

Shang Gong Group Co., Ltd.

600843

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ShangGong Group

Semi-Annual Report 2014

Important Notes

- 1. The Board of Directors, the Board of Supervisors, and all the directors, supervisors, and senior managers guarantee that the contents of this semi-annual report are true, accurate, and complete, and there are no false statements, misleading statements, or major omissions 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. This Semi-annual financial report of the Company was not audited.**
- 4. Zhang Min, the principal of this Company, Li Jiaming, the principal in charge of the accounting, and GaoLili, the head of the financial department declare that this Semi-Annual Report are true, accurate, and complete.**
- 5. There was no occupation of fund of the Company occurred for non-operating use by holding shareholder and the related party.**
- 6. There was no external guarantee against the rules and regulations of the Company.**
- 7. If the English Version of this Semi-Annual Report involves any differences from the Chinese Version, the latter shall be effective.**

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Part I Definition

1. Definition

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

Definitions of common terms		
ShangGong Group, the Company, this Company	means	Shang Gong 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 Shang Gong Group Co., Ltd.
SG Europe, ShangGong Europe	means	ShangGong (Europe) Holding Corp. GmbH
DA AG	means	Duerkopp Adler Aktiengesellschaft, a German listed company controlled by ShangGong (Europe) Holding Corp. GmbH, the subsidiary of Shang Gong 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.
PFAFF AG	means	PFAFF Industriesysteme und Maschinen Aktiengesellschaft
KSL GmbH	means	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH
German KSL GmbH and its Affililates, K GmbH	means	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH, KSA GmbH & Co. KG
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
SSE	means	Shanghai Stock Exchange
Report Period	means	From January 1, 2014 to June 30, 2014
After Report Period	means	From July 1, 2014 to the date of releasing these Statements
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, Yuan	means	Renminbi, China Yuan, the legal currency of China
EUR	means	Currency of European Union

Part II Company Profile

1. Company Information

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

2. Contact

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Zhang Jianguo	Shen Lijie
Address	F 12, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai	F 12, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
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Fax	021-63302939	021-63302939
Email	zhangjianguo@sgsbgroup.com	shenlj@sgsbgroup.com

3. Company Profile

Registered Address	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
Postal Code	200122
Office address	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
Postal Code	200122
Website	http://www.sgsbgroup.com
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 semi-annual report	http://www.sse.com.cn
Lodging address of semi-annual report 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	Shanggong Stock, Gongfeng Share
B Share	Shanghai Stock Exchange	Shanggong B Share	900924	Gongfeng B Share

6. Registration Change of the Company in the Report Period

Registration date	July 31, 2014
Registration place	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
License No.	310000400080303
Tax No.	310115132210544
Orgization No.	13221054-4
Registration change during report period	During the report period, the company completed non-public offering of stock, the company's registered capital changed to RMB 548,589,600, refer to "Shanghai Securities News", "Hong Kong Commercial Daily" and the Shanghai Stock Exchange website Temporary Bulletin No. 2014-027 of the Company on June 11, 2014.

Part III Accounting Data and Financial Index Highlights

1. Main Accounting Data and Financial Index of the Company

1.1 Main Accounting Data

Unit: Yuan Currency: 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 (%)
Operating revenue	969,890,167.03	871,423,265.72	11.30
Net profit attributable to shareholders of listed company	41,854,215.80	30,674,302.78	36.45
Net profit after deduction of non-recurring profits and losses, attributable to shareholders of listed company	41,791,285.85	30,691,946.38	36.16
Net cash flows from operating activities	-18,746,773.41	-31,574,376.14	NA
	At the end of this Report Period	At the end of the previous year	Increase or decrease at the end of this Report Period over the previous year (%)
Net assets attributable to shareholders of listed company	1,484,168,038.94	795,894,186.10	86.48
Total assets	2,682,230,955.77	2,047,916,471.17	30.97

1.2 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 (%)
Basic earnings per share (RMB/share)	0.0839	0.0683	22.84
Diluted earnings per share (RMB/share)	0.0839	0.0683	22.84
Basic earnings per share after deduction of non-recurring profits and losses (RMB/share)	0.0838	0.0684	22.51
Weighted average return on equity (%)	3.6846	4.2622	Decrease by 0.58%
Weighted average return on equity after deduction of non-recurring profits and losses (%)	3.6791	4.2646	Decrease by 0.59%

1.3 Items and Amount of Non-recurring Profits and Losses

Unit: Yuan Currency: RMB

Items of Non-recurring Profits and Losses	Amount
Profits and losses from disposal of non-current assets	265,010.30
government subsidies recorded in the current profit and loss	149,000.00
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	-13,426.44
Other non-operating income and expenditure except the above-said items	-206,733.07
Impact on minority interests	-103,155.71
Impact on income tax	-27,765.13
Total	62,929.95

Part IV Report of the Board of Directors

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

In the first half of 2014, the overall domestic economy continued to be stable and on the up-trend, the GDP grew 7.4%, but due to the impact of the national economic structure adjustment and transformation and upgrading and downstream of textile and apparel market decline and other factors, the sewing machinery industry continued to show a downward trend overall.

Facing the downturn of conditions and complex market environment of sewing machinery industry, the company's management and staff work together to actively adhere to the "science and technology leading, innovation and development" business strategy, the overall operations of the reporting period stay healthy and stable. According to the business plan arrangement, the company focuses on the following aspects:

- A. Non-public issuance of work completed according to plan for the long-term development. It laid a solid foundation for the company. The raising investment project is being actively promoted in accordance with the plan, investment on PFAFF project through Shangong Europe has completed. The integration for DA , PFAFF and KSL in on the way. Synergy effect has been initially come out. The company 's technology, industry position and scale, market share and economic benefits have increased.
- B. The company increases R & D investment to accelerate the transformation and upgrading of sewing products technology development, and promotes the extension of company's products range of applications from clothing, bags, shoes and other traditional manufacturing and auto ancillary industry to aerospace, aerospace engineering and other emerging industries. The company increases R & D investment , to enhance the degree of automation products , promote the transformation and upgrading and development of traditional manufacturing industries. The company further accelerates the integration of home sewing main industry, create synergies, improve economic efficiency, improve products and production layout adjustment, strengthen the construction of a global sales network and information systems.
- C. The company accelerates transformation and development of its non- sewing business, accelerates the gradient transfer, enhance profitability, and achieved certain results.

In the Report Period, the operation revenue of the Company was RMB 969,890,000, increasing by 11.3% on a year-on-year basis, wherein, the sales revenue of sewing equipment increased by 20.09%, the operating profit was RMB 90,550,000, increased by 18.72% on a year-on-year basis, the net profit attributable to shareholders of the listed company was RMB 41,850,000, increasing by 36.45% 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 36.16% on a year-on-year basis.

1.1 Analysis on Main Business

1.1.1 Analysis on Change of Relevant Items in Financial Statements

Unit: Yuan Currency: RMB

Items	Amount in this Report Period	Amount in the same period in the previous Report Period	Increase or decrease (%)
Operating revenue	969,890,167.03	871,423,265.72	11.30
Operating expenses	661,303,736.20	606,814,372.70	8.98
Selling expenses	109,957,980.76	88,494,572.02	24.25
General and administration expenses	102,160,879.18	98,820,662.84	3.38
Financial expenses	10,122,179.92	10,718,964.95	-5.57
Net cash flow from operating activities	-18,746,773.41	-31,574,376.14	40.63
Net cash flow from investing activities	-527,878,281.68	-96,239,879.63	-448.50
Net cash flow from financing activities	570,261,489.85	89,345,710.67	538.26
Research and development expenditures	28,412,862.30	26,637,899.76	6.66

1.1.1.1 Large Change of Items in the Balance Sheet of the Company at the End of Report Period and Reasons

Unit: Yuan 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	2,307,430.01	3,320,697.28	-1,013,267.27	-30.51	Note 1
Dividend receivable	12,734,735.09	2,881,577.53	9,853,157.56	341.94	Note 2
Other receivables	41,465,146.32	60,130,306.48	-18,665,160.16	-31.04	Note 3

Other current assets	539,034,806.53	64,405,666.67	474,629,139.86	736.94	Note 4
Project under construction	5,636,796.26	2,801,141.91	2,835,654.35	101.23	Note 5
Short-term loans	145,303,754.54	222,299,211.73	-76,995,457.19	-34.64	Note 6
Notes payable	0.00	6,225,975.90	-6,225,975.90	-100.00	Note 7
Taxes payable	42,981,940.21	31,916,230.42	11,065,709.79	34.67	Note 8
Other current debts	503,397.29	1,623,775.74	-1,120,378.45	-69.00	Note 9
Capital reserve	945,448,784.81	397,651,623.21	547,797,161.60	137.76	Note 10
Retained earnings	38,857,646.81	-2,996,568.99	41,854,215.80	1396.74	Note 11

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

Note 2: dividend receivable distributed by Fiji Xerox of Shanghai Limited in this Period.

Note 3: mainly caused by completing non-public stock offering of the Company and carrying forward the issuance expense.

Note 4: mainly caused by purchasing short-term RMB structured deposit products with principal guaranteed by bank in this Period in order to increase gains of funds.

Note 5: mainly caused by increasing investment in sewing equipment in this Period.

Note 6: mainly caused by refunding loans from domestic funds with high cost.

Note 7: mainly caused by paying the acceptance bill in this Period.

Note 8: mainly caused by balance of enterprise income tax payable at the end of this period due to profit increase of subsidiaries in this Period.

Note 9: mainly caused by the foreign subsidiaries' writing off interest and rent originally recorded in this Period.

Note 10: mainly cause by premium produced from funds raised from non-public share offering in this Period.

Note 11: caused by profit in this Period.

1.1.1.2 Large Change of Items in the Income Statement of the Company in this Report Period and Reasons

Unit: Yuan Currency: RMB

Items	This Report Period	Same period in the previous year	Amount increase or decrease	Increase or decrease (%)	Analysis for reasons
Loss of asset impairment	4,810,987.05	-589,244.67	5,400,231.72	916.47	Note 1
Income from changes in fair value	-13,426.44	-80,413.50	66,987.06	83.30	Note 2
Non-business income	621,043.73	441,573.12	179,470.61	40.64	Note 3
Non-business expenditure	413,766.50	316,661.06	97,105.44	30.67	Note 4
Other comprehensive income	8,184,632.48	-21,909,974.10	30,094,606.58	137.36	Note 5

Note 1: mainly caused by reversal of bad debt reserve for account receivable

Note 2: mainly caused by increasing change gain in fair value of trading financial assets on year-on-year basis

Note 3: mainly caused by increasing income from disposal of fixed assets on year-on-year basis.

Note 4: mainly caused by increasing loss from disposal of fixed assets on year-on-year basis.

Note 5: mainly caused by increasing change of fair value of available-for-sale financial assets and conversion balance in foreign currency statements on year-on-year basis.

1.1.1.3 Large Change of Items in the Cash Flow Statement of the Company in this Report Period and Reasons

Unit: Yuan 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	-18,746,773.41	-31,574,376.14	12,827,602.73	40.63	Note 1
Net cash flow from investing activities	-527,878,281.68	-96,239,879.63	-431,638,402.05	-448.50	Note 2
Net cash flow from financing activities	570,261,489.85	89,345,710.67	480,915,779.18	538.26	Note 3
Impact of change of exchange rate on cash flow	-1,056,688.04	-9,216,787.28	8,160,099.24	88.54	Note 4

Note 1: mainly caused by increase of cash received from selling commodities and providing labor and paid to employees paid on year-on-year basis.

Note 2: mainly caused by purchase of RMB structured deposit products of the bank in this Period and purchase of

100% equity of PFAFF by ShangGong Europe on year-on-year basis.

Note 3: mainly caused by receipt of funds raised from non-public stock offering and increase of net repayment amount of the bank loans on year-on-year basis in this Period.

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

1.1.2 Others

1.1.2.1 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.

1.1.2.2 Analysis and Statement on Implementation Progress of Various Financing and Major Assets Restructuring of the Company in the Earlier Stage

The third temporary 2013 general meeting of shareholders held by the Company on August 20, 2013, reviewed and adopted the pre-plan of non-public share offering (A Shares). In February 28, 2014, CSRC examined and approved the non-public share offering of the Company. This offering was completed on March 28, the actual offering number was 99,702,823 shares, the offering price was RMB 6.73/share, the amount of raised funds was RMB 670,999,998.79, and after deduction of offering fees of RMB 32,791,767.81, the net amount of raised funds was RMB 638,208,230.98. After this offering, the total share capital of the Company is 548,589,600 shares, and the lock-up period for the newly increased shares is 12 months (for details, see the Temporary Bulletin No. 2014-011 of Company).

1.1.2.3 Statement on progress of operation plan

In this Report Period, the Company actively organized to implement the annual operation plan established by the Board of Directors at the earlier of this year, and the production and operation of Company were healthy and steady. Without consideration of the impact of irregular factors, the operation performance basically met expectations. The investment projects for which funds were raised were under implementation positively.

1.2 Analysis on Operation Status by Industry, Product and Region

1.2.1 Main Business Status by Industry and Product

Unit: Yuan 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	758,165,170.26	472,316,173.27	37.70	20.09	19.24	Increase 0.44%
Export trade	138,078,065.37	134,983,016.70	2.24	-13.08	-12.52	Decrease 0.62%
Office Supplies and Film Equipment	46,450,959.13	40,310,076.60	13.22	-11.55	-11.99	Increase 0.44%
Others	2,476,013.64	637,125.76	74.27	27.88	964.80	Decrease 22.64%
Total	945,170,208.40	648,246,394.33	31.41	11.90	8.72	Increase 2.01%

1.2.2 Main Business Status by Region

Unit: Yuan Currency: RMB

Region	Operating revenue	Increase or decrease of operating revenue over the previous year (%)
Domestic	397,189,456.19	-2.95
Overseas	609,890,630.29	26.32

1.3 Analysis on Core Competitiveness

The Company is the first listed enterprise with the longest history in the domestic sewing equipment industry, and has multiple years of experience in production of sewing equipment. The Company successfully purchased German 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.

1.4 Analysis on Investment Status

1.4.1 Overall Analysis on Foreign Equity Investment

In the Report Period, the balance of long-term equity investment of the Company at the beginning was RMB 53,534,559.75, the balance at the end was RMB 53,569,069.13, and RMB 34,509.38 was increased. For details, see Note 5 (11) of these Statements.

1.4.1.1 Securities Investment Status

No.	Securities type	Securities code	Abbreviation of securities	Initial investment amount (RMB)	Shareholding number (shares)	Book value at the end of Report Period (RMB)	Proportion in total securities investment at the end of Report Period (%)	Gains and losses in the Report Period (RMB)
1	Fund	040002	Huaan A Share	100,000.00	559,435.23	264,053.43	100.00	-13,426.44
Investment in other securities held at the end of this Period					/			

Gains and losses from investment of securities sold in the Report Period	/	/	/	/	
Total	100,000.00	/	264,053.43	100%	-13,426.44

1.4.1.2 Status of Holding Equity of Other Listed Companies

Unit: Yuan Currency: 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%	3,972,744.90		-1,844,724.00	Available-for-sale financial assets	Corporate shares investment
600757	Changjiang Publishing & Media	72,085,722.82	<5%	<5%	91,142,025.90		13,182,123.52	Available-for-sale financial assets	Note
900932	Lujia B Shares	773,099.71	<5%	<5%	1,113,362.70		-121,387.58	Available-for-sale financial assets	Enforcement
Total		74,638,622.53	/	/	96,228,133.50		11,216,011.94	/	/

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

1.4.1.3 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 (RMB)	Change of owner's interest in the Report Period (RMB)	Accounting Items	Share source
Bank of Shanghai	951,400.00	<5	<5	951,400.00	177,109.68		Long-term equity investment	Purchased
Baoding Investment	7,500.00	<5	<5	7,500.00			Long-term equity investment	Purchased
Shenyin&Wanguo Securities	200,000.00	<5	<5	200,000.00	3,238.84		Long-term equity investment	Purchased
Total	1,158,900.00	/	/	1,158,900.00	180,348.52		/	/

Statement on equity of financial enterprises held:

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

1.4.2 Status of Investment in Consigned Financing and Derivatives of Non-financial Companies**1.4.2.1 Consigned Financing**

Unit: Ten Thousand Yuan Currency: RMB

Name of partner	Product type	Amount	Starting date	Ending date	Method of determining gains	Predicted gains	Principal actually recovered	Gains actually obtained	Whether legal proceedings are involved	Amount of provision for impairment	Whether affiliated transaction is involved	Whether lawsuit is involved	Fund source and whether it is raised fund	Affiliated relationship
Xuhui Branch, Bank of Communications	Linghui Wealth. Huideli	5,000	2014-4-16	2014-10-16	Floating gains with guaranteed principal	3.95%-4.06%	-	-	Yes	-	No	No	Yes	
Fumin Branch of the bank of Shanghai	“Wenjin” No. 2 Phase SD21406M27	27,000	2014-4-17	2014-10-16	Floating gains with guaranteed principal	4.90%	-	-	Yes	-	No	No	Yes	
Fumin Branch of the bank of Shanghai	“Wenjin” No. 2 Phase SD21406M27	20,000	2014-4-17	2014-10-16	Floating gains with guaranteed principal	4.90%	-	-	Yes	-	No	No	No	
Total	/	52,000	/	/	/	/	-	-	/	-	/	/	/	/
Aggregate principal and gains amount overdue and non-refunded (RMB)					0									
Statement on consigned financing					With the review and approval of the twelfth meeting of the Seventh Board of Directors on April 11, 2014, it is resolved that idle raised funds of RMB 320 million and self-owned funds of 200 million were managed in purchasing RMB structured deposit products of the bank with principal guaranteed.									

1.4.2.2 Entrusted Loans

No entrusted loans in this Report Period

1.4.2.3 Other investment in financing products and derivatives

No other investment in financing products and derivatives in this Report Period

1.4.3 Use of Raised Funds**1.4.3.1 Overall Use of Raised Funds**

Unit: Yuan Currency: RMB

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds spent in this Report Period	Total amount of raised funded aggregately spent	Total amount of raised funded not spent	Usage and allocation of raised funded not spent
2014	Non-public offering	670,999,998.79	48,035,789.91	312,316,160.83	326,323,890.39	saved in special account of raised funds
Total	/	670,999,998.79	48,035,789.91	312,316,160.83	326,323,890.39	/
Overall use statement on raised funds			With the review and approval of the twelfth meeting of the Seventh Board of Directors on April 11, 2014, it is resolved that part of raised funds are replaced with self-owned funds of RMB 312,316,160.83 which were invested in projects for which funds were raised in advance; meanwhile, idle raised funds of RMB 320 million were managed in purchasing RMB structured deposit products of the bank with principal guaranteed with half-year term. For details, see Temporary Bulletin No. 2014-017 and 2014-018 of the Company.			

1.4.3.2 Committed projects for which funds are raised

Unit: Ten Thousand Yuan Currency: RMB

Name of committed project	Whether project is changed	Amount of raised funds to be invested	Investment amount of raised funds in this Report Period	Aggregate amount of raised funds actually invested	Whether scheduled progress is met	Project progress (%)	Predicted gains	Gains produced	Whether predicted gains are met	Statement on scheduled progress and gains not met	Reason for change and statement on change procedures of raised funds
PFAFF project invested through ShangGong Europe	No	20,000	4,565	20,003	Yes	100		-80.27		Not applicable	Not applicable
KSL and its affiliates project invested through ShangGong Europe	No	25,000	0	10,748.5	Yes	100		-453.20		Not applicable	Not applicable

Project of Research and development and production of automatic sewing unit and electronic controlled system	No	15,100	194.58	392.12						Not applicable	Not applicable
Project of developing modern household multi-functional sewing machines	No	5,000	44	88						Not applicable	Not applicable
Project of establishing and perfecting internal Enterprise Resource Planning (ERP) system	No	2,000	0	0						Not applicable	Not applicable
Total	/	67,100	4,803.58	31,231.62	/	/	/	/	/	/	/
Statement on raised funds spent in committed projects	<p>During the reporting period, the company's investment project by raised fund is in implementation as planned, among which the fund invested in PFAFF project has completed. PFAFF has greatly decreased its loss, close to be breakeven, and its operating conditions continue to significantly improve; Investment project on Keilmann and its affiliates has been done according to the plan, share purchase agreement has completed, follow-up investment and integration of the implementation of the work is in accordance with the contractual stipulations. As KSL is project oriented, after acquired by ShangGong Europe, it increased market exploration with increasing marketing costs, and some R&D project is in the developing period, which all cause its loss during the reporting period. At present, it is in the normal production and operation conditions. ShangGong Europe with DA, PFAFF and KSL as its subsidiaries, it continues to promote integration, and synergy effect is preliminary appeared. The overall strength of ShangGong Europe increased, economic efficiency has increased, with year-on-year increase of 18.36%.</p>										

1.4.3.3 Change of project for which funds are raised

No change of projects for which funds are raised in this Report Period.

1.4.4 Analysis on Main Subsidiaries and Companies of Which ShangGong Group holds shares

Unit: Yuan Currency: RMB

Company name	Business scope	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ShangGong (Europe) Holding Corp. GmbH	Investment in, assets management on, and production, processing and sales of industrial sewing equipment	EUR 12,500,000	1,466,810,774.04	511,833,285.06	618,987,520.73	87,457,475.58	60,317,590.25
Shanghai Shangong Butterfly Sewing Machine Co., Ltd.	Manufacturing and sales of various sewing equipment	RMB 79 million	125,375,117.70	82,706,501.85	157,455,369.97	4,324,683.53	3,856,221.08
Dürkopp Adler Trading (Shanghai) Co., Ltd.	Sales of various sewing equipment	USD 6 million	139,397,506.17	51,019,066.93	89,427,415.66	4,493,695.40	4,286,087.70

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

Unit: Ten Thousand Yuan Currency: RMB

Company Name	Operating revenue	Operating profit	Net profit
Fuji Xerox of Shanghai Limited	138,707	5,347	4,167

1.4.5 Projects for which no funds are raised

No major projects for which no funds are raised in this Report Period.

2. Pre-plan of Profit Distribution and Capitalization of Capital Reserve**2.1 Implementation or Adjustment on Profit Distribution Plan Performed in the Report Period**

In the Report Period, the 2013 shareholders' meeting of the Company had adopted the profit distribution plan under which the dividend was not distributed in cash, no bonus shares were allotted, and no stock capital was capitalized, and such plan has been implemented.

2.2 Pre-plan of Profit Distribution and Capitalization of Capital Reserve to be prepared within the half year

Whether profit is distributed or capital reserve is capitalized?	No.
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3. Other Issues Disclosed**3.1 Statement of the Board of Directors and the Supervision Committee on Non-standard Auditing Report Issued by the Certified Accountants Firm**

Applicable Not applicable

Part V Important Issues

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

1.1 Litigations and Arbitrations not Disclosed in the Temporary Bulletin or with the Follow-up Progress

Unit: Yuan 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)	Decision 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 was 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 enter the bankruptcy procedures at the end of 2012.			Because the assets of the debtor, Shanghai Shuangchongbao Sewing Machines Co., Ltd., were not enough for paying off the bankruptcy expenses, on March 3, 2014, 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. 9-7], in which it decided to terminate the bankruptcy and liquidation procedures of Shanghai Shuangchongbao Sewing Machines Co., Ltd.	The registered capital of Shuangchong Company was RMB 12 million, and the Company held 70% equity and owned 90% voting of Shuangchong Company, and its initial investment amount was RMB 10,800,000. Shuangchong Company had been shut down since 2007, and the Company had drawn the impairment loss for the full amount of its equity investment in the previous year. In the Report Period, Shuangchongbao Company was not covered in the consolidated statements of the Company.	The Company is handling cancellation procedures of business license and taxation.

2. Issues Relevant to Bankruptcy and Restructuring

No issues relevant to bankruptcy and restructuring in the Report Period

3. Assets Transaction and Enterprise Merger

Applicable Not applicable

4. Equity Incentive of the Company and Its Impact

Applicable Not applicable

5. Major Associated Transactions

Applicable Not applicable

5.1 Associated Transactions Relevant to Daily Operations**5.1.1 Issues already disclosed in the temporary bulletin and for which there was no progress or change in the follow-up implementation**

Summary of Issues	Inquiry Index
Shanghai SGSB Electronic Co., Ltd., one wholly-owned subsidiary of the Company, sells products to Fiji Xerox of Shanghai Limited., and is its permanent accessory supplier, and the above-said transaction constitutes the daily associated transaction. It is estimated that in 2014, the amount of products that it will sell to Fiji Xerox is RMB 40 million, and in this Report Period, the sales amount was RMB 18,463,600, and there was no major change.	The temporary bulletin No. 2014-009 disclosed by the Company on March 21, 2014, published in Shanghai Securities News and Hong Kong Commercial Daily and website of Shanghai Stock Exchange (http://www.sse.com.cn/).

5.2 Associated Creditor's Rights and Debts

Except associated creditor's rights and debts relevant to daily operation, there were no other associated creditor's rights and debts in the Company.

For breakdown of associated creditor's rights and debts relevant to daily operation, see Note of these Statements.

6. Major Contracts and Their Performance**6.1 Trusteeship, Contracting and Lease**

Applicable Not applicable

6.2 Guarantees

Applicable Not applicable

Unit: Ten Thousand Yuan 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
Shang Gong Group Co., Ltd.	Headquarters of the Company	Shanghai Pudong Development (Group) Co., Ltd.	7,374	June 9, 2012	June 9, 2012	June 8, 2018	Joint and several liability	No	No	0	Yes	No	No
ShangGong Europe	Wholly-owned subsidiary	Commerzbank	4,659	July 30, 2013	July 30, 2013	November 29, 2015	Joint and several liability	No	No	0	Yes	No	No
Total guarantee amount at the end of Report Period (not including guarantee for subsidiaries)										-4,186			
Total guarantee balance at the end of Report Period (A) (not including guarantee for subsidiaries)										12,033			
Guarantee of the Company for Subsidiaries													
Total guarantee amount for subsidiaries at the end of Report Period										7,000			
Total guarantee balance for subsidiaries at the end of Report Period (B)										18,794			
Total guarantee amount of the Company (including guarantee for subsidiaries)													
Total guarantee amount (A+B)										30,827			
Proportion of guarantee amount in the net assets of the Company (%)										18.79			
Wherein:													
Amount of guarantee provided to shareholder, actual controller and their affiliates (C)										0			
Amount of guarantee for debt directly or indirectly provided to guaranteed, the asset - liability ratio of which is more than 70% (D)										0			
Balance between total guarantee amount and 50% of net assets (E)										0			
Total of above-said guarantees (C+D+E)										0			
Statement on guarantee undue for which joint and several liability can be assumed													

Statement on Guarantee:

- In 2005, this Company issued to FAG Kugelfischer GmbH (FAG) a guarantee letter amounting to not more than USD 5,300,000 for house lease of a subsidiary of DA AG in the USA, the subsidiary controlled by ShangGong Europe, with a validity term from June 30, 2005, to October 31, 2015, and meanwhile, on June 30, 2005, ShangGong Europe provided FAG with a 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 DA AG in USA and UTF Norcross L.L.C.
- On July 30, 2013, the Company provided to ShangGong Europe a financing guarantee letter issued by Xuhui Branch of the Bank of Communications for applying to Frankfurt Branch of the Bank of Communications for EUR loans for current funds equivalent to not more than RMB 80 million with one year's validity term, and meanwhile, the Company provided a bond of RMB 4 million and mortgaged its industrial real estate at No. 603 Dapu Road, Shanghai, to Xuhui Branch of the Bank of Communications.
- ShangGong Europe mortgaged 1.2 million shares of DA AG which it held to Commerzbank so that Commerzbank issued to it a bank guarantee letter amounting EUR 5.55 million with a validity term of two years and four months, in order to provide a guarantee for paying the purchase price to the seller who sold equity of KeilmannSondermaschinenbau GmbH.
- On March 25, 2014, the Company provided to ShangGong Europe a financing guarantee letter issued by the Shanghai Branch of Commerzbank for applying to Bielefeld Branch of Commerzbank for EUR loans for current funds equivalent to not more than RMB 58 million with one year's validity term.
- In this Report Period, this Company mortgaged 100% equity of Shanggong Butterfly, which it held, 80% equity of Shanghai Butterfly Import and Export Co., Ltd., which was held by Shanggong Butterfly, and real estate at No.

190 Huyi Road, owned by this Company, as counter-guarantees for a loan guarantee provided by Shanghai Pudong Development (Group) Co., Ltd., to this Company, amounting to RMB 115,600,000 with the validity term from June 9, 2012, to June 8, 2018. By the end of June 30, 2014, this Company had withdrawn a pledge of 80% equity of Shanghai Butterfly Import and Export Co., Ltd., the amount of counter-guarantee is decreased by RMB 41,860,000, and the actual balance of aggregate loans is RMB zero.

6.3 Other Major Contracts and Transactions

No other major contracts and transaction in this Report Period

7. Performance of Committed Issues

Applicable 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 2014 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.

Part VI Share Change and Shareholder Status

1. Capital Stock Change

1.1 Share Change

1.1.1 Share Change

Unit: Share

	Before this change		Increase/decrease(+/-)					After this change	
	Number	Proportion (%)	New shares offering	Allotted share	Capitalization of capital reserve	Others	Sub-total	Number	Proportion (%)
1.Non-tradable shares	0	0	99,702,823	0	0	0	99,702,823	99,702,823	18.17
(1) State ownership	0	0	0	0	0	0	0	0	0
(2)Shareholding of state-owned corporate	0	0	42,302,823	0	0	0	42,302,823	42,302,823	10.46
(3)Other shareholding of domestic investors	0	0	57,400,000	0	0	0	57,400,000	57,400,000	7.71
Including: shareholding of domestic non-state-owned corporate	0	0	57,400,000	0	0	0	57,400,000	57,400,000	7.71
Shareholding of domestic individuals	0	0	0	0	0	0	0	0	0
(4)Shareholding of foreign investors	0	0	0	0	0	0	0	0	0
Including: shareholding of foreign corporate	0	0	0	0	0	0	0	0	0
Shareholding of foreign individuals	0	0	0	0	0	0	0	0	0
2.Tradable shares	448,886,777	100	0	0	0	0	0	448,886,777	81.83
(1)Common shares in RMB	204,943,027	45.66	0	0	0	0	0	204,943,027	37.36
(2)B Share	243,943,750	54.34	0	0	0	0	0	243,943,750	44.47
(3)Foreign-invested shares listed in foreign	0	0	0	0	0	0	0	0	0
(4)Others	0	0	0	0	0	0	0	0	0
3.Total shares	448,886,777	100	99,702,823	0	0	0	99,702,823	548,589,600	100

1.1.2 Statement on share change

On March 28, 2014, the Company had non-publicly issued 99,702,823 A shares to seven specific objects, and completed registration and trusteeship procedures before Shanghai Branch of China Securities Depository and Clearing Co., Ltd. For details, see Part IV Report of Board of Directors: Analysis and Statement on Implementation Progress of Various Financing and Major Assets Restructuring of the Company in the Earlier Stage.

1.2 Change of non-tradable shares

Unit: Share

Name of Shareholder	Non-tradable shares at the beginning of this Period	Non-tradable shares removed in the Report Period	Increased non-tradable shares in the Report Period	Non-tradable shares at the end of this Period	Reason for non-trading	Date of removing non-trading
China Great Wall Asset Management Corporation	0	0	22,200,000	22,200,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
Nanjing Ruisen Investment Management Partnership (Limited Partnership)	0	0	16,000,000	16,000,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
Orient Securities Company Ltd.	0	0	11,100,000	11,100,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
SAIC Finance Co., Ltd.	0	0	11,100,000	11,100,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
Industrial Bank Global funds - China Everbright Bank – No. 2 of additional offering (classified) of assets management plan for specific multiple clients	0	0	11,100,000	11,100,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
China Universal Asset Management Co., Ltd. - Industrial Bank Co., Ltd. – Tianfu –Haifu-additional offering of assets management plan of ShuangxiShengshi 1	0	0	9,700,000	9,700,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
SIG Asset Management Co., Ltd.	0	0	9,002,823	9,002,823	12 months of lock-up period for object of Company's non-public	March 28, 2015

					offering	
China Universal Asset Management Co., Ltd. – ICBC – Foreign trade trust – Hengsheng fund trust of additional offering portfolio	0	0	5,700,000	5,700,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
Industrial Bank Co., Ltd. – Xingquan mixed securities investment fund with organic increase and flexible allocation	0	0	2,450,000	2,450,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
China Merchants Bank Co., Ltd. – Xingquan securities investment fund of light assets and share investment type (LOF)	0	0	1,350,000	1,350,000	12 months of lock-up period for object of Company's non-public offering	March 28, 2015
Total	0	0	99,702,823	99,702,823	/	/

2. Shareholder Status

2.1 Shareholder Number

Total number of shareholders at the end of Report Period	46,512 (A Share: 18,088; B Share: 28,424)
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Shareholding of top 10 shareholders who hold more than 5% shares of the Company

Unit: Share

Shareholding of top 10 shareholders						
Name of shareholder (full name)	Increase or decrease in the Report Period	Shareholding number at the end of this Period	Shareholding percentage (%)	Number of non-tradable shares held	Number of shares pledged or frozen	Nature of shareholder
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	0	105,395,358	19.21	0	No.	State
China Great Wall Asset Management Corporation	22,200,000	27,730,514	5.05	22,200,000	No.	State-owned corporate
Nanjing Ruisen Investment Management Partnership (Limited Partnership)	16,000,000	16,000,000	2.92	16,000,000	Unknown	Unknown
Orient Securities Company Ltd.	11,100,000	11,100,000	2.02	11,100,000	Unknown	Unknown
SAIC Finance Co., Ltd.	11,100,000	11,100,000	2.02	11,100,000	Unknown	State-owned corporate
Industrial Bank Global funds - China Everbright Bank – No. 2 of additional offering (classified) of assets	11,100,000	11,100,000	2.02	11,100,000	Unknown	Others

China Universal Asset Management Co., Ltd. - Industrial Bank Co., Ltd. – Tianfu –Haifu-additional offering of assets management plan of ShuangxiShengshi 1	9,700,000	9,700,000	1.77	9,700,000	Unknown	Others
SIG Asset Management Co., Ltd.	9,002,823	9,002,823	1.64	9,002,823	Unknown	State-owned corporate
China Universal Asset Management Co., Ltd. – ICBC – Foreign trade trust – Hengsheng fund trust of additional offering portfolio	5,700,000	5,700,000	1.04	5,700,000	Unknown	Others
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	784,052	2,666,888	0.49	0	Unknown	Foreign corporate
Tradable shareholding of top 10 shareholders						
Name of shareholder	Number of tradable shares	Share type and number				
		Type	Number			
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Area People's Government	105,395,358	A Share	105,395,358			
China Great Wall Asset Management Corporation	5,530,514	A Share	5,530,514			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,666,888	B Share	2,666,888			
SHENYIN WANGUO NOMINEES (H.K.) LTD.	2,325,028	B Share	2,325,028			
Dividend insurance product of Zhongrong Life Insurance Co., Ltd.	2,036,140	A Share	2,036,140			
Shanghai International Trust Co., Ltd.	1,965,210	A Share	1,965,210			
NORGES BANK	1,742,114	B Share	1,742,114			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,403,896	B Share	1,403,896			
Shanghai Sanmao Enterprise (Group) Co., Ltd.	1,400,000	A Share	1,400,000			
Yu Zhongxi	1,126,010	B Share	1,126,010			
Statement on affiliated relationship or concerned acts of above-said shareholders	The Company did not know whether there was affiliated relationship or concerned party among above-said shareholders.					

Shareholding number and non-tradable conditions of Top 10 Non-tradable shareholders

Unit: Share

No.	Name of non-tradable shareholder	Number of non-tradable shares	Listing transaction of non-tradable shares		Non-tradable condition
			Listing transaction time	Number of tradable shares newly increased	
1	China Great Wall Asset Management Corporation	22,200,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
2	Nanjing Ruisen Investment Management Partnership (Limited Partnership)	16,000,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
3	Orient Securities Company Ltd.	11,100,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
4	SAIC Finance Co., Ltd.	11,100,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering

5	Industrial Bank Global funds - China Everbright Bank – No. 2 of additional offering (classified) of assets management plan for specific multiple clients	11,100,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
6	China Universal Asset Management Co., Ltd. - Industrial Bank Co., Ltd. – Tianfu –Haifu-additional offering of assets management plan of ShuangxiShengshi 1	9,700,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
7	SIG Asset Management Co., Ltd.	9,002,823	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
8	China Universal Asset Management Co., Ltd. – ICBC – Foreign trade trust – Hengsheng fund trust of additional offering portfolio	5,700,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
9	Industrial Bank Co., Ltd. – Xingquan mixed securities investment fund with organic increase and flexible allocation	2,450,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
10	China Merchants Bank Co., Ltd. –Xingquan securities investment fund of light assets and share investment type (LOF)	1,350,000	March 28, 2015	0	12 months of lock-up period for object of Company's non-public offering
Statement on affiliated relationship or concerned acts of above-said shareholders			The Company did not know whether there was affiliated relationship or concerned party among above-said shareholders.		

3. Change of Controlling Shareholder or Actual Controller

Applicable Not applicable

Part VII Relevant Situation about Preferred Shares

No issues about preferred shares in this Report Period.

Part VIII Directors, Supervisors and Senior Officers Status

1. Shareholding Change

1.1 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.

1.2 Equity Incentive granted to directors, supervisors and senior officers in the Report Period

Applicable Not applicable

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

Name	Title	Change	Reason for change
Ma Minliang	Director, general manager	Dismissal	Job change
XieYushou	Chairman of supervision committee	Dismissal	Retirement
Li Jiaming	Director	Election	Increased
QiaoJunhai	Chairman of supervision committee	Election	Increased

Part IX Financial Report

The Financial part of 2014 semi-annual report of the Company is unaudited.

The Financial Report and Notes to the Financial Report are attached as follows.

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

As of June 30, 2014

(Presented in RMB unless otherwise specified)

Item	Ending Balance	Opening Balance
Current assets:		
Cash and cash equivalents	481,253,440.80	459,200,229.44
Provision for settlement		
Fund for lending		
Financial assets held for trading	264,053.43	277,479.87
Notes receivable	2,307,430.01	3,320,697.28
Accounts receivable	315,259,526.68	247,894,529.49
Prepayment	20,356,511.23	25,241,304.15
Insurance receivable		
Accounts receivable reinsurance		
Contract provision for accounts receivable reinsurance		
Interest receivable		
Dividends receivable	12,734,735.09	2,881,577.53
Other receivables	41,465,146.32	60,130,306.48
Financial assets purchased under resale		
Inventories	479,098,229.66	405,244,436.59
Non-current assets to be expired in one year		
Other current assets	539,034,806.53	64,405,666.67
Total current assets	1,891,773,879.75	1,268,596,227.50
Non-current assets:		
Payment of entrustment loans and advances		
Available for sale financial assets	96,228,133.50	85,012,121.56
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	53,569,069.13	53,534,559.75
Investment properties	118,004,100.70	121,076,399.25
Fixed assets	261,704,903.69	261,035,902.23
Construction in progress	5,636,796.26	2,801,141.91
Construction materials		
Disposal of fixed assets		
Consumable biological asset		
Oil & gas asset		
Intangible assets	78,050,268.70	83,308,929.44
R&D expense	38,313,434.99	39,082,899.68
Goodwill	98,623,362.75	98,908,849.50
Long-term unamortized expense	29,700.00	33,000.00
Deferred tax assets	40,297,306.30	34,526,440.35
Other non-current assets		
Total non-current assets	790,457,076.02	779,320,243.67
Total assets	2,682,230,955.77	2,047,916,471.17

Current liabilities:		
Short-term loans	145,303,754.54	222,299,211.73
Loans from central bank		
Deposits and placements		
Borrowing fund		
Financial liabilities held for trading		
Notes payable		6,225,975.90
Accounts payable	127,447,375.28	126,210,705.10
Receipt in advance	38,655,929.18	32,726,923.09
financial assets sold for repurchase		
Fee and commission payable		
Employee benefit payable	51,997,344.20	49,569,216.41
Taxes payable	42,981,940.21	31,916,230.42
Interest payable		
Dividends payable	1,032,818.86	1,032,818.86
Other payables	139,349,092.19	147,128,355.33
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	503,397.29	1,623,775.74
Total current liabilities	547,791,651.75	619,253,212.58
Non-current liabilities:		
Long-term loans	79,003,153.28	80,675,181.52
Bonds payable		
Long-term payables	51,013,344.01	44,961,333.81
Specific payable		
Contingent liabilities	314,578,331.68	323,783,269.17
Deferred tax liabilities	48,875,381.08	49,451,110.79
Other non-current liabilities		
Total non-current liabilities	493,470,210.05	498,870,895.29
Total liabilities	1,041,261,861.80	1,118,124,107.87
Owners' equity (or shareholder's equity):		
Paid-up capital (or share capital)	548,589,600.00	448,886,777.00
Capital reserve	945,448,784.81	397,651,623.21
Less: treasury stock		
Special provision		
Surplus reserve	4,546,242.52	4,546,242.52
General risk reserve		
Retained earning	38,857,646.81	-2,996,568.99
Difference of foreign currency translation	-53,274,235.20	-52,193,887.64
Total owners' equity attributable to parent company	1,484,168,038.94	795,894,186.10
Minority interests	156,801,055.03	133,898,177.20
Total owners' equity	1,640,969,093.97	929,792,363.30
Total liabilities and owners' equity	2,682,230,955.77	2,047,916,471.17

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

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

As of June 30, 2014

(Presented in RMB unless otherwise specified)

Item	Ending balance	Opening balance
Current assets:		
Cash and cash equivalents	79,425,124.66	92,304,869.24
Financial assets held for trading	264,053.43	277,479.87
Notes receivable	530,000.00	1,926,580.00
Accounts receivable	7,187,211.01	7,262,152.76
Prepayment	1,940,881.48	2,631,470.98
Interest receivable		
Dividends receivable	12,734,735.09	2,881,577.53
Other receivables	51,641,057.21	49,056,660.77
Inventories	13,122,820.94	10,486,023.53
Non-current assets to be expired in one year		
Other current assets	520,000,000.00	
Total current assets	686,845,883.82	166,826,814.68
Non-current assets:		
Available for sale financial assets	96,228,133.50	85,012,121.56
Held-to-maturity investment		
Long-term receivables	82,785,000.00	82,785,000.00
Long-term equity investment	322,719,068.90	322,719,068.90
Investment properties	94,071,775.89	96,621,944.48
Fixed assets	31,321,345.94	32,693,404.79
Construction in progress	2,346,196.81	796,503.00
Construction materials		
Disposal of fixed assets		
Consumable biological asset		
Oil & gas asset		
Intangible assets	22,846,216.67	23,447,572.61
R&D expense		
Goodwill		
Long-term unamortized expense		
Deferred tax assets		
Other non-current assets		
Total non-current assets	652,317,737.71	644,075,615.34
Total assets	1,339,163,621.53	810,902,430.02
Current liabilities:		
Short-term loans	348,148.62	123,948,148.62
Financial liabilities held for trading		
Notes payable		
Accounts payable	11,306,815.31	12,292,012.38
Advance payment	4,684,241.71	3,650,655.07
Wages and salaries unpaid		840,000.00
Taxes payable	-52,360.25	312,461.15
Interest payable		
Dividends payable	1,032,818.86	1,032,818.86
Other payables	73,004,514.08	71,639,913.67
Long-term liabilities to be expired in one year	520,000.00	520,000.00
Other current liabilities		
Total current liabilities	90,844,178.33	214,236,009.75
Non-current liabilities:		

Long-term loans	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 liabilities	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	95,143,174.93	218,535,006.35
Owners' equity (or shareholder's equity):		
Paid-up capital (or share capital)	548,589,600.00	448,886,777.00
Capital reserve	1,025,191,302.80	475,469,882.88
Less: treasury stock		
Special provision		
Surplus reserve	4,546,242.52	4,546,242.52
General risk reserve		
Retained earnings	-334,306,698.72	-336,535,478.73
Total owners' equity(or shareholder's equity)	1,244,020,446.60	592,367,423.67
Total liabilities and owners' equity	1,339,163,621.53	810,902,430.02

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Consolidated Statement of Comprehensive Incomes

January – June 2014

(Presented in RMB unless otherwise specified)

Item	Current Period	Last Period
1. Revenues	969,890,167.03	871,423,265.72
including: Operating revenues	969,890,167.03	871,423,265.72
Interest income		
Earned insurance		
Fees and commission income		
2. Costs	890,716,565.18	806,943,182.84
including: Operating expenses	661,303,736.20	606,814,372.70
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		
Sales tax and surcharges	2,360,802.07	2,683,855.00
Selling expenses	109,957,980.76	88,494,572.02
General and administration expenses	102,160,879.18	98,820,662.84
Financial expenses	10,122,179.92	10,718,964.95
Impairment	4,810,987.05	-589,244.67
Add: Net gain/(loss) from fluctuation in fair values	-13,426.44	-80,413.50
Investment incomes	11,389,745.35	11,870,681.12
Including: investment income in associated and joint ventures	34,509.38	-1,156,806.53
Exchange earning(less: loss)		
3. Operating profit (less: loss)	90,549,920.76	76,270,350.50
Add: Non-operating income	621,043.73	441,573.12
Less: Non-operating expense	413,766.50	316,661.06
Including: net loss in disposal of non-current assets	207,013.43	66,661.06
4. Gross profits	90,757,197.99	76,395,262.56
Less: Corporate income taxes	25,973,330.78	24,972,535.87
5. Net profits	64,783,867.21	51,422,726.69
Net profit attributable to parent company	41,854,215.80	30,674,302.78
Minority interest	22,929,651.41	20,748,423.91
6. Earning per share		
(1) Basic earning per share	0.0839	0.0683
(2) Diluted earning per share	0.0839	0.0683
7. Other comprehensive income	8,184,632.48	-21,909,974.10
8. Total comprehensive income	72,968,499.69	29,512,752.59
Total comprehensive income attributable to parent company	50,065,621.86	14,817,415.60
Total comprehensive income attributable to minority interest	22,902,877.83	14,695,336.99

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Separate Statement of Comprehensive Incomes

January – June 2014

(Presented in RMB unless otherwise specified)

Item	Current Period	Last Period
1. Operating revenues	27,220,004.78	69,747,644.17
Less: Operating expenses	16,793,787.06	49,958,633.47
Sales taxes and surcharges	1,861,497.46	2,281,840.37
Selling expenses	899,430.35	1,999,985.46
General and Administration expense	16,104,633.88	21,415,720.54
Financial expenses	455,939.74	2,424,750.00
Impairment	45,229.14	-942,101.96
Add: Net gains/(loss) from fluctuation in fair values	-13,426.44	-47,609.50
Investment income(less: loss)	11,355,235.97	13,039,034.64
Including: investment income in associated and joint ventures		
2. Operating profit	2,401,296.68	5,600,241.43
Add: Non-operating income	57,484.52	232,836.50
Less: Non-operating expense	230,001.19	293,415.57
Including: Net losses in disposal of non-current assets	23,435.69	43,415.57
3. Gross profit (less: loss)	2,228,780.01	5,539,662.36
Less: Corporate Income taxes		
4. Net profit (less: loss)	2,228,780.01	5,539,662.36
5. Earning per share		
(1) Basic earning per share	0.0045	0.0123
(2) Diluted earning per share	0.0045	0.0123
6. Other comprehensive incomes	11,216,011.94	-4,773,737.54
7. Total comprehensive incomes	13,444,791.95	765,924.82

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Consolidated Statement of Cash Flows

January – June 2014

(Presented in RMB unless otherwise specified)

Item	Current Period	Last Period
1. Cash flow from operating activities:		
Cash inflow from sale of goods and provision of services	1,067,420,070.74	905,527,842.18
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	34,329,916.96	27,738,858.53
Cash inflow from other operating activities	5,006,716.31	4,501,485.50
Sub-total cash inflow from operating activities	1,106,756,704.01	937,768,186.21
Cash inflow from sale of goods and provision of services	764,799,059.44	674,999,807.97
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	274,460,780.66	206,966,779.17
Cash paid for tax	22,911,548.63	23,532,537.46
Cash paid for other operating related activities	63,332,088.69	63,843,437.75
Sub-total cash outflow from operating activities	1,125,503,477.42	969,342,562.35
Net cash in/outflow from operating activities	-18,746,773.41	-31,574,376.14
2. Net cash in/outflow generated from investment activities:		
Cash inflow from taking back investment	42,067,164.04	41,869.09
Cash inflow from return on investment	652,078.41	1,720,736.00
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment	631,062.15	280,983.04
Cash inflow from disposal of subsidiaries and other operating units		
Other proceeds related to investment activities		
Sub-total cash inflow from investing activities	43,350,304.60	2,043,588.13
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	20,219,883.21	27,766,902.96
Cash paid for investment	521,762,001.00	
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	29,246,702.07	70,516,556.75
Sub-total cash outflow from investing activities	571,228,586.28	98,283,467.76
Net cash in/outflow generated from investment activities	-527,878,281.68	-96,239,879.63
3. Cash flow from financing activities:		
Absorption of investment	651,882,998.82	
Including cash inflow from absorbing minority shareholder investment		
Borrowings raised	57,223,360.00	180,597,322.29
Cash received from issuing bonds		

Other cash inflow related to financing activities	712,000.00	
Sub-total cash inflow from financing activities	709,818,358.82	180,597,322.29
Cash paid for debt	135,266,891.34	86,600,000.00
Dividend, interest and profit paid	3,642,978.96	4,288,651.97
Including dividend and profit paid by subsidiaries to minority shareholder		
Other cash outflow related to financing activities	646,998.67	362,959.65
Sub-total cash outflow from financing activities	139,556,868.97	91,251,611.62
Net cash in/outflow from financing activities	570,261,489.85	89,345,710.67
4. Influence of fluctuation of exchange rate	-1,056,688.04	-9,216,787.28
5. Net increase/decrease in cash and cash equivalents	22,579,746.72	-47,685,332.38
Add: Beginning balance of cash and cash equivalents	446,063,638.27	461,395,048.30
6. Ending balance of cash and cash equivalents	468,643,384.99	413,709,715.92

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Separate Consolidated Statement of Cash Flows

January – June 2014

(Presented in RMB unless otherwise specified)

Item	Current Period	Last Period
1. Cash flow from operating activities:		
Cash inflow from sale of goods and provision of services	29,560,524.15	75,269,572.19
Tax refunds received		140,790.00
Cash inflow from other operating activities	3,649,477.90	41,925,197.08
Subtotal cash inflow from operating activities	33,210,002.05	117,335,559.27
Cash inflow from sale of goods and provision of services	14,000,266.06	45,888,228.66
Cash paid to and for employees	12,350,541.27	18,515,227.57
Cash paid for tax	2,700,231.86	5,139,769.17
Cash paid for other operating related activities	18,957,591.16	21,783,044.58
Sub-total cash outflow from operating activities	48,008,630.35	91,326,269.98
Net cash in/outflow from operating activities	-14,798,628.30	26,009,289.29
2. Net cash in/outflow generated from investment activities:		
Cash inflow from taking back investment		
Cash inflow from return on investment	652,078.41	1,725,000.00
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment	93,500.00	205,000.00
Cash inflow from disposal of subsidiaries and other operating units		
Other proceeds related to investment activities		
Sub-total cash inflow from investing activities	745,578.41	1,930,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	2,519,600.87	236,562.26
Cash paid for investment	521,762,001.00	20,000,000.00
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	524,281,601.87	20,236,562.26
Net cash in/outflow generated from investment activities	-523,536,023.46	-18,306,562.26
3. Cash flow from financing activities:		
Absorption of investment	651,882,998.82	
Borrowings raised		77,000,000.00
Cash received from issuing bonds		
Other cash inflow related to financing activities		
Subtotal cash inflow from financing activities	651,882,998.82	77,000,000.00
Cash paid for debt	123,600,000.00	86,600,000.00
Dividend, interest and profit paid	2,212,394.96	3,510,828.89
Other cash outflow related to financing activities	436,702.82	
Subtotal cash outflow from financing activities	126,249,097.78	90,110,828.89
Net cash in/outflow from financing activities	525,633,901.04	-13,110,828.89
4. Influence of fluctuation of exchange rate	-178,993.86	-1,591.97
5. Net increase/decrease in cash and cash equivalents	-12,879,744.58	-5,409,693.83
Add: Beginning balance of cash and cash equivalents	88,304,869.24	43,545,254.69
6. Ending balance of cash and cash equivalents	75,425,124.66	38,135,560.86

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Consolidated Statement of Changes in Equity
 January – June 2014

(Presented in RMB unless otherwise specified)

	Current Period									
	Shareholder's Equity Attributable to Parent Company								Minority Interests	Total Shareholder's Equity
	Shares	Capital Reserve	Less: Treasury Stocks	Special Reserves	Surplus Reserve	General Risk Reserves	Retained Earnings	Others		
1. Previous year ending balance brought forward	448,886,777.00	397,651,623.21			4,546,242.52		-2,996,568.99	-52,193,887.64	133,898,177.20	929,792,363.30
Add: accounting policy changes										
Correction of previous-period accounting errors										
Others										
2. Beginning balance	448,886,777.00	397,651,623.21			4,546,242.52		-2,996,568.99	-52,193,887.64	133,898,177.20	929,792,363.30
3. Increase/decrease for the current period	99,702,823.00	547,797,161.60					41,854,215.80	-1,080,347.56	22,902,877.83	711,176,730.67
(1) Net profit							41,854,215.80		22,929,651.41	64,783,867.21
(2) Other comprehensive incomes		9,291,753.62						-1,080,347.56	-26,773.58	8,184,632.48
Subtotal of (1) and (2)		9,291,753.62					41,854,215.80	-1,080,347.56	22,902,877.83	72,968,499.69
(3) Investment or disinvestment	99,702,823.00	538,505,407.98								638,208,230.98
a. Investment from shareholders	99,702,823.00	538,505,407.98								638,208,230.98
b. Shares included in owners' equity										
c. Others										
(4) Distribution										
a. Surplus reserve										
b. General risk reserve										
c. Distribution to shareholders										
d. Others										
(5) Internal transfer of owners' equity										

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a. Capital reserve turn to stock equity										
b. Surplus reserve turn to stock equity										
c. Surplus reserve to recover loss										
d. Others										
(6) Special reserves										
a. Appropriation for current year										
b. Use in current year										
(7) Others										
4. Ending balance	548,589,600.00	945,448,784.81			4,546,242.52		38,857,646.81	-53,274,235.20	156,801,055.03	1,640,969,093.97

	Amount in last year									
	Shareholder's Equity Attributable to Parent Company								Minority Interests	Total Shareholder's Equity
	Shares	Capital Reserve	Less: Treasury Stocks	Special Reserves	Surplus Reserve	General Risk Reserves	Retained Earnings	Others		
1. Previous year ending balance brought forward	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 for the current period		-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) Other comprehensive incomes		-6,529,466.42						-11,083,149.64	-4,297,358.04	-21,909,974.10
Subtotal 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) Investment or disinvestment									-7,444,420.61	-7,444,420.61
a. Investment from shareholders										

b. Shares included in owners' equity										
c. Others									-7,444,420.61	-7,444,420.61
(4) Distribution										
a. Surplus reserve										
b. General risk reserve										
c. Distribution to shareholders										
d. Others										
(5) Internal transfer of owners' equity										
a. Capital reserve turn to stock equity										
b. Surplus reserve turn to stock equity										
c. Surplus reserve to recover loss										
d. Others										
(6) Special reserves										
a. Appropriation for current year										
b. Use in current year										
(7) Others										
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

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Shang Gong Group Co., Ltd
Separate Statement of Changes in Equity
 January – June 2014

(Presented in RMB unless otherwise specified)

	Current Period							
	Shares	Capital Reserve	Less: Treasury Stocks	Special Reserves	Surplus Reserve	General Risk Reserves	Retained Earnings	Total Shareholder's Equity
1. Previous year ending balance brought forward	448,886,777.00	475,469,882.88			4,546,242.52		-336,535,478.73	592,367,423.67
Add: accounting policy changes								
Correction of previous-period accounting errors								
Others								
2. Beginning balance	448,886,777.00	475,469,882.88			4,546,242.52		-336,535,478.73	592,367,423.67
3. Increase/decrease for the current period	99,702,823.00	549,721,419.92					2,228,780.01	651,653,022.93
(1) Net profit							2,228,780.01	2,228,780.01
(2) Other comprehensive incomes		11,216,011.94						11,216,011.94
Subtotal of (1) and (2)		11,216,011.94					2,228,780.01	13,444,791.95
(3) Investment or disinvestment	99,702,823.00	538,505,407.98						638,208,230.98
a. Investment from shareholders	99,702,823.00	538,505,407.98						638,208,230.98
b. Shares included in owners' equity								
c. Others								
(4) Distribution								
a. Surplus reserve								
b. General risk reserve								
c. Distribution to								

shareholders								
d. Others								
(5) Internal transfer of owners' equity								
a. Capital reserve turn to stock equity								
b. Surplus reserve turn to stock equity								
c. Surplus reserve to recover loss								
d. Others								
(6) Special reserves								
a. Appropriation for current year								
b. Use in current year								
(7) Others								
4. Ending balance	548,589,600.00	1,025,191,302.80			4,546,242.52		-334,306,698.72	1,244,020,446.60

	Amount in last year							
	Shares	Capital Reserve	Less: Treasury Stocks	Special Reserves	Surplus Reserve	General Risk Reserves	Retained Earnings	Total Shareholder's Equity
1. Previous year ending balance brought forward	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 for the current period		-4,773,737.54					5,539,662.36	765,924.82
(1) Net profit							5,539,662.36	5,539,662.36
(2) Other comprehensive		-4,773,737.54						-4,773,737.54

incomes								
Subtotal of (1) and (2)		-4,773,737.54					5,539,662.36	765,924.82
(3) Investment or disinvestment								
a. Investment from shareholders								
b. Shares included in owners' equity								
c. Others								
(4) Distribution								
a. Surplus reserve								
b. General risk reserve								
c. Distribution to shareholders								
d. Others								
(5) Internal transfer of owners' equity								
a. Capital reserve turn to stock equity								
b. Surplus reserve turn to stock equity								
c. Surplus reserve to recover loss								
d. Others								
(6) Special reserves								
a. Appropriation for current year								
b. Use in current year								
(7) Others								
4. Ending balance	448,886,777.00	454,754,097.49			4,546,242.52		-358,689,657.24	549,497,459.77

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Gao Lili

Notes to Financial Statements

1. Background Information

Shang Gong Group Co., Ltd. (hereinafter referred to as “ShangGong Group”, “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 authorized by local administration of industry and commerce in April, 1994. The Company, with register capital of RMB 548,589,600., has Room A-D, 12th Floor, Orient Mansion, No.1500 Century Avenue, Pudong New Area, Shanghai as register address and the headquarters’ address, and Mr. Zhang Min as legal representative.

The Company is mainly engaged in the research and development, manufacture and sales of industrial and household sewing machines and equipment. In the meantime, the Company has also expanded its business in office appliances, sensitive films, international trade and logistic industries.

During recent years, the Company actively implements the internationalization strategy by cross-border mergers and acquisitions. After the acquisition of Dürkopp Adler Aktiengesellschaft (public listed company in Germany, hereinafter referred to as "DA AG") in 2005, the company has been availing the advanced technology of DA AG to realize the upgrade and development of the products’ structure which obtained larger market share in the high-tech sewing equipment market in Europe and America. And the company gradually moved the production of DA AG’s products which are popular in Asian market to China with purpose of satisfying the growing demand of customers for auto-running sewing machines. The company acquired 100% shares of PFAFF Industriesysteme und Maschinen Aktiengesellschaft (hereinafter referred to as "PFAFF") in March 2013 in order to consolidate and expand technical advantage and industry shares, and enhance marking competitiveness. In July 2013, the company purchased 100% shares of KSL Keilmann Sondermaschinenbau GmbH (hereinafter referred to as "KSL") and its related companies to supplement the shortage in automatic sewing technology area, expand company’s industrial sewing machines to emerging industries, and upgrade the core competencies and sustainable development capability. At present, the company possesses international brands including DA, PFAFF, KSL, Beisler, etc. and registered trademarks like “Shanggong”, “Shuanggong”, “Butterfly”, “Bee” and “Flying Man”, etc..

On February 28, 2014, as approved by China Securities Regulatory Commission (CSRC) by document Zheng-Jian-Xu-Ke [2014] No. 237, the company was permitted to issue no more than 150,000,000 non-public shares. The actual non-public shares issued by the company are 99,702,823. The issue price is RMB 6.73 per share. The actual fund raised is RMB 670,999,998,79, issue expense is RMB 32,791,767,81, the net fund raised is RMB 638,208,230.98. After the issuance, the register capital changed to RMB 548,589,600, which has been verified by BDO China Shu Lun Pan Certified Public Accountants LLP by capital verification report Xin-Kuai-Shi-Bao-Zi [2014] No.111126.

As at June 30, 2014, the total of shares is of 548,589,600, including 448,886,777 unconditionally tradable shares (accounting for 81.83% of total shares) and 99,702,823 conditionally tradable shares (accounting for 18.17% of total 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 notes, 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 Available for sale financial assets

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 Accrument 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 accrument 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 bear 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	5-50	0-10%	1.8% - 20%
Machinery and equipment	5-15	0-10%	6% - 20%
Motor vehicles	3-14	0-10%	6.43 % - 33.33%
Electric appliances	3-14	0-10%	6.43%-33.33%
Fixtures	5-15	--	6.67%-20%
Others	3-14	0-10%	6.43% - 33.33%

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 be 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
Brand use right	10 years
Patent and Non-patent technology	4-8 years
Computer software	3-10 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

There are no changes in accounting policies for current period.

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%, 7%, 13%, 17%, 19%
Business tax	Business turnover	5%, 7%
Income tax	Taxable income	25%, 16%-38%
City maintenance and construction tax	Acutally paid business tax, value-added tax and consumption tax	1%, 7%
Extra charge of education fund	Acutally paid business tax, value-added tax and consumption tax	2%, 3%

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 Corp. GmbH	Wholly-owned subsidiary	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	Write-down of owners' equity
SMPIC Waigaoqiao Office Appa. Co., Ltd.	Wholly-owned	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

During current period, the company added one subsidiary of fourth level in the consolidation statement, the reason is: the company in the current period newly established PFAFF Industrial Sewing Machine Taicang Co., Ltd.

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')
PFAFF Industrial Sewing Machine Taicang Co., Ltd	1907.03	-27.56

4.4 Translation Rate of Financial Statement Prepared by Overseas Entities

The subsidiary ShangGong (Europe) Holding Corp. GmbH 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 8.3946, and beginning-of-period rate is 8.4189; for income and costs in profit statement, current-period exchange rate is 8.4152, and anterior-period rate is 8.0536; 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 Notes to Major Accounts on the Consolidated Financial Statements

(Expressed in RMB or Otherwise Specified)

5.1 Cash and Cash Equivalents

Item	Ending Balance			Opening Balance		
	Original currency	Exchange rate	Translated to RMB	Original currency	Exchange rate	Translated to RMB
Cash on hand						
RMB			481,452.97			310,724.70
HKD	3,651.80	0.7937	2,898.43	2,620.49	0.7862	2,060.23
EUR	97,343.61	8.3946	817,160.67	77,422.91	8.4189	651,815.74
USD	4.00	6.1528	24.61	4.00	6.0969	24.39
Subtotal			1,301,536.68			964,625.06
Bank deposit						
RMB			109,819,423.53			166,046,009.29
HKD	830,637.86	0.7937	659,277.27	325,347.52	0.7862	255,788.22
USD	215,785.65	6.1528	1,327,685.93	551,043.37	6.0969	3,359,656.34
EUR	35,575,468.27	8.3946	298,641,825.90	31,857,260.83	8.4189	268,203,093.23
Subtotal			410,448,212.63			437,864,547.08
Other monetary-funds						
RMB			69,503,691.49			20,371,057.30
Subtotal			69,503,691.49			20,371,057.30
Total			481,253,440.80			459,200,229.44

Funds with limited use are shown as follows:

Item	Ending Balance	Opening Balance	Note
Deposits as guarantees	2,748,056.26	2,754,360.99	Note 1
Certificates of term deposit as guarantees	5,861,999.55	5,670,230.18	Note 2
Deposits as count guarantee	4,000,000.00	4,000,000.00	Note 3
Deposits L/C guarantee		712,000.00	
Total	12,610,055.81	13,136,591.17	

Note 1: The deposit, amounting to EUR 327,360.00, were pledged by ShangGong (Europe) Holding Corp. GmbH to the Commerzbank Germany, which were equivalent to RMB 2,748,056.26;

Note 2: The term deposit, amounting to EUR 698,306.00, were pledged by the ShangGong (Europe) Holding Corp. GmbH to the FAG Kugelfischer AG, which were equivalent to RMB 5,861,999.55;

Note 3: The deposits were pledged by Shang Gong Group Co., Ltd for financial guarantee issued by Bank of Communications Xuhui Branch, which was used to guarantee the bank loan that ShangGong (Europe) Holding Corp. GmbH applied in Bank of communications Frankfurt Branch;

5.2 Financial Assets Held for Trading

	Ending Balance at Fair Value	Opening Balance at Fair Value
Financial assets measured at fair value and the variation included into current-period profits and losses	264,053.43	277,479.87
Total	264,053.43	277,479.87

There are no financial assets held-for-trading with limited use.

5.3 Notes Receivable

	Ending Balance	Opening Balance
Bank acceptance bills	2,307,430.01	2,046,580.00
Commercial acceptance bills		1,274,117.28
Total	2,307,430.01	3,320,697.28

Notes receivable which has been mortgaged at period end: None.

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 Dividends Receivable

Item	Opening Balance	Increase	Decrease	Ending Balance	Reason for receivable	Impairment
Within one year	2,881,577.53	9,869,408.00	16,250.44	12,734,735.09		
Including: Shanghai Fuji Xerox Co., Ltd		9,869,408.00		9,869,408.00		
Shanghai Shenyin & Wanguo Securities	16,194.20		16,194.20			
Shanghai Shensy Enterprises Development Co., Ltd	2,865,383.33		56.24	2,865,327.09		
Total	2,881,577.53	9,869,408.00	16,250.44	12,734,735.09		

5.5 Accounts Receivable

5.5.1 Accounts Receivable by Category

	Ending Balance				Opening balance			
	Carrying Amount		Bad Debt Provision		Carrying Amount		Bad Debt Provision	
	RMB	%	RMB	%	RMB	%	RMB	%
Individual item with significant balances	21,112,419.00	4.73	21,112,419.00	100.00	28,051,774.80	7.48	21,173,533.50	75.48
Items as a collective group	177,024,094.47	39.63	94,012,023.29	53.11	162,868,120.35	43.40	92,779,351.80	56.97
Other insignificant items	248,533,516.09	55.64	16,286,060.59	6.55	184,303,953.29	49.12	13,376,433.65	7.26
Total	446,670,029.56	100.00	131,410,502.88	29.42	375,223,848.44	100.00	127,329,318.95	33.93

The balance that is limited to use is RMB 11,397,566.68, which is a deposit for banker's letter of guarantee pledged by ShangGong (Europe) Holding Corp. GmbH's subsidiary, KSL Keilmann Sondermaschinenbau GmbH

and its related companies.

5.5.2 Clarification for Composition of accounts receivable

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

	Carrying Amount	Bad Debt Provision	Provision%	Comments
Top 1 Customer	21,112,419.00	21,112,419.00	100.00	Impaired through individual test
Total	21,112,419.00	21,112,419.00		

At the balance sheet date, the carrying amount of receivables to the ShangGong (Europe) Holding Corp. GmbH was significant and therefore was tested and provided for individually.

Items provided for using an ageing analysis as a collective group are as follows:

	Ending Balance			Opening Balance		
	Carrying Amount		Bad Debt Provision	Carrying Amount		Bad Debt Provision
	RMB	%		RMB	%	
Within one year	82,080,528.14	46.37	4,104,026.41	69,566,351.56	42.71	3,478,317.59
1- 2 years	5,401,242.15	3.05	1,080,248.43	4,123,622.74	2.53	824,724.55
2-3 years	1,429,151.46	0.81	714,575.73	1,403,672.80	0.86	701,836.41
Over 3 years	88,113,172.72	49.77	88,113,172.72	87,774,473.25	53.90	87,774,473.25
Total	177,024,094.47	100.00	94,012,023.29	162,868,120.35	100.00	92,779,351.80

Other items which are not significant but provided for are as follows:

	Carrying Amount	Bad Debt Provision	Provision %	Comments
Other item (Note 1)	2,150,000.00	2,150,000.00	100.00	Impaired through individual test
Other item (Note 2)	478,353.29	478,353.29	100.00	Impaired through individual test
Other item (Note 2)	389,034.00	389,034.00	100.00	Impaired through individual test
Other item (Note 2)	150,174.00	150,174.00	100.00	Impaired through individual test
Other item (Note 3)	245,365,954.80	13,118,499.30	5.64	Impaired through individual test
Total	248,533,516.09	16,286,060.59		

Note 1: The balance represents accounts receivable from Durkopp Adler Trading Shanghai Co., Ltd., and is tested separately for impairment;

Note 2: The balance represents accounts receivable from Shanghai Shangong Butterfly Sewing Machines Co., Ltd., and is tested separately for impairment;

Note 3: The balance represents accounts receivable from ShangGong (Europe) Holding Corp. GmbH and is tested separately for impairment.

5.5.3 The accounts receivable actually written off in this report period: None.

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

5.5.5 Top five debtors of accounts receivable

Entity or rank	Relation with the Company	Sum	Duration	Proportion in total accounts receivable (%)
No.1 client	Third party	21,112,419.00	Over 3 years	4.73
No.2 client	Third party	11,530,775.39	Over 3 years	2.58
No.3 client	Third party	7,480,189.67	Over 3 years	1.67
No.4 client	Third party	7,410,919.46	Within 1 year	1.66

No.5 client	Third party	7,234,606.86	Over 3 years	1.62
Total		54,768,910.38		12.26

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

5.6 Other Receivables

5.6.1 Other Receivables by Category

	Ending Balance				Opening Balance			
	Carrying Amount		Bad Debt Provision		Carrying Amount		Bad Debt Provision	
	RMB	%	RMB	%	RMB	%	RMB	%
Individual items with significant balances	25,988,473.49	36.65	10,842,551.80	41.72	42,163,292.79	47.17	10,499,267.50	24.90
Items as a collective group	36,501,511.16	51.47	18,608,822.27	50.98	38,747,122.27	43.35	18,757,139.71	48.41
Other insignificant items	8,428,615.74	11.88	2,080.00	0.02	8,478,378.63	9.48	2,080.00	0.02
Total	70,918,600.39	100.00	29,453,454.07	41.53	89,388,793.69	100.00	29,258,487.21	32.73

5.6.2 Category Description

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

	Carrying Amount	Bad Debt Provision	Provision %	Comments
Export VAT refund (Note 1)	15,145,921.69			Unimpaired through individual test
Top 3 Customer	10,842,551.80	10,842,551.80	100.00	Impaired through individual test
Total	25,988,473.49	10,842,551.80		

Note: This mainly refers to the export tax rebate receivable of subsidiaries in export sales, with non-impairment in individual testing.

Items provided for using an aging analysis as a collective group are as follows:

	Ending Balance			Opening Balance		
	Carrying Amount		Bad Debt Provision	Carrying Amount		Bad Debt Provision
	RMB	%		RMB	%	
Within one year	18,541,773.60	50.80	927,088.68	20,557,701.99	53.06	1,027,885.09
1-2 years	265,300.42	0.73	53,060.08	487,983.14	1.26	97,596.62
2-3 years	131,527.27	0.36	65,763.64	139,558.27	0.36	69,779.13
Over 3 years	17,562,909.87	48.11	17,562,909.87	17,561,878.87	45.32	17,561,878.87
Total	36,501,511.16	100.00	18,608,822.27	38,747,122.27	100.00	18,757,139.71

Other items which are not significant but provided for are as follows:

	Carrying Amount	Bad Debt Provision	Provision%	Comments
Other insignificant items (Note 1)	8,426,535.74			Unimpaired through individual test
Other insignificant items (Note 2)	2,080.00	2,080.00	100	Impaired through individual test
Total	8,428,615.74	2,080.00		

Note 1: The balance represents accounts receivable from ShangGong (Europe) Holding Corp. GmbH and is tested separately for impairment;

Note 2: The balance represents accounts receivable from Shanghai Shanggong Butterfly Sewing Machines Co., Ltd and is tested separately for impairment;

5.6.3 The accounts receivable actually written off in this report period: None.

5.6.4 There are no receivables to shareholders or related parties who hold 5% or more voting shares at the balance sheet date

5.6.5 Top Five Customers with the Biggest Balances

	Relationship	Carrying Amount	Aging	%	Nature
Customer A	Third Party	15,145,921.69	Within 1 year	21.36	Export tax rebates
Customer B	Related Party	13,988,201.28	Within 1 year and over 3 years	19.72	General receivables
Customer C	Third Party	10,842,551.80	Within 1 year and over 3 years	15.29	General receivables
Customer D	Third Party	1,236,788.64	Within 1 year	1.74	General receivables
Customer E	Related Party	1,100,000.00	Within 1 year	1.55	General receivables
Total		42,313,463.41		59.66	

5.6.6 Among the period-end other receivables, those from affiliated parties shall be seen in 6.5.

5.7 Prepayment

5.7.1 Age Analysis

	Ending Balance		Opening Balance	
	Amount	%	Amount	%
Within one year	18,945,792.77	93.07	19,331,107.10	76.59
1-2 years	1,394,823.77	6.85	2,780,057.52	11.01
2-3 years	2,365.15	0.01	2,686,491.14	10.64
Over 3 years	13,529.54	0.07	443,648.39	1.76
Total	20,356,511.23	100.00	25,241,304.15	100.00

5.7.2 Top Five Biggest Balances

	Relationship	Carrying Amount	Ageing	Comments
Customer A	Third Party	3,597,022.18	Within 1 year	Goods undelivered
Customer B	Third Party	1,633,496.38	Within 1 year	Goods undelivered
Customer C	Third Party	1,360,000.00	Within 1 year	Goods undelivered
Customer D	Third Party	998,019.17	Within 1 year	Goods undelivered
Customer E	Third Party	836,031.51	Within 1 year	Goods undelivered
Total		8,424,569.24		

5.7.3 There are no prepayments to shareholders or related parties who hold 5% or more voting shares at the balance sheet date.

5.8 Inventory

5.8.1 Summary

	Ending Balance			Opening Balance		
	Carrying Amount	Provision	Carrying Value	Carrying Amount	Provision	Carrying Value
Raw materials	225,232,121.37	45,359,537.70	179,872,583.67	190,557,234.94	45,570,635.82	144,986,599.12
Materials in transit	7,119,970.85		7,119,970.85	2,451,669.09		2,451,669.09
Revolving materials						
Outside processed materials	136,761.27		136,761.27	179,998.59		179,998.59
Work-in-process	142,960,932.18	33,190,347.33	109,770,584.85	120,630,231.78	33,652,519.21	86,977,712.57
Finished goods	209,222,645.22	29,927,207.59	179,295,437.63	198,124,163.05	30,223,158.65	167,901,004.40
Consignments	2,902,891.39		2,902,891.39	2,578,494.05		2,578,494.05
Others	2,166,889.90	2,166,889.90		2,335,848.67	2,166,889.90	168,958.77
Total	589,742,212.18	110,643,982.52	479,098,229.66	516,857,640.17	111,613,203.58	405,244,436.59

There are no inventories pledged or mortgaged at the balance sheet date.

5.8.2 Provision for Obsolescent and Slow-moving Inventories

	Opening Balance	Additions		Additions		Ending Balance
		Other Additions	Other Additions	Reversal	Write-down	
Raw materials	45,570,635.82		13,266.82		224,364.94	45,359,537.70
Materials in transit						
Revolving materials						

Outside processed materials						
Work-in-process	33,652,519.21		7,994.69		470,166.57	33,190,347.33
Finished goods	30,223,158.65		500,000.00	744,803.33	51,147.73	29,927,207.59
Consignments						
Others	2,166,889.90					2,166,889.90
Total	111,613,203.58		521,261.51	744,803.33	745,679.24	110,643,982.52

In the reversal of provision, RMB 279,018.91 were due to difference of translation between foreign exchange rates of beginning and ending of the reporting period in the foreign currency financial statements of ShangGong (Europe) Holding Corp. GmbH.

	Reason for Provision	Reason for Reversal of Provision	Reversal Accounting for Total Balance of Inventory
Raw materials	NRV lower than carrying value		
Work-in-process	NRV lower than carrying value		
Finished goods	NRV lower than carrying value	NRV higher than carrying cost after reversal	0.42%
Others	NRV lower than carrying value		

5.9 Other Current Assets

	Ending Balance	Opening Balance
Investment held to maturity	12,591,900.00	54,714,010.16
Input tax to be credited	3,260,585.28	7,420,393.00
Rentals and insurance fees prepaid	3,182,321.25	2,271,263.51
Structured deposits	520,000,000.00	
Total	539,034,806.53	64,405,666.67

Structured deposits are the result of cash management by the company on the temporarily idle raised fund and self-owned fund, and were purchased from bank with guaranteed principal for period of six months.

5.10 Available-for-Sale Financial Assets

5.10.1 Fair Values

	Ending Balance at Fair Value	Opening Balance at Fair Value
Debentures available for sale		
Equity instruments available for sale	96,228,133.50	85,012,121.56
Others		
Total	96,228,133.50	85,012,121.56

5.10.2 Restricted Free Floating Shares

There are no such shares as of the balance sheet date.

5.11 Long-term Equity Investment

5.11.1 Long-term Equity Investment by Category

	Ending Balance	Opening Balance
Joint ventures		
Affiliate	17,997,768.12	17,997,768.12
Other long-term equity investment	57,779,093.18	57,744,583.80
Subtotal	75,776,861.30	75,742,351.92
Deduct: Impairment	22,207,792.17	22,207,792.17
Total	53,569,069.13	53,534,559.75

5.11.2 Investment in Affiliates and Joint Ventures (Expressed in RMB Ten Thousand Yuan)

Investee	Sharing%	Voting Share%	Total Assets at Balance Sheet Date	Total Liabilities at Balance Sheet Date	Total Net Assets at Balance Sheet Date	Revenue	Net Profits
Affiliate:							
Changshu Qixing Elec-plating Co., Ltd.	90.00	Note 1	18.57	157.99	-139.42		
Shanghai Huazhijie Plastic Co., Ltd.	25.00	Note 1	545.72	251.21	294.51		
Durkopp Adler Sewing Machines suzhou Co., Ltd	49.00	49.00	5,854.99	2,317.86	3,537.13	1,492.14	14.38
Pfaff Industrial Iberica S.A.U.	49.00	Note 2	520.47	210.71	309.76	942.42	15.44

Note 1: Changshu Qixing Elec-plating Co., Ltd. and Shanghai Huazhijie Plastic Co., Ltd. had completed the cancellation of tax registration.

Note 2: Pfaff, the subsidiary of ShangGong (Europe) Holding Corp. GmbH, does not control Pfaff Industrial Iberica S.A.U., and does not have voting rights.

5.11.3 Details of Long-term Equity Investment

Investee		Initial Cost of Investment	Opening Balance	Increase / (Decrease)	Ending Balance	Sharing	Voting Share%	Comments where Sharing Differs Voting Shares	Provision for Impairment	Impairment Loss for This Year	Dividends
Changshu Qixing Elec-plating Co., Ltd.	Equity method	2,520,000.00				90.00		Note 4			
Shanghai Huazhijie Plastic Co., Ltd.	Equity method	1,766,689.38	736,283.66		736,283.66	23.04		Note 4	736,283.66		
Durkopp Adler Sewing Machines suzhou Co., Ltd	Equity method	23,531,957.08	17,261,484.46	34,509.38	17,295,993.84	49.00	49.00		8,671,865.28		
Subtotal		27,818,646.46	17,997,768.12	34,509.38	18,032,277.50				9,408,148.94		
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 enterprises development Co., Ltd	Cost method	10,593,077.64	10,593,077.64		10,593,077.64	10.59	10.59				
Wuxi Shanggong Sewing Machines Co., Ltd	Cost method	153,814.26	153,814.26		153,814.26	80.00	80.00	Note 2	153,814.26		
Shanghai Hualian Sewing Machinery Co., Ltd.	Cost method	400,000.00	400,000.00		400,000.00	21.74		Note 1			
Shanghai Fuji-Xerox Co., Ltd.	Cost	29,140,749.49	29,140,749.49		29,140,749.49	15.92	15.92				9,869,408.00

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Investee		Initial Cost of Investment	Opening Balance	Increase / (Decrease)	Ending Balance	Sharing	Voting Share%	Comments where Sharing Differs Voting Shares	Provision for Impairment	Impairment Loss for This Year	Dividends
	method										
Shanghai Shanggong Jiayuan M&E Co., Ltd.	Cost method	500,000.00	500,000.00		500,000.00	12.50	12.50		500,000.00		
Shanghai Baoding Investment Co.,Ltd.	Cost method	7,500.00	7,500.00		7,500.00	<5	<5				
Bank of Shanghai Co.,Ltd.	Cost method	951,400.00	951,400.00		951,400.00	<5	<5				177,109.68
China Perfect Machinery Co.,Ltd.	Cost method	90,000.00	90,000.00		90,000.00	<5	<5				
Shenyin & Wanguo Securities Co.,Ltd.	Cost method	200,000.00	200,000.00		200,000.00	<5	<5				3,238.84
Shanghai Hirose Precision Industrial Co.,Ltd.	Cost method	2,840,376.00				30.00		Note 1			850,000.00
Shanghai Industrial Sewing Machines Materials General Co.,Ltd	Cost method	4,600,000.00	4,600,000.00		4,600,000.00	100.00	100.00	Note 2	1,037,794.98		
Shanghai Shuangchong Sewing Machines Co.,Ltd.	Cost method	10,800,000.00	10,800,000.00		10,800,000.00	70.00	90.00	Note 3	10,800,000.00		
Pfaff Industrial Iberica S.A.U.	Cost method	8.42	8.42		8.42	49.00		Note 5			
Subtotal		60,584,959.80	57,744,583.80		57,744,583.80				12,799,643.23		10,899,756.52
Total		88,403,606.26	75,742,351.92	34,509.38	75,776,861.30				22,207,792.17		10,899,756.52

Note 1: ShangGong Group does not participate in the strategic decision making of Shanghai Hualian Sewing Machinery Co.,Ltd.and Shanghai Hirose Precision Industrial Co.,Ltd.and therefore does not exert significant influence on those companies. The investment in those companies is measured in cost methods.

Note 2: Wuxi Shanggong Sewing Machines Co.,Ltd、 and Shanghai Industrial Sewing Machines Materials General Co.,Ltdhas been deregistered in the tax bureau and provision has been made under the cost method.

Note3:Shanghai Shuangchong Sewing Machines Co.,Ltd.has applied for liquidation and has established liquidation team.

Note4: Changshu Qixing Elec-plating Co., Ltd. and Shanghai Huazhijie Plastic Co., Ltd. have completed the tax deregistration in the reporting period.

Note5: ShangGong (Europe) Holding Corp. GmbH does not control Pfaff Industrial Iberica S.A.U., and does not have voting rights

5.11.4 There is no restriction for investees to transfer their funds to the investor.

5.12 Investment Property

	Opening Balance	Increase	Decrease	Ending Balance
Initial cost	232,248,126.02		211,651.11	232,036,474.91
Plant and property	179,140,880.86		211,651.11	178,929,229.75
Land use right	50,523,752.24			50,523,752.24
Leasehold improvement	2,583,492.92			2,583,492.92
Accumulated depreciation and amortization	102,828,613.87	3,001,714.12	116,985.42	105,713,342.57
Plant and property	91,423,666.36	2,290,259.08	116,985.42	93,596,940.02
Land use right	11,404,947.51	625,338.60		12,030,286.11
Leasehold improvement		86,116.44		86,116.44
Net book amount	129,419,512.15	-3,001,714.12	94,665.69	126,323,132.34
Plant and property	87,717,214.50	-2,290,259.08	94,665.69	85,332,289.73
Land use right	39,118,804.73	-625,338.60		38,493,466.13
Leasehold improvement	2,583,492.92	-86,116.44		2,497,376.48
Impairment	8,343,112.90		24,081.26	8,319,031.64
Plant and property	8,343,112.90		24,081.26	8,319,031.64
Land use right				-
Leasehold improvement				
Net book value	121,076,399.25	-3,001,714.12	70,584.43	118,004,100.70
Plant and property	79,374,101.60	-2,290,259.08	70,584.43	77,013,258.09
Land use right	39,118,804.73	-625,338.60		38,493,466.13
Leasehold improvement	2,583,492.92	-86,116.44		2,497,376.48

The depreciation and amortization expenses amounted to 3,001,714.12.

The provision of impairment decreased 24,081.26 due to difference between foreign exchange rates of beginning and ending of the reporting period.

The investment properties, with the net book value 38,870,223.60, were pledged to bank for raising borrowings (details please referred to below 8. Commitment).

5.13 Fixed Assets

5.13.1 Summary

	Opening Balance	Addition/Increase		Decrease	Ending Balance
Initial costs of fixed assets	964,701,696.95	16,970,294.15		17,276,456.09	964,395,535.01
Plant and property	385,600,860.07	452,894.80		971,102.97	385,082,651.90
Machinery	311,604,680.22	11,417,096.38		4532,707.79	318,489,068.81
Vehicle	11,095,764.18			394,010.26	10,701,753.92
Electronic equipment	2,763,845.54	118,133.40		18,581.40	2,863,397.54
Leasehold improvement	253,636,546.94	4,982,169.57		11,360,053.67	247,258,662.84
		Other Additions	Charge for the period		
Accumulated depreciation	695,183,553.38	146,799.91	14,841,460.02	15,963,423.33	694,208,389.98
Plant and property	211,971,370.63	129,564.07	3,486,319.92	507,623.11	215,079,631.51
Machinery	245,375,662.40	618.78	6,018,818.44	4,084,685.72	247,310,413.90
Vehicle	7,129,369.23	13,755.36	437,738.97	347,870.10	7,232,993.46

	Opening Balance	Addition/Increase		Decrease	Ending Balance
Electronic equipment	2,315,636.94	236.70	99,593.54	16,679.72	2,398,787.46
Others	228,391,514.18	2,625.00	4,798,989.15	11,006,564.68	222,186,563.65
Net book amount	269,518,143.57				270,187,145.03
Plant and property	173,629,489.44				170,003,020.39
Machinery	66,229,017.82				71,178,654.91
Vehicle	3,966,394.95				3,468,760.46
Electronic equipment	448,208.60				464,610.08
Others	25,245,032.76				25,072,099.19
Impairment provision	8,482,241.34				8,482,241.34
Plant and property	6,118,541.16				6,118,541.16
Machinery	2,239,862.87				2,239,862.87
Vehicle	48,170.70				48,170.70
Electronic equipment	37,818.61				37,818.61
Others	37,848.00				37,848.00
Net book value	261,035,902.23				261,704,903.69
Plant and property	167,510,948.28				163,884,479.23
Machinery	63,989,154.95				68,938,792.04
Vehicle	3,918,224.25				3,420,589.76
Electronic equipment	410,389.99				426,791.47
Others	25,207,184.76				25,034,251.19

The depreciation expenses amounted to RMB 14,841,460.02

The plants and properties, with the original value RMB 982,168.20, were transferred from construction in progress.

Some of the plants and properties were pledged to bank for raising borrowings (details please referred to below 8. Commitment).

5.13.2 There are no idle fixed assets at the balance sheet date.

5.13.3 There are no held-for-trade fixed assets at the balance sheet date.

5.13.4 Fixed Assets Whose Ownership Certificates Have Not Been Obtained

	Net Book Value	Reason	Estimate Date to Obtain the Certificate
Plant and property	346,163.74	Certificates are in process	
Total	346,163.74		

5.14 Construction In Progress

	Ending Balance			Opening Balance		
	Carrying Amount	Provision	Carrying Value	Carrying Amount	Provision	Carrying Value
Sewing equipment project	2,451,314.95		2,451,314.95	1,165,354.41		1,165,354.41
ERPproject	839,284.50		839,284.50	839,284.50		839,284.50
Shenbei building decoration	2,346,196.81		2,346,196.81	796,503.00		796,503.00
Total	5,636,796.26		5,636,796.26	2,801,141.91		2,801,141.91

Movement of Significant Construction in Progress:

	Budget	Opening Balance	Increase	Transfer to Fixed Assets	Decrease	Input to Budget (%)	Progress	Accumulated Capitalized Interest	In which: Capitalized Interest for the Reporting Year	Capitalized Interest for the Reporting Year (%)	Fund Resource	Closing Balance
Sewing machinery		1,165,354.41	2,271,492.38	982,168.20	3,363.64						Self-finance	2,451,314.95
ERP project		839,284.50									Self-finance	839,284.50
Shenbei building decoration-household multifunctional sewing machine	1,275,926.00	440,000.00	440,000.00								Raised fund	880,000.00
Shenbei building air conditioner-automatic sewing unit	1,619,318.00	356,503.00	1,109,693.81								Raised fund	1,466,196.81
Total		2,801,141.91	3,821,186.19	982,168.20	3,363.64							5,636,796.26

5.15 Intangible Assets

5.15.1 Summary

	Opening Balance	Increase	Decrease	Closing Balance
Initial costs	145,549,703.50	1,326,346.80	274,718.90	146,601,331.40
Land use right	32,188,256.90			32,188,256.90
Brand	20,161,268.51			20,161,268.51
Software	76,000.00			76,000.00
Patents and non-patent technologies	86,302,143.90	1,326,346.80	257,127.92	87,371,362.78
Others	6,822,034.19		17,590.98	6,804,443.21
Accumulated amortization	62,240,774.06	6,412,505.84	102,217.20	68,551,062.70
Land use right	8,740,684.29	601,355.94		9,342,040.23
Brand	20,161,268.51			20,161,268.51
Software	29,133.21	3,799.98		32,933.19
Patents and non-patent technologies	27,160,756.98	5,178,857.24	86,424.42	32,253,189.80
Others	6,148,931.07	628,492.68	15,792.78	6,761,630.97
Net carrying amount	83,308,929.44	-5,086,159.04	172,501.70	78,050,268.70
Land use right	23,447,572.61	-601,355.94		22,846,216.67
Brand				
Software	46,866.79	-3,799.98		43,066.81
Patents and non-patent technologies	59,141,386.92	-3,852,510.44	170,703.50	55,118,172.98
Others	673,103.12	-628,492.68	1,798.20	42,812.24
Impairment				
Land use right				
Brand				
Software				
Patents and non-patent technologies				
Others				
Net carrying value	83,308,929.44	-5,086,159.04	172,501.70	78,050,268.70
Land use right	23,447,572.61	-601,355.94		22,846,216.67
Brand				
Software	46,866.79	-3,799.98		43,066.81
Patents and know-how	59,141,386.92	-3,852,510.44	170,703.50	55,118,172.98
Others	673,103.12	-628,492.68	1,798.20	42,812.24

The amortization expenses amounted to RMB 6,412,505.84

The intangible assets, with the net book value RMB 4,288,096.48, were pledged to bank for raising borrowings (details please referred to below 8. Commitment).

5.15.2 Development Costs

	Opening Balance	Addition	Transfer-out		Ending Balance
			Through Profit or Loss	Recognized as Assets	
Development costs	39,082,899.68	9,252,015.63	10,021,480.32		38,313,434.99
Total	39,082,899.68	9,252,015.63	10,021,480.32		38,313,434.99

Opening and ending balances represent the development costs of ShangGong (Europe) Holding Corp. GmbH.

5.16 Goodwill

Nature	Opening Balance	Increase	Decrease	Ending Balance	Impairment
PFAFF Industriesysteme und Maschinen AG	7,440,086.27		21,474.79	7,418,611.48	
KSL GmbH	62,215,050.53		179,575.21	62,035,475.32	

KSE GmbH	5,818,874.36		16,795.38	5,802,078.98	
KSA GmbH	2,736,130.88		7,897.47	2,728,233.41	
Beisler	24,445,768.96	12,737.60		24,458,506.56	3,819,543.00
Total	102,655,911.00	12,737.60	225,742.85	102,442,905.75	3,819,543.00

The increase and decrease mainly represents the translation differences of financial statements of ShangGong (Europe) Holding Corp. GmbH.

5.17 Long-term Unamortized Expenses

Item	Opening Balance	Increase	Amortization	Other Decrease	Ending Balance	Reasons for Other Decrease
Mailbox rental	33,000.00		3,300.00		29,700.00	

5.18 Deferred Tax Assets And Liabilities

5.18.1 Recognized Deferred Tax Assets and Liabilities

	Ending Balance	Opening Balance
Deferred tax assets		
Provision for impairment	9,266,540.89	3,407,604.05
Deductible losses for the tax purpose	88,879.25	87,382.12
Others-provision for pension	30,941,886.16	31,031,454.18
Subtotal	40,297,306.30	34,526,440.35
Deferred tax liabilities		
Appreciation of assets evaluation	48,413,499.95	48,987,892.64
Others	461,881.13	463,218.15
Subtotal	48,875,381.08	49,451,110.79

5.18.2 Details about Taxable Differences and Deductible Differences

Item	Amount
Taxable differences	
Appreciation of assets evaluation	152,201,421.50
Others	1,442,026.63
Subtotal	153,643,448.13
Deductible differences	
Provision for impairment	30,981,466.25
Deductible losses for the tax purpose	277,487.51
Others-provision for pension	96,602,829.10
Subtotal	127,861,782.86

5.19 Impairment

	Opening Balance	Increase	Decrease		Ending Balance
			Reversal	Written-off	
Bad debt provision	156,587,806.16	5,034,528.87		758,378.08	160,863,956.95
Inventory obsolescence provision	111,613,203.58	521,261.51	744,803.33	745,679.24	110,643,982.52
Impairment for long-term equity investment	22,207,792.17				22,207,792.17
Impairment for investment property	8,343,112.90			24,081.26	8,319,031.64
Impairment for fixed assets	8,482,241.34				8,482,241.34
Impairment for goodwill	3,747,061.50	72,481.50			3,819,543.00
Total	310,981,217.65	5,628,271.88	744,803.33	1,528,138.58	314,336,547.62

The written-off of bad debt provision is due to the difference between foreign exchange rates of beginning and ending of ShangGong (Europe) Holding Corp. GmbH in this reporting period.

Among the written-off of inventory obsolescence provision, the amount of RMB 279,018.91 is due to the difference between foreign exchange rates of beginning and ending of ShangGong (Europe) Holding Corp. GmbH in this reporting period.

Among the decrease of impairment for investment property, the amount of RMB24,081.26 is due to the difference between foreign exchange rates of beginning and ending of ShangGong (Europe) Holding Corp. GmbH in this reporting period.

The increase of impairment for goodwill is due to the difference between foreign exchange rates of beginning and ending of ShangGong (Europe) Holding Corp. GmbH in this reporting period

5.20 Short-term Loans

5.20.1 Summary

	Ending Balance	Opening Balance
Mortgage loans	87,872,325.92	155,351,063.11
Secured loans	57,083,280.00	66,600,000.00
Credit loans	348,148.62	348,148.62
Total	145,303,754.54	222,299,211.73

5.20.2 The Company mortgaged some assets to the banks for loan of RMB 87,872,324.92. (details referred to below 8. Commitment).

5.20.3 The Company raised secured loans amounting to RMB 57,083,280.00 in the reporting period (details referred to below 8. Commitment).

5.21 Notes Payable

	Ending Balance	Opening Balance
Commercial acceptance bills		6,225,975.90
Total		6,225,975.90

The amount due of Notes payable in the following accounting period is zero.

5.22 Accounts Payable

	Ending Balance	Opening Balance
Payables to suppliers	127,447,375.28	126,210,705.10
Total	127,447,375.28	126,210,705.10

There are no payables to those shareholders who hold 5% or more voting shares in ShangGong Group.

Payables to related parties at the balance sheet date are referred to below '6.5 Related Party Transactions'.

There are no payables whose aging is over one year at the balance sheet date.

5.23 Receipts In Advance

	Ending Balance	Opening Balance
Purchase payment	38,655,929.18	32,726,923.09
Total	38,655,929.18	32,726,923.09

There are no receipts from those shareholders who hold 5% or more voting shares in ShangGong Group, nor from related parties at the balance sheet date.

There are no payables whose aging is over one year at the balance sheet date.

5.24 Employee Benefits Payable

	Opening Balance	Increase	Decrease	Ending Balance
Salary, bonus, allowance and subsidies	49,503,198.21	213,663,395.13	211,250,992.84	51,915,600.50
Employee welfare	529.00	46,272,515.47	46,272,515.47	529.00
Social securities	65,489.20	7,286,806.49	7,276,951.29	75,344.40
Included: Medical insurance	20,532.40	2,287,062.88	2,284,929.68	22,665.60

Compulsory social insurance	39,337.20	4,366,496.74	4,359,323.34	46,510.60
Annuity				
Unemployment insurance	2,809.80	311,453.20	310,993.30	3,269.70
Injury insurance	936.60	126,848.77	126,819.17	966.20
Maternity insurance	1,873.20	194,944.90	194,885.80	1,932.30
Housing funds		1,347,641.50	1,347,641.50	
Labor union fees		384,759.63	383,716.03	1,043.60
Staff education fees		473,871.26	469,044.56	4,826.70
Release pay		73,011.00	73,011.00	
Others		18,545.40	18,545.40	
Total	49,569,216.41	269,520,545.88	267,092,418.09	51,997,344.20

There are no delinquent staff pays at the balance sheet date.

5.25 Taxes Payable

	Ending Balance	Opening Balance
Value added tax	1,289,019.57	378,801.36
Business tax	172,065.18	72,341.42
Corporate income tax	40,793,190.35	27,685,987.47
Individual income tax	631,173.23	3,722,971.59
City construction tax	40,808.89	24,834.16
Property tax		4,214.40
Education surcharge	45,410.74	24,457.25
Riverway management charges	10,272.25	2,622.77
Total	42,981,940.21	31,916,230.42

Overseas subsidiaries adopt applicable tax rates regulated in their host countries.

5.26 Dividends Payable

	Ending Balance	Opening Balance	Reason For Unpaid Over One Year
Light Industrial Holding Group Co.,Ltd	959,269.79	959,269.79	Unable to pay due to long ageing
Privately-owned corporate shares	73,549.07	73,549.07	Unable to pay due to long ageing
Total	1,032,818.86	1,032,818.86	

5.27 Other Payables

	Ending Balance	Opening Balance
Total	139,349,092.19	147,128,355.33

There are no payables to those shareholders who hold 5% or more voting shares in ShangGong Group.

Payables to related parties at the balance sheet date are referred to below '6.5 Related Party Transactions'.

5.28 Contingent liabilities

	Opening Balance	Increase	Decrease	Ending Balance
Pension	315,489,788.98		8,952,981.85	306,536,807.13
Others	8,293,480.19		251,955.64	8,041,524.55
Total	323,783,269.17		9,204,937.49	314,578,331.68

Provision for pensions is charged by ShangGong (Europe) Holding Corp. GmbH, according to amended IAS19-Employees benefits.

5.29 Non-current Liabilities Due within One Year

Item	Ending Balance	Opening Balance
Long-term loans due within one year	520,000.00	520,000.00
Bonds payable due within one year		

Long-term payable due within one year		
Total	520,000.00	520,000.00

5.30 Other Current Liabilities

	Ending Balance	Opening Balance
Interest and rentals	3,397.29	1,123,775.74
Special fund for development of local brand	500,000.00	500,000.00
Total	503,397.29	1,623,775.74

The opening and closing balances of interest and rentals represent the interest and rental incomes received in advance by ShangGong (Europe) Holding Corp. GmbH, which will be recognized in the income statement in the following periods.

Encouraged by the circle HJXF[2012] No.765 promulgated by the Shanghai Economic Information Committee, ShangGong Group received special fund amounting to RMB 500,000.00 regarding development of local brand in the previous period. The fund constitutes a government grant. ShangGong Group will use the fund under the instruction regulated by the 'Measures of Speed-up of the construction of independent brands of special funds management' and recognize the deferred revenue considering the progress of use of fund.

5.31 Long-term Loans

	Ending Balance	Opening Balance
Mortgage loans	77,513,168.41	79,185,196.65
Credit loans	1,489,984.87	1,489,984.87
Total	79,003,153.28	80,675,181.52

ShangGong (Europe) Holding Corp. GmbH, raised mortgage loans by pledging its own fixed assets in the reporting period (details referred to below 8. Commitment).

5.32 Long-term Payables

	Ending Balance	Opening Balance
SAP franchise fee	1,281,037.95	
Final payment to KSL	44,026,394.71	43,180,068.66
Other	5,705,911.35	1,781,265.15
Total	51,013,344.01	44,961,333.81

5.33 Shares

	Opening Balance	Increase/(Decrease)					Ending Balance
		New Issues	Bonus Issues	Transfer from Surplus Reserves	Other	Subtotal	
A. Restricted shares							
State-owned shares							
State-owned corporate shares		42,302,823.00				42,302,823.00	42,302,823.00
Shares owned by domestic investors		57,400,000.00				57,400,000.00	57,400,000.00
in which:							
Shares owned by entities		57,400,000.00				57,400,000.00	57,400,000.00
Shares owned by individuals							
Shares owned by foreign investors							
in which:							
Shares owned by entities							
Shares owned by individuals							
Subtotal		9,702,823.00				9,702,823.00	9,702,823.00
B. Free floating shares							
Ordinary shares in RMB	204,943,027.00						204,943,027.00
Floating A shares	243,943,750.00						243,943,750.00
Floating B shares							
Others							
Subtotal	448,886,777.00						448,886,777.00
Total	448,886,777.00	99,702,823.00				99,702,823.00	548,589,600.00

5.34 Capital Surplus

	Opening Balance	Increase	Decrease	Ending Balance
Share premium	313,159,549.73	538,505,407.98		851,664,957.71
Changes in fair value	10,373,499.03	11,216,011.94		21,589,510.97
in which: Available for sale financial assets	10,373,499.03	11,216,011.94		21,589,510.97
Others	74,118,574.45		1,924,258.32	72,194,316.13
Total	397,651,623.21	549,721,419.92	1,924,258.32	945,448,784.81

The increase of share premium is due to the non-public issuance of RMB ordinary shares (A Share) in the reporting period. The quantity is 99,702,823 shares which nominal value is RMB 1. Its issue price is RMB 6.73. The issuance expense is RMB 32,791,767.81.

5.35 Surplus Reserves

	Opening Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	2,273,121.26			2,273,121.26
Discretionary surplus reserves	2,273,121.26			2,273,121.26
Total	4,546,242.52			4,546,242.52

5.36 Retained Earnings

	Balance	Appropriation
Retained earnings as at December 31, 2013	-2,996,568.99	
Plus: Net profit attributed to shareholders of parent company	41,854,215.80	
Retained earnings as at June 30, 2014	38,857,646.81	

5.37 Revenues and Costs

5.37.1 Summary

	Current Period	Prior Period
Sales	945,170,208.40	844,638,849.00
Other incomes	24,719,958.63	26,784,416.72
Cost of sales	661,303,736.20	606,814,372.70

5.37.2 Revenues and Costs by Industry

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Manufacturing	804,616,129.39	512,626,251.87	683,851,262.78	441,913,661.90
Trading	138,078,065.37	134,983,016.70	158,851,396.20	154,304,033.94
Others	2,476,013.64	637,125.76	1,936,190.02	59,835.46
Total	945,170,208.40	648,246,394.33	844,638,849.00	596,277,531.30

5.37.3 Revenues and Costs by Product

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Sewing machine	758,165,170.26	472,316,173.27	631,337,295.48	396,111,939.88
Export agent	138,078,065.37	134,983,016.70	158,851,396.20	154,304,033.94
Office supplies and Film equipment	46,450,959.13	40,310,078.60	52,513,967.30	45,801,722.02
Others	2,476,013.64	637,125.76	1,936,190.02	59,835.46
Total	945,170,208.40	648,246,394.33	844,638,849.00	596,277,531.30

5.37.4 Revenues and Costs by Region

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Domestic	397,189,456.19	348,048,236.05	409,262,058.59	365,699,989.85
Abroad	609,890,630.29	362,088,036.36	482,832,208.59	278,032,959.63
Less: elimination of intra-group sales	61,909,878.08	61,909,878.08	47,455,418.18	47,455,418.18
Total	945,170,208.40	648,246,394.33	844,638,849.00	596,277,531.30

Overseas and domestic locations represent the places in which the sales offices are located.

5.37.5 Sales to the Top Five Biggest Customers

	Sales	% of total
Customer A	40,035,873.13	4.13
Customer B	19,447,527.20	2.01
Customer C	18,463,623.11	1.90
Customer D	18,458,374.98	1.90
Customer E	16,788,324.00	1.73
Total	113,193,722.42	11.67

5.38 Sales Tax and Surcharges

	Current Period	Prior Period	Tax Rate
Business tax	746,354.42	831,791.05	5%、7%
City construction tax	227,719.48	338,804.24	7%、1%
Education surcharge	195,641.65	261,839.93	3%、2%
Others	1,191,086.52	1,251,419.78	
Total	2,360,802.07	2,683,855.00	

5.39 Selling Expenses

	Current Period	Prior Period
Payroll expense	50,816,387.04	38,997,353.97
Fix and after-sale service	7,051,749.67	7,355,193.11
Office expense	1,554,464.89	430,775.81
Travelling expenses	6,650,362.56	5,299,250.64
Transportation expenses	9,115,711.32	6,721,859.03
Advertising expenses	2,539,824.71	1,163,050.95
Commission	9,908,944.45	8,860,788.09
Rental	3,069,168.81	2,684,603.40
Insurance	840,634.26	666,243.76
Packing expenses	2,896.28	7,370.00
Meeting	772,388.16	680,378.97
Depreciation	409,679.11	313,575.00
Exhibition	508,986.71	611,076.12
Water and electric expenses	8,459.44	6,382.19
Unloading expenses	10,985.29	355,048.40
Sample, printing and scraps	5,103,474.71	3,512,737.02
Other	11,593,863.35	10,828,885.56
Total	109,957,980.76	88,494,572.02

5.40 General and Administrative Expenses

	Current Period	Prior Period
Payroll expenses	49,473,405.36	45,032,100.33
Office expenses	1,746,903.79	1,550,214.00
Water and electric	250,481.32	341,968.61
Entertainment	873,422.13	832,521.58
Asset insurance	1,298,558.19	1,054,399.71
Meeting	177,038.43	450,955.26
Travelling	2,724,606.10	1,893,774.77
Depreciation	3,120,149.11	4,609,242.77
Fix	116,127.26	28,918.46
Transportation	462,556.21	675,019.44
Rental	3,729,543.15	3,080,491.81
Board and supervision meeting	213,738.28	86,456.47
Advisory expenses	4,866,294.61	6,537,805.81
Lawsuit	213,982.23	68,971.50
Research and development	28,412,862.30	26,637,899.76
Tax	388,121.21	330,556.99
Amortization of intangible assets	1,237,786.80	1,253,758.48
Other	2,855,302.70	4,355,607.09
Total	102,160,879.18	98,820,662.84

5.41 Finance Expenses

	Current Period	Prior Period
Interest expenses	11,476,827.50	9,838,114.99
Less: interest income	2,664,823.98	1,733,887.72
Exchange gains	512,275.69	1,462,778.71
Others	797,900.71	1,151,958.97
Total	10,122,179.92	10,718,964.95

5.42 Gains/(losses) From Fluctuation of Fair Value

	Current Period	Prior Period
Held for trading financial assets	-13,426.44	-80,413.50
Held for trading financial liabilities		
Investment property at fair value		
Total	-13,426.44	-80,413.50

5.43 Investment Incomes

5.43.1 Summary

	Current Period	Prior Period
Investment incomes using cost method	11,355,235.97	13,039,034.64
Investment losses using equity method	34,509.38	-1,156,806.53
Gains on disposal of long-term equity investment		
Gains on Trading financial assets		
Gains/(losses) on disposal of held for trading financial assets		-11,546.99
Gains on disposal of available-for-sale financial assets		
Total	11,389,745.35	11,870,681.12

5.43.2 Investment Incomes Using Cost Method

Investee	Current Period	Prior Period	Comments
Shanghai Fuji-Xerox Co.,Ltd.	9,869,408.00	11,314,034.64	Decrease in cash dividends
Shanghai Huanzhong Commercial Co., Ltd	455,479.45	875,000.00	Decrease in cash dividends
Shanghai Hirose Precision Industrial Co.,Ltd.	850,000.00	850,000.00	
Bank of Shanghai Co.,Ltd.	177,109.68		Increase in cash dividends
Shenyin & Wanguo Securities Co.,Ltd.	3,238.84		Increase in cash dividends
Total	11,355,235.97	13,039,034.64	

5.43.3 Investment Incomes under Equity Method

Investee	Current Period	Prior Period	Comments
Durkopp Adler Sewing Machines Suzhou Co., Ltd	34,509.38	-1,241,395.18	Profits incurred
Total	34,509.38	-1,241,395.18	

5.43.4 There is no significant restriction of funds remittance.

5.44 Impairment

	Current Period	Prior Period
Bad debt provision/(reversal)	5,034,528.87	-4,305,890.21
Inventory obsolescence provision	-223,541.82	3,716,645.54
Impairment on long-term equity investment		
Impairment on investment property		
Impairment for fixed assets		
Impairment for goodwill		
Total	4,810,987.05	-589,244.67

5.45 Non-operating income

5.45.1 Summary

	Current Period	Prior Period	Through Profit or Loss
Gains from disposal of non-current assets	472,023.73	66,039.12	472,023.73
In Which:			
Gains from disposal of fixed assets	472,023.73	66,039.12	472,023.73
Gains from disposal of intangible assets			
Gains from debts restructuring			
Government grants	149,000.00	218,790.00	149,000.00
Penalty revenue		82,500.00	
Others	20.00	74,244.00	20.00
Total	621,043.73	441,573.12	621,043.73

5.45.2 Government Grants Breakdown

	Current Period	Prior Period	Comments
Enterprise employees training funds		140,790.00	
Enterprise finance allowance funds	149,000.00	78,000.00	
Total	149,000.00	218,790.00	

5.46 Non-operating Expense

	Current Period	Prior Period	Through Profit or Loss
Losses from disposal of non-current assets	207,013.43	66,661.06	207,013.43
In Which:			
Losses from disposal of fixed assets	207,013.43	66,661.06	207,013.43

Losses from disposal of intangible assets			
Donation	200,000.00	250,000.00	200,000.00
In Which:			
Public welfare donation	200,000.00	250,000.00	200,000.00
Penalties and fines	187.57		187.57
Compensation			
Others	6,565.50		6,565.50
Total	413,766.50	316,661.06	413,766.50

5.47 Corporate Income Taxes

	Current Period	Prior Period
Corporate income tax expense	31,140,048.30	6,240,848.77
Deferred tax	-5,166,717.52	18,731,687.10
Total	25,973,330.78	24,972,535.87

5.48 Basic Earnings Per Share (EPS) and Diluted EPS

Basic EPS

Basic EPS = P0/S

$$S = S0 + S1 + Si * Mi / M0 - Sj * Mj / M0 - Sk$$

In which:

P0 - net profits attributable to ordinary shareholders (or after deducting extraordinary profits);

S - weighted average number of ordinary shares issued;

S0 - opening shares;

S1 - additional shares due to transfer from surplus reserves or bonuses issues;

Si - additional shares due to new issues or debt for stock swap;

Sj - buy-back shares;

Sk - reverse shares;

M0 - number of months in the reporting year;

Mi - accumulated number of months since the next month shares are increased;

Mj - accumulated number of months since the next month shares are decreased.

Diluted EPS

Diluted EPS = P1 / (S0 + S1 + Si * Mi / M0 - Sj * Mj / M0 - Sk + stock warrants + share options + transfer from convertible debentures)

In which:

P1 - net profits attributable to ordinary shareholders (or after deducting extraordinary profits), considering the dilution effect to potential ordinary shares under the CAS. When the diluted EPS is calculated, effects are considered to the net profits and weighted average shares until the diluted EPS reaches a minimum.

Calculation of Basic EPS and Diluted EPS

Basic EPS represents the consolidated profits contributed to the ordinary shareholders divided by floated ordinary shares.

	Current Period	Prior Period
Consolidated profits contributed to the ordinary shareholders	41,854,215.80	30,674,302.78
Average floated ordinary shares	498,738,188.50	448,886,777.00
Basic EPS (RMB/Share)	0.0839	0.0683

The calculation of average floated ordinary shares is as follows:

	Current Period	Prior Period
Opening numbers of floated ordinary shares	448,886,777.00	448,886,777.00

Add: Issued floated ordinary shares in the current year	49,851,411.50	
Less: Purchase back of floated ordinary shares		
Ending numbers of floated ordinary shares	498,738,188.50	448,886,777.00

Diluted EPS represents the adjusted consolidated profits contributed to the ordinary shareholders divided by adjusted floated ordinary shares.

	Current Period	Prior Period
Consolidated profits contributed to the ordinary shareholders (diluted)	41,854,215.80	30,674,302.78
Average floated ordinary shares (diluted)	498,738,188.50	448,886,777.00
Diluted EPS (RMB/Share)	0.0839	0.0683

The calculation of average diluted floated ordinary shares is as follows:

	Current Period	Prior Period
Ending numbers of floated ordinary shares	498,738,188.50	448,886,777.00
Influence of convertible debentures		
Influence of share options		
Ending numbers of floated ordinary shares (diluted)	498,738,188.50	448,886,777.00

Note 1: In the reporting year, there are no those potential ordinary shares that have dilutibility but will be diluted in future.

Note 2: During the period between the balance sheet date and issuance date of financial statements, there are no significant changes in numbers of floated or potential ordinary shares.

5.49 Other Comprehensive Incomes

	Current Period	Prior Period
A. Gains/(losses) on disposal of available for sale financial assets	11,216,011.94	-4,773,737.54
B. Interest in investees' comprehensive incomes using equity method	-1,951,031.90	-6,053,086.92
Less: Transfer from the retained earnings		
Subtotal	-1,951,031.90	-6,053,086.92
C. Gains/(losses) on hedging		
D. Translation differences of financial statements	-1,080,347.56	-11,083,149.64
E. Others		
Total	8,184,632.48	-21,909,974.10

5.50 Cash Flow Statements

Cash Flows Related to Operating Activities

	Current Period
Receipt of receivables	2,192,892.33
Receipt of subsidies and grants	149,000.00
Receipt of interest income	2,664,823.98
Receipt of non-operating income	
Other	
Total	5,006,716.31

Cash Outflows Related to Operating Activities

	Current Period
Settlement of payables and payment of commissions	2,151,537.15
Payment of selling expenses	36,760,316.58
Payment of general and administration expenses	23,415,581.18
Payment of non-operating expenses	206,753.07
Payment of bank charges and other expenses	797,900.71
Total	63,332,088.69

Cash Outflows Related to Investing Activities

	Current Period
Payment to the acquisition of PFAFF (Taicang)	29,246,702.07
Total	29,246,702.07

Cash Inflows Related to Financing Activities

	Current Period
Release of deposits L/C guarantee	712,000.00
Total	712,000.00

Cash Outflows Related to Financing Activities

	Current Period
Non-public issuing and its related expense	436,702.82
Mortgage and pledge (e.g. certificate of term deposit, security deposit)	210,295.85
Total	646,998.67

5.51 Supplementary Information of Cash Flow Statement

5.51.1 Indirect Method

Item	Current Period	Prior Period
Net profits converted into cash flow from operating activities		
Net profits	64,783,867.21	51,422,726.69
Add:		
Provision for assets impairment	4,810,987.05	-589,244.67
Depreciation of fixed assets, of oil/gas assets and productive biological assets	17,217,835.54	14,865,121.77
Amortization of intangible assets	7,037,844.44	3,911,446.48
Amortization of long-term deferred expenses	3,300.00	
Losses/(gains) on scrapping of fixed assets	-265,010.30	621.94
Losses/(gains) on scrapped fixed assets		
Losses/(gains) on changes in fair value	13,426.44	80,413.50
Financial expense	10,964,551.81	11,300,893.70
Investment loss/(income)	-11,389,745.35	-11,870,681.12
Decrease/ (increase) in deferred income tax assets	-3,153,605.22	6,678,577.23
Increase/ (decrease) in deferred income tax liabilities	-575,729.71	16,545,232.18
Decrease/(increase) in inventories	-72,884,572.01	-78,046,851.37
Decrease/(increase) in operational receivables	-55,392,061.55	-101,301,974.35
Increase/(decrease) in operational payables	20,082,138.24	55,429,341.88
Others		
Net cash flows generated from operating activities	-18,746,773.41	-31,574,376.14
Investing and financing activities that do not involve cash receipts and payments		
Debt converted into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
Net increase in cash and cash equivalents		
Cash at the end of the period	468,643,384.99	413,709,715.92
Less: Cash at the beginning of the period	446,063,638.27	461,395,048.30
Add: Cash equivalents at the end of the period		

Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	22,579,746.72	-47,685,332.38

5.51.2 Composition of Cash and Cash Equivalents

Item	Ending Balance	Opening Balance
Cash	468,643,384.99	446,063,638.27
Cash on hand	1,301,536.68	964,625.06
Bank deposit immediately available for payment	397,838,156.82	437,864,547.08
Other monetary fund immediately available for payment	69,503,691.49	7,234,466.13
Cash equivalents		
Ending balance of cash and cash equivalents	468,643,384.99	446,063,638.27

Cash and cash equivalents do not comprise those funds whose restricted periods are over 3 months in the parent company or other subsidiaries in the group.

6. Related Parties and Related-party Transactions

6.1 Holding Entity (Expressed in RMB Ten Thousand)

Item	Relationship	Type	Registered Address	Legal Representative	Business Scope	Registered Capital	Sharing%	Voting Share%	Ultimate Holding Entity	Organization Code
State-owned Assets Supervision and Administration Commission in Shanghai Pudong New District.	Holding entity		Shanghai	Sun Tong	State-owned assets management under the delegation of the Shanghai Pudong New District Government		19.21	19.21	State-owned Assets Supervision and Administration Commission in Shanghai Pudong New District.	00245606-0

6.2 Subsidiaries (Expressed in RMB Ten Thousand)

		Type	Registered Address	Legal Representative	Business	Registered Capital	Sharing%	Voting Share%	Organisation Code
Durkopp Adler Trading Shanghai Co.,Ltd.	Controlled	Limited company	Shanghai	Zhang Min	Import and export of sewing machinery	USD600	60.00	86.00	78627462-7
Shanghai Shuangchong Sewing Machines Co.,Ltd.	Controlled	Limited company	Shanghai	Chen Changbao	Sewing machinery	1,200	70.00	90.00	63132496-8
Shanghai Shanggong Butterfly Sewing Machines Co.,Ltd	Wholly-owned	One-person company with limited liability	Shanghai	Zhou Yongqiang	Sewing machinery	7,900	100.00	100.00	74809363-0
Shanghai	Wholly	Non-company	Shanghai	Jiang Yanhai	Sewing machinery	465	100.00	100.00	13224151-9

Industrial Sewing Machines Materials General Co.,Ltd	-owned								
ShangGong (Europe) Holding Corp. GmbH	Wholly -owned	Limited company	Germany	Zhang Min	Sewing machinery	EUR 1,250	100.00	100.00	-
SMPIC Imp. & Exp. Co., Ltd.	Wholly -owned	Limited company	Shanghai	Li Jiaming	Import and export	1,200	100.00	100.00	72951976-3
Shanghai SGSB Asset-management Co.,Ltd.	Wholly -owned	Limited company	Shanghai	Zhang Shihe	Asset management	500	100.00	100.00	56803204-8
Shanghai Shanggong SMPIC Electronics Co., Ltd.	Wholly -owned	Limited company	Shanghai	Wang Jie	Electronic devices	2,000	100.00	100.00	06931449-7
Shanghai Fengjian Property Co., Ltd.	Wholly -owned	Limited company	Shanghai	Jin Wei	Property management	50	100.00	100.00	63023173-5

6.3 Joint Ventures and Affiliates (Expressed in RMB Ten Thousand)

Investee	Type	Registered Address	Legal Representative	Business	Registered Capital	Sharing %	Voting Share%	Relationship	Organization Code
Affiliate									
Changshu Qixing Elec-plating Co., Ltd.	Limited company	Changshu	Wang Mujiong	Production of spares of numbering and coating machines	280.00	90.00	Note 1	Affiliate	14204429-5
Shanghai Huazhijie Plastic Co., Ltd.	Limited company	Shanghai	Dai Siwei	Production of chemical products	USD764	23.04	Note 1	Affiliate	60734921-7

Durkopp Adler Sewing Machines Suzhou Co., Ltd	Limited company	Jiangsu Province	Pu Weiping	Sewing machines	USD750	49.00	49.00	Affiliate	57141865-4
Pfaff Industrial Iberica S.A.U.	Limited company	Spain	Cornelia Mast	Sales of industrial sewing machines	EUR29.19	49.00	Note 2	Affiliate	

Note 1: Changshu Qixing Elec-plating Co., Ltd. and Shanghai Huazhijie Plastic Co., Ltd. had completed the cancellation of tax registration.

Note 2: Pfaff, the subsidiary of ShangGong (Europe) Holding Corp. GmbH, does not control Pfaff Industrial Iberica S.A.U., and does not have voting rights.

6.4 Related Parties

	Relationship	Organization Code
Shanghai Hirose Precision Industrial Co.,Ltd.	Investee	60742796-7
Shanghai Fuji-Xerox Co.,Ltd.	Investee	60720953-X

6.5 Related Party Transactions

6.5.1 Related party transactions between those subsidiaries have been eliminated in the consolidated financial statements.

6.5.2 Purchase/Service Received

		Pricing	Current Period		Prior Period	
			Amount	%	Amount	%
Durkopp Adler Sewing Machines Suzhou Co., Ltd	Purchase of sewing machines	Agreed-upon prices	14,298,553.25	2.21	13,775,914.16	2.27

6.5.3 Sales/Service Rendered

		Pricing	Current Period		Prior Period	
			Amount	%	Amount	%
Shanghai Fuji-Xerox Co., Ltd.	Sale of goods	Agreed-upon prices	18,463,623.11	1.95	19,872,985.45	2.28
Durkopp Adler Sewing Machines Suzhou Co., Ltd	Sale of goods	Agreed-upon prices	7,599,612.94	0.80	2,206,711.09	0.25

6.5.4 Receivables and Payables

Receivables from Related Parties

	Related Parties	Ending Balance		Opening Balance	
		Carrying Amount	Provision	Carrying Amount	Provision
Accounts receivable					
	Shanghai Fuji-Xerox Co.,Ltd.	3,952,429.35	197,621.47	3,844,604.48	192,230.22
	Durkopp Adler Sewing Machines Suzhou Co., Ltd	15,440,332.29	5,644,808.75	6,651,377.03	2,119,609.62
	Shanghai Shuangchong Sewing Machines Co.,Ltd.	3,267,586.72	163,379.34	3,267,586.72	163,379.34
Other receivables					
	Shanghai Shuangchong Sewing Machines Co.,Ltd.	13,988,201.28	1,896,111.77	13,988,201.28	1,896,111.77

Payables to Related Parties

	Related Parties	Ending Balance	Opening Balance
Notes payable			
	Durkopp Adler Sewing Machines Suzhou Co., Ltd		6,225,975.90
Accounts payable			
	Durkopp Adler Sewing Machines Suzhou Co., Ltd	9,078,981.85	8,325,289.73
Other payables			
	Shanghai Industrial Sewing Machines Materials General Co.,Ltd	3,578,389.56	3,578,389.56

6.5.5 Rentals

Lesser	Lessee	Assets Type	From	To	Pricing Basis	Rentals Recognized
ShangGong Group	Shanghai Hirose Precision Industrial Co., Ltd.	Machinery	Mar 11 2011	Mar 11 2016	Agreement	250,000.00

7. Contingencies

7.1 Unsettled Lawsuit And Arbitration And the Effect on the Financial Statements
There are no such issues in the reporting period.

7.2 Contingent Liabilities Resulting From Guarantees And Effects on Financial Statements

7.2.1 Guarantees to *ShangGong (Europe) Holding Corp. GmbH* as of 30 June 2014

Guaranteed Company	Guaranteed amount ('000)	Period	Type of guarantee	Obligation discharged	Effect to financial statements
ShangGong (Europe) Holding Corp. GmbH	USD 5,300	30 June 2005 to 31 Oct 2015	Written guarantee confirmation	No	Able to settle and no adverse effect
Bank of Communicaitons Xuhui Branch	RMB 80,000	30 July 2013 to 29 July 2014	Written guarantee confirmation	No	Able to settle and no adverse effect
Commerzbank AG	EUR 5,550	30 July 2013 to 29 Nov 2015	Written guarantee confirmation	No	Able to settle and no adverse effect
Commerzbank AG Shanghai Branch	RMB70,000	25 Mar 2014 to 24 Mar 2015	Written guarantee confirmation	No	Able to settle and no adverse effect

In Year 2005, the Company provided to the Kugelfischer GmbH (FAG) with a guarantee, which was limited to USD 5.3 million, on the property rent of a subsidiary of the DA Germany Company (DA), the subsidiary of ShangGong (Europe) Holding Corp. GmbH. The term of guarantee is from 30 June 2005 to 31 October 2015. Moreover, the ShangGong (Europe) Holding Corp. GmbH provided FAG with a same length term guarantee on 30 June 2005. Cash amounting to EUR 635,000 was used as the mortgage. Such guarantee was provided on FAG's re-insurance that is on DA's insurance given on a leaseback transaction between a USA subsidiary and UTF Norcross L.L.C. Details refer to 8.1.2.

On July 30, 2013, the company used 80 million RMB as collateral for a one-year loan in euro that ShangGong (Europe) Holding Corp. GmbH applied in Bank of Communications Frankfurt Branch, in the method of financing guarantee issued by Bank of Communications Xuhui Branch. The borrowing limit cannot exceed the equivalent amount of 80 million RMB. In the meanwhile, the company used 4 million RMB as security deposit and an industrial real estate located at No. 603 Dapu Rd, Shanghai as mortgage to Bank of Communications Xuhui Branch in exchange for the financing guarantee.

ShangGong (Europe) Holding Corp. GmbH used 1.2 million shares of Duerkopp Adler AG as collateral for 5.55 million euro bank guarantee which was issued by Commerzbank Germany. The term is two years and four months. The purpose is to guarantee that ShangGong (Europe) Holding Corp. GmbH would pay the second-period share purchase price to the vendor of KSL Keilmann Sondermaschinenbau GmbH.

On March 25, 2014, the company used RMB 70 million as collateral for a one-year loan in euro that ShangGong (Europe) Holding Corp. GmbH applied in Commerzbank Germany Bielefeld Branch, in the method of financing guarantee issued by Commerzbank Germany Shanghai Branch. The borrowing limit cannot exceed the equivalent amount of RMB 70 million.

As of 30 June 2014, there is no cash outflow regarding such above guarantee.

8. Commitments

8.1 Significant Commitments

8.1.1 Signed Contracts/Agreements to be Complete/ Not Fully Completed

There are no such contracts in the reporting period, including investment contracts, outsourcing contracts, rental

contracts, and merger and acquisition contracts.

8.1.2 Other Significant Commitment

8.1.2.1 Credit Loans or Mortgage Loans

Mortgages/Collaterals	Purpose	Principal	Borrower
Rome 1201A-D, 1701-B-2, 1500, Century Avenue	Bank loans mortgage		ShangGong Group
Real estate on 603, Dapu Road	Bank loans mortgage		ShangGong Group
Real estate on 603, Dapu Road	Bank loans mortgage	EUR 9,000,000	ShangGong (Europe) Holding Corp. GmbH
Bank deposit EUR 69,830,000	Security deposit		ShangGong (Europe) Holding Corp. GmbH
Bank deposit EUR 32,720,000	Security deposit		ShangGong (Europe) Holding Corp. GmbH
Account receivables valued at EUR,35,770,000	Security deposit	-	ShangGong (Europe) Holding Corp. GmbH
Fix assets valued at EURO 1,585,360,000	Credit line security deposit	EUR 10,700,000	ShangGong (Europe) Holding Corp. GmbH
1.2 million shares of DA AG held by ShangGong (Europe) Holding Corp. GmbH	Guarantee		ShangGong (Europe) Holding Corp. GmbH

8.1.2.2 Guarantees Provided for Related Parties or Other Companies as of 30 June 2014

In the reporting period, the company provided certain assets as a counter-guarantee for the bank loans of Shanghai Pudong Development (Group) Co., Ltd. Such assets include total shares in Shanghai Shangong Butterfly Sewing Machines Co., Ltd, 80% shares in Shanghai Shangong Butterfly Import & Export Co., Ltd which was held by Shanghai Shangong Butterfly Sewing Machines Co., Ltd and the real estate (No. 190 Huyi Road) which is owned by the company. The maximum guarantee line amounted to RMB 115,600,000. The term of guarantee is from 9 June 2012 to 8 June 2018. By the balance sheet date, the company has withdrawn 80% shares in Shanghai Shangong Butterfly Import & Export Co., Ltd as pledge; the amount of the guarantee reduced RMB 41,860,000. Actual accumulated loan is RMB0.

8.2 There are no any disclosures on the discharge of previous commitment.

9. Subsequent Events

9.1 Significant Subsequent Event

None

9.2 Distribution of Dividends

According to the decision in the fifteenth board meeting (7th round) on 28 August 2014, no dividends will be distributed.

9.3 Other Events

None

10. Other Significant Issues

Assets and Liabilities at Fair Value

	Opening Balance	Fluctuation of Fair Value		Impairment	Ending Balance
		Attributed to Profit or Loss for Current Period	Attributed To Equity		
Financial assets					
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period	277,479.87	-13,426.44			264,053.43

Available for sale assets	85,012,121.56		11,216,011.94		96,228,133.50
Subtotal	85,289,601.43	-13,426.44	11,216,011.94		96,492,186.93
Total	85,289,601.43	-13,426.44	11,216,011.94		96,492,186.93
Financial liabilities					

11. Notes to Major Accounts on the Financial Statements of Parent Company

11.1 Accounts Receivable

11.1.1 Summary

	Ending Balance				Opening Balance			
	Carrying Amount		Bad Debt Provision		Carrying Amount		Bad Debt Provision	
		%		%		%		%
Individual items with significant balances								
Items as a collective group	86,951,839.24	100.00	79,764,628.23	91.73	86,965,274.21	100.00	79,703,121.45	91.65
Other insignificant items								
Total	86,951,839.24	100.00	79,764,628.23	91.73	86,965,274.21	100.00	79,703,121.45	91.65

There were no individual items with significant balances at the balance sheet date.

For those items as a collective group, an aging analysis is used as follows:

Ageing	Ending Balance			Opening Balance		
	Carrying Amount		Bad Debt Provision	Carrying Amount		Bad Debt Provision
		%			%	
Within one year	7,251,574.67	8.34	362,578.74	7,098,343.96	8.16	354,917.20
1-2 years	351,069.22	0.40	70,213.84	563,911.70	0.65	112,782.34
2-3 years	34,719.40	0.04	17,359.70	135,193.28	0.16	67,596.64
Over 3 years	79,314,475.95	91.22	79,314,475.95	79,167,825.27	91.03	79,167,825.27
Total	86,951,839.24	100.00	79,764,628.23	86,965,274.21	100.00	79,703,121.45

There were no individual items with insignificant balances at the balance sheet date.

11.1.2 There were no write-off of accounts receivables in the reporting period.

11.1.3 There were no receivables from shareholders or related parties who hold 5% or more voting shares at the balance sheet date.

11.1.4 Top Five Biggest Customers

	Relationship	Carrying Amount	Ageing	% of Total
Customer A	Non-related party	11,530,775.39	Over three years	13.26
Customer B	Non-related party	7,480,189.67	Over three years	8.60
Customer C	Non-related party	7,234,606.86	Over three years	8.32
Customer D	Non-related party	4,679,327.49	Over three years	5.38
Customer E	Related party	3,267,586.72	Within one year	3.76
Total		34,192,486.13		39.32

11.1.5 Receivables From Related Parties

	Relationship	Carrying Amount	% of Total
Shanghai Shuangchong Sewing Machines Co., Ltd.	Subsidiary	3,267,586.72	3.76
Durkopp Adler Manufacturing (Shanghai) Co., Ltd.,	Sub-subsidiary	1,795,394.94	2.06
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	Subsidiary	734,478.90	0.84

11.2 Other Receivables

11.2.1 Summary

	Ending Balance				Opening Balance			
	Carrying Amount		Bad Debt Provision		Carrying Amount		Bad Debt Provision	
		%		%		%		%
Individual items with significant balances	45,646,966.93	41.19	39,673,787.55	86.91	39,016,125.39	36.21	39,016,125.39	100.00
Items as a collective group	65,171,155.00	58.81	19,503,277.17	29.93	68,740,120.72	63.79	19,683,459.95	28.63
Other insignificant items								
Total	110,818,121.93	100.00	59,177,064.72	53.40	107,756,246.11	100.00	58,699,585.34	54.47

Those receivables necessary to be provided for on an individual basis include:

	Carrying Amount	Bad Debt Provision	Provision %	Comment
Customer A	34,804,415.13	28,831,235.75	82.84	Impaired through individual test
Customer D	10,842,551.80	10,842,551.80	100.00	Impaired through individual test
Total	45,646,966.93	39,673,787.55		

For those items as a collective group, an ageing analysis is used as follows:

	Ending Balance			Opening Balance		
	Carrying Amount		Bad Debt Provision	Carrying Amount		Bad Debt Provision
		%			%	
Within one year	47,835,280.62	73.40	2,391,764.04	51,403,246.34	74.79	2,570,162.32
1-2 years	263,021.87	0.41	52,604.37	257,021.87	0.37	51,404.37
2-3 years	27,887.50	0.04	13,943.75	35,918.50	0.05	17,959.25
Over 3 years	17,044,965.01	26.15	17,044,965.01	17,043,934.01	24.79	17,043,934.01
Total	65,171,155.00	100.00	19,503,277.17	68,740,120.72	100.00	19,683,459.95

There were no individual items with insignificant balances at the balance sheet date.

11.2.2 There were no receivables from shareholders or related parties who hold 5% or more voting shares at the balance sheet date.

11.2.3

11.2.4 Top Five Biggest Customers

	Relationship	Carrying Amount	Ageing	% of Total	Nature
Customer A	Related party	34,804,415.13	Up to three years	31.41	General receivables
Customer B	Related party	20,086,211.86	One to three years	18.13	General receivables
Customer C	Related party	13,551,348.76	Within one year and over three years	12.23	General receivables
Customer D	Non-related party	10,842,551.80	Over three years	9.78	General receivables
Customer E	Related party	3,511,740.97	One to two year	3.17	General receivables
Total		82,784,527.55		74.72	

11.2.5 Receivables from Related Parties

	Relationship	Carrying Amount	% of Total
Shanghai SGSB Asset-management Co.,Ltd	Subsidiary	34,804,415.13	31.41
Durkopp Adler Manufacturing (Shanghai) Co., Ltd.,	Sub-subsiidiary	20,086,211.86	18.13
Shanghai Shuangchong Sewing Machines Co.,Ltd.	Subsidiary	13,551,348.76	12.23
SMPIC Imp. & Exp. Co., Ltd.	Subsidiary	4,763,695.17	4.30
ShangGong (Europe) Holding Corp. GmbH.	Subsidiary	3,511,740.97	3.17
Pfaff Industrial Sewing Machine Taicang Co., Ltd.	Sub-subsiidiary	3,500,000.00	3.16
Shanghai ButterflyImp & Exp Co., Ltd	Sub-subsiidiary	697,458.00	0.63
Shanghai Shangong Imp & Exp Co., Ltd	Sub-subsiidiary	641,402.02	0.58

11.3 Long-term Equity Investment

Investee		Initial Cost	Opening Balance	Increase /(Decrease)	Ending Balance	Sharing	Voting Share%	Comments Where Sharing Differs Voting Shares	Provision for Impairment	Impairment Loss for This Year	Dividends
Affiliate											
Changshu Qixing Elec-plating Co., Ltd.	Equity method	2,520,000.00				90.00		Note 1			
Shanghai Huazhijie Plastic Co., Ltd.	Equity method	1,766,689.38	736,283.66		736,283.66	23.04		Note 1	736,283.66		
Subtotal		4,286,689.38	736,283.66		736,283.66				736,283.66		
Subsidiary											
Durkopp Adler Trading Shanghai Co.,Ltd.	Cost method	24,403,443.11	24,403,443.11		24,403,443.11	60.00	86.00				
Shanghai Industrial Sewing Machines Materials General Co.,Ltd	Cost method	4,600,000.00	4,600,000.00		4,600,000.00	100.00	100.00		1,037,794.98		
Shanghai Shuangchong Sewing Machines Co.,Ltd.	Cost method	8,400,000.00	8,400,000.00		8,400,000.00	70.00	90.00		8,400,000.00		
Shanghai Shanggong Butterfly Sewing Machines Co.,Ltd	Cost method	79,000,000.00	79,000,000.00		79,000,000.00	100.00	100.00				
<i>ShangGong (Europe) Holding Corp. GmbH</i>	Cost method	142,370,693.64	142,370,693.64		142,370,693.64	100.00	100.00				
SMPIC Imp. & Exp. Co., Ltd.	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	100.00	100.00				
Shanghai SGSB Asset-management Co.,Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00		5,000,000.00		
Shanghai Shanggong SMPIC Electronics Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100.00	100.00				
Shanghai Fengjian Property Co., Ltd.	Cost method	500,000.00				100.00	100.00				
Other Investees											

Shanghai Xingguang Underwear (South Africa)	Cost method	308,033.99	308,033.99		308,033.99	14.30	14.30		308,033.99		
Shanghai Shensy Enterprises Development Co., Ltd	Cost method	10,593,077.64	10,593,077.64		10,593,077.64	10.59	10.59				
Wuxi Shanggong Sewing Machines Co., Ltd	Cost method	153,814.26	153,814.26		153,814.26	80.00	80.00		153,814.26		
Shanghai Hualian Sewing Machinery Co., Ltd.	Cost method	400,000.00	400,000.00		400,000.00	21.74		Note 2			
Shanghai Fuji-Xerox Co., Ltd.	Cost method	29,140,749.49	29,140,749.49		29,140,749.49	15.92	15.92				9,869,408.00
Shanghai Baoding Investment Co., Ltd.	Cost method	7,500.00	7,500.00		7,500.00	<5	<5				
Bank of Shanghai Co., Ltd.	Cost method	951,400.00	951,400.00		951,400.00	<5	<5				177,109.68
China Perfect Machinery Co., Ltd.	Cost method	90,000.00	90,000.00		90,000.00	<5	<5				
Shenyin & Wanguo Securities Co., Ltd.	Cost method	200,000.00	200,000.00		200,000.00	<5	<5				3,238.84
Shanghai Hirose Precision Industrial Co.,Ltd.	Cost method	2,840,376.00				30.00		Note 2			85,000.00
Subtotal		340,959,088.13	337,618,712.13		337,618,712.13				14,899,643.23		10,899,756.52
Total		345,245,777.51	338,354,995.79		338,354,995.79				15,635,926.89		10,899,756.52

Note 1: Changshu Qixing Elec-plating Co., Ltd. and Shanghai Huazhijie Plastic Co., Ltd. had completed the cancellation of tax registration.

Note2: The company does not participate into the strategic decision making of Shanghai Hualian Sewing Machinery Co., Ltd. And Shanghai Hirose Precision Industrial Co., Ltd. and therefore does not exert significant influences on the investees. Cost method is used to measure the investment.

11.4 Sales and Cost of Sales

11.4.1 Summary

	Current Period	Prior Period
Sales	14,908,693.94	52,526,546.02
Other Incomes	12,311,310.84	17,221,098.15
Cost of Sales	16,793,787.06	49,958,633.47

Revenues and Costs by Industry

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Manufacturing	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54
Total	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54

11.4.2 Revenues and Costs by Product

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Office Supplies and Film Equipment	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54
Total	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54

11.4.3 Revenues and Costs by Region

	Current Period		Prior Period	
	Sales	Cost of Sales	Sales	Cost of Sales
Domestic Business	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54
Total	14,908,693.94	13,458,020.87	52,526,546.02	45,845,346.54

11.4.4 Sales to the Top Five Biggest Customers

	Sales	% of Total
Customer A	2,710,866.22	9.96
Customer B	1,340,100.00	4.92
Customer C	1,157,851.11	4.25
Customer D	1,125,509.00	4.13
Customer E	969,018.78	3.56
Total	7,303,345.11	26.82

11.5 Investment Incomes

11.5.1 Summary

	Current Period	Prior Period
Investment incomes using cost method	11,355,235.97	13,039,034.64
Gains/(losses) on disposal of long-term equity investment		
Gains on trading financial assets		
Gains on held for trading financial assets		
Gains on disposal of Available-for-sale financial assets		
Total	11,355,235.97	13,039,034.64

There is no significant restriction of funds remittance.

11.5.2 Investment Incomes Using Cost Method

Investee	Current Period	Prior Period	Comments of Fluctuation
Shanghai Fuji-Xerox Co.,Ltd.	9,869,408.00	11,314,034.64	Decrease in dividends

Shanghai Huanzhong Commercial Co., Ltd	455,479.45	875,000.00	Decrease in dividends
Shanghai Hirose Precision Industrial Co.,Ltd.	850,000.00	850,000.00	
Bank of Shanghai Co.,Ltd.	177,109.68		Increase in dividends
Senyin & Wanguo Securities Co., Ltd	3,238.84		Increase in dividends
Total	11,355,235.97	13,039,034.64	

11.5.3 Investment Incomes under Equity Method

There was no investment income under equity method.

11.6 Supplementary Information of Cash Flow Statement

	Current Period	Prior Period
Net profits converted into cash flow from operating activities		
Net profits	2,228,780.01	5,539,662.36
Add:		
Provision for assets impairment	45,229.14	-942,101.96
Depreciation of fixed assets, of oil/gas assets and productive biological assets	3,263,761.13	3,716,186.58
Amortization of intangible assets	1,226,694.54	1,242,666.22
Losses/(gains) on disposal of fixed assets	-34,028.83	33,929.07
Losses/(gains) from fluctuation in fair value	13,426.44	47,609.50
Financial expense	2,385,792.31	3,512,420.86
Investment loss/(income)	-11,355,235.97	-13,039,034.64
Decrease/(increase) in inventories	-1,673,539.98	-2,823,915.91
Decrease/(increase) in operating receivables	2,431,879.69	8,307,960.07
Increase/(decrease) in operating payables	-13,331,386.78	20,413,907.14
Net cash flows generated from operating activities	-14,798,628.30	26,009,289.29
Investing and financing activities that do not involve cash receipts and payments		
Debt converted into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
Net increase in cash and cash equivalents		
Cash at the end of the period	75,425,124.66	38,135,560.86
Less: Cash at the beginning of the period	88,304,869.24	43,545,254.69
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-12,879,744.58	-5,409,693.83

12. Supplementary Information

12.1 Extraordinary Profit or Loss

	Current Period	Comments
Gains on disposal of non-current assets	265,010.30	
Government grants through profit or loss	149,000.00	
Gains on fluctuation of fair values of held for trading financial assets and liabilities and gains on disposal of held for trading financial assets and liabilities and available for sale financial assets	-13,426.44	
Other non-operating incomes and expenses, net	-206,733.07	
Effect on corporate tax income	-27,765.13	
Net effect on non-controlling interest	-103,155.71	
Total	62,929.95	

12.2 Rate of Return on Equity (ROE) and Earnings Per Share (EPS)

Net Profits	Weighted Average ROE (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	3.6846	0.0839	0.0839
Net profit attributable to common shareholders after non-current profit/loss	3.6791	0.0838	0.0838

12.3 Abnormal Situations of Financial Statements and Explanation of Reason

Accounts	Closing Balance	Opening Balance	Fluctuation%	Comments
Notes receivable	2,307,430.01	3,320,697.28	-30.51	Mainly due to bill acceptance in current period
Dividends receivable	12,734,735.09	2,881,577.53	341.94	Dividend paid by Fuji Xerox
Other receivables	41,465,146.32	60,130,306.48	-31.04	Mainly due to decrease in stock issuance cost during the reporting period
Other current assets	539,034,806.53	64,405,666.67	736.94	Mainly due to purchase short-period structured deposits from bank with guaranteed principal to increase capital gains.
Construction in progress	5,636,796.26	2,801,141.91	101.23	Mainly due to increase in investment of sewing equipment engineering during the reporting period
Short-term loans	145,303,754.54	222,299,211.73	-34.64	Mainly due to decrease in domestic short-term loans with high capital cost.
Notes payable	0	6,225,975.90	-100.00	Commercial acceptance bills due in the reporting period
Tax payable	42,981,940.21	31,916,230.42	34.67	Mainly due to increase in EIT due to more profits
Other current liabilities	503,397.29	1,623,775.74	-69.00	Mainly due to increase in the write-off of interest and rent expense of overseas subsidiaries
Capital reserve	945,448,784.81	397,651,623.21	137.76	Mainly due to premium by non-public issuance
Retained earnings	38,857,646.81	-2,996,568.99	1,396.74	Increase in profits
Impairment	4,810,987.05	-589,244.67	916.47	Mainly due to increase in bad-debt provision for accounts receivables
Net gain/(loss) from fluctuation in fair values	-13,426.44	-80,413.50	83.30	Mainly due to increase in fair values of held-for-trading financial assets
Non-operating income	621,043.73	441,573.12	40.64	Mainly due to increase in gains on disposal of fixed assets
Non-operating expenses	413,766.50	316,661.06	30.67	Mainly due to increase in losses on disposal of fixed assets
Other comprehensive incomes	8,184,632.48	-21,909,974.10	137.36	Mainly due to fluctuation in fair values of Available-for-sale financial assets and increase in the translation differences of foreign currency financial statements

13. Authorization of the Publication of Financial Statements

The above financial statements have been authorized by the fifteenth board meeting (7th round) on August 28, 2014 to be submitted to the related authorities and the public.

X. References

1. Semi-Annual 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
Shang Gong Group Co., Ltd.
August 28, 2014