company obtains free-of-charge from the Government. They are divided into asset-related government subsidies and benefit-related government subsidies.

### 2.22.2 Treatment of government subsidies

The government subsidies related to long-term assets such as acquisition & construction of fixed assets and intangible assets are determined as deferred income, and accounted into corresponding-period non-operating income according to the service life of the acquisition & construction assets.

The government subsidies related to economic benefits, if for covering the relevant expenses or losses in future periods, are determined as deferred income and accounted into current-period non-operating income; if for covering the occurred expenses or losses in the past, are included directly into current-period non-operating income.

## 2.23 Deferred income tax assets and liabilities

### 2.23.1 Basis for the determination of deferred income tax assets

The enterprise shall recognize the deferred income tax assets caused by deductible temporary differences under the limits of the taxable income which is likely to obtain for deducting the deductible temporary differences.

### 2.23.2 Basis for the determination of deferred income tax liabilities

The Company recognizes as deferred income tax liabilities the taxable temporary differences in current and previous periods. However, the goodwill, transactions not formed from business combination and whose occurrence will not impact accounting profits nor the taxable income or temporary differences of deductible losses should not be included.

## 2.24 Affiliated parties

The company's affiliated parties including but not limited to:

- (1) the company's parent company;
- (2) a subsidiary of the company;
- (3) other enterprises of the company which are controlled by the same parent company;

- (4) investors implemented common control of the company;
- (5) investors which exert significant influence on the company;
- (6) the joint venture of the company, including joint venture subsidiary;
- (7) affiliated enterprises of the company, including joint ventures, a subsidiary of;
- (8) the company's main individual investors and his close family members;
- (9) the company or its parent company's key management personnel and his close family members;
- (10) the company's main individual investors, key management personnel or his close family members of the control, joint control of other enterprises.

## 2.25 Changes in accounting policies and estimates

### 2.25.1 Changes in accounting policies

Since January 1, 2013, Shangong ( Europe ) Holding Co., Ltd., and its affiliated companies Dürkopp Adler AG, the company 's overseas subsidiaries, reserved provisions for pensions ,in accordance with " IAS 19 - Employee Benefits " revised version. In the revied version of " IAS 19 - employee Benefits ", the abolition of the " corridor method ", requiring a full re-measurement of defined benefit plans recognized in net debt or net assets during the year , for remeasurement gains and losses on defined benefit plans recognized in other comprehensive income.

### 2.25.2 Changes in accounting estimates

There are no changes in accounting estimates for current period.

## 2.26 Correction of accounting errors in previous periods

### 2.26.1 Retroactive restatement method

At the end of period, there are no accounting errors in previous periods adopting retroactive restatement method.

### 2.26.2 Prospective recognition method

At the end of period, there are no accounting errors in previous periods adopting prospective recognition method.

## 3. Taxation

### Important taxes and tax rates

Type	Tax bases	Tax rate
V.A.T.	Sales turnover	6%、13%、17%
Business tax	Business turnover	5%
Income tax	Taxable income	25%

Note: the overseas subsidiaries employ the tax rates according to their countries' tax law.

## 4. Merger of enterprises and consolidated of financial statements

Except specially noted, the monetary unit in this chapter is RMB'000.



#### 4.1 About the subsidiaries

##### 4.1.1 Subsidiaries acquired through foundation or investment

Invested entity	Type	Register place	Classification	Register capital	Business scope	Real investment at year end	Other net investment balance	Equity proportion %	Voting share %	Consolidated or not	Minority interests	Write-down of minority interests	Write-down of owners' equity
Durkopp Adler Trading Shanghai Co.	Holding subsidiary	Shanghai	Imp. & Exp. of sewing machines	USD6,000,000	Wholesale, broker and Imp. & Exp. of sewing machines	USD3,600,000	USD2,400,000	60	100	Yes			
Shanghai Shanggong Butterfly Sewing Machine Co.	Wholly-owned	Shanghai	sewing machines	79,000	M&E products and instruments	79,000		100	100	Yes	6,734.2	390	
Shanghai Suoying Real Estate Co.	Holding subsidiary	Shanghai	Real estate development	13,000	Real estate development	8,970		69	69	Yes	5,001.5	22.1	
Shanggong (Europe) Holding Co.	Wholly-owned	Germany	Sewing machines, etc.	EUR12,500,000	Sewing machines, etc.	EUR12,500,000		100	100	Yes	105,412.6	20,336.3	
Shanghai Shanggong Shen Bei Electronics Co..	Wholly-owned subsidiary	Shanghai	Electronics	20,000	sale of production of electronic harness etc.	20,000		100	100	Yes			
Shanghai Shanggong Shen Bei Assets Management Co.	Wholly-owned subsidiary	Shanghai	Assets Management etc.	5,000	Assets management, investment management, company management etc.	5,000		100	100	Yes			
Shanghai Industrial Sewing Machines Materials General Co.	Wholly-owned subsidiary	Shanghai	Sewing machines, etc.	4,650	Sales of sewing machines and components	4,650		100	100	No			
Shanghai Shuangchong Sewing Machines Co.	Holding subsidiary	Shanghai	Sewing machines, etc.	12,000	Production and development of overlock sewing machines	8,400	2,400	70	90	Yes			215.

##### 4.1.2 Subsidiaries acquired in business combinations under the same control

Invested entity	Type	Register place	Classification	Register capital	Business scope	Real investment at year end	Other net investment	Equity proportion %	Voting share %	Consolidated or not	Minority interests	Write-down of minority interests	Write-down of owners' equity
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SMPIC Waigaoqiao Office Appa. Co., Ltd.	Wholly-owned subsidiary	Shanghai	Property management	8,620	Free Trade Zone Warehousing	8,620		100	100	Yes			
SMPIC Imp. & Exp. Co., Ltd.	Holding subsidiary	Shanghai	Imp. & exp. of office apparatus	12,000	International trading of merchants and technology	12,000		100	100	Yes			

## 4.2 Changes in the consolidation of financial statements

4.2.1 During current period, the company added one subsidiary of second level in the consolidation statement, the reason is: the company in the current period newly established Shanghai Electronics Co. , equity ratio 100% ; And added one subsidiary of third level, the reason is: the Subsidiary of the company, Shanggong ( Europe ) Holdings Co.Ltd acquired and increased capital in German PFAFF , equity ratio 100% , since April 1, 2013 onwards, PFAFF was accounted into the subsidiary of third level.

4.2.2 In comparison with the last year, reduced one subsidiaries. The reason is that during the current period the Company transferred its equity in the subsidiary Duerkopp Adler Manufacturing (Shanghai) Co.,Ltd. to another subsidiary Duerkopp Adler Trading (Shanghai) CO.,Ltd, and put it into third subsidiary accounting.

## 4.3 Newly included and excluded subsidiaries in current period

Currently newly included subsidiaries, specific objects, business entities under control for entrust or rent operation:

Name	Net assets end of period (RMB 000')	Net profit end of period (RMB 000')
Shanghai SGSB Electronics Co.,Ltd	2,0000	0
PFAFF Industriesysteme und Maschinen AG	43,386.60	-5,377.6

## 4.4 Currency translation of overseas operations' principal accounting items

The subsidiary Shanggong (Europe) Holding Co., Ltd. has Euros as the recording currency, so the Company adopts the following currency translation and treatment method: for assets and liabilities in balance sheet, the end-of-period exchange rate is 8.0536, and beginning-of-period rate is 8.3176; for income and costs in profit statement, current-period exchange rate is 8.0536, and anterior-period rate is 7.871; for all the items in owners' equity, except "undistributed profits", the exchange rate is the spot rate; and the difference of translation of financial statements is listed separately in balance sheet.

## 5. Important notes for consolidated financial statements

(All the following items adopt RMB' and year-end data except those specially indicated.)

### 5.1 Cash and bank

Item	Period-end			Year-beginning		
	Original currency	Exchange rate	Amount to RMB	Original currency	Exchange rate	Amount to RMB
Cash						

Renminbi			368,970.70			238,543.67
HKD	2,817.30	0.7966	2,244.26	2,380.50	0.8108	1,930.11
EUR	58,505.15	8.0536	471,177.08	45,977.43	8.3176	382,421.87
Subtotal cash	4.00	6.1787	24.71	4.00	6.2855	25.14
<b>Bank</b>						
Renminbi						
HKD			125,123,110.98			144,026,904.94
JPY	273,397.04	0.7966	217,788.08	233,827.11	0.8108	189,587.02
USD	379,866.67	6.1787	2,347,082.19	457,284.68	6.2855	2,874,262.86
EUR	36,078,732.50	8.0536	290,563,680.06	38,280,115.72	8.3176	318,398,690.51
Subtotal bank			418,251,661.31			465,489,445.33
<b>Other money-capitals</b>						
Renminbi			1,598,866.09			2,119,965.64
Subtotal other money-capitals			1,598,866.09			2,119,965.64
<b>Total</b>			420,692,944.15			468,232,331.76

Accounts with limited cashability: .

Item	Period-end	Year-beginning	Note
credit line guaranty	1,559,031.99	1,235,280.05	Note 1
deposit certificate for guaranty	5,424,196.24	5,602,003.41	Note 2
<b>Total</b>	6,983,228.23	6,837,283.46	

Note 1: The credit line guaranty of EUR 193,582.00 of Shanggong (Europe) Holding Co., Ltd. has been mortgaged to Deutsche Bank, which amounts to RMB 1,559,031.99.

Note 2: The time certificate of EUR 673,512.00 of Shanggong (Europe) Holding Co., Ltd has been mortgaged to FAG, which amounts to RMB 5,424,196.24.

## 5.2 Trading financial assets

### 5.2.1 Trading financial assets

	Period-end fair value	Year-beginning fair value
Tradable bonds		
Tradable equity instruments	448,958.51	284,968.00
Financial assets designated for accounting at fair value and included into current-period profits and losses		
Derivatives		
Others		289,228.01
<b>Total</b>	448,958.51	574,196.01

5.2.2 Trading financial assets with limitation for cash realization at period end: None.

## 5.3 Bills receivable

### 5.3.1 Classification of bill receivable

Type	Period-end	Year-beginning
Bank acceptance	3,180,096.00	4,211,621.14
Commercial acceptance		4,000,000.00
<b>Total</b>	3,180,096.00	8,211,621.14

5.3.2 Bill receivable which has been mortgaged at period end: None.

5.3.3 Bill which has been converted to account receivables due to inability to fulfill the obligation, and bill which has been endorsed to other party at period end but not yet due: None

#### 5.4 Dividend receivable

Item	Year- beginning	Current increase	Current decrease	Period-end	Reason for receivable	Depreciation or not
Dividend receivable with age less than one year		11,314,034.64		11,314,034.64	Dividend not paid yet	No
Dividend receivable with age more than one year	638,783.61			638,783.61		
Including: Shanghai SHENSY Logistics Development Co.,LTd	638,783.61			638,783.61	Dividend not paid yet	
Total	638,783.61	11,314,034.64		11,952,818.25		

#### 5.5 Accounts receivable

##### 5.5.1 Composition of accounts receivable

Type	Period-end				Year-beginning			
	<u>Balance</u>	Prop. (%)	Provision for bad debts	Provision for bad debts/prop.	<u>Balance</u>	Prop. (%)	Provision for bad debts/prop.	Provision for bad debts/prop.
Accounts receivable with significant individual amount	36,138,483.90	9.72	20,256,784.70	56.05	33,212,176.80	11.84	27,514,620.80	82.85
Accounts receivable with insignificant individual amounts but characterized as risky portfolio	171,569,356.27	46.14	95,062,922.15	55.41	157,420,684.47	56.11	94,670,501.91	60.14
Other insignificant accounts receivable	164,145,145.08	44.14	10,821,276.86	6.59	89,926,518.61	32.05	8,802,403.91	9.79
Total	371,852,985.25	100.00	126,140,983.71		280,559,379.88	100.00	130,987,526.62	

#### Clarification for Composition of accounts receivable

##### Accounts receivable with significant individual amount and with individual provision for bad debt

Accounts receivable	Book value	Provision	Accrual proportion (%)	Reason
No.1 client	20,256,784.70	20,256,784.70	100.00%	Over Credit period
No.3 client	8,254,940.00			Within Credit period
No.4 client	7,626,759.20			Within Credit period
Total	36,138,483.90	20,256,784.70		

Note: This item mainly refers to the accounts receivable of Shangong (Europe) Holding Co., Ltd., which should receive individual impairment testing.

##### Accounts receivable which use aging analysis for bad debt provision in the composition

Age	Period-end	Year- beginning
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	Balance		Provision	Balance		Provision
	Sum	Proportion (%)		Sum	Proportion (%)	
Within 1 year	74,878,114.44	43.64	3,743,905.72	61,015,989.36	38.76	3,050,799.44
1—2 years	5,366,068.89	3.13	1,073,213.78	4,956,908.86	3.15	991,381.78
2—3 years	2,158,740.58	1.26	1,079,370.29	1,638,931.14	1.04	819,465.58
Over 3 years	89,166,432.36	51.97	89,166,432.36	89,808,855.11	57.05	89,808,855.11
Total	171,569,356.27	100.00	95,062,922.15	157,420,684.47	100.00	94,670,501.91

#### End-of-period provision for bad debts of accounts receivable with insignificant individual amount

Accounts receivable	Book value	Provision	Accrual proportion (%)	Reason
Other insignificant receivables (note1)	2,150,000.00	2,150,000.00	100.00%	Credit period expired
Other insignificant receivables (note2)	389,034.00	389,034.00	100.00%	Credit period expired
Other insignificant receivables (note2)	150,174.00	150,174.00	100.00%	Credit period expired
Other insignificant receivables (note2)	478,353.29	478,353.29	100.00%	Credit period expired
Other insignificant receivables (note3)	160,977,583.79	7,653,715.57	4.75%	Credit period expired
Total	164,145,145.08	10,821,276.86		Credit period expired

Note1 : This item mainly refers to the accounts receivable of Duerkopp Adler Trading (Shanghai) Co., Ltd., which should receive individual impairment testing.

Note2 : This item mainly refers to the accounts receivable of Shanggong Butterfly Sewing Machine Co., Ltd., which should receive individual impairment testing.

Note 3: This item mainly refers to the accounts receivable of Shanggong (Europe) Holding Co., Ltd., which should receive individual impairment testing

#### 5.5.2 The accounts receivable actually written off in this report period

During the report period, the actual total receivables written off amount RMB 20,320,165.44, mainly because the age of accounts receivable is too long, the collection is still not fully recovered. The current write-off of accounts receivable is non-associated third party.

5.5.3 Among the period-end accounts receivable, there are no obligators who holds individually 5% or more equity of the Company.

#### 5.5.4 Top five accounts receivable

Entity or rank	Relation with the Company	Sum	Duration	Proportion in total accounts receivable (%)
No.1 client	Third party	20,256,784.70	over 3 years	5.45
No.2 client	Third party	11,530,775.39	over 3 years	3.10
No.3 client	Third party	8,254,940.00	Within 1 year	2.22
No.4 client	Third party	7,626,759.20	over 3 years	2.05
No.5 client	Third party	7,480,189.67	over 3 years	2.01
Total		55,149,448.96		14.83

5.5.5 Among the period-end accounts receivables, those from affiliated parties shall be seen in 6.5

## 6. Other receivables

### 6.1.1 Composition of other receivables

	Period-end		Year-beginning	
	Balance	Provision	Balance	Provision

	Sum	Prop. (%)	Sum	Prop. (%)	Sum	Prop.(%)	Sum	Prop. (%)
Other receivable with significant individual amount	36,431,367.98	43.00	10,147,617.70	27.85	29,701,621.37	39.32	9,789,621.10	32.96
Other receivable with insignificant individual amounts but characterized as risky portfolio	42,468,743.12	50.12	25,452,748.92	59.93	41,478,597.00	54.90	26,056,021.43	62.82
Other insignificant other receivable	5,829,035.74	6.88			4,367,123.95	5.78		
Total	84,729,146.84	100.00	35,600,366.62		75,547,342.32	100.00	35,845,642.53	

#### Clarification for Composition of other accounts receivable

Other accounts receivable with significant individual amount and with individual provision for bad debt

Other accounts receivable	Book value	Provision	Accrual proportion (%)	Reason
No. 3 Client	10,147,617.70	10,147,617.70	100.00	impairment in individual testing
Export tax rebate (note 1)	19,703,596.51			Non-impairment in individual testing
VAT receivable (note 2)	6,580,153.77			Non-impairment in individual testing
Total	36,431,367.98			

Note1 : This item mainly refers to the export tax rebate receivable of subsidiaries in export sales.

Note 2: This item mainly refers to the VAT receivables of Shanggong (Europe) Holding Co., Ltd., with non-impairment in individual testing.

#### Other accounts receivable which use aging analysis for bad debt provision in the composition

Age	Period-end			Year- beginning		
	Balance		Provision	Balance		Provision
	Sum	Proportion (%)		Sum	Proportion (%)	
Within 1 year	17,364,759.22	40.89	868,237.96	15,283,994.96	36.85	764,199.74
1—2 years	620,398.19	1.46	124,079.64	244,045.77	0.59	48,809.15
2—3 years	46,308.78	0.11	23,154.39	1,415,087.47	3.41	707,543.74
Over 3 years	24,437,276.93	57.54	24,437,276.93	24,535,468.80	59.15	24,535,468.80
Total	42,468,743.12	100.00	25,452,748.92	41,478,597.00	100.00	26,056,021.43

#### End-of-period provision for bad debts of other accounts receivable with insignificant individual amount

Accounts receivable	Book value	Provision	Accrual proportion (%)	Reason
Other insignificant receivables	5,829,035.74			Credit period expired
Total	5,829,035.74			

Note: This item mainly refers to the accounts receivable of Shanggong (Europe) Holding Co., Ltd., which should receive individual impairment testing.

6.1.2 Other accounts receivable actually written off in this report period: None

6.1.3 Among the period-end other receivables, there are no obligators who holds individually 5% or more equity of the Company.

6.1.4 Top five other receivables

Entity or rank	Relation with the	Sum	Duration	Proportion in total other	Contents
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	Company			receivables (%)	
No.1	Third party	19,703,596.51	Within 1 year	23.25	VAT receivable
No.2	Third party	13,898,,191.28	Within 1 year	16.40	Current account
No.3	Third party	10,147,617.70	over 3 years	11.98	Export tax rebate
No.4	Third party	6,580,153.77	Within 1 year	7.77	Current account
No.5	Third party	2,000,000.00	Within 3 years	2.36	Current account
Total		52,329,559.26		61.76	

## 7. Prepayments

### 7.1.1 Analysis of age

Age distribution	Period-end		Year-beginning	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	30,485,772.26	98.64	18,645,579.12	79.50
1—2 years	321,514.92	1.04	3,588,459.15	15.30
2—3 years	46,244.08	0.15	783,391.44	3.34
Over 3 years	51,809.59	0.17	435,906.98	1.86
Total	30,905,340.85	100.00	23,453,336.69	100.00

### 7.1.2 Top five prepayments

Entity or rank	Relation with the Company	Sum	Duration	Contents
No.1 client	Third party	4,977,462.91	Within 1 year	Not reaching contracted delivery date
No.2 client	Third party	3,184,525.22	Within 1 year	Not reaching contracted delivery date
No.3 client	Third party	2,150,750.13	Within 1 year	Not reaching contracted delivery date
No.4 client	Third party	1,130,460.08	Within 1 year	Not reaching contracted delivery date
No.5 client	Third party	1,082,968.50	Within 1 year	Not reaching contracted delivery date
Total		12,526,166.84		

7.1.3 Among the year-end prepayments, there is no creditor who holds individually 5% or more equity of the Company.

## 8. Inventories

### 8.1.1 Divisions of inventories

	Period-end			Year-beginning		
	Balance	Falling price reserves	Book value	Balance	Falling price reserves	Book value
Raw materials	175,673,172.71	49,226,898.88	126,446,273.83	139,609,690.07	44,532,776.06	95,076,914.01
Materials in transit	6,663,340.75		6,663,340.75	3,025,495.74		3,025,495.74
Revolving materials						
Goods in outside processing	179,998.59		179,998.59	195,050.60		195,050.60
Products in development	124,527,940.17	35,271,332.14	89,256,608.03	90,064,168.34	31,622,805.69	58,441,362.65
Stock commodity	177,200,217.31	30,987,397.54	146,212,819.77	172,876,149.99	23,868,188.41	149,007,961.58
Commodity in delivery	927,284.02		927,284.02	1,526,758.98		1,526,758.98
Others	3,619,724.45	3,281,697.50	338,026.95	3,447,512.91	3,281,697.50	165,815.41
Total	488,791,678.00	118,767,326.06	370,024,351.94	410,744,826.63	103,305,467.66	307,439,358.97

### 8.1.2 Inventories falling price reserves

	Year-beginning	Current-period	Current-period decrease	Period-end balance

		accrual	Returns	Settlements	
Raw materials	44,532,776.06	6,371,904.51		1,677,781.69	49,226,898.88
Materials in transit					
Revolving materials					
Goods in outside processing					
Products in development	31,622,805.69	4,822,089.52		1,173,563.07	35,271,332.14
Stock commodity	23,868,188.41	12,611,649.54	4,511,166.31	981,274.10	30,987,397.54
Commodity in delivery					
Others	3,281,697.50				3,281,697.50
Total	103,305,467.66	23,805,643.57	4,511,166.31	3,832,618.86	118,767,326.06

Note: Accrual amount of inventory impairment provision is RMB 8,227,811.85, other amount is due to increase the scope of consolidation of Shanggong ( Europe ) Holding Co., Ltd.

Provision for inventories and other current resale occurs mainly due to currency translation exchange differences by Shanggong ( Europe ) Holding Co., Ltd. at the beginning and end of the period.

#### 9. Other current assets

Item	Period-end	Year-beginning
Rent and assurance	2,891,436.57	1,717,181.91
<b>Total</b>	<b>2,891,436.57</b>	<b>1,717,181.91</b>

#### 10. Financial assets available for sale

##### 10.1.1 Composition and classification

	Year-end fair value	Year-beginning fair value
(1) Bonds available for sale		
(2) Equity instrument available for sale	63,523,236.46	68,296,974.00
(3) Others		
Total	63,523,236.46	68,296,974.00

10.1.2 Financial assets available for sale with limitation for cash realization at period end: None.

#### 11. Investment in associates and consortiums

##### 11.1 invested entity and consortium classification

Item	Balance at period end	Balance at period beginning
Invested entity		
consortium	19,528,007.88	19,386,493.55
Other equity investment	66,364,575.38	66,364,575.38
Sub-total	85,892,583.26	85,751,068.93
Less : impairment provision	18,186,126.78	18,186,126.78
Total	67,706,456.48	67,564,942.15

##### 11.2 invested entity and consortium information

RMB'000							
Invested entity	Holding prop.	Voting prop.	Period-end assets	Period-end liabilities	Period-end net assets	Current turnover	Current net profits
Consortium							



Changshu Kai Hing metal plating Co.	90.00	Note	18.57	157.99	-139.42		
Shanghai Huazhijie Plastic Co.	23.04	Note	545.72	251.21	294.51		
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	49.00	49.00	4,760.71	1,207.89	3,552.82	1,264.08	-253.35
PFAFF Spain Co.,	49.00	49.00	421.20	139.33	281.87	463.27	-15.78

Note: Changshu Kai Hing metal plating Co. and Shanghai Huazhijie Plastic Co. have handled tax cancellation.

### 11.3 Long-term equity investment

Company	Accounting method	Initial investment	Year-beginning	Current change	Period-end	Holding prop.	Voting prop.	Explanation	Provision	Current accrual	Cash dividend
Changshu Qixin Co.,Ltd	Equity method	2,520,000.00				90		Note4			
Shanghai Huazhijie Plastic	Equity method	1,766,689.38	736,283.66		736,283.66	23.04			736,283.66		
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	Equity method	23,531,957.08	18,650,209.89	1,241,395.18	17,408,814.71	49	49				
PFAFF Spain		1,189,674.65		1,382,909.51	1,382,909.51	49	49				
Subtotal for cost method	Cost method	29,008,321.11	19,386,493.55	141,514.33	19,528,007.88				736,283.66		
Shanghai Xingguang Underwear (South Africa)	Cost method	308,033.99	308,033.99		308,033.99	14.3	14.3		308,033.99		
Shanghai Shensi Enter. Development	Cost method	10,593,077.64	10,593,077.64		10,593,077.64	10.59	10.59				
Wuxi Shangong Sewing Machines	Cost method	153,814.26	153,814.26		153,814.26	80		Note2	153,814.26		
Shanghai Hualian Sewing Machinery	Cost method	400,000.00	400,000.00		400,000.00	21.74		Note1			
Shanghai Fuji-Xerox	Cost method	29,140,749.49	29,140,749.49		29,140,749.49	15.92	15.92				
Shanghai Shangong Jiarong	Cost method	500,000.00	500,000.00		500,000.00	12.5	12.5		500,000.00		
Shanghai Baoding Investment	Cost method	7,500.00	7,500.00		7,500.00	<5	<5				
Bank of Shanghai	Cost method	951,400.00	951,400.00		951,400.00	<5	<5				
Shanghai Pufa Machinery	Cost method	90,000.00	90,000.00		90,000.00	<5	<5				
Shenyin & Wanguo Securities	Cost method	200,000.00	200,000.00		200,000.00	<5	<5				
Shanghai Hirose	Cost method	2,840,376.00				30		Note1			850,000.00

Precision Industrial											
Shanghai Industrial Sewing Machines Materials	Cost method	4,600,000.00	4,600,000.00		4,600,000.00	100	100	Note2	1,033,434.53		
Shanghai Chuangchong		10,800,000.00	10,800,000.00		10,800,000.00	90	90				
Shen Bei wai Gaoqiao		8,620,000.00	8,620,000.00		8,620,000.00	100	100				
Subtotal for cost method	Cost method	69,204,951.38	66,364,575.38		66,364,575.38				17,449,843.12		12,164,034.64
Total		98,213,272.49	85,751,068.93	141,514.33	85,892,583.26				18,186,126.78		12,164,034.64

Note1: The Company doesn't participate in the decision or operation of Shanghai Hualian Sewing Machines Co., Ltd., Shanghai Hirose Precision Industrial Co., Ltd., nor realizes significant influence upon the invested entities. This is the reason for adopting cost method.

Note2: Wuxi Shanggong Sewing Machine Co., Ltd and Shanghai Industrial Sewing Machine Material Corporation have handled the tax write-offs and the Company has made provision for impairment of cost method.

11.2 Limitation for ability of transferring capital to investment company: None.

## 12. Investment real estate

Item	Year-beginning	Current increase	Current decrease	Period-end
1. Original cost	212,880,908.01		2,456,258.72	210,424,649.29
a. Buildings	162,357,155.77		2,456,258.72	159,900,897.05
b. Land use right	50,523,752.24			50,523,752.24
1. Accumulated depreciation or amortization	89,247,719.61	2,713,415.16	1,395,718.76	90,565,416.01
a. Buildings	79,093,449.30	2,086,144.88	1,395,718.76	79,783,875.42
b. Land use right	10,154,270.31	627,270.28		10,781,540.59
2. Net value of investment real estate	123,633,188.40	-2,713,415.16	1,060,539.96	119,859,233.28
a. Buildings	83,263,706.47	-2,086,144.88	1,060,539.96	80,117,021.63
b. Land use right	40,369,481.93	-627,270.28		39,742,211.65
3. Accumulated provision for investment real estate	8,242,724.80		261,623.47	7,981,101.33
a. Buildings	8,242,724.80		261,623.47	7,981,101.33
b. Land use right				
4. Total book value of investment real estate	115,390,463.60	-2,713,415.16	798,916.49	111,878,131.95
a. Buildings	75,020,981.67	-2,086,144.88	798,916.49	72,135,920.30
b. Land use right	40,369,481.93	-627,270.28		39,742,211.65

Note: The current-period depreciation and amortization is of RMB 2,713,415.16. Falling price reserve for investment on real estate is RMB 0.00.

## 13. Fixed assets at cost and accumulated depreciation

### 13.1 Original cost of fixed assets

	Year-beginning	Increase	Decrease	Year-end
1. Total original cost:	933,977,825.43	40,271,866.13	40,910,731.21	933,338,960.35
Including: plants & constructions	399,315,739.09	289,929.60	12,368,919.22	387,236,749.47
Equipment and machines	287,979,346.31	24,397,439.40	19,603,361.19	292,773,424.52
Transport vehicles	12,824,194.73	155,135.00	702,129.81	12,277,199.92
Electric equipment	2,670,680.15	50,229.47	6908.22	2,714,001.40
Fixture for fixed assets	32,594.16		570.84	32,023.32

Others		231,155,270.99	15,379,132.66	8,228,841.93	238,305,561.72
	Year-beginning	Increase		Decrease	Year-end
		Newly increase	reserve		
2. Total accumulated depreciation:	676,462,903.00	18,700,459.20	12,778,976.89	36,034,835.83	671,907,503.26
Including: plants & constructions	210,097,227.32	24,160.80	3,774,376.26	6,714,125.61	207,181,638.77
Equipment and machines	241,306,324.85	9,076,407.20	5,056,537.41	17,175,138.30	238,264,131.16
Transport vehicles	8,072,726.62		586,155.01	434,487.24	8,224,394.39
Electric equipment	2,153,070.90		171,015.15	5,842.04	2,318,244.01
Fixture for fixed assets	19,013.04		8,005.93	332.99	26,685.98
Others	214,814,540.27	9,599,891.20	3,182,887.13	11,704,909.65	215,892,408.95
3. Total net book value:	257,514,922.43		-18,700,459.20	27,492,889.24	4,875,895.38
Including: plants & constructions	189,218,511.77		-24,160.80	-3,484,446.66	5,654,793.61
Equipment and machines	46,673,021.46		-9,076,407.20	19,340,901.99	2,428,222.89
Transport vehicles	4,751,468.11			-431,020.01	267,642.57
Electric equipment	517,609.25			-120,785.68	1,066.18
Fixture for fixed assets	13,581.12			-8,005.93	237.85
Others	16,340,730.72		-9,599,891.20	12,196,245.53	-3,476,067.72
4. Total provision for depreciation:	8,482,241.34				8,482,241.34
Including: plants & constructions	6,118,541.16				6,118,541.16
Equipment and machines	2,239,862.87				2,239,862.87
Transport vehicles	48,170.70				48,170.70
Electric equipment	37,818.61				37,818.61
Fixture for fixed assets					
Others	37,848.00				37,848.00
5. Total book value of fixed assets:	249,032,681.09		-18,700,459.20	27,492,889.24	4,875,895.38
Including: plants & constructions	183,099,970.61		-24,160.80	-3,484,446.66	5,654,793.61
Equipment and machines	44,433,158.59		-9,076,407.20	19,340,901.99	2,428,222.89
Transport vehicles	4,703,297.41			-431,020.01	267,642.57
Electric equipment	479,790.64			-120,785.68	1,066.18
Fixture for fixed assets	13,581.12			-8,005.93	237.85
Others	16,302,882.72		-9,599,891.20	12,196,245.53	-3,476,067.72

The current-period depreciation of fixed assets is of RMB 12,778,976.89.

The current-period transfer from construction in progress into fixed assets at cost is of RMB 518,515.40.

Among the period-end fixed assets balance, some of the plants & constructions, equipment and machines were mortgaged to bank for borrowings. Details disclosed in the column of mortgage assets. See more details in 8.1.

13.2 Fixed assets temporarily idle at period end:None

13.3 Fixed assets held and for sale at period end:

13.4 Fixed assets actually without certificate of title

Classification	Book value	Reason for not obtaining certificate of title	Estimated time for obtaining certificate
Plants & constructions	369,893.98	Self-developed construction, formalities in process	
Total	369,893.98		

## 14. Construction in progress

14.1 Information about construction in progress

	Period-end balance			Year-beginning balance		
	Balance	Depreciation provision	Book value	Balance	Depreciation provision	Book value
Sewing machinery project	3,960,215.95		3,960,215.95	4,377,575.81		4,377,575.81
ERP project	839,284.50		839,284.50	839,284.50		839,284.50
New lab for photosensitive material	4,799,500.45		4,799,500.45	5,216,860.31		5,216,860.31
Total	3,960,215.95		3,960,215.95	4,377,575.81		4,377,575.81

14.2 Change of construction in progress

Project	forecast	Year-beginning balance	Increase in current period	Transferred to fixed assets	Other decrease	Project investment in	Project progress	Accumulated amount	amount of interest	amount of interest	Source of fund	Year-ending balance
Sewing machinery project		4,377,575.81	311,406.38	518,515.40	210,250.84		In progress				Self-raised	3,960,215.95
ERP project		839,284.50					In progress				Self-raised	839,284.50
Total		5,216,860.31	311,406.38	518,515.40	210,250.84							4,799,500.45

## 15. Intangible assets

15.1 Information about intangible assets

Item	Year-beginning	Current increase	Current decrease	Year-end
1. Original cost	65,032,066.62	37,698,901.60	95,745.12	102,635,223.10
Land use right	33,592,256.90			33,592,256.90
Trademark right	20,161,268.51			20,161,268.51
Computer software	76,000.00			76,000.00
Patents and specialized technology	11,056,694.72	37,698,901.60	95,745.12	48,659,851.20
Others	145,846.49			145,846.49
2. Accumulated amortization	34,705,349.18	13,469,345.73		48,174,694.91
Land use right	7,778,992.41	615,395.94		8,394,388.35

Trademark right	20,161,268.51			20,161,268.51
Computer software	21,533.25	3,799.98		25,333.23
Patents and specialized technology	6,662,397.60	12,842,857.53		19,505,255.13
Others	81,157.41	7,292.28		88,449.69
3. Book value	30,326,717.44	24,229,555.87	95,745.12	54,460,528.19
Land use right	25,813,264.49	-615,395.94	-	25,197,868.55
Trademark right				
Computer software	54,466.75	-3,799.98		50,666.77
Patents and specialized technology	4,394,297.12	24,856,044.07	95,745.12	29,154,596.07
Others	64,689.08	-7,292.28		57,396.80
4. Accumulated provision for depreciation				
Land use right				
Trademark right				
Computer software				
Patents and specialized technology				
Others				
5. Book value of intangible assets	30,326,717.44	24,229,555.87	95,745.12	54,460,528.19
Land use right	25,813,264.49	-615,395.94		25,197,868.55
Trademark right				
Computer software	54,466.75	-3,799.98		50,666.77
Patents and specialized technology	4,394,297.12	24,856,044.07	95,745.12	29,154,596.07
Others	64,689.08	-7,292.28		57,396.80

The current-period amortization amounts to RMB3,284,176.20.

Among the period-end intangible assets balance, land use right was partially mortgaged to bank for borrowings. Details disclosed in 8.1 the column of mortgage assets.

#### 15.2 Expenses of R&D projects

Item	Year-beginning	Current increase	Current transfer-out		Year-end
			Current profits and losses	Defined as intangible assets	
Expenses in R&D stage	27,797,905.03	26,021,181.60	12,311,447.44		41,507,639.19
Total	27,797,905.03	26,021,181.60	12,311,447.44		41,507,639.19

#### 16. Business reputation (Goodwill)

Invested entity	Year-beginning	Current increase	Current decrease	Period-end	Provision
Beisler GmbH	24,234,159.36		769,190.40	23,464,968.96	
PFAFF		8,416,412.26		8,416,412.26	
Total	24,234,159.36	8,416,412.26	769,190.40	31,881,381.22	

The increase of current-period goodwill is mainly due to the M&A of PFAFF by Shanggong (Europe) Co.,Ltd. The decrease of current-period business reputation is mainly due to the currency translation difference of Shanggong (Europe) Holding Co., Ltd.

#### 17. Deferred tax, assets and liabilities

##### Recognized deferred tax assets

Item	Period-end	Year-beginning
Deferred tax, assets:		
Depreciation reserves	9,264,524.74	5,292,744.06
Change in fair value	56,764.00	56,764.00
Carrying back operational loss	67,700.18	5,596,704.68
Subtotal	23,164,716.42	28,286,069.83

Deferred tax, liabilities:	32,553,705.34	39,232,282.57
Assets appraisal evaluation		
Others	34,235,055.12	17,689,822.94
Subtotal	34,235,055.12	17,689,822.94

Note: Other mainly due to German DA's staff pension extracted formed deductible temporary differences.

#### 18.Provision for assets impairment

	Year beginning	Currently accrued	Decrease in current year		Period-end balance
			Write-back	Write-off and others	
For bad debts	166,833,169.15	5,246,169.34	9,552,059.55	785,928.61	161,741,350.33
For decline of value in inventories	103,305,467.66	23,805,643.57	4,511,166.31	3,832,618.86	118,767,326.06
For long-term equity investment	18,186,126.78				18,186,126.78
For investment real estate	8,242,724.80			261,623.47	7,981,101.33
For fixed assets	8,482,241.34				8,482,241.34
Total	305,049,729.73	29,051,812.91	14,063,225.86	4,880,170.94	315,158,145.84

#### 19.Short-term borrowings

##### 19.1 Classification of short-term borrowings

Category	Period-end	Year-beginning
Mortgage loans	80,428,145.32	4,371,295.63
Secured borrowings	49,000,000.00	115,600,000.00
Credit borrowings	348,148.62	348,148.62
Total	129,776,293.94	120,319,444.25

19.2 The Company mortgaged some assets to the banks in change of RMB 80,428,145.32. Details are disclosed in 8.1 the column of Mortgaged Assets.

19.3 The secured borrowings amount to RMB 49,000,000.00, secured by Shanghai Pudong Development (Group) Co., Ltd. Details disclosed in the column of Mortgaged Assets.

#### 20.Bills payable

	Period-end	Year-beginning
Bank acceptance bill	2,723,979.84	2,734,313.70
Commercial acceptance bill		
Total	2,723,979.84	2,734,313.70

The next accounting period the amount due is RMB 2,723,979.84.

#### 21.1 Accounts payable

Item	Period-end	Year-beginning
Accounts payable to suppliers	123,204,154.51	111,546,381.94
Total	123,204,154.51	111,546,381.94

21.2 Among the year-end balance, there are no accounts payable to creditor who holds individually 5% or more equity of the Company.

21.3 Among the year-end balance, accounts payable to affiliated parties is in 6.5.

21.4 Among the year-end balance, there are no significant accounts payable aged over one year.

#### 22.1 Advance receipts

Item	Period-end	Year-beginning
Advance payment	34,897,553.21	26,636,113.70
Total	34,897,553.21	26,636,113.70

22.2 Among the year-end balance, there are no advances to creditor who holds individually 5% or more equity of the Company.

22.3 There are no advance receipts related to affiliated parties.

22.4 There are no significant advance payment aged over one year

### 23. Wages and salaries unpaid.

	Year-beginning	Current increase	Current decrease	Period-end
1. Salary, bonus and subsidies	25,760,056.44	141,222,636.69	139,194,199.98	27,788,493.15
2. Employee welfare	104,201.79	50,407,339.15	50,407,519.15	104,021.79
3. Social insurance	69,535.00	7,878,882.45	7,879,483.25	68,934.20
Among which, medical insurance	22,551.90	2,524,912.05	2,525,083.35	22,380.60
Pension insurance	41,345.00	4,573,757.48	4,574,071.38	41,031.10
Annuity				
Unemployment insurance	3,194.90	387,332.18	387,356.48	3,170.60
Work injury insurance	939.70	133,409.21	133,416.31	932.60
Maternity insurance	1,503.50	156,059.89	156,071.29	1,492.10
4. Housing accumulation funds		1,499,929.16	1,499,929.16	
5. Labor union and staff education expenditure	98.86	445,675.89	407,030.80	38,743.95
6. Compensation for the cancellation of labor relationship		17,943,716.00	4,598,900.80	13,344,815.20
7. Others		1,010.00	1,010.00	
Total	25,933,892.09	219,399,189.34	203,988,073.14	41,345,008.29

The period-end balance is mainly composed of staff pension, staff bonus reserves, termination benefits and compensation for cancellation of labor relationship accrued by Shangong Europe Holding Co., Ltd and PFAFF. according to local laws of the subsidiary's residential country.

There is no wages and salaries in arrears.

### 24. Tax unpaid

Tax type	Period-end	Year-beginning
V.A.T.	2,939,858.73	-1,684,789.93
Business tax	159,974.35	560,466.51
Corporate income tax	24,336,199.55	20,857,208.45
Individual income tax	3,201,343.70	2,743,444.27
Tax on city maintenance and construction	70,549.58	40,542.68
Housing property tax	5,510.40	
Educational surtax	57,057.63	28,589.62
River maintenance surtax	11,411.48	5,717.89
Total	30,781,905.42	22,551,179.49

The foreign subsidiaries employ the local legal tax rate at their residential countries.

### 25. Dividends payable

Company name	Period-end	Year-beginning	Reason for unpaid over one year
Light Industry Holding Group Co.,Ltd	959,269.79	959,269.79	Age of account is too long to pay
Social legal person shares	73,549.07	73,549.07	Age of account is too long to pay
Total	1,032,818.86	1,032,818.86	

### 26. 1 Other payables

Period-end	Year-beginning
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149,107,126.27	137,059,546.43
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26.2 Among the year-end balance, there are no payables to creditor who holds individually 5% or more equity of the Company.

#### 27. Contingent liabilities

Item	Year-beginning balance	Current increase	Current decrease	Period-ending balance
Pension	320,061,248.00		17,620,085.08	302,441,162.92
Others	8,277,008.70		674,089.28	7,602,919.42
<b>Total</b>	<b>328,338,256.70</b>		<b>18,294,174.36</b>	<b>310,044,082.34</b>

The pension refers to the staff pension program of Durkopp Adler AG according to the regulations of Germany.

#### 28. Non-current liabilities due within one year

Item	Period-end	Year-beginning
Long-term loans	520,000.00	520,000.00
Bonds payable		
Long-payable		
<b>Total</b>	<b>520,000.00</b>	<b>520,000.00</b>

#### 29. Other current liabilities

Item	Period-end	Year-beginning
Interest and rent	264,860.51	433,818.82
Special funds to construction of independent brands	500,000.00	500,000.00
<b>Total</b>	<b>764,860.51</b>	<b>933,818.82</b>

The year-beginning and period-end balance attributes to the interest and rent prepaid to the subsidiary of the Company Shanggong (Europe) Holding Co., Ltd.

#### 30. Long-term loans

##### Composition of long-term loans

Type of loans	Period-end	Year-beginning
Credit borrowings	1,489,984.87	1,489,984.87
Mortgage borrowings	84,401,728.00	
<b>Total</b>	<b>85,891,712.87</b>	<b>1,489,984.87</b>

#### 31. Long-term payable

Item	Period-end	Duration	Year-beginning
SAP software license fee	2,429,452.84	2,470,529.65	2,429,452.84
Others	1,783,504.96	1,786,563.15	1,783,504.96
<b>Total</b>	<b>4,212,957.80</b>	<b>4,257,092.80</b>	<b>4,212,957.80</b>

#### 32. Stock capital

	Year-beginning	Current-period increase/decrease	Period-end
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		Ration shares	Bonu s shares	Shares by public reserve	Other	Total	
1. Shares subject to conditional sales							
1) State-owned shares							
2) Shares owned by state legal entities							
3) Shares owned by other domestic investors							
Including:							
By domestic legal entities							
By domestic natural persons							
4) Shares owned by foreign investors							
Including:							
By foreign legal entities							
By foreign natural persons							
Subtotal shares subject to conditional sales							
2. Unconditionally tradable shares							
1) Tradable A shares	204,943,027.00						204,943,027.00
2) Tradable B shares	243,943,750.00						243,943,750.00
3) Tradable shares listed abroad							
4) Others							
Subtotal tradable shares	448,886,777.00						448,886,777.00
Total equities	448,886,777.00						448,886,777.00

### 33. Capital reserves

Item	Year-beginning	Current increase	Current decrease	Period-end
1. Capital stock premium	313,159,549.73			313,159,549.73
2. Changes in fair value	-5,568,548.82		4,773,733.54	-10,342,282.36
Of which: profits or losses from changes in fair value of financial assets available for sale	-5,568,548.82		4,773,733.54	-10,342,282.36
3. Other capital reserves	76,355,473.32		1,755,732.88	74,599,740.44
Total	383,946,474.23		6,529,466.42	377,417,007.81

The decrease of capital reserves in current period is mainly due to the changes in the profits and losses from fair value of financial assets available for sale and the capital reserve of subsidiaries under equity method.

### 34. Surplus reserves

Item	Year-beginning	Current-year increase	Current-year decrease	Period-end
Statutory surplus reserve	2,273,121.26			2,273,121.26
Free surplus reserve	2,273,121.26			2,273,121.26
Total	4,546,242.52			4,546,242.52

### 35. Undistributed profits

Item	Year-end balance	Accrued or distributed proportion
Before adjustment, anterior year-end balance	-82,548,593.18	
Adjustment, beginning balance of report period	30,674,302.78	
After adjustment, beginning balance of report period		
Add: current-year net profit of parent company		
Less: statutory surplus reserve		
free surplus reserve		
payable common stock dividend		
End of year undistributed profits	-51,874,290.40	

### 36. Operating income and cost

#### 36.1 Operating income and cost

Item	Current period	Previous period
Principal operating income	844,638,849.00	755,671,667.81
Other operating income	26,784,416.72	21,252,157.30
Operating cost	606,814,372.70	539,093,035.03

#### 36.2 Principal operations, by business sectors

	Current period		Previous period	
	Income	Expense	Income	Expense
1. Industrial operations	683,851,262.78	441,913,661.90	608,638,126.80	388,883,079.95
2. Commercial operations	158,851,396.20	154,304,033.94	143,640,591.65	141,287,838.47
3. Others	1,936,190.02	59,835.46	3,392,949.36	1,316,854.75
Total	844,638,849.00	596,277,531.30	755,671,667.81	531,487,773.17

#### 36.3 Principal operations, by products

	Current period		Previous period	
	Income	Expense	Income	Expense
Sewing machines	631,337,295.48	396,111,939.88	556,386,155.86	343,333,927.53
International trading	158,851,396.20	154,304,033.94	143,640,591.65	141,287,838.47
Office supplies	34,231,169.71	29,787,575.36	35,412,064.97	31,487,385.48
Film equipment	18,282,797.59	16,014,146.66	17,088,523.06	14,174,792.58
Others	1,936,190.02	59,835.46	3,144,332.27	1,203,829.11
Total	844,638,849.00	596,277,531.30	755,671,667.81	531,487,773.17

#### 36.4 Principal operations, by regions

	Current period		Previous period	
	Income	Expense	Income	Expense
Home	409,262,058.59	365,699,989.85	409,472,576.51	366,573,061.90
Abroad	482,832,208.59	278,032,959.63	418,462,471.93	237,178,091.90
Less: offset of internal transactions in the Company	47,455,418.18	47,455,418.18	72,263,380.63	72,263,380.63
Total	844,638,849.00	596,277,531.30	755,671,667.81	531,487,773.17

The Company classifies subsidiaries at home and abroad by their register locations.

#### 36.5 Principal operating income from the top five clients of the Company

Entity or rank	Operating income	Proportion (%)
No.1 client	41,210,712.01	4.73

No.2 client	20,664,058.20	2.37
No.3 client	19,872,985.45	2.28
No.4 client	17,902,279.20	2.05
No.5 client	10,183,343.84	1.17
Total	109,833,378.70	12.60

### 37. Business tax and extra charges

	Current period	Previous period	Standard
Business tax	831,791.05	765,104.23	
Tax on city maintenance and construction	338,804.24	349,446.25	
Educational surtax	261,839.93	249,604.48	
Others	1,251,419.78	1,167,293.75	
Total	2,683,855.00	2,531,448.71	

### 38. Operating expense

Item	Current period	Previous period
Salary	38,997,353.97	32,129,963.88
Repairs and after sale expense	463,302.76	412,242.74
Office expense	430,775.81	380,781.08
Travel expense	5,299,250.64	4,193,002.31
Transport expense	6,721,859.03	5,964,335.04
Advertisement expense	1,163,050.95	909,423.07
commission	8,860,788.09	7,943,022.61
Rent and warehouse expense	2,684,603.40	1,975,461.95
insurance	666,243.76	638,089.73
Packing expense	7,370.00	-
Conference expense	680,378.97	50,007.27
Depreciation expense	313,575.00	367,767.14
Exhibition expense	611,076.12	938,454.44
Utility expense	6,382.19	40,230.83
Handling charges	355,048.40	712,518.05
Sample printing expense and product loss	3,512,737.02	3,287,298.27
Others	17,720,775.91	12,830,115.77
Total	88,494,572.02	72,772,714.18

### 39. Management expense

Item	Current period	Previous period
Salary	45,032,100.33	38,342,334.67
Office expense	1,550,214.00	1,289,588.89
Utility expense	341,968.61	324,173.04
Communication and entertainment	832,521.58	1,104,431.70
Property insurance	1,054,399.71	834,951.00
Conference expense	450,955.26	777,810.00
Travel expense	1,893,774.77	1,248,178.87
Depreciation expense	4,609,242.77	4,977,626.94

Repair expense	28,918.46	259,259.05
Transportation expense	675,019.44	548,468.12
Rent	3,080,491.81	2,117,686.02
Board and supervisory board expense	86,456.47	160,270.28
Consulting expense	6,537,805.81	2,222,159.69
Legal expense	68,971.50	77,435.58
R&D expense for new products	26,637,899.76	23,436,504.74
Tax	330,556.99	419,770.54
Deferred, amortization of intangible assets	1,253,758.48	1,351,586.82
Others	4,355,607.09	3,103,014.57
Total	98,820,662.84	82,595,250.52

#### 40. Financial expense

Item	Current period	Previous period
Interest expenses	9,838,114.99	10,952,227.00
Less: interest income	1,733,887.72	1,315,647.58
Exchange losses	1,462,778.71	-3,881,692.63
Others	1,151,958.97	376,817.20
Total	10,718,964.95	6,131,703.99

#### 41. Income from changes in fair value

Sources of income from changes in fair value	Current period	Previous period
Tradable financial assets	-80,413.50	-33,802.29
Among which: income from changes in fair value of derivatives		
Tradable financial liabilities		
Investment real estate at fair value		
Others		
Total	-80,413.50	-33,802.29

#### 42.1 Detailed information about investment income

Item	Current period	Previous period
Long-term equity investment by cost method	13,039,034.64	12,445,432.22
Long-term equity investment by equity method	-1,156,806.53	-982,776.62
From disposal of long-term equity investment		
From holding tradable financial assets		
From duration of holding to maturity during the investment		
From duration of holding financial assets available for sale		
From disposal of tradable financial assets	-11,546.99	412,750.70
From holding to maturity during the investment		
From financial assets available for sale		395,717.08
Others		
Total	11,870,681.12	12,271,123.38

#### 42.2 By cost method

Invested entity	Current period	Previous period	Reason for increase/decrease
Shanghai Fuji-Xerox Co., Ltd.	11,314,034.64	10,990,776.50	Distribution increase in this period
Shanghai Butterfly Import & Export Co. Ltd	850,000.00	850,000.00	
Shanghai Hirose Precision Machinery Co., Ltd.	875,000.00	500,000.00	Distribution increase in this period
Shanghai Huanzhong Co.,Ltd		104,655.72	No distribution in current period
Bank of Shanghai	13,039,034.64	12,445,432.22	

#### 42.3 Income from long-term equity investment by equity method

Invested company	Current period	Previous period	Reason for increase & decrease with last period
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	-1,241,395.18	-982,776.62	Loss increased in this period
PFAFF Spain	84,588.65		Newly add to the consolidation report
Total	-1,156,806.53	-982,776.62	

42.4 There is no significant limitation of the Company on returning of investment.

#### 43. Assets depreciation loss

	Current period	Previous period
Loss in bad debts	-4,305,890.21	3,164,098.16
Loss in inventory devaluation	3,716,645.54	8,359,039.50
Loss in falling value of long-term equity investment		
Loss in falling value of investment in real estate		
Loss in falling value of fixed assets		
Total	-589,244.67	11,523,137.66

#### 44. Non-operating income

##### 44.1 Detailed information about non-operating income

Item	Current period	Previous period	non-recurring gains and losses included in the current period
Gains from disposal of non-current assets	66,039.12	543,567.20	66,039.12
Among which: disposal of fixed assets	66,039.12	543,567.20	66,039.12
disposal of intangible assets			
Gains from non-monetary assets transaction			
Gains from debts reorganization			
Gains from reception of donation			
Government subsidy	218,790.00	57,590.00	218,790.00
Amercement income and liquidated damages	82,500.00		82,500.00
Others	74,244.00	6,041.88	74,244.00
Total	441,573.12	607,199.08	441,573.12

##### 44.2 Detailed information about government subsidy

Project	Current period	Previous period	Explanation
subsidies for financial support for employee education	140,790.00	41,090.00	
Fund for small and middle enterprises' international market exploration	78,000.00	16,500.00	
Total	218,790.00	57,590.00	

#### 45. Non-operating expense

	Current period	Previous period	Non-recurring gains and losses included in the current period
Losses from disposal of non-current assets	66,661.06	139,799.03	66,661.06
Among which: disposal of fixed assets	66,661.06	139,799.03	66,661.06
disposal of intangible assets			
Losses from debt restructure			
Exchange of non-monetary assets			
Expense in donations	250,000.00		250,000.00
Including: charitable donations	250,000.00		250,000.00
Amercement and fines		3,428.13	
Others		7,382.00	
Total	316,661.06	150,609.16	316,661.06

#### 46. Income tax expense

Item	Current period	Previous period
Current income tax expense	6,240,848.77	12,088,824.14
Deferred income tax expense	18,731,687.10	12,900,225.54
Total	24,972,535.87	24,989,049.68

#### 47. Calculation process of basic earning per share and diluted earning per share

##### 47.1 Calculation formula

##### *Basic earning per share*

Basic earning per share=P0/S

$S=S_0+S_1+Si*Mi/M_0-Sj*Mj/M_0-Sk$

P0 represents the net profit attributable to common shareholders or the net profit attributable to common shareholders after non-current profits and losses. S means the weighted mean of common equity publicly issued. S0 is the year-beginning equity number, S1 the added part of equity by capitalization of capital reserves or bonus shares, Si the added shares by newly issuance or debt-to-equity program, Sj the decreased part of equity by buying-back in report year, and Sk means the number of shrunk shares. M0 means the number of months of report year, Mi the number of months from the next one after newly-issued shares to the end of report year, and Mj the number of months from the next one after newly-decreased net assets to the end of report year.

In case the enterprise owns dilutive potential common shares, it shall adjust respectively the current net profit attributable to common shareholders and the weighted mean of common shares, and calculate on thus basis the diluted earning per share.

##### *Diluted earning per share*

Diluted earning per share=P1/(S0+S1+Si\*Mi/M0-Sj\*Mj/M0-Sk+stock right warrants, stock option, convertible bonds and other newly-added weighted mean of common shares)

P1 represents the net profit attributable to common shareholders or the net profit attributable to common shareholders after non-current profits and losses, and adjusted according to <Accounting Standards for Enterprises> and relevant regulations with consideration of the influence from dilutive potential common shares. On calculating the diluted earning per share, the Company should consider all the influences of dilutive potential common shares upon the net profit attributable to common shareholders or the net profit attributable to common shareholders after deduction of non-current profit/loss, and according to the order of their dilution ranks, account them into diluted earning per share till the minimum.

##### 47.2 Calculation process

##### 47.2.1 *Basic earning per share*

Item	Current period	Previous period
net profit attributable to common shareholders	30,674,302.78	28,764,043.63
weighted mean of common equity publicly issued	448,886,777.00	448,886,777.00
Basic earning per share (yuan/share)	0.0683	0.0641

*Calculation process for weighted mean of common equity*

Item	Current period	Previous period
Year beginning common equity publicly issued	448,886,777.00	448,886,777.00
Add: current period weighted mean of common equity publicly issued		
Less: current period buy-back for weighted mean of common equity publicly issued		
Year-end common equity issued outside	448,886,777.00	448,886,777.00

48.2.2 *Diluted earning per share*

Item	Current period	Previous period
net profit attributable to common shareholders (diluted)	30,674,302.78	28,764,043.63
weighted mean of common equity publicly issued (diluted)	448,886,777.00	448,886,777.00
Diluted earning per share (yuan/share)	0.0683	0.0641

*Calculation process for weighted mean (diluted) of common equity*

Item	Current period	Previous period
Calculate year-end basic earnings per share issued and outstanding common shares Weighted average number	448,886,777.00	448,886,777.00
impact of convertible bonds		
Impact of share options		
Year-end common equity issued outside (diluted)	448,886,777.00	448,886,777.00

48. Other comprehensive income

	Current period	Previous period
1. Profit (loss) from financial assets available for sale	-4,773,737.54	-13,146,494.21
Less: income tax impact by financial assets available for sale		
Transfer into current profits and losses from previously accounted into other comprehensive income		
Subtotal	-4,773,737.54	-13,146,494.21
2. Shared benefits in invested entities' other comprehensive income by equity method	-6,053,086.92	-4,472,161.50
Less: income tax impact upon invested entities' other comprehensive income by equity method		
Transfer into current profits and losses from previously accounted into other comprehensive income		
Subtotal	-6,053,086.92	-4,472,161.50
3. Profit (loss) from cash flow hedge instruments		
Less: income tax impact by cash flow hedge instruments		
Transfer into current profits and losses from previously accounted into other comprehensive income		

Adjustment of initial investment in hedging projects		
Subtotal		
4. Foreign exchange translation difference	-11,083,149.64	-11,056,860.31
Less: transfer into current profits and losses from disposal of overseas operations		
Subtotal	-11,083,149.64	-11,056,860.31
5. Others		
Less: income tax impact by other items accounted into other comprehensive income		
Transfer into current profits and losses from previously accounted into other comprehensive income		
Subtotal		
Total	-21,909,974.10	-28,675,516.02

#### 49. Attachment of cash flow statement

##### 49.1 Other cash inflow related to operating activities

Item	Current year
Receipt of current account	2,466,307.78
Specific subsidies	218,790.00
Interest income	1,733,887.72
Non-operating income	82,500.00
Total	4,501,485.50

##### 49.2 Other cash outflow related to operating activities

Item	Current year
Current account	12,974,538.30
Sales expenditure	30,447,812.44
Admin. expenditure	19,019,128.04
Non-operating expense	250,000.00
Bank charges	1,151,958.97
Total	63,843,437.75

##### 49.3 Other cash outflow related to investing activities

Item	Current year
cash paid for M&A of PFAFF	70,516,556.75
Total	70,516,556.75

##### 49.4 Other cash outflow related to funding activities

Item	Current year
Bank certificates of deposit, deposit, mortgage, pledge, etc	362,959.65
Total	362,959.65

#### 50. Supplements of cash flow statement

##### 50.1 Supplements of cash flow statement

Item	Current period	Previous year
1. Net profits converted into cash flow from operating activities		
Net profits	51,422,726.69	49,981,396.35
Add: provision for assets depreciation	-589,244.67	11,523,137.66
Depreciation of fixed assets, of oil/gas assets and productive biological assets	14,865,121.77	14,262,208.50
Amortization of intangible assets	3,911,446.48	1,934,806.37
Amortization of long-term deferred expenses		
Losses in disposal of fixed assets, intangible and other long-term assets (less: income)	621.94	-403,768.17
Losses on scrapping of fixed assets (less: income)		
Losses on changes in fair value (less: income)	80,413.50	33,802.29
Financial expense (less: income)	11,300,893.70	10,054,138.74
Investment loss (less: income)	-11,870,681.12	-12,271,123.38



Decrease in deferred income tax assets (less: increase)	6,678,577.23	14,109,322.03
Increase in deferred income tax liabilities (less: decrease)	16,545,232.18	-1,023,445.99
Decrease of inventories (less: increase)	-78,046,851.37	9,201,316.32
Decrease in receivables under operating activities (less: increase)	-101,301,974.35	-90,955,090.93
Increase in payables under operating activities (less: decrease)	55,429,341.88	24,183,607.74
Others		
Net cash flows from operating activities	-31,574,376.14	30,630,307.53
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Net increase in cash and cash equivalents		
Cash at the end of period	413,709,715.92	365,006,099.15
Less: Cash at the beginning of period	461,395,048.30	358,470,076.23
Plus: Cash equivalents at the end of period		
Less: Cash equivalents at the beginning of period		
Net increase in cash and cash equivalents	-47,685,332.38	6,536,022.92

## 50.2 Composition of cash and cash equivalents

Item	Period-ending	Year-beginning
1. Cash	413,709,715.92	461,395,048.30
Including: cash on hand	842,416.75	622,920.79
Bank deposit immediately available for payment	411,268,433.08	458,652,161.87
Other monetary fund immediately available for payment	1,598,866.09	2,119,965.64
Deposit in Central Bank available for payment		
Deposit in other banks		
Borrowing from other banks		
2. Cash equivalents		
Including: investment in bonds to be expired within three months		
3. Period-end cash and cash equivalents	413,709,715.92	461,395,048.30

The cash and cash equivalents of the Company and its consolidated subsidiaries whose use is under limited restriction of over three months are not included in the cash and cash equivalents.

## 6. Affiliated parties and affiliated transactions

### (1) Profile of the parent of the Company

RMB'000										
Parent	Relationship	Type	Register place	Legal representative	Principal activities	Register capital	Holding prop. (%)	Voting prop. (%)	Final controller of the Company	Organization code
Shanghai Pudong New Area State-owned Assets Supervision and Management Commission	Holder shareholder		Shanghai	Huang Guoping	Administration of state-owned assets by entrust of Shanghai Pudong New Area People's Government		23.48	23.48	Shanghai Pudong New Area State-owned Assets Supervision and Management Commission	00245606-0

### (2) Information about the subsidiaries of the Company

RMB'000

Subsidiary	Classification	Status	Register place	Legal representative	Business scope	Registered capital	Equity proportion %	Voting share %	Organization code
Durkopp Adler Trading Shanghai Co.	Holding subsidiary	Co., Ltd.	Shanghai	Zhang Min	Imp. & Exp. of sewing machines, etc.	USD6,000,000	60	100	78627462-7
Shanghai Shuangchong Sewing Machines Co.	Holding subsidiary	Co., Ltd.	Shanghai	Chen Changbao	Sewing machinery, etc.	12,000	70	90	63132496-8
Shanghai Shanggong Butterfly Sewing Machines Co.	Wholly-owned	One-person company	Shanghai	Li Xiaofeng	Sewing machinery, etc.	79,000	100	100	74809363-0
Shanghai Suoying Real Estate Co.	Holding subsidiary	Co., Ltd.	Shanghai	Ma Minliang	Real estate development, etc.	13,000	69	69	13246335-7
Shanghai Industrial Sewing Machines Materials General Co.	Holding subsidiary	Non-company system	Shanghai	Jiang Jinrong	Sewing machinery, etc.	4,650	100	100	13224151-9
Shanggong (Europe) Holding Co.	Holding subsidiary	Co., Ltd.	Germany	Zhang Min	Sewing machines, etc.	EUR12,500,000	100	100	---
SMPIC Waigaoqiao Office Equipment Co.	Wholly-owned	Co., Ltd.	Shanghai	Yang Wenchang	Free trade zone warehousing	8,620	100	100	13221916-X
Shanghai Shanggong Assets Management Co.	Wholly-owned	Co., Ltd.	Shanghai	Jiang Yanhai	Assets management	5,000	100	100	56803204-8
Shen Bei Electronics Co.,Ltd	Wholly-owned	Co., Ltd.	Shanghai	Wang Jie	Electronics harness	20,000	100	100	06931449-7

### (3) Information about associates and consortiums

Company	Type	Register place	Representative	Business	Register capital	Equity share (%)	Voting prop. (%)	Relationship	Org. code
Changshu Qixing Co.,Ltd	Co.,Ltd	Shangshu	Wang Mujiong	Plating , numbering machine parts production	2,800 ,000RMB	90		consortium	14204429-5
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	Co., Ltd.	Jiangsu	Bo Weiping	Sewing equipment	USD 7,500,000	49	49	consortium	57141865-4
Shanghai Huazhijie Plastic Co.	Co., Ltd.	Shanghai	Dai Siwei	Production of chemical products	USD7,640,000	23.04		consortium	60734921-7
PFAFF Spain	Co., Ltd.	Spain	Cornelia Mast	Sale of industrial sewing machine	EUR291.9	49	49	consortium	

### (4) Other affiliated parties of the Company

Affiliated party	Relationship	Organization code
Shanghai Hirose Precision Machinery Co., Ltd.	With participation of the Company	60742796-7

Shanghai Fuji Xerox Co.,Ltd	With participation of the Company	60720953-X
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(5) Affiliated transactions

① The transactions among the consolidated subsidiaries, and among the Company and the subsidiaries, have been offset.

② Purchase goods/receive service

Affiliated party	Trade content	Price method & decision process	Current period value		Previous value	
			value	Prop(%)	value	Prop.(%)
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	Purchase sewing equipment	Agreed price	13,775,914.16	2.27	6,819,406.29	1.26

Sell goods/provide service

Affiliated party	Trade content	Price method & decision process	Current period value		Previous value	
			value	Prop(%)	value	Prop.(%)
Shanghai Fuji Xerox Co.,Ltd	Sell goods	Agreed price	19,872,985.45	2.28	23,546,913.64	3.03
Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	Sell goods	Agreed price	2,206,711.09	0.25		

③ Account receivables and payables of affiliated party

Account receivables of affiliated party

Item	Affiliated party	Period end balance		Period beginning balance	
		Book balance	provision	Book balance	provision
Account receivables					
	Shanghai Fuji Xerox Co.,Ltd	4,659,992.62	232,999.63	3,698,154.08	184,907.70
	Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	2,309,163.65	115,458.18	2,295,051.64	309,665.20
	Shanghai Chuangchong Overlock machine Co.,Ltd	3,267,586.72	163,379.34	3,267,586.72	163,379.34
Other account receivables					
	Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	50.00	2.50	50.00	2.50
	Shanghai Chuangchong Overlock machine Co.,Ltd	13,898,201.28	1,891,611.7	13,898,201.28	1,891,611.7

Account payables of affiliated party

Item	Affiliated party	Period end balance	Period beginning balance
Account payables			
	Duerkopp Adler Sewing Equipment (Suzhou) Co.,Ltd	3,599,498.40	6,022,835.20
Other account payables			
	Shen Bei waigaoqiao Office Equipment Co.,Ltd	1,592,527.84	1,592,527.84
	Industrial sewing machine material general co.,Ltd	3,579,389.56	3,578,389.56

④ Affiliated leasing

RMB'000

Lesser	Lessee	Leasing assets	Initial date	Termination	Evidence	Benefits
SGSB Group Co., Ltd.	Shanghai Hirose Precision Machinery	Equipment	2011/03/11	2016/03/11	Contract	250

## 7. Contingent Items

Contingent liabilities arising from debt guarantees for other entities Shanggong (Europe) Holding Co., Ltd. as at June 30, 2013

guarantee	Sum	guaranty period	relationship	completed or not	influence on financial situation
Shanggong (Europe) Holding Co., Ltd.	D5,300,000	2005/06/30-2015/10/31	nt-liability	not	estimated not to be overdue, no negative influence upon the Company's operations.

In 2005, the Company offered a letter of guarantee valued USD 5,300,000 to FAG Kugelfischer AG for the housing lease contract of DA's subsidiary in the United States, valid from June 30, 2005 to October 31, 2015. On the same day June 30, 2005, SG Europe offered a cash mortgage of €635,000 to FAG (with the same period of validity) for re-guaranteeing the latter's responsibility in the sale and lease-back deal between DA's subsidiary and UTF Norcross L.L.C.

Till June 30, 2013, this guarantee deal didn't cause outflow of economic interest from the Company.

## 8. Commitments

### 8.1 Significant commitments

8.1.1 External investment contract made and unfulfilled or not fully fulfilled and the related accounting expenditure:None

8.1.2 Big-ticket outsourcing contract made and in progress or to be fulfilled and the related accounting influence

Till June 30, 2013, the Company hasn't any big-ticket outsourcing contract in progress or to be fulfilled to be announced.

8.1.3 Lease contract made and in progress or to be fulfilled and the related accounting influence

Till June 30, 2013, the Company hasn't any lease contract made and in progress or to be fulfilled to be disclosed.

8.1.4 Merger agreement made and in progress or to be fulfilled

Till June 30, 2013, the Company hasn't any merger agreement made and in progress or to be fulfilled to be announced.

8.1.5 Restructure program made and in progress or to be fulfilled

Till June 30, 2013, the Company hasn't any restructure program made and in progress or to be fulfilled to be disclosed.

8.1.6 Other significant accounting commitments

8.1.6.1 Borrowings through mortgage of assets

Mortgage	Purpose	Sum	Borrower
11A-11D, 1500 Century Avenue	Bank borrowing		SGSB Group
Bank deposit of EUR 193,600	Credit guarantee	---	Shanggong (Europe) Holding Co.
Bank deposit of EUR 673,500	Guarantee	---	Shanggong (Europe) Holding Co.
Fixed assets of EUR 13,503,100	Credit guarantee	EUR13,389,000	Shanggong (Europe) Holding Co.

8.1.6.2 Affiliated parties or other entities offering guarantee for the Company as at June 30, 2013

**RMB'000**

Guarantor	Guarantee	Type	Purpose	Sum
Non-affiliated party				

Shanghai Pudong Development (Group) Co., Ltd.	SGSB Group	Joint liability	Bank borrowing	22,000
Shanghai Pudong Development (Group) Co., Ltd.	SGSB Group	Joint liability	Bank borrowing	29,000
Total				49,000

The Company has mortgaged 100% shares in Shanghai Butterfly Sewing Machine Co., Ltd and 80% shares in Shanghai Butterfly Imp. & Exp. Co., Ltd held by Shanghai Shanggong Butterfly Sewing Machine Co., Ltd, and the real estate at 190 Hu Yi Road owned by the Company, to Shanghai Pudong Development (Group) Co., Ltd. as counter guarantee for the guarantee quotation of RMB 115,600,000 (as at June 30, 2013 really guaranteed borrowing RMB 115,600,000), the period of counter guarantee is from June 9, 2012 to June 8, 2015.

## 8.2 Fulfillment of commitments made in previous periods

The Company held on March 6, 2013, the third meeting of Seventh Board, approved the motion of Shanggong Europe's acquisition and capital increase in PFAFF Industriesysteme und Maschinen AG, and approved by the extraordinary shareholders' general meeting held on March 25, 2013, 2013. The Company plans to M&A of PFAFF Industriesysteme und Maschinen AG, including its subsidiaries in Singapore and Hongkong and associated companies (referred as "Pfaff") through Shanggong ( Europe ) Holding GmbH, the wholly-owned subsidiary of the Company ( referred to as " Shanggong Europe " ) at purchase price EUR one, and with total investment of EUR 24,100,000 ( about RMB 200 million) for share capital increase and settlement of bank loans and interests and financing the subsequent integration and business development. After completion of transaction, Shanggong Europe will become the sole shareholder of Pfaff with 100% shares. The share transaction and commercial registration procedures has been completed during the reporting period. PFAFF's registered capital is 5 million euros after capital increase. Since April 1, 2013, PFAFF became a wholly owned subsidiary of Shanggong Europe, and was consolidated into the company's report.

## 9. Events occurring after balance sheet date

### 9.1 Significant events after balance sheet date:

#### 9.1.1 Non-public offering of stock

On February 7, 2013, the second meeting of the Seventh Board of the Company approved the motion of Company's non-public offering of stock; On July 25, 2013, the company held the eight meeting of the Seventh Board Meeting, approved the revised plan of non-public offering of stock. The fund-raising of this time is directional non-public offering of stocks, issuing no more than 150 million shares at not less than 6.07 yuan per share. The raised fund, after deducting distribution costs, according to the project priorities in order, will be allocated to the following projects: 1. investment on German PFAFF and KSL and its affiliated companies with total investment of RMB 450 million; 2. investment on R&D and production of automatic sewing units and electronic control system with total investment of RMB 151 million ; 3. development of modern household multi-functional sewing machine project, with total investment RMB 50 million; 4. Construction of enterprise information management system (ERP) project within the group, with total investment RMB 20 million.

The non-public offering was approved by the Third Interim Shareholders' meeting of the Company.

### 9.1.2 Project of investment on German KSL and its affiliated companies

On July 8, 2013, the Seventh meeting of the Seventh Board Meeting of the Company approved the motion of SGE's investment on German KSL and its affiliated companies, and after approval by the second extraordinary general shareholder meeting on July 24, 2013. SGE will buy KSL and its affiliated companies at 18.50 million Euros. On July 31, 2013, the share transaction of the above deal was completed. According to the SPA, the purchase price will be paid for two installments. The first installment of 12.95 million Euros will be paid on the closing date, and the second installment of 55.5 million Euros will be paid within one week after the second anniversary of the closing date. 1.2 million shares of Dürkopp Adler AG held by SG Europe were mortgaged to obtain bank guarantee issued by Commerzbank AG in Germany, amounting to EUR 5,550,000.00, with term of two years and four months, for the purpose of provision of guarantee by SG Europe for payment of Purchase Price Installment II to the Seller of shares of Keilmann Group.

### 9.1.3 SG Europe to get loan from the bank

The Second Extraordinary General Shareholder Meeting on July 24, 2013 approved the motion of SG Europe to get loan from the Bank. On July 30, 2013, SGE get 9 million Euros for a short-term working capital loan from Communications Frankfurt Branch, with term of one year. On July 30, 2013, the Company issued financing bank guarantee of RMB 80 million for SGE through the Bank of Communications Shanghai Branch. The Company will mortgage the industrial real property located at 603 Dapu Road in Shanghai as collateral, and obtains a comprehensive credit line of 160 million RMB.

### 9.2 Profit appropriation after balance sheet date

According to the resolution by the 20<sup>th</sup> meeting of the Sixth Board of Directors dated August 29, 2013, the Company didn't propose profit appropriation for the report period.

### 9.3 Other events after balance sheet date

Till the disclosure of current report, the Company hasn't any other significant events that should be announced to the public.

## 10. Explanation about other significant events

Assets and liabilities accounted at fair value

	Year-beginning	Profits/losses from changes of fair value	Accumulated changes of fair value into equity	Impairment accrual	Period-end
Financial assets					
1. Financial assets at fair value and whose changes accounted into current profits and losses (derivatives excluded)	574,196.01	-80,413.50			448,958.51
2. Financial derivatives					
3. Financial assets available for sale	68,296,974.00	-4,773,737.54	-10,342,286.36		63,523,236.46
Subtotal of financial assets	68,871,170.01	-4,854,151.04	-10,342,286.36		63,972,194.97
Investment real estate					

Productive biological assets					
Others					
Total	68,871,170.01	-4,854,151.04	-10,342,286.36		63,972,194.97
Financial liabilities					

## 11. Important notes for parent company's financial statements

### 11.1 Accounts receivable

#### 11.1.1 Composition of accounts receivable

	Year-end			Year-beginning		
	<u>Balance</u>	Prop. (%)	Provision for bad debts/Prop. %	<u>Balance</u>	Prop. (%)	Provision for bad debts/Prop. %
1. Accounts receivable with significant individual amount	97,590,874.93	100.00	80,608,354.51	96,205,139.64		81,677,550.18
2. Accounts receivable with insignificant individual amounts but characterized as risky portfolio						
3. Other insignificant accounts receivable						81,677,550.18
Total	97,590,874.93	100.00	80,608,354.51	96,205,139.64		

Explanation for composition of accounts receivable

End-of-period provision for bad debts of accounts receivable with significant individual amount: No

#### Accounts receivable with insignificant individual amounts but characterized as risky portfolio

Age	Period-end			Year- beginning		
	Balance		Provision	Balance		Provision
	Sum	Proportion (%)		Sum	Proportion (%)	
Within 1 year	16,863,004.93	17.28	843,150.25	13,429,687.45	13.96	671,484.38
1—2 years	1,019,957.32	1.05	203,991.47	1,887,102.21	1.96	377,420.44
2—3 years	293,399.79	0.30	146,699.90	519,409.24	0.54	259,704.62
Over 3 years	79,414,512.89	81.37	79,414,512.89	80,368,940.74	83.54	80,368,940.74
Total	97,590,874.93	100.00	80,608,354.51	96,205,139.64	100.00	81,677,550.18

End-of-period provision for bad debts of accounts receivable with insignificant individual amount but under impairment testing: No

11.1.2 Information for accounts receivable actually written-off in current report period: No

11.1.3 Among the period-end accounts receivable, there are no obligators who holds individually 5% or more equity of the Company.

#### 11.1.4 Top five accounts receivable

Entity or rank	Relation with the Company	Sum	Duration	Proportion in total accounts receivable (%)
No.1 client	Third party	11,530,775.39	Over 3 years	11.82
No.2 client	Third party	7,480,189.67	Within 1 year	7.66
No.3 client	Third party	7,234,606.86	Over 3 years	7.41
No.4 client	Third party	4,679,327.49	Over 3 years	4.79
No.5 client	Subsidiary of Company	4,659,992.62	over 3 years	4.78
Total		35,584,892.03		36.46

#### 11.1.5 Accounts receivable from affiliated parties

Affiliated party	Relationship	Sum	Prop. in accounts receivable (%)
Shanghai Shanggong Butterfly Sewing Machine Co.,Ltd	Subsidiary of the Company	734,478.90	0.75
Durkopp Adler Industrial Manufacturing Shanghai Co.	Subsidiary of the Company	1,795,394.94	1.84
Shanghai Shaungchong Sewing Machine Co.	Subsidiary of the Company	3,267,586.72	3.35
SMPIC Office Equipment Imp. & Exp. Co.	Subsidiary of the Company	2,787,824.66	2.86
Shanghai Fuji Xerox Co.	Participating company	4,659,992.62	4.78

## 11.2 Other receivables

### 11.2.1 Composition of other receivables

	Year-end			Year-beginning		
	Balance	Prop. (%)	Provision for bad debts/Prop. %	Balance	Prop. (%)	Provision for bad debts/Prop. %
1. Accounts receivable with significant individual amount	32,794,115.89	35.64	26,466,370.63	25,775,334.81	24.85	25,775,334.81
2. Accounts receivable with insignificant individual amounts but characterized as risky portfolio	59,215,875.15	64.360	19,273,542.67	77,954,967.74	75.15	20,863,277.12
3. Other insignificant accounts receivable						
Total	92,009,991.04	100.00	45,739,913.30	103,730,302.55	100.00	46,638,611.93

#### Explanation for composition of other accounts receivable

##### End-of-period provision for bad debts of other accounts receivable with significant individual amount:

Other accounts receivable	Balance	Provision	Proportion%	reason
No.2 client	22,646,498.19	16,318,752.93	100%	Single testing decrease of value
No.4 client	10,147,617.70	10,147,617.70	100%	Single testing decrease of value
Total	32,794,115.89	26,466,370.63		

#### Other accounts receivable with provision for bad debts and using age analysis method

Age	Period-end			Year- beginning		
	Balance		Provision	Balance		Provision
	Sum	Proportion (%)		Sum	Proportion (%)	
Within 1 year	41,664,169.84	70.36	2,083,208.50	59,312,644.31	76.09	2,965,632.22
1—2 years	422,770.94	0.71	84,554.19	46,418.50	0.06	9,283.70
2—3 years	46,308.78	0.08	23,154.39	1,415,087.47	1.81	707,543.74
Over 3 years	17,082,625.59	28.85	17,082,625.59	17,180,817.46	22.04	17,180,817.46
Total	59,215,875.15	100.00	19,273,542.67	77,954,967.74	100.00	20,863,277.12

End-of-period provision for bad debts of other accounts receivable with insignificant individual amount but under impairment testing: No

11.2.2 Among the period-end accounts receivable, there are no obligators who holds individually 5% or more equity of the Company.



### 11.2.3 Top five accounts receivable

Entity or rank	Relation with the Company	Sum	Duration	Proportion in total accounts receivable (%)	Type
No.1 client	Sub-subsidiary	23,702,331.55	Within 1 year	25.76	Current account
No.2 client	Subsidiary of the Company	22,646,498.19	Within 1 year	24.61	Current account
No.3 client	Subsidiary of the Company	13,461,338.76	Within 1 year	14.63	Current account
No.4 client	Subsidiary of the Company	10,147,617.70	Within 1 year	11.03	Current account
No.5 client	Non-affiliated party	953,009.31	Within 3 years	1.04	Current account
Total		23,702,331.55		25.76	

### 11.2.4 Accounts receivable from affiliated parties

Affiliated party	Relationship	Sum	Prop. in accounts receivable (%)
Shanghai Shanggong Imp. & Exp. Co.	Sub-Subsidiary of the Company	715,451.11	0.78
Shanghai Shanggong Butterfly Sewing Machine Co.	Subsidiary of the Company	92,699.86	0.10
Durkopp Adler Trading (Shanghai) Co.	Subsidiary of the Company	953,009.31	1.04
Durkopp Adler Industrial Manufacturing Shanghai Co.	Sub-Subsidiary of the Company	23,702,331.55	25.76
Shanghai Shuangchong Sewing Machines Co.	Subsidiary of the Company	13,461,348.76	14.63
Shanghai Shanggong Assets Management Co.	Subsidiary of the Company	22,646,498.19	24.61
SMPIC Office Equipment Imp. & Exp. Co	Subsidiary of the Company	595,710.60	0.65

### 11.3 Long-term equity investment

Company	Accounting method	Initial investment	Year-beginning	Current change	Period-end	Holding prop.	Voting prop.	Explanation	Provision	Current accrual	Cash dividend
<b>Joint Venture:</b>											
Changshu Qixing Co.	Equity method	2,520,000.00				90	90				
Shanghai Huazhijie Plastic	Equity method	1,766,689.38	736,283.66		736,283.66	25	25		736,283.66		
Subtotal for equity method		4,286,689.38	736,283.66		736,283.66				736,283.66		
<b>Subsidiaries:</b>											
Durkopp Adler Trading Shanghai	Cost method	24,403,443.11	24,403,443.11		24,403,443.11	60	100				
Shanghai Industrial Sewing Machines Materials	Cost method	4,600,000.00	4,600,000.00		4,600,000.00	100	100		1,033,434.53		
Shanghai Shuangchong Sewing Machines	Cost method	8,400,000.00	8,400,000.00		8,400,000.00	70	90		8,400,000.00		
Shanghai Suoying Real Estate	Cost method	10,313,953.16	10,313,953.16		10,313,953.16	69	69				
Shanghai Shanggong Butterfly Sewing Machine Co.	Cost method	79,000,000.00	79,000,000.00		79,000,000.00	100	100				
Shanggong (Europe) Holding Co.	Cost method	142,370,693.64	142,370,693.64		142,370,693.64	100	100				
SMPIC	Cost	8,620,000.00	8,620,000.00		8,620,000.00	100	100				

Waigaoqiao Office Apparatus	method										
Shanggong Assets Management	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100	100				
SGSB electronics	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100	100				
<b>Other invested companies:</b>											
Shanghai Xingguang Underwear (South Africa)	Cost method	308,033.99	308,033.99		308,033.99	14.30	14.30		308,033.99		
Shanghai Shensi Enter. Development	Cost method	10,593,077.64	10,593,077.64		10,593,077.64	10.59	10.59				
Wuxi Shanggong Sewing Machines	Cost method	153,814.26	153,814.26		153,814.26	80.00	80.00		153,814.26		
Shanghai Hualian Sewing Machinery	Cost method	400,000.00	400,000.00		400,000.00	21.74		Note			
Shanghai Fuji-Xerox	Cost method	29,140,749.49	29,140,749.49		29,140,749.49	15.92	15.92				10,990,776.50
Shanghai Baoding Investment	Cost method	7,500.00	7,500.00		7,500.00	<5	<5				
Bank of Shanghai	Cost method	951,400.00	951,400.00		951,400.00	<5	<5				104,655.72
China Perfect Machinery	Cost method	90,000.00	90,000.00		90,000.00	<5	<5				
Shenyin & Wanguo Securities	Cost method	200,000.00	200,000.00		200,000.00	<5	<5				
Shanghai Hirose Precision Industrial	Cost method	2,840,376.00				30		Note			850,000.00
Subtotal for cost method		359,393,041.29	336,552,665.29	20,000,000.00	356,552,665.29				19,549,843.12		12,164,034.64
Total		363,679,730.67	337,288,948.95	20,000,000.00	357,288,948.95				20,286,126.78		12,164,034.64

Note: The Company doesn't participate in the decision or operation of Shanghai Hualian Sewing Machines Co., Ltd., Shanghai Hirose Precision Industrial Co., Ltd., nor realizes significant influence upon the invested entities. This is the reason for adopting cost method.

#### 11.4 Operating revenue and operating expense

##### 11.4.1 Principal operating income

	Current period	Previous period
Principal operating income	52,526,546.02	58,215,408.62
Other operating income	17,221,098.15	14,347,536.32
Operating cost	49,958,633.47	54,593,143.90

##### 11.4.2 Principal operations, by business sectors

	Current period		Previous period	
	Income	Expense	Income	Expense
Industrial operations	52,526,546.02	45,845,346.54	58,215,408.62	51,376,998.65
Total	52,526,546.02	45,845,346.54	58,215,408.62	51,376,998.65

##### 11.4.3 Principal operations, by products

	Current period		Previous period	
	Income	Expense	Income	Expense

Office supplies	34,243,748.43	29,831,199.88	41,126,885.56	37,315,231.71
Film equipment	18,282,797.59	16,014,146.66	17,088,523.06	14,061,766.94
Total	52,526,546.02	45,845,346.54	58,215,408.62	51,376,998.65

#### 11.4.4 Principal operations, by regions

	Current period		Previous period	
	Income	Expense	Income	Expense
Home	52,526,546.02	45,845,346.54	58,215,408.62	51,376,998.65
Total	52,526,546.02	45,845,346.54	58,215,408.62	51,376,998.65

#### 11.4.5 Principal operating income from the top five clients of the Company

Entity or rank	Operating income	Proportion (%)
No.1 client	19,872,985.45	28.49
No.2 client	5,484,768.15	7.87
No.3 client	3,587,102.95	5.14
No.4 client	3,350,250.00	4.80
No.5 client	2,057,154.16	2.95
Total	34,352,260.71	49.25

### 11.5 Investment income

#### 11.5.1 Detailed information about investment income

Item	Current period	Previous period
Long-term equity investment by cost method	13,039,034.64	12,230,435.12
Long-term equity investment by equity method		
From disposal of long-term equity investment		1.00
From disposal of tradable financial assets		404,110.70
From financial assets available for sale		
Others		395,717.08
Total	13,039,034.64	13,030,263.90

There are no significant restrictions over the inflow of investment earnings.

#### 11.5.2 By cost method

Invested entity	Current period	Previous period	Reason for increase/decrease
Shanghai Fuji-Xerox Co., Ltd.	11,314,034.64	10,990,776.50	Distribution of profit
Shanghai Hirose Precision Machinery Co., Ltd	850,000.00	850,000.00	Increase of profit distribution
Shanghai Huanzhong Co., Ltd.	875,000.00	500,000.00	Distribution of profit

The investment income from Shanghai Shuangchong Sewing Machines Co., Ltd. represents the excess loss accrued by the Company .

### 11.6 Supplements of cash flow statement

Item	Current period	Previous period
I.Net profits converted into cash flow from operating activities		
Net profits	5,539,662.36	1,794,328.97
Add: provision for assets depreciation	-942,101.96	989,163.47
Depreciation of fixed assets, of oil/gas assets and productive biological assets	3,716,186.58	3,871,483.80
Amortization of intangible assets	1,242,666.22	1,265,508.11
Amortization of long-term deferred expenses		
Losses in disposal of fixed assets, intangible and other long-term assets (less: income)	33,929.07	-168,630.62
Losses on scrapping of fixed assets (less: income)		

Losses on changes in fair value (less: income)	47,609.50	-6,353.71
Financial expense (less: income)	3,512,420.86	4,255,674.24
Investment loss (less: income)	-13,039,034.64	-13,030,263.90
Decrease in deferred income tax assets (less: increase)		
Increase in deferred income tax liabilities (less: decrease)		
Decrease of inventories (less: increase)	-2,823,915.91	1,501,776.52
Decrease in receivables under operating activities (less: increase)	8,307,960.07	-16,531,788.23
Increase in payables under operating activities (less: decrease)	20,413,907.14	5,789,249.68
Others		
Net cash flows from operating activities	26,009,289.29	-10,269,851.67
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Net increase in cash and cash equivalents		
Cash at the end of period	38,135,560.86	73,763,352.03
Less: Cash at the beginning of period	43,545,254.69	95,682,363.26
Plus: Cash equivalents at the end of period		
Less: Cash equivalents at the beginning of period		
Net increase in cash and cash equivalents	-,5409,693.83	-21,919,011.23

## 12. Supplementary information

### 12.1 Current-year non-current profit/loss

Item	RMB'	
	Sum	Explanation
Disposal of non-current assets, including the written-off of accrued provision for assets depreciation	-621.94	
Tax rebate and tax relief from approval without authorization, formal authorization or under occasional situation		
Government subsidies accounted into current profit/loss, except the continuous ration subsidies directly related to the normal operations and stipulated by the government	218,790.00	
Dispossession surcharge to non-financial institutions accounted into current profit/loss		
Earning from the difference between investment cost and the fair value of identifiable net assets when the company acquires subsidiaries, associates or joint-venture companies		
Exchange of non-monetary assets		
Assets under investment or management of trustee		
Provision for assets' depreciation under force majeure		
Liabilities reorganization		
Business reorganization, including staff arrangement and integration		
Exceeding above the fair value in transactions whose price are obviously unfair		
Business combination under the same control from the year-beginning to the combination date		
Contingent affairs not related to normal operations		
Fair value changes of tradable financial assets/liabilities and investment profits from the transfer of tradable financial assets/liabilities and financial assets available for sale, except futures' hedging activities directly related to the normal operations profit/loss from fair value changes of tradable financial assets/liabilities and investment profits from the transfer of tradable financial assets/liabilities and financial assets available for sale, except futures' hedging activities directly related to the normal operations	-91,960.49	
Return of provision for accounts receivable depreciation under individual impairment testing		
Externally entrusted loans		
Fair value changes in investment real estates adopting fair value method for subsequent calculation		
Influence of once adjustment upon current profit/loss according to taxation and accounting regulations		
Custodian fees from trust operation		
Other non-operating income/expenditure	-93,256.00	
Other profit/loss items conformed to the definition of non-current profit/loss		
Influence of income tax	-38,778.08	

Influence of minority interest (after tax)	-11,817.09	
Total	-17,643.60	

## 12.2 Rate of return on net assets and earning per share

RMB'

Net profit	Weighted rate of return on net assets	Earning per share	
		Basic	Diluted
Net profit attributable to common shareholders	4.2622	0.0683	0.0683
Net profit attributable to common shareholders after non-current profit/loss	4.2646	0.0684	0.0684

## 12.3 Abnormal situations of financial statements and explanation of reason

RMB'

Item	Period-end (or current sum)	Year-beginning (or previous sum)	Ratio	Reason
Bill receivables	3,180,096.00	8,211,621.14	-61.27%	Mainly due to bill acceptance in current period
Account receivables	245,712,001.54	149,571,853.26	64.28%	Mainly due to decrease of account receivables of DA and PFAFF's consolidated in the report
Advance payables	30,905,340.85	23,453,336.69	31.77%	Mainly due to increase of advance payables of the subsidiaries in current period
Dividend receivables	11,952,818.25	638,783.61	1771.18	Mainly due to dividend paid by Fuji Xerox
Other current assets	2,891,436.57	1,717,181.91	68.38%	Mainly due to adding rent and insurance by Europe subsidiaries
Intangible assets	54,460,528.19	30,326,717.44	79.58%	Mainly due to PFAFF's consolidation into report
R&D expense	41,507,639.19	27,797,905.03	49.32%	Mainly due to PFAFF's consolidation into report
Goodwill	31,881,381.22	24,234,159.36	31.56%	Mainly due to M&A of PFAFF by Shanggong Europe
Advance receivables	34,897,553.21	26,636,113.70	31.02%	Mainly due to increase of advance receivables of subsidiaries
Salary to employees	41,345,008.29	25,933,892.09	59.42%	Mainly due to reserve for benefit for laid-off employees of PFAFF
Tax payables	30,781,905.42	22,551,179.49	36.50%	Mainly due to profit making in current period
Long-term loan	85,891,712.87	1,489,984.87	5664.60%	Mainly due to increase of loan by DA
Deferred income tax liability	34,235,055.12	17,689,822.94	93.53%	Mainly due to PFAFF's consolidation into report
Undistributed profit	-51,874,290.40	-82,548,593.18	37.16%	Mainly due to profit making in current period
Financial expense	10,718,964.95	6,131,703.99	74.81%	Mainly due to increase of exchange loss
Asset impairment loss	-589,244.67	11,523,137.66	-105.11%	Mainly due to reserve for bad-account
income of change in fair value	-80,413.50	-33,802.29	-137.89%	Mainly due to the decrease in fair value of tradable financial assets

## 13. Authorization for the publication of financial statements

The current financial statements have been authorized by the 15<sup>th</sup> meeting of the Sixth Board of Directors on August 29, 2013 to be submitted to the related authorities and the public.

SGSB GROUP CO., Ltd  
August, 29, 2013

## **VIII. For Reference**

1. Interim Report with signature of the Chairman of BOD;
2. Financial statements signed by the legal person representative, Director in charge of accounting affairs and chief accountant;
3. All the original documents and announcements carried in the newspaper authorized by China Securities Regulatory Commission within report period.

Chairman of BOD: Zhang Min  
SGSB Group Co., Ltd.  
August 29, 2013