



ShangGong Group

Shang Gong Group Co., Ltd.

Semi-Annual Report 2015



Important Notes

1. The Board of Directors, the Board of Supervisors, and all the directors, supervisors, and senior managers guarantee that there are no false statement, vital misunderstandings or important omissions in this report, and hold both individual and joint liability for the authenticity, accuracy and integrity of its contents.
2. All the members of the Board of Directors attended the Board Meeting of Shang Gong Group Co., Ltd.
3. This semi-annual financial report of the Company was not audited.
4. Zhang Min, Chairman of the Company, Li Jiaming, the principal in charge of the accounting, and Zhao Lixin, Chief of Accounting Affairs, make the pledge for the authenticity and integrity of the attached financial statements.
5. There was no occupation of fund of the Company occurred for non-operating use by holding shareholder and the related party.
6. There was no external guarantee against the rules and regulations of the Company.
7. If the English Version of this Semi-Annual Report involves any differences from the Chinese Version, the latter shall be effective.

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Chapter 1 Definition

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

Definition of common terms		
ShangGong Group, Company, the Company	Refer to	Shang Gong Group Co., Ltd
Pudong SASAC	Refers to	Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission, the main shareholder and actual controller
ShangGong Europe	Refers to	ShangGong (Europe) Holding Corp. GmbH
DA AG	Refers to	Dürkopp Adler AG, a German listed company, ShangGong Europe holding 94.01% of its stock rights
PFAFF GmbH	Refers to	PFAFF Industriesysteme und Maschinen GmbH
KSL GmbH	Refers to	KSL Keilmann Sondermaschinenbau GmbH
KSL and its affiliated companies	Refer to	KSL Keilmann Sondermaschinenbau GmbH, KSE GmbH, KSA Verwaltungs GmbH, and KSA GmbH & Co. KG
DA Suzhou	Refers to	Dürkopp Adler Sewing Equipment (Suzhou) Co., Ltd
DAP Shanghai	Refers to	DAP (Shanghai) Co., Ltd
Shensy Company	Refers to	Shanghai Shensy Enterprise Development Co., Ltd
Shanggong Butterfly	Refers to	Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Report period	Refers to	From January 1, 2015 to June 30, 2015
Articles of Association	Refers to	The Articles of Association of Shang Gong Group Co., Ltd.
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
RMB	Refers to	The lawful currency of China
EUR	Refers to	The lawful currency of the European Union



Chapter 2 Company Profile

1. Company information

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

2. Contact information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Zhang Jianguo	Shen Lijie
Address	Room A-D, 12 th floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai	Room A-D, 12 th floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
Telephone	021-68407515	021-68407700*1233
Fax	021-63302939	021-63302939
Email	zhangjianguo@sgsbgroup.com	shenlj@sgsbgroup.com

3. Basic situation introduction

Registered Address	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
Postal Code of Registered Address	200122
Office address	Room A-D, 12 th Floor, Orient Mansion, No. 1500, Century Avenue, Pudong New Area, Shanghai
Postal Code of Office address	200122
Website	http://www.sgsbgroup.com
Email	sgsb@sgsbgroup.com

4. Information disclosure and place for consulting

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

5. Corporate stock

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

6. Registration modification information

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
Organization Institution Code	13221054-4
Registration change during report period	The registration of the Company during the report period did not change.



Chapter 3 Accounting Data and Financial Index Highlights

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

(1) Main accounting data

Unit: Yuan, Currency: RMB

Main accounting data	This Report Period (from January to June)	Same period in the previous year	Increase or decrease in this Report Period over the previous year (%)
Operating income	1,039,062,089.09	969,890,167.03	7.13
Net profit attributed to shareholders	100,341,086.85	41,854,215.80	139.74
Net profit attributed to shareholders after non-recurrent account profit/loss	90,696,688.83	41,791,285.85	117.02
Net cash flow from operating activities	-8,407,210.31	-18,746,773.41	Inapplicable
	At the end of this Report Period	At the end of the previous year	Increase or decrease at the end of this Report Period over the previous year (%)
Net assets attributed to shareholders	1,733,510,139.91	1,596,085,177.75	8.61
Total assets	3,029,777,641.03	2,732,574,497.28	10.88

(2) Main financial data

Main financial data	This Report Period (from January to June)	Same period in the previous year	Increase or decrease in this Report Period over the same period in the previous year (%)
Basic earnings per share (yuan/share)	0.1829	0.0839	118.00
Diluted earnings per share (yuan/share)	0.1829	0.0839	118.00
Basic EPS after non-recurrent account profit/loss (yuan/share)	0.1653	0.0838	97.26
Weighted rate of return on net assets (%)	6.0951	3.6846	Increase 2.41 percent
Weighted average return on net assets after non-recurrent account profit/loss (%)	5.5093	3.6791	Increase 1.83 percent

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

Unit: Yuan, Currency: RMB

Items and amount of non-recurring profit and loss	Amount
Profits and losses from disposal of non-current assets	198,286.53
Government subsidies recorded in the current profit and loss	1,639,575.49
Except effective hedging business relevant to the normal business of the Company, gains and losses from changes in fair value arising from trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	2,886,218.55
Other non-operating income and expenditure except the above-said items	5,686,010.85
Impact on minority interests	-437,512.60
Impact on income tax	-328,180.80
Total	9,644,398.02



Chapter 4 Report by the Board of Directors

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

In the first half of 2015, the international economic recovery is slow. The developed economies restarted the industrialization process, and the emerging economies deeply participated in the international industrial layout. The industry is still facing complex international environment. In the domestic, the economy continues the trend of adjustment and differentiation. Downward pressure on economic development continues to increase. Domestic manufacturing overcapacity resolve the slow, the pattern is difficult to change in the short term for more than seeking.

According to the data from China Light Industry Information Center, in the first half of 2015, the comprehensive economic index of China's sewing machinery industry continued to decline compared with last year, and continued to be in the cold region. Affected by the reduced market demand, the sales scale of China's sewing machinery industry was significantly reduced, business efficiency further declined, downward pressure of the industry's development increased. Sewing machinery industry enterprises generally slow down the production rhythm, the major categories of products were in full production cut.

Facing the downturn of the sewing machinery industry and the complex and changeable market environment, the Company's management and all employees work together to actively respond to, adhere to the "leading by science and technology, developing by innovation " business strategy. In the report period, the Company's business situation generally maintained a healthy and stable development. According to the business plan, the Company focused on the following aspects:

1. In abroad, accelerate the integration of oversea subsidiaries, to play a synergistic effect

In order to achieve resource sharing, control risk, and meet the strategic needs of SGE's integration of operation and management, in report period, the company implemented the integration of SGE and its subsidiaries. KSL GmbH was absorbed by PFAFF GmbH, so KSL has become a subsidiary of PFAFF GmbH. It strengthened the research and development of intelligent sewing machine, played a better role of overseas holding and operating platform of SGE. And it also gave full play to its subsidiaries' current advantages, played a synergistic effect, and increased the economic benefit. During the report period, the integration of oversea subsidiaries has achieved initial success.

2. In domestic, vigorously develop China's manufacturing; make sewing machine business stronger and bigger

In domestic, the Company strengthened R&D and innovation of products. The Company reestablished the technical center, to supplement and enhance domestic technology R&D strength and promote the absorption of foreign advanced technology. With the advantages of German high-end technology, the Company occupied a high position of a new round of industry development, and vigorously developed China's manufacturing, promoted industrial restructuring and upgrading. The Company transformed from the low cost competitive advantage to the quality competitive advantage, from extensive manufacturing to environment-friendly and intelligent manufacturing; and from production-oriented manufacturing to service-oriented manufacturing.

In the aspect of household sewing machine, based on "Butterfly" brand, the Company vigorously developed new intelligent products, and further revived old brand through establish and perfect the e-commerce platform of ShangGong Shenbei household multi-functional sewing machine.

3. In the report period, the Company actively expanded the industrial chain, and looked for new profit growth point

Through capital increase of Shensy Company and the relocation and transformation of Ganguang Factory, the Company revived the "Shenbei" business sector, promoted the restructuring from traditional business to e-commerce, modern logistics and modern service industry. The Company's operating income was



increased. It also fostered new profit growth point, reduced operation risk, and enhanced the Company's sustainable development ability.

In the report period, the Company realized the operating income of RMB 1,039.06 million, an increase of 7.13% over the same period of previous year; deducting the influence of EUR/CNY exchange rate fluctuation, the operating income increased by 18.7%; the operating profit amounted to RMB 138.13 million, an increase of 52.54% over the same period of previous year; the net profit attributed to shareholders of listed company amounted to RMB 100.34 million, increased by 139.74%; the net profit attributed to shareholders of listed company after non-recurrent account profit/loss increased 117.02% over the same period of previous year, mainly caused by the initial success of the integration of overseas subsidiaries and the stable operation of domestic enterprises.

1.1 Analysis on main business

1.1.1 Analysis on Change of Relevant Items in Financial Statements

Unit: Yuan, Currency: RMB

Item	Current period	Previous period	Variable proportion (%)
Operating revenue	1,039,062,089.09	969,890,167.03	7.13
Operating expenses	701,662,230.84	661,303,736.20	6.10
Sales expenses	113,957,035.76	109,957,980.76	3.64
Administration expense	100,450,384.67	102,160,879.18	-1.67
Financial expenses	4,949,996.23	10,122,179.92	-51.10
Net cash flow from operating activities	-8,407,210.31	-18,746,773.41	55.15
Net cash flow from investing activities	145,227,247.78	-527,878,281.68	127.51
Net cash flow from financing activities	-93,121,196.84	570,261,489.85	-116.33
Research and development expenditures	22,386,716.12	28,412,862.30	-21.21

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

Unit: Yuan, Currency: RMB

Item	Balances as at June 30, 2015	Balances as at December 31, 2014	Increase/decrease	Increase/decrease (%)	Reason
Notes receivable	60,036,967.02	5,152,168.94	54,884,798.08	1065.28	Note 1
Accounts receivable	392,952,357.38	251,736,145.27	141,216,212.11	56.10	Note 2
Dividends receivable	0.00	2,865,327.09	-2,865,327.09	-100.00	Note 3
Available-for-sale financial assets	178,817,968.70	131,031,342.17	47,786,626.53	36.47	Note 4
Construction in progress	31,695,855.31	13,702,094.72	17,993,760.59	131.32	Note 5
Long-term deferred expense	124,986.80	26,400.00	98,586.80	373.43	Note 6
Other current liabilities	2,741,902.21	703,838.61	2,038,063.60	289.56	Note 7
Undistributed profits	293,447,120.77	193,106,033.92	100,341,086.85	51.96	Note 8
Minority equity	179,765,413.91	40,079,662.83	139,685,751.08	348.52	Note 9

Note 1: Mainly caused by the incorporation into the scope of consolidation of Shanghai Shensy Enterprise Development Co., Ltd, which increased bank acceptance in the report period.

Note 2: Mainly caused by the incorporation into the scope of consolidation of Shanghai Shensy Enterprise Development Co., Ltd.

Note 3: Caused by receipt of dividends distributed by Shanghai Shensy Enterprise Development Co., Ltd.

Note 4: Mainly caused by the change of fair value of available-for-sale financial assets in the current period.

Note 5: Mainly caused by the incorporation into the scope of consolidation of Shanghai Shensy Enterprise Development Co., Ltd.

Note 6: Mainly caused by subsidiary's Internet brand registration fees increased in the current period.

Note 7: Mainly caused by exhibition fees accrued by subsidiary in the current period.

Note 8: Caused by profits earned in the current period.

Note 9: Mainly caused by the incorporation into the scope of consolidation of Shanghai Shensy Enterprise Development Co., Ltd.

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

Unit: Yuan, Currency: RMB



Item	Report period	Same period in the previous year	Increase/decrease	Increase/decrease (%)	Reason
Business taxes and surcharges	3,119,612.56	2,360,802.07	758,810.49	32.14	Note 1
Financial expenses	4,949,996.23	10,122,179.92	-5,172,183.69	-51.10	Note 2
Losses from asset impairment	-2,815,816.88	4,810,987.05	-7,626,803.93	-158.53	Note 3
Gains from changes in fair value	0.00	-13,426.44	13,426.44	100.00	Note 4
Investment income	20,386,398.17	11,389,745.35	8,996,652.82	78.99	Note 5
Non-operating income	7,858,279.71	621,043.73	7,237,235.98	1,165.33	Note 6
Income tax expenses	35,836,814.37	25,973,330.78	9,863,483.59	37.98	Note 7
Minority interest	9,471,015.73	22,929,651.41	-13,458,635.68	-58.70	Note 8
Net of tax of other comprehensive income	22,964,056.08	10,108,890.80	12,855,165.28	127.17	Note 9

Note 1: Mainly due to an increase of sales tax, urban construction tax over the same period of previous year.

Note 2: Mainly due to interest expenses decreased over the same period of previous year, and the increase of foreign exchange earnings.

Note 3: Mainly due to the comprehensive factor of the decrease of accounts receivable bad debts provision and the increase of inventory write-down provision over the same period of previous year.

Note 4: Mainly due to the change of fair value of trading financial assets over the same period of previous year.

Note 5: Mainly due to the increase of investment income of financial products with guarantee principal.

Note 6: Mainly due to the comprehensive factor of the receipt of cash allocation caused by bankruptcy reorganization of Shanghai Huayuan Enterprise Development Co., Ltd. and an increase in government subsidies income.

Note 7: Mainly due to the increase of profit earned by European subsidiaries.

Note 8: Mainly due to the equity of DA AG held by SGE increased 29% comparing to the same period of previous year.

Note 9: Mainly due to the comprehensive factor of the increase in changes in fair value of available-for-sale financial assets and decrease in translation of foreign currency statements.

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

Unit: Yuan, Currency: RMB

Item	Report period	Same period in the previous year	Increase/decrease	Increase/decrease (%)	Reason
Net cash flows from operating activities	-8,407,210.31	-18,746,773.41	10,339,563.10	55.15	Note 1
Net cash flows from investing activities	145,227,247.78	-527,878,281.68	673,105,529.46	127.51	Note 2
Net cash flows from financing activities	-93,121,196.84	570,261,489.85	-663,382,686.69	-116.33	Note 3
Effect of fluctuation in exchange rate on cash and cash equivalents	-24,238,194.98	-1,056,688.04	-23,181,506.94	-2,193.79	Note 4

Note 1: Mainly caused by the combined effect of an increase in cash received from sales of goods, providing labor and the increase in taxes and fees.

Note 2: Mainly caused by the increase of cash received from due bank RMB structural deposits over the same period of previous year.

Note 3: Mainly caused by the fact that in the same period of previous year, the Company received the funds raised by non-public offering, and cash of dividend distribution and profit payment increase over the same period of previous year..

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

1.1.2 Others

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

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

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



The 2013 third temporary general meeting of shareholders held by the Company on August 20, 2013, reviewed and adopted the pre-plan of non-public share offering (A Shares). In February 28, 2014, CSRC examined and approved the non-public share offering of the Company. This offering was completed on March 28, 2014, the actual offering amount was 99,702,823 shares, the offering price was RMB 6.73 yuan/share, the amount of raised funds was RMB 670,999,998.79, and after deduction of offering fees of RMB 32,791,767.81, the net amount of raised funds was RMB 638,208,230.98. 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. In the Report Period, the lock-up period of these shares expired in the report period. These shares have gone on the market on March 30, 2015. (See Temporary Bulletin No. 2015-007 of the Company for details.)

(3) Statement on progress of operation plan

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

1.2 Analysis on operation by industry, products or region

1.2.1 Principal operating activities by industry

Unit: Yuan, Currency: RMB

Main business by industries						
Industry	Operating income	Operating cost	Gross margin(%)	Operating income Increase/decrease (%)	Operating cost Increase/decrease (%)	Gross margin Increase/decrease (%)
Sewing equipment	713,905,928.05	416,691,245.42	41.63	-5.84	-11.78	Increase 3.93%
Logistics service	102,451,627.65	88,862,319.60	13.26	-	-	
Export trade	142,255,879.51	140,068,650.63	1.54	3.03	3.77	Decrease 0.7%
Office Equipment and film material	47,327,607.66	39,786,877.70	15.93	1.89	-1.30	Increase 2.71%
Others	6,378,726.15	2,569,712.73	59.71	157.62	303.33	Decrease 14.56%

1.2.2 Principal operating activities by regions.

Unit: Yuan, Currency: RMB

Region	Operating revenue	Increase / decrease of operating income over the previous year (%)
Domestic	520,780,545.21	31.12
Overseas	589,285,687.70	-3.38

1.3 Core competitiveness

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

I. Technology Advancement Advantage

German KSL GmbH, purchased by the Company, holds the leading position in CNC and robot controlled automatic sewing technologies, and its products are not only applied in the traditional market for sewing machine industry but also applied in some emerging fields, such as automobile, environmental protection,



aeronautics and astronautics and renewable energy, etc. In many fields, such as automobile airbags, filters protecting environment, light carbon fiber structure for plane, etc., the sewing application technology of KSL GmbH has the absolute competition advantage, and especially, it originally created the sewing technology for light carbon fiber and 3D sewing automation. Technologies of KSL GmbH together with technologies of German DA AG and PFAFF AG make the Company own the most advanced sewing technologies in the world.

II. Brand and Product Advantage

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

III. Technological Research and Development Capability

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

IV. Sales Network throughout the Globe

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

V. Internationalized Operation and Management Experience

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

During the Report Period, the Company continued to promote the integration of global resources of the Company's transnational operations, and further produced the synergistic effect of subsidiaries at home and abroad. The Company's core competitiveness kept on strengthening.

1.4 Investment by the Company

1.4.1 Analysis on the equity investment

Unit: 10,000 Yuan, Currency: RMB

Amount of long-term equity investment in the Report Period	7,549
Increase or decrease on the amount of long-term equity investment	7,549
Amount of long-term equity investment in the same period of previous year	0
Increase or decrease proportion	/

Status of invested company:

Name	Main business	Proportion in the invested company
Shanghai Shensy Enterprise Development Co., Ltd	Road freight transportation, distribution, warehousing services etc.	40.03%

(1) Investment in stock exchange

No.	Type	Code	Name	Initial investment (Yuan)	Quantity of shares	Year-end book value (Yuan)	Prop. in investment in stock exchange	Current profit/loss (Yuan)
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Profit/loss investment	current-year sale of	/	/	/	/	679,782.37
Total		/	/	100%	679,782.37	

During the Report Period, the total investment income arising from selling the new shares by the Company is RMB 679,782.37.

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

Unit: Yuan, Currency: RMB

Code	Entity	Initial investment	Proportion in the invested company	Period-end book value	Profit /loss	Change in shareholder equity	Account title	Origin of equity
600757	Changjiang Publishing & Media	72,085,722.82	<5	143,149,622.60		55,509,098.26	Available-for-sale financial assets	Note 1
900932	Lujia B Shares	773,099.71	<5	2,447,132.24		439,049.00	Available-for-sale financial assets	Enforcement
000166	Shenwan & Hongyuan	200,000.00	<5	2,631,557.50		2,431,557.50	Available-for-sale financial assets	Purchased Note 2
合计		73,058,822.53	/	/	148,228,312.34		58,379,704.76	/

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

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

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

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

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



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

(1) Entrusted Financing

Unit: 10,000 Yuan, Currency: RMB

Name of partner	Product name	Amount	Starting date	Ending date	Method of determining gains	Predicted gains	Principal actually recovered	Gains actually obtained	Whether legal proceedings are involved	Amount of provision for impairment	Whether affiliated transaction is involved	Whether lawsuit is involved	Fund source and whether it is raised fund	Affiliated relationship
Bank of Communications Xuhui Branch	Linghui Wealth ` Huideli	5,000	October 20, 2014	April 20, 2015	Floating gains with guaranteed principal	3.95% - 4.06%	3.95% - 4.06%	5,000	98.48	Yes	0	No	No	Yes
Bank of Shanghai Fumin Branch	“Wenjin” No. 2 SD21406M059	27,000	October 21, 2014	April 21, 2015	Floating gains with guaranteed principal	4.38%	4.38%	27,000	589.68	Yes	0	No	No	Yes
Bank of Shanghai Fumin Branch	“Wenjin” No. 2 SD21406M059	8,000	October 21, 2014	April 21, 2015	Floating gains with guaranteed principal	4.38%	4.38%	8,000	174.72	Yes	0	No	No	No
Bank of Shanghai Fumin Branch	“Wenjin” No. 2 SD21406M064	5,000	November 11, 2014	May 12, 2015	Floating gains with guaranteed principal	4.4%	4.4%	5,000	109.70	Yes	0	No	No	No
Bank of Shanghai Fumin Branch	“Wenjin” No. 2 SD21406M67	7,000	November 17, 2014	May 28, 2015	Floating gains with guaranteed principal	4.45%	4.45%	7,000	155.40	Yes	0	No	No	No
Bank of Shanghai Fumin Branch	Bank of Shanghai “Winner” Currency and Bond Series (Intravenous Drip into Gold) Financial Product (WG15M03015)	4,000	April 29, 2015	July 29, 2015	Guarantee gains with guaranteed principal	4.90%	4.90%			Yes	0	No	No	No
Bank of Shanghai Fumin Branch	Bank of Shanghai “Winner” Currency and Bond Series (Intravenous Drip into Gold) Financial Product (WG15M03015)	20,000	April 29, 2015	July 29, 2015	Guarantee gains with guaranteed principal	4.90%	4.90%			Yes	0	No	No	Yes
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 91 days	5,000	May 4, 2015	August 3, 2015	Guarantee gains with guaranteed principal	4.70%	4.70%			Yes	0	No	No	Yes
Bank of Shanghai Fumin Branch	Bank of Shanghai “Winner” Currency and Bond Series (Intravenous	4,000	May 6, 2015	August 5, 2015	Guarantee gains with guaranteed	4.75%	4.75%			Yes	0	No	No	No



	Drip into Gold) Financial Product (WG15M03016)				principal									
Bank of Shanghai Fumin Branch	Bank of Shanghai "Winner" Currency and Bond Series (Intravenous Drip into Gold) Financial Product (WG15M03017)	5,000	May 13, 2015	August 12, 2015	Guarantee gains with guaranteed principal	4.73%	4.73%			Yes	0	No	No	No
Xiamen International Bank Shanghai branch	Win Step-by-step Phase 15738	7,000	June 1, 2015	August 31, 2015	Guarantee gains with guaranteed principal	4.90%	4.90%			Yes	0	No	No	No
Bank of Communications Xuhui Branch	Yuntong Wealth Rizengli 91 days	3,000	June 15, 2015	September 15, 2015	Guarantee gains with guaranteed principal	3.90%	3.90%			Yes	0	No	No	No
Total	/		/	/	/			52,000	1127.98	/		/	/	/
Aggregate principal and gains amount overdue and non-refunded (RMB)						0								
Statement on consigned financing						With the review and approval of the 21 st meeting of the Seventh Board of Directors on April 28, 2015, it is resolved that idle raised funds of RMB 250 million and self-owned funds of 250 million were managed in purchasing RMB financial products of the bank with principal guaranteed.								

(2) Entrusted loan

Applicable Not applicable

(3) Other investment in financing products and derivatives

Applicable Not applicable



1.4.3 Use of Raised Funds

(1) Overall Use of Raised Funds

Unit: Yuan, Currency: RMB

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds spent in this Report Period	Total amount of raised funded aggregately spent	Total amount of raised funded not spent	Usage and allocation of raised funded not spent
2014	Non-public offering	670,999,998.79	12,528,175.96	327,193,518.53	326,141,208.72	saved in special account of raised funds, continue to use in the committed project
Total	/	670,999,998.79	12,528,175.96	327,193,518.53	326,141,208.72	/
Overall use statement on raised funds		As at June 30, 2015, the balance of Company's raised funds special account is RMB 326,141,208.72 (including interests). Total amount of raised funded aggregately spent is RMB 327,193,518.53. Approved by the Board, idle raised funds of RMB 250 million were managed in purchasing RMB financial products with principal guaranteed.				

(2) Committed projects for which funds are raised

Unit: 10,000 Yuan, Currency: RMB

Name of committed project	Whether project is changed	Amount of raised funds to be invested	Investment amount of raised funds in this Report Period	Aggregate amount of raised funds actually invested	Whether scheduled progress is met	Project progress (%)	Predicted gains	Gains produced	Whether predicted gains are met	Statement on scheduled progress and gains not met	Reason for change and statement on change procedures of raised funds
PFAFF project and KSL and its affiliates project invested through ShangGong Europe	No	45,000	0	30,751.5	Yes			702.58			Not applicable
Project of Research and development and production of automatic sewing unit and electronic controlled system	No	15,100	1,216.39	1,759.69							Not applicable
Project of developing modern household multi-functional sewing machines	No	5,000	34.57	202.40							Not applicable
Project of establishing and perfecting internal Enterprise Resource Planning (ERP) system	No	2,000	1.86	5.76							Not applicable
Total	/	67,100	1,252.82	32,719.35	/	/		/	/	/	/
Statement on raised funds spent in committed projects		In the report period, Committed projects for which funds are raised were implemented as plan.									

(2) Change of project for which funds are raised

Applicable Not applicable

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

Unit: Yuan, Currency: RMB

Company name	Business scope	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit



ShangGong (Europe) Holding Corp. GmbH	Investment in, assets management on, and production, processing and sales of industrial sewing equipment	EUR 12.5 million	1,376,761,277.24	478,726,905.08	599,855,165.02	110,275,005.58	77,964,423.55
DAP (Shanghai) Co., Ltd.	Sales of various sewing equipment	USD 6 million	189,694,216.03	69,944,588.58	155,153,970.80	11,811,749.77	10,203,940.12
Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.	Manufacturing and sales of various sewing equipment	RMB 79 million	111,503,747.59	77,919,203.97	127,072,254.01	1,988,545.18	1,642,871.82
Shanghai Shensy Enterprise Development Co., Ltd	Road freight transportation, distribution, warehousing services etc.	RMB 178.82 million	334,243,470.65	226,831,258.21	102,451,627.65	5,739,841.54	4,888,313.33

1.4.5 Utility of non-collected funds

Unit: 10,000 Yuan, Currency: RMB

Project name	Amount	Progress	Funds invested in report period	Accumulated actual investment	Return of project
The capital increase and shareholding of the Company to Shensy Company	7,549	The project has completed	7,549	7,549	488.83
Establishment of financial leasing company	USD 30 million	Note 1	0	0	
Investment in ZOJE Jidian Company to construct industrial basement	5,565.9	Note 2	0	0	

Note 1: In order to reduce the risk of investment, considering the funds demand forecast of financing leasing business and other factors, it was considered prudent for the Company to reduce the registered capital of financial leasing company from USD 30 million to USD 10 million.

Note 2: In view of Zhejiang ZOJE Huanzhou Supply Chain Co., Ltd., the controlling shareholder of ZOJE Jidian Company, is in bankruptcy procedure, the Company cannot purchase the equity held by ZOJE Huanzhou, thus the deliver condition of the SPA is not satisfied. The Company decided to terminate purchasing 100% equity of ZOJE Jidian Company. The Company will change it to increase capital of Shanghai SGSB Asset Management Co., Ltd and purchase the real estate at Zhangjiagang Tangqiao through Shanghai SGSB Asset Management Co., Ltd.

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 2014 shareholders' meeting of the Company had adopted the profit distribution plan under which the dividend was not distributed in cash, no bonus shares were allotted, and no stock capital was capitalized, and such plan has been implemented.

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

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

3.1 Warning and description for forecasting the cumulative net profit from January 1, 2015 to December 31, 2015 may be negative or have a significant change over the same period of previous year

Applicable Not applicable

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

Applicable Not applicable



Chapter 5 Important Events

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

Applicable Not applicable

2. Issues relevant to bankruptcy and restructuring

Applicable Not applicable

3. Assets transaction and enterprise merger

Applicable Not applicable

4. Equity incentive of the company and its impact

Applicable Not applicable

5. Major associated transactions

5.1 Associated Transactions Relevant to Daily Operations

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

Summary of Issues	Inquiry Index
Shanghai SGSB Electronic Co., Ltd., one wholly-owned subsidiary of the Company, sells products to Fiji Xerox of Shanghai Limited., and is its permanent accessory supplier, and the above-said transaction constitutes the daily associated transaction. It is estimated that in 2015, the amount of products that it will sell to Fiji Xerox is RMB 39 million, and in this report period, the sales amount was RMB 20,235,900, and there was no major change.	The temporary bulletin No. 2015-005 disclosed by the Company on March 21, 2015, published in Shanghai Securities News and Hong Kong Commercial Daily and website of Shanghai Stock Exchange (http://www.sse.com.cn/).

6. Major contracts and their performance

6.1 Trusteeship, contracting and lease

Applicable Not applicable

6.2 Guarantee

Unit: 10,000 Yuan, Currency: RMB

Company external guarantee list (excluded those for subsidiaries)													
Guarantor	Relations of the guarantor to public company	Security party	Amount guaranteed	Guarantee date (agreement sign-off date)	Guarantee starting date	Guarantee expiration date	Type of guarantee	If guarantee is done	If guarantee is overdue	Guarantee overdue amounts	If counter-guarantee available?	If it is affiliate guarantee?	Guarantee relation
ShangGong Group	The Company	Commerzbank	7,000	March 25, 2014	March 25, 2014		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Commerzbank	6,046	June 30, 2014	July 1, 2014		Joint liability guarantee	No	No	0	No	No	No
ShangGong Group	The Company	Commerzbank	5,427	September 17, 2014	September 17, 2014	September 17, 2034	Joint liability guarantee	No	No	0	No	No	No
ShangGong Europe	Subsidiary of sole investment	Commerzbank	3,813	July 30, 2013	July 30, 2013	November 29, 2015	Joint liability guarantee	No	No	0	No	No	No
Guarantee amounts spent during the report period (excluded guarantee to affiliate company.)										0			
Total balance of guarantee at the end of period (affiliate companies are not quailed.) (A)										22,286			
Guarantee of company to affiliates													
Total guarantee amounts of subsidiaries in the report period										0			
Total balance of guarantee to subsidiaries at the end of report period (B)										3,676			
Company total guarantee amounts (including those to subsidiaries)													
Total guarantee amounts (A+B)										25,962			
Ratio of total guarantee amounts to company net assets (%)										13.57			
In which:													
Guarantee amounts provided to stockholders, actual controller and affiliated parties (C)													



Guarantee amounts directly or indirectly provided for liabilities of guarantor whose assets liabilities ratio is higher than 70% (D)	
Differences of total guarantee amounts exceeds 50% of the net assets (E)	
Total guarantee amounts of the above-mentioned three items (C+D+E)	

Statement on Guarantee:

1. 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.

2. 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 Keilmann Sondermaschinenbau GmbH.

3. 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.

4. On June 30, 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Co., GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of EUR8 million, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of EUR8.8 million as counter guarantee for the abovementioned financing guarantee letter.

5. On September 17, 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Co., GmbH, applied to the Bielefeld Branch of the Commerzbank for a short-term credit loan of EUR12 million, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of EUR7.9 million and provided a pledge in cash of RMB50 million as counter guarantee for the abovementioned financing guarantee letter.

7. Performance of committed issues

Background of commitment	Type of commitment	Commitment party	Content	Time limit	Whether there is a time limit	Whether timely and strictly perform
Other commitment	Non-tradable shares	Pudong SASAC	From July 10, 2015 to January 10, 2016, Pudong SASAC will not sell the Company's shares in the secondary market.	From July 10, 2015 to January 10, 2016	Yes	Yes

8. Engagement and dismiss of accountants firm

In the Report Period, with the approval of the shareholders' meeting of the Company, the Company continuously engaged BDO China Shu Lun Pan Certified Public Accountants LLP to act as the auditor of financial statements and internal control of the Company for 2015..

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

Applicable Not applicable



10. Convertible bonds

Applicable Not applicable

11. Company governance

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

12. Notes of other important issues

Applicable Not applicable



Chapter 6 Changes in Share Capital and Shareholder Status

1. Capital Stock Change

1.1 Share Change

Unit: Share

	Before this change		Increase / Devrease (+/-)					After this change	
	Number	Proportion (%)	New shares offering	Allotted share	Capitalization of capital reserve	Others	Sub-total	Number	Proportion (%)
1.Non-tradable shares	99,702,823	18.17	0	0	-99,702,823	0	-99,702,823	0	0
(1) State ownership	0	0	0	0	0	0	0	0	0
(2)Shareholding of state-owned corporate	42,302,823	10.46	0	0	-42,302,823	0	-42,302,823	0	0
(3)Other shareholding of domestic investors	57,400,000	7.71	0	0	-57,400,000	0	-57,400,000	0	0
Including: shareholding of domestic non-state-owned corporate	57,400,000	7.71	0	0	-57,400,000	0	-57,400,000	0	0
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	81.83	0	0	99,702,823	0	99,702,823	548,589,600	44.47
(1)Common shares in RMB	204,943,027	37.36	0	0	99,702,823	0	99,702,823	304645850	55.53
(2)B Share	243,943,750	44.47	0	0	0	0	243,943,750	0	0
(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	548,589,600	100	0	0	99,702,823	0	0	548,589,600	100

Note: The lock-up period of 99,702,823 A shares which issued by the Company in 2014 expired on March 28, 2014. These shares have gone on the market on March 30, 2015.

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	22,200,000	22,200,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
Nanjing Ruisen Investment Management Partnership (Limited Partnership)	16,000,000	16,000,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
Orient Securities Company Ltd.	11,100,000	11,100,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015



SAIC Finance Co., Ltd.	11,100,000	11,100,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
Industrial Bank Global funds - China Everbright Bank – No. 2 of additional offering (classified) of assets management plan for specific multiple clients	11,100,000	11,100,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
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	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
SIG Asset Management Co., Ltd.	9,002,823	9,002,823	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
China Universal Asset Management Co., Ltd. – ICBC – Foreign trade trust – Hengsheng fund trust of additional offering portfolio	5,700,000	5,700,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
Industrial Bank Co., Ltd. – Xingquan mixed securities investment fund with organic increase and flexible allocation	2,450,000	2,450,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
China Merchants Bank Co., Ltd. –Xingquan securities investment fund of light assets and share investment type (LOF)	1,350,000	1,350,000	0	0	12 months of lock-up period for object of Company's non-public offering	March 30, 2015
Total	99,702,823	99,702,823	0	0	/	/

2. Shareholder Status

(1) Total number of shareholders

Total Number of Shareholder at the End of Reporting Period	60,709 (A share: 32,390; B share: 28,319)
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(2) Shareholding status of top 10 shareholders and top 10 unrestricted shareholders

Unit: Share

Shareholder Description	Top 10 Shareholders					
	Changes in Report Period	Total Shares Held	Holding Percentage (%)	Restricted Share	Shares pledged or frozen	Shareholder Status
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	0	105,395,358	19.21	0	No	State
China Great Wall Asset Management Corporation	0	22,200,000	4.05	0	No	State-owned legal person
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	0	10,968,033	2.00	0	No	State-owned legal person
SCBHK A/C KG INVESTMENTS ASIA LIMITED	5,085,318	5,986,858	1.09	0	Unknown	Foreign legal person
Wuhu Changyuan Private Equity Fund (limited partnership)	0	5,190,654	0.95	0	No	Unknown
Lianxun securities - Everbright Bank – Lianxun securities Lianxin No. 1 Collective asset management plan	3,770,011	3,770,011	0.69	0	No	Unknown
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	1,276,600	3,213,453	0.59	0	Unknown	Foreign legal person
China Minsheng Trust Co., Ltd.- Minsheng trust value selection first phase Securities investment trust	2,800,000	2,800,000	0.51	0	No	Unknown



China Everbright Securities (HK) Limited	2,483,100	2,483,100	0.45	0	Unknown	Foreign legal person
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	374,800	2,073,296	0.38	0	Unknown	Unknown
Top 10 Unrestricted Shareholder						
Name of Shareholders	Unrestricted Shares	Share type and amount				
		Type	Amount			
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	105,395,358	A share	105,395,358			
China Great Wall Asset Management Corporation	22,200,000	A share	22,200,000			
SHANGHAI INTERNATIONAL GROUP Asset Management Co., Ltd.	10,968,033	A share	10,968,033			
SCBHK A/C KG INVESTMENTS ASIA LIMITED	5,986,858	B share	5,986,858			
Wuhu Changyuan Private Equity Fund (limited partnership)	5,190,654	A share	5,190,654			
Lianxun securities - Everbright Bank – Lianxun securities Lianxin No. 1 Collective asset management plan	3,770,011	A share	3,770,011			
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	3,213,453	B share	3,213,453			
China Minsheng Trust Co., Ltd.- Minsheng trust value selection first phase Securities investment trust	2,800,000	A share	2,800,000			
China Everbright Securities (HK) Limited	2,483,100	B share	2,483,100			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	2,073,296	B share	2,073,296			
Shareholder Relationship and Consistent Actions Notes	Relationship between the above shareholders is not known to the Company					

3. Change of Controlling Shareholder or Actual Controller

Applicable Not applicable

Chapter 7 Relevant Situation about Preferred Shares

Applicable Not applicable



Chapter 8 Director, Supervisor, Officer and Employee Status

1. Shareholding change

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

Unit: Share

Name	Title	Shares at the beginning of report period	Shares at the end of report period	Changes in the report period	Reason for the change
Chen Guoling	Supervisor	2,645	12,645	10,000	Buy in the second market

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

Applicable Not applicable

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

Applicable Not applicable



Chapter 9 Financial Report

1. Audit report

□ Applicable ✓ Not applicable

2. Financial statements

Shang Gong Group Co., Ltd.
Consolidated Statement of Financial Position
As of June 30, 2015

Unit: Yuan, Currency: RMB

Item	Notes	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		659,014,395.53	641,429,242.16
Deposit reservation for balance			
Lending funds			
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		60,036,967.02	5,152,168.94
Accounts receivable		392,952,357.38	251,736,145.27
Prepayment		16,893,866.72	18,112,338.36
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable		771,489.80	892,650.00
Dividends receivable			2,865,327.09
Other receivables		78,050,641.00	92,524,188.84
Redemptory monetary capital for sale			
Inventories		535,670,405.88	452,832,857.18
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets		501,470,345.03	545,243,812.18
Total current assets		2,244,860,468.36	2,010,788,730.02
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets		178,817,968.70	131,031,342.17
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment properties		107,820,050.41	112,315,359.80
Fixed assets		255,335,234.96	238,401,200.34
Construction in progress		31,695,855.31	13,702,094.72
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		51,266,343.18	58,651,274.00
Development expenditures		37,305,908.29	38,666,597.30
Goodwill		80,710,532.94	87,591,587.85
Long-term deferred expenses		124,986.80	26,400.00
Deferred income tax assets		41,840,292.08	41,399,911.08
Other non-current assets			
Total non-current assets		784,917,172.67	721,785,767.26
Total assets		3,029,777,641.03	2,732,574,497.28
Current liabilities:			
Short-term loans		213,926,285.59	221,515,320.51
Borrowings from central bank			
Deposits from customers and interbank			
Borrowings from banks and other financial institutions			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		170,490,552.22	135,538,211.68
Receipt in advance		21,740,996.64	26,856,206.59



Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable		65,660,408.37	73,706,242.54
Taxes and surcharges payable		58,935,927.76	56,586,333.97
Interest payable		31,187.5	
Dividends payable		1,032,818.86	1,032,818.86
Other payables		218,467,020.65	227,161,793.29
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Classified as liabilities held for sale			
Non-current liabilities maturing within one year		520,000.00	520,000.00
Other current liabilities		2,741,902.21	703,838.61
Total current liabilities		753,547,099.80	743,620,766.05
Non-current liabilities:			
Long-term loans		37,488,260.87	50,746,265.53
Bonds payable		52,138,694.34	
Including: preference shares			
Perpetual bond			
Long-term payables		7,997,819.83	6,972,940.71
Long-term employee benefits payable		233,499,228.03	260,903,755.60
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities		31,830,984.34	34,165,928.81
Other non-current liabilities			
Total non-current liabilities		362,954,987.41	352,788,890.65
Total liabilities		1,116,502,087.21	1,096,409,656.70
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		957,614,133.04	949,310,284.01
Less: treasury stock			
Other comprehensive income		-70,686,956.42	-99,466,982.70
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		293,447,120.77	193,106,033.92
Total owners' equity attributable to the parent company		1,733,510,139.91	1,596,085,177.75
Minority equity		179,765,413.91	40,079,662.83
Total owners' equity		1,913,275,553.82	1,636,164,840.58
Liabilities and owners' equity		3,029,777,641.03	2,732,574,497.28

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Financial Position
As of June 30, 2015

Unit: Yuan, Currency: RMB

Item	Notes	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		223,247,116.82	200,504,700.28
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		403,614.50	752,800.00
Accounts receivable		2,991,000.39	2,760,124.84
Prepayment		1,241,514.76	640,092.52
Interest receivable		771,489.80	892,650.00
Dividends receivable			2,865,327.09
Other receivables		57,358,994.71	110,694,280.17
Inventories		4,463,832.29	16,020,073.72
Classified as assets held for sale			
Non-current assets maturing within one year			



Other current assets		481,085,286.55	520,399,275.68
Total current assets		771,562,849.82	855,529,324.30
Non-current assets:			
Available-for-sale financial assets		178,817,961.83	131,031,334.71
Held-to-maturity investments			
Long-term receivables		73,693,321.94	78,803,351.84
Long-term equity investments		379,542,909.37	293,459,831.73
Investment properties		88,850,408.37	91,461,092.13
Fixed assets		22,158,913.38	22,356,899.75
Construction in progress		11,990,501.34	8,596,247.15
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		13,528,520.43	13,717,791.39
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		768,582,536.66	639,426,548.70
Total assets		1,540,145,386.48	1,494,955,873.00
Current liabilities:			
Short-term loans		348,148.62	348,148.62
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		7,801,131.80	14,884,139.56
Receipt in advance		2,864,573.81	3,971,341.75
Employee benefits payable			56,275.00
Taxes and surcharges payable		303,502.61	139,476.84
Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Other payables		116,224,604.95	134,197,354.55
Classified as liabilities held for sale			
Non-current liabilities maturing within one year		520,000.00	520,000.00
Other current liabilities			
Total current liabilities		129,094,780.65	155,149,555.18
Non-current liabilities:			
Long-term loans		1,489,984.87	1,489,984.87
Bonds payable			
Including: preference shares			
Perpetual bond			
Long-term payables		1,611,944.32	1,611,944.32
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income			
Deferred income tax liabilities		1,197,067.41	1,197,067.41
Other non-current liabilities			
Total non-current liabilities		4,298,996.60	4,298,996.60
Total liabilities		133,393,777.25	159,448,551.78
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		1,003,282,687.73	1,003,282,687.73
Less: treasury stock			
Other comprehensive income		75,169,489.81	16,789,785.05
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
Undistributed profits		-224,836,410.83	-237,700,994.08
Total owners' equity		1,406,751,609.23	1,335,507,321.22
Liabilities and owners' equity		1,540,145,386.48	1,494,955,873.00

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd
Consolidated Statement of Comprehensive Incomes
January – June 2015

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Period
1. Incomes		1,039,062,089.09	969,890,167.03
Including: operating income		1,039,062,089.09	969,890,167.03
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		921,323,443.18	890,716,565.18
Including: Cost of sales		701,662,230.84	661,303,736.20
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Business taxes and surcharges		3,119,612.56	2,360,802.07
Selling expenses		113,957,035.76	109,957,980.76
General and administrative expenses		100,450,384.67	102,160,879.18
Financial expenses		4,949,996.23	10,122,179.92
Losses from asset impairment		-2,815,816.88	4,810,987.05
Plus: gains from changes in fair value ("- " for losses)			-13,426.44
Investment income ("- " for losses)		20,386,398.17	11,389,745.35
Including: income from investment in associates and joint ventures			34,509.38
Foreign exchange gains ("- " for losses)			
3. Operating profits ("- " for losses)		138,125,044.08	90,549,920.76
Plus: non-operating income		7,858,279.71	621,043.73
Including: gains from disposal of non-current assets		311,518.30	472,023.73
Less: non-operating expenses		334,406.84	413,766.50
Including: losses from disposal of non-current assets		113,231.77	207,013.43
4. Total profits ("- " for total losses)		145,648,916.95	90,757,197.99
Less: income tax expenses		35,836,814.37	25,973,330.78
5. Net profit ("- " for net loss)		109,812,102.58	64,783,867.21
Net profit attributable to owners of the parent company		100,341,086.85	41,854,215.80
Non-controlling interests		9,471,015.73	22,929,651.41
6. Net of tax of other comprehensive income		22,964,056.08	10,108,890.80
Net of tax of other comprehensive income attributable to owners of the parent company		28,780,026.28	10,135,664.38
(1) Other comprehensive income can't be reclassified to gains and losses later			
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan			
b. The shares in other comprehensive income of the investee that can't be reclassified to gains and losses under the equity method			
(2) Other comprehensive income to be reclassified to gains and losses later		28,780,026.28	10,135,664.38
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Gains and losses from changes in fair value of available-for-sale financial assets		58,379,704.76	11,216,011.94
c. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
d. The effective portion of the gains and losses from cash flow hedging			
e. Translation differences of financial statements		-29,599,678.48	-1,080,347.56
f. Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders		-5,815,970.20	-26,773.58
7. Total comprehensive incomes		132,776,158.66	74,892,758.01
Total comprehensive income attributable to owners of the parent company		129,121,113.13	51,989,880.18



Total comprehensive income attributable to non-controlling shareholders		3,655,045.53	22,902,877.83
8. Earnings per share:			
(1) Basic earnings per share		0.1829	0.0839
(2) Diluted earnings per share		0.1829	0.0839

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd
Statement of Comprehensive Incomes
January – June 2015

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Period
1. Operating income		21,274,614.98	27,220,004.78
Less: Operating cost		11,805,326.85	16,793,787.06
Sales tax and surcharges		1,926,102.87	1,861,497.46
Selling expenses		787,037.72	899,430.35
General and Administration expenses		17,034,717.65	16,104,633.88
Finance expenses		3,591,492.67	455,939.74
Impairment losses on assets		-2,828,510.44	45,229.14
Plus: gains from changes in fair value ("- " for losses)			-13,426.44
Investment income ("- " for losses)		17,630,536.99	11,355,235.97
Including: Investment income in associates and joint ventures			
2. Operating profits ("- " for losses)		6,588,984.65	2,401,296.68
Plus: Non-operating income		6,539,135.00	57,484.52
Including: gains from disposal of non-current assets			
Less: non-operating expenses		263,536.40	230,001.19
Including: losses from disposal of non-current assets		63,536.40	23,435.69
3. Total profits ("- " for total losses)		12,864,583.25	2,228,780.01
Less: income tax expenses			
4. Net profit ("- " for net loss)		12,864,583.25	2,228,780.01
4. Net of tax of other comprehensive income		58,379,704.76	11,216,011.94
(1) Other comprehensive income can't be reclassified to gains and losses later			
a. Changes in net liabilities or assets due to the remeasurement and redefinition of the benefit plan			
b. The shares in other comprehensive income of the investee that can't be reclassified to gains and losses under the equity method			
(2) Other comprehensive income to be reclassified to gains and losses later		58,379,704.76	11,216,011.94
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Gains and losses from changes in fair value of available-for-sale financial assets		58,379,704.76	11,216,011.94
c. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
d. The effective portion of the gains and losses from cash flow hedging			
e. Translation differences of financial statements			
f. Others			
6. Total comprehensive incomes		71,244,288.01	13,444,791.95
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd
Consolidated Statement of Cash Flows
January – June 2015

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Period
1. Cash flows from operating activities:			



Cash received from sale of goods and provision of services		1,234,634,702.28	1,067,420,070.74
Net increase in customer bank deposits and placement from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Net increase from disposal of financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		31,554,998.72	34,329,916.96
Cash received from other operating activities		13,776,580.70	5,006,716.31
Sub-total of cash inflows from operating activities		1,279,966,281.70	1,106,756,704.01
Cash paid for goods purchased and services received		902,022,241.32	764,799,059.44
Net increase in loans and advances to customers			
Net increase in deposits in central bank and other banks and financial institutions			
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		256,898,952.41	274,460,780.66
Cash paid for taxes and surcharges		50,044,465.42	22,911,548.63
Cash paid for other operating activities		79,407,832.86	63,332,088.69
Sub-total of cash outflows from operating activities		1,288,373,492.01	1,125,503,477.42
Net cash flows from operating activities		-8,407,210.31	-18,746,773.41
2. Cash flows from investing activities:			
Cash inflow from divestment		532,350,218.55	42,067,164.04
Cash inflow from investment incomes		7,295,645.53	652,078.41
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		66,610,149.60	631,062.15
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities		60,250,855.95	
Sub-total of cash inflows from investing activities		666,506,869.63	43,350,304.60
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		41,279,621.85	20,219,883.21
Cash paid for investments		480,000,000.00	521,762,001.00
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			29,246,702.07
Sub-total of cash outflows from investing activities		521,279,621.85	571,228,586.28
Net cash flows from investing activities		145,227,247.78	-527,878,281.68
3. Cash flows from financing activities			
Cash received from investors			651,882,998.82
Including: cash received by subsidiaries from investments by non-controlling shareholders			
Cash received from loans		9,000,000.00	57,223,360.00
Cash received from bonds issuance			
Cash received from other financing activities		4,333,644.42	712,000.00
Sub-total of cash inflows from financing activities		13,333,644.42	709,818,358.82
Cash paid for debt repayments		58,869,017.00	135,266,891.34
Cash paid for distribution of dividends and profits or payment of interest		47,308,375.12	3,642,978.96
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities		277,449.14	646,998.67
Sub-total of cash outflows from financing activities		106,454,841.26	139,556,868.97
Net cash flows from financing activities		-93,121,196.84	570,261,489.85
4. Effect of fluctuation in exchange rate on cash and		-24,238,194.98	-1,056,688.04



cash equivalents			
5. Net increase in cash and cash equivalents		19,460,645.65	22,579,746.72
Plus: beginning balance of cash and cash equivalents		581,848,889.10	446,063,638.27
6. Ending balance of cash and cash equivalents		601,309,534.75	468,643,384.99

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd
Statement of Cash Flows
January – June 2015

Unit: Yuan, Currency: RMB

Item	Notes	Current Period	Same Period in Previous Period
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		22,927,787.45	29,560,524.15
Refunds of taxes and surcharges		1,613,100.00	
Cash received from other operating activities		8,050,784.30	3,649,477.90
Sub-total of cash inflows from operating activities		32,591,671.75	33,210,002.05
Cash paid for goods purchased and services received		14,543,225.30	14,000,266.06
Cash paid to and on behalf of employees		12,817,937.00	12,350,541.27
Cash paid for taxes and surcharges		3,237,488.41	2,700,231.86
Cash paid for other operating activities		22,554,986.49	18,957,591.16
Sub-total of cash outflows from operating activities		53,153,637.20	48,008,630.35
Net cash flows from operating activities		-20,561,965.45	-14,798,628.30
2. Cash flows from investing activities:			
Cash inflow from divestment		532,350,218.55	
Cash inflow from investment incomes		7,295,645.53	652,078.41
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		66,044,064.00	93,500.00
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		605,689,928.08	745,578.41
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		11,229,154.40	2,519,600.87
Cash paid for investments		555,490,000.00	521,762,001.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		566,719,154.40	524,281,601.87
Net cash flows from investing activities		38,970,773.68	-523,536,023.46
3. Cash flows from financing activities			
Cash received from investors			651,882,998.82
Cash received from loans			
Cash received from bonds issuance		4,333,644.42	
Cash received from other financing activities		4,333,644.42	651,882,998.82
Sub-total of cash inflows from financing activities			123,600,000.00
Cash paid for debt repayments			2,212,394.96
Cash paid for distribution of dividends and profits or payment of interest			436,702.82
Cash paid for other financing activities			126,249,097.78
Sub-total of cash outflows from financing activities		4,333,644.42	525,633,901.04
Net cash flows from financing activities		-36.11	-178,993.86
4. Effect of fluctuation in exchange rate on cash and cash equivalents		22,742,416.54	-12,879,744.58
5. Net increase in cash and cash equivalents		150,504,700.28	88,304,869.24
Plus: beginning balance of cash and cash equivalents		173,247,116.82	75,425,124.66

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Shang Gong Group Co., Ltd
Consolidated Statement of Changes in Equity
January – June 2015

Unit: Yuan, Currency: RMB

Item	Current period											Minority equity	Total owners' equity
	Owners' equity attributable to the parent company												
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits		
Preference shares		Perpetual bond	Others										
1. Previous year ending balance brought forward	548,589,600.00				949,310,284.01		-99,466,982.70		4,546,242.52		193,106,033.92	40,079,662.83	1,636,164,840.58
Plus: accounting policy changes													
Correction of previous-period accounting errors													
Business combination involving entities under common control													
Others													
2. Beginning balance of current year	548,589,600.00				949,310,284.01		-99,466,982.70		4,546,242.52		193,106,033.92	40,079,662.83	1,636,164,840.58
3. Increase/(decrease) for the current year ("-" for losses)					8,303,849.03		28,780,026.28				100,341,086.85	139,685,751.08	277,110,713.24
(1) Total comprehensive incomes							28,780,026.28				100,341,086.85	3,655,045.53	132,776,158.66
(2) Investment/(divestment)					8,303,849.03							136,030,705.55	144,334,554.58
a. Common shares from shareholders													
b. Investment capital from the holders of other equity instruments													
c. Amount of the share-based payment included in the owners' equity													
d. Others					8,303,849.03							136,030,705.55	144,334,554.58
(3) Distribution of profits													
a. Surplus reserves													
b. General risk reserves													



(1) Total comprehensive incomes						8,211,406.06				41,854,215.80	22,902,877.83	72,968,499.69
(2) Investment/(divestment)	99,702,823.00				538,505,407.98							638,208,230.98
a. Common shares from shareholders	99,702,823.00				538,505,407.98							638,208,230.98
b. Investment capital from the holders of other equity instruments												
c. Amount of the share-based payment included in the owners' equity												
d. Others												
(3) Distribution of profits												
a. Surplus reserves												
b. General risk reserves												
c. Distribution to owners or shareholders												
d. Others												
(4) Internal transfer of owners' equity												
a. Capital reserve turn to stock equity												
b. Surplus reserve turn to stock equity												
c. Surplus reserve to recover loss												
d. Others												
(5) Special reserves												
a. Appropriation for current period												
b. Use in current period												
(6) Others												
4. Ending balance of current period	548,589,600.00				951,842,998.06	-59,668,448.45	4,546,242.52			38,857,646.81	156,801,055.03	1,640,969,093.97

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd
Consolidated Statement of Changes in Equity
January – June 2015

Unit: Yuan, Currency: RMB

Item	Current period							
	Share capital	Other equity instruments	Capital reserves	Less:	Other	Special	Surplus	Undistributed



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



4. Ending balance of the current period	548,589,600.00				1,003,282,687.73		75,169,489.81		4,546,242.52	-224,836,410.83	1,406,751,609.23
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Item	Previous period										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bond	Others							
1. Previous year ending balance brought forward	448,886,777.00				465,096,383.85		10,373,499.03		4,546,242.52	-336,535,478.73	592,367,423.67
Plus: accounting policy changes											
Correction of previous-period accounting errors											
Others											
2. Beginning balance of current year	448,886,777.00				465,096,383.85		10,373,499.03		4,546,242.52	-336,535,478.73	592,367,423.67
3. Increase/(decrease) for the current year ("-" for losses)	99,702,823.00				538,505,407.98		11,216,011.94			2,228,780.01	651,653,022.93
(1) Total comprehensive incomes							11,216,011.94			2,228,780.01	13,444,791.95
(2) Investment/(divestment)	99,702,823.00				538,505,407.98						638,208,230.98
a. Common shares from shareholders	99,702,823.00				538,505,407.98						638,208,230.98
b. Investment capital from the holders of other equity instruments											
c. Amount of the share-based payment included in the owners' equity											
d. Others											
(3) Distribution of profits											
a. Surplus reserves											
b. Distribution to owners or shareholders											
c. Others											
(4) Internal transfer of owners' equity											
a. Capital reserve turn to stock equity											
b. Surplus reserve turn to stock equity											
c. Surplus reserve to recover											



loss											
d. Others											
(5) Special reserves											
a. Appropriation for current period											
b. Use in current period											
(6) Others											
4. Ending balance of the current period	548,589,600.00				1,003,601,791.83		21,589,510.97		4,546,242.52	-334,306,698.72	1,244,020,446.60

Legal representative: Zhang Min

Financial director: Li Jiaming

Financial manager: Zhao Lixin



Notes to the Financial Statements

(Amounts are expressed in RMB unless otherwise stated)

3. Basic Information of Company

1.1 Company Profile

Shang Gong Group Co., Ltd., a joint stock limited company with publicly issued A & B shares on the Shanghai Stock Exchange, is the first listed company in the sewing machinery industry of China. The Company was incorporated in April 1994. The registration number of its Business License for Enterprise Legal Persons is 310000400080303. The organizational form of the Company is a joint stock limited company (a Sino-foreign joint venture and a listed company) and the registered capital amounts to RMB 548,589,600.00. The registered address is Room A-D, Floor 12, Orient Mansion, No. 1500 Century Avenue, Pudong New Area, Shanghai and the head office is located in Room A-D, Floor 12, Orient Mansion, No. 1500 Century Avenue, Pudong New Area, Shanghai. The legal representative is Mr. Zhang Min.

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

On February 28, 2014, the China Securities Regulatory Commission approved the non-public offering of A shares of the Company under the Official Reply to the Approval of Non-public Offering of Shares of Shang Gong Group Co., Ltd. ([2014] No. 237). The number of shares issued was 99,702,823.00 and the total number of share capital after the issue was 548,589,600.00. The Company handled equity registration and escrow formalities with the CSDC Shanghai Branch; the corresponding registered capital was changed to RMB 548,589,600.00 and had been verified by the Verification Report (PCPAR [2014] No.111126) issued by BDO China Shu Lun Pan Certified Public Accountants LLP on March 26, 2014.

As at June 30, 2015, the total number of share capital is 548,589,600.00, 100% of which are shares without restrictive conditions for sales.

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

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

3.2 Scope of Consolidated Financial Statements

As of June 30, 2015, subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

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

See "Note 6 Changes in the scope of consolidation" and "Note 7 Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.



4. Preparation Basis of Financial Statements

4.1 Preparation Basis

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

4.2 Going Concern

The Company has going-concern ability within 12 months as of the end of the reporting period and has no matters or situations that may lead to serious doubts about the Company's going-concern ability.

5. Principal Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

The following disclosure has covered the Company's specific accounting policies and accounting estimates prepared according to the actual production and operation characteristics.

5.1 Statement on Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operating results, cash flows and other related information in the reporting period.

5.2 Accounting Period

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

5.3 Operating Cycle

The Company's operating cycle is 12 months.

5.4 Functional currency

The Company adopts RMB as its functional currency.

5.5 Accounting Treatment Methods of Business Combinations under Common Control and not under Common Control

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

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



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

5.6 Preparation Methods of Consolidated Financial Statements

5.6.1 Scope of consolidation

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

5.6.2 Consolidation procedure

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

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

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

(1) Increase in subsidiaries or business

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

Where the Company can control the investee under common control from additional investments, it should deem that parties involved in the combination have make adjustments at the current state when the ultimate controller starts its control. Equity investments held before the Company controls the acquiree, the relevant profit and loss recognized during the period from the later of the date when the Company obtains the original equity and the date when the acquirer and the acquiree are under common control, other comprehensive income and changes in other net assets shall be used to offset the retained earnings at the beginning of the year or the current profit and loss in the period of the comparative statements.



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

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

(2) Disposal of subsidiaries or business

a. General treatment methods

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

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

b. Disposal of subsidiary by stages

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

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

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.



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

(3) Purchase of minority interest of subsidiaries

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

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

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

5.7 Cash and Cash Equivalents

In preparing the cash flow statement, cash on hand and the unrestricted deposits of the Company are recognized as cash. Short-term (maturing within three months as of the acquisition date) and highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are recognized as cash equivalents.

5.8 Foreign Currency Transactions and Translation of Foreign Currency Statements

5.8.1 Foreign currency transactions

Foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates at the dates of the transactions.

The balance of foreign currency monetary items is adjusted and translated into functional currency at balance sheet date using the spot exchange rate. Regarding the year-end differences of translation in foreign currency, except those special borrowing accounts under the acquisition, building or production of assets to be capitalized are capitalized and accounted into related assets cost, all the other differences are accounted into current profits and losses. The foreign currency non-monetary items at historical cost are translated using the spot exchange rate. And the foreign currency non-monetary items at fair value are adjusted and translated into measurement currency at adoption date of fair value using the spot exchange rate. The difference of translation between different currencies is accounted into current profits and losses or capital reserves.

5.8.2 Translation of foreign currency statements

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. The equity items, excluding "Retained earning", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting exchange differences are recognized in a separate component of equity.

Upon entire/partial disposal of a foreign operation, the entire/partial cumulative amount of the exchange differences recognized in equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.



5.9 Financial Instruments

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

5.9.1 Classification of financial instruments

At the initial recognition, financial assets and financial liabilities are classified as: financial assets or financial liabilities measured at fair value through current profit and loss, including financial assets or financial liabilities held for trading, and financial assets or financial liabilities that are directly to be measured at fair value through current profit and loss, held-to-maturity investments, accounts receivable, available-for-sale financial assets and other financial liabilities, etc.

5.9.2 Recognition basis and measurement method of financial instruments

(1) Financial assets (financial liabilities) measured at fair value through current profit and loss

Financial assets (financial liabilities) are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interest that has matured but not been drawn). Relevant transaction expenses are included in the current profit and loss.

The interest or cash dividends to be received during the holding period is or are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

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

(2) Held-to-maturity investments

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

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

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

(3) Receivables

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

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

(4) Available-for-sale financial assets

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

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



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

(5) Other financial liabilities

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

5.9.3 Recognition and measurement of transfer of financial assets

Upon occurrence of transfer of a financial asset, the Company shall de-recognize the transfer of the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets have been transferred to the transferee; and shall not de-recognize the transfer of the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets are retained.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset. The transfer of a financial asset of the Company is classified into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in shareholders' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the partial transfer of financial asset satisfies the criteria for de-recognition, the entire book value of the transferred financial asset shall be split into the derecognized part and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit and loss:

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

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

5.9.4 Derecognition criteria of financial liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability wholly or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of financial liabilities according to the comparative fair value of the part that continues to be recognized and de-recognized part. The difference between the book value allocated to the derecognized



part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

5.9.5 Determination method of fair value of financial assets and financial liabilities

Where there is an active market for financial instruments, the fair values shall be determined according to quoted prices in active markets. Where there is no active market, the fair values shall be determined using reasonable valuation techniques. At the time of valuation, the Company adopted valuation techniques applicable in the current situation and supported by enough available data and other information, select input values consistent with the features of assets or liabilities considered by market participants in the transaction related to the assets or liabilities, and give priority to using the relevant observable input values. Only when it is unable or impracticable to obtain the relevant observable input values, unobservable input values can be used.

5.9.6 Test method and accounting treatment of depreciation of financial assets (excluding receivables)

Except for the financial assets measured at fair values through current profit and loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

(1) Provision for impairment of available-for-sale financial assets:

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of impairment loss, the previously recognized impairment loss shall be reversed and recorded into the current profit and loss.

Impairment losses on available-for-sale equity instruments should not be reversed through profit and loss.

Criteria of the Company for "serious" decline of fair value of investments in available-for-sale equity instruments: In general, for highly liquid equity investments that are actively traded in the market, over 50% of the decline is considered to be a serious fall. Criteria for "non-temporary" decline of fair value: In general, if a continuous decline lasts for more than six months, it is considered as "non-temporary decline."

(2) Provision for impairment of held-to-maturity investments:

Measurement of provision for impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

5.10 Provision for bad debts of receivables

5.10.1 Receivables that are individually significant but with provision for bad debts made on an individual basis:

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

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

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



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

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5	5
1 to 2 years	20	20
2 to 3 years	50	50
Over 3 years	100	100

5.10.3 Receivables that are individually insignificant but with provision for bad debts made on an individual basis:

Reason for bad debt provision provided on an individual basis: Receivables of a particular object.

Method of provision for bad debts: An impairment test should be separately made. When there is objective evidence suggesting that receivables are impaired, provision for bad debts shall be made at the difference of present value of estimated future cash flows in short of their book values and should be included in the current profit and loss.

5.11 Inventories

5.11.1 Classification of inventories

Inventories are classified into Materials in transit, raw materials, revolving materials, stock commodities, goods in progress, dispatched goods, consigned processing materials and others.

5.11.2 Measurement method of dispatched inventories

Inventories are measured with weighted average method when dispatched.

5.11.3 Recognition basis for net realizable values of inventories of different categories

In normal operation process, for merchandise inventories for direct sale, including finished goods, stock commodities and materials for sale, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; in normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

At the end of the period, provisions for inventory depreciation reserve are made on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory depreciation reserve are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventory depreciation reserve shall be made on a portfolio basis.

Except that there is clear evidence that the market price is abnormal on the balance sheet date, the net realizable value of inventory items shall be recognized at the market price on the balance sheet date.

Net realizable value of inventory items at the end of the year is recognized at the market price on the balance sheet date.

5.11.4 Inventory system

Perpetual inventory system is adopted.

5.11.5 Amortization method of low-cost consumables and packaging materials

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

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



5.12 Long-term Equity Investments

5.12.1 Criteria for judgment of common control and significant influence

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

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

5.12.2 Recognition of initial investment costs

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

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

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

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

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

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

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

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

5.12.3 Subsequent measurement and recognition of gains and losses

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

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



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

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

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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



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

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

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

5.13 Investment Property

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

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

5.14 Fixed assets

5.14.1 Recognition criteria for fixed assets

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

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

5.14.2 Depreciation method

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

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

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



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

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

5.16 Borrowing costs

5.16.1 Recognition criteria for capitalization of borrowing costs

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

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

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

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

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

(2) the borrowing costs has already incurred; and

(3) Purchase, construction or manufacturing activities that are necessary to prepare the asset for its intended use or sale have already started.

5.16.2 Capitalization period of borrowing costs

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

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

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

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

5.16.3 Period of capitalization suspension

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



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

5.16.4 Capitalization rate and measurement of capitalized amounts of borrowing costs

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

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

5.17 Intangible Assets

5.17.1 Measurement of intangible assets

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

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

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

(2) Subsequent measurement

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

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

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

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

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

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



5.18 Impairment of Long-term Assets

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

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

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

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

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

5.19 Employee Compensation

5.19.1 Accounting treatment of short-term remuneration

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

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

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

5.19.2 Accounting treatment of benefits paid after departure

(1) Defined withdrawal plan

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



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

(2) Defined benefit plan

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

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

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

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

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

5.19.3 Accounting treatment of dismissal welfare

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

5.20 Estimated Liabilities

5.20.1 Recognition criteria for estimated liabilities

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

- (1) that obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company; and the amount of the obligation can be measured reliably.

5.20.2 Measurement of estimated liabilities

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



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

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

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

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

5.21 Revenues

5.21.1 Timing for recognition of revenues from sales of goods

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

5.21.2 Recognition of the revenues from transfer of assets use right

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

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

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

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

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

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



5.22 Government Subsidies

5.22.1 Types

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

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

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

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

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

5.22.2 Accounting treatment

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

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

5.23 Deferred Income Tax Assets and Deferred Income Tax Liabilities

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

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

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

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

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



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

5.24 Lease

5.24.1 Accounting Treatment of operating lease

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

If the expense related to the lease which shall be paid by the Company is assumed by the lesser of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease terms and charged to the current expenses.

The lease fees received for the assets acquired under lease shall be recognized as current expenses over the lease terms (including rent-free periods) on a straight-line basis. The initial direct costs related to lease transactions paid by the Company, included in the current expenses; if a larger amount is to be capitalized, according to confirm the same basis throughout the period of the lease installments related to the lease income is recognized in profit gains.

If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

5.25 Discontinued Operation

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

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

5.26 Adjustment for Changes in Principal Accounting Policies and Accounting Estimates

5.26.1 Adjustment for changes in accounting policies

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

5.26.2 Adjustment for changes in principal accounting estimates

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

6. Tax

6.1 Main Taxes and Tax Rates Applicable to the Company

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



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

7. Notes to the Items of Consolidated Financial Statements

7.1 Cash and Cash Equivalents

Unit: Yuan, Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	2,503,414.31	907,883.87
Bank deposit	597,645,010.44	578,453,080.34
Other cash and cash equivalents	58,865,970.78	62,068,277.95
Total	659,014,395.53	641,429,242.16
Including: Total amount abroad deposit	297,751,103.45	341,487,207.49

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

Unit: Yuan, Currency: RMB

Item	Ending balance	Beginning balance	Remark
L/C deposit		1,519,500.00	
Fixed term deposit used for guarantee	54,797,285.52	55,206,282.76	Note 1
Security deposit	2,907,575.26	2,854,570.30	Note 2
Total	57,704,860.78	59,580,353.06	

Note 1: The deposits are consisting of two items:

① The counter guarantee provided by the Company for Commerzbank AG, Shanghai Branch by means of pledge of fixed-term deposit, amounting to RMB 50,000,000.00, to acquire the working capital borrowed from Commerzbank AG, Bielefeld Branch to ShangGong Europe, the subsidiary of the Company.

②The term deposit, amounting to EUR 698,305.00, were pledged by the ShangGong Europe to the FAG Kugelfischer AG, which were equivalent to RMB 4,797,285.52.

Note 2: The deposit, amounting to EUR 423,234.00, were pledged by ShangGong Europe to the Commerzbank, which were equivalent to RMB 2,907,575.26.

7.2 Notes Receivable

7.2.1 Presentation of notes receivable by category

Item	Ending balance	Beginning balance
Bank acceptance bills	52,949,667.12	3,588,868.48
Commercial acceptance bills	7,087,299.90	1,563,300.46
Total	60,036,967.02	5,152,168.94

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

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

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

7.3 Accounts Receivable

7.3.1 Disclosure of accounts receivable by category

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with significant single amount and individual provision for	33,998,964.38	6.76	17,277,798.50	50.82	16,721,165.88	50,452,045.20	13.84	18,750,834.00	37.17	31,701,211.20



bad debts										
Accounts receivable with provision for bad debts accrued by credit risk features portfolio:	160,266,631.60	31.85	85,032,524.24	53.06	75,234,107.36	127,784,815.37	35.04	78,824,950.80	61.69	48,959,864.57
Accounts receivable with individually insignificant amount and individual provision for bad debt	308,866,780.47	61.39	7,869,696.33	2.55	300,997,084.14	186,393,907.59	51.12	15,318,838.09	8.22	171,075,069.50
Total	503,132,376.45	100	110,180,019.07	21.9	392,952,357.38	364,630,768.16	100	112,894,622.89	30.96	251,736,145.27

EUR1,118,499.00 (equivalent to RMB 7,683,976.28) of the ending balance of accounts receivable was restricted, which was the deposit for the letter of guarantee from Deutsche Bank by PFAFF GmbH, the subsidiary of ShangGong Europe by virtue of the accounts receivable.

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

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Provision for bad debt	Proportion of provision	Reason for provision
No.1	17,277,798.50	17,277,798.50	100	Impaired according to the separate test
No.2	9,150,706.80			Unimpaired according to the separate test
No.3	7,570,459.08			Unimpaired according to the separate test
Total	33,998,964.38	17,277,798.50		

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

Aging	Ending balance		
	Accounts receivable	Provision for bad debt	Proportion of provision
Within 1 year	72,985,929.73	3,649,296.49	5.00%
1-2 years	4,997,867.31	999,573.46	20.00%
2-3 years	3,798,360.55	1,899,180.28	50.00%
Over 3 years	78,484,474.01	78,484,474.01	100.00%
Total	160,266,631.60	85,032,524.24	

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

Accounts receivable (by unit)	Ending balance			
	Accounts receivable	Provision for bad debt	Proportion of provision	Reason for provision
Other insignificant accounts receivable (Note 1)	1,017,561.29	1,017,561.29	100.00%	Impaired according to the separate test
Other insignificant accounts receivable (Note 2)	27,691,259.77	1,158,147.30	4.18%	Impaired according to the separate test
Other insignificant accounts receivable (Note 3)	90,941,799.56			Unimpaired according to the separate test
Other insignificant accounts receivable (Note 4)	189,216,159.85	5,693,987.74	3.01%	Impaired according to the separate test
Total	308,866,780.47	7,869,696.33	2.55%	/

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

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



provision for impairment is made based on the separate test.

Note 3: It represents the accounts receivable of the subsidiary Shanghai Shensy Enterprise Development Co., Ltd., for which the provision for impairment is made based on the separate test.

Note 4: It represents the accounts receivable of the subsidiary ShangGong Europe, for which the provision for impairment is made based on the separate test.

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

The provision for bad debts in the current period had an amount of RMB 1,249,775.56; provision for bad debts that was reversed or recovered had an amount of RMB 2,559,975.74.

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

None.

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

7.3.5 Top five accounts receivable in terms of their ending balance

Company name	Ending balance		
	Accounts receivable	Proportion in total accounts receivable ratio (%)	Provision for bad debt
No.1	17,277,798.50	3.43	17,277,798.50
No.2	11,530,775.39	2.29	11,530,775.39
No.3	9,150,706.80	1.82	
No.4	7,570,459.08	1.5	
No.5	7,480,189.67	1.49	7,480,189.67
Total	53,009,929.44	10.53	36,288,763.56

7.3.6 See Note 9.5 for details of accounts receivable due from related parties.

7.4 Prepayment

7.4.1 Presentation of prepayments by aging

Aging	Ending balance		Beginning balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	15,467,984.44	91.56	16,907,888.22	93.35
1-2 years	1,108,432.24	6.56	59,337.22	0.33
2-3 years	1,764.21	0.01	147,045.26	0.81
Over 3 years	315,685.83	1.87	998,067.66	5.51
Total	16,893,866.72	100	18,112,338.36	100

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

Supplier	Ending balance	Proportion in total ending balance of advances to suppliers (%)
No.1	1,219,021.52	7.22
No.2	998,019.17	5.91
No.3	855,383.01	5.06
No.4	767,464.31	4.54
No.5	705,509.78	4.18
Total	4,545,397.79	26.91

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

None.

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

7.5 Interests Receivable

Classification of interest receivable



Item	Ending balance	Beginning balance
Term deposits	771,489.80	892,650.00
Total	771,489.80	892,650.00

7.6 Dividends Receivable

Details of dividends receivable

Investee/organization	Ending balance	Beginning balance
Shenyin Wanguo Securities		
Shanghai Shensy Enterprise Development Co., Ltd.		2,865,327.09
Total		2,865,327.09

7.7 Other receivables

7.7.1 Classified disclosure of other receivables

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables with individually significant amount and individual provision for bad debts	31,092,153.79	29.17	11,537,041.00	37.11	19,555,112.79	31,313,552.65	25.35	11,198,029.00	35.76	20,115,523.65
Other receivables with provision for bad debts accrued by credit risk features portfolio:										
Other receivables with provision for bad debts accrued by credit risk features portfolio:	25,182,502.07	23.63	16,932,462.57	67.24	8,250,039.50	84,139,120.12	68.11	19,761,637.89	23.49	64,377,482.23
Other receivables with individually insignificant amount and individual provision for bad debt	50,297,568.71	47.2	52,080.00	0.1	50,245,488.71	8,083,262.96	6.54	52,080.00	0.64	8,031,182.96
Total	106,572,224.57	100	28,521,583.57	26.76	78,050,641.00	123,535,935.73	100	31,011,746.89	25.1	92,524,188.84

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

Other receivable (by unit)	Ending balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason for provision
Export tax refund receivable (Note 1)	19,555,112.79			Unimpaired according to the separate test
No.3 customer	11,537,041.00	11,537,041.00	100.00%	Impaired according to the separate test
Total	31,092,153.79	11,537,041.00		

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

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

Aging	Ending balance		
	Other receivables	Provision for bad debt	Proportion of provision
Within 1 year	7,462,661.79	373,133.10	5.00%
1-2 years	1,372,650.66	274,530.14	20.00%
2-3 years	124,780.59	62,390.30	50.00%
Over 3 years	16,222,409.03	16,222,409.03	100.00%
Total	25,182,502.07	16,932,462.57	

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

Content of other receivables	Book balance	Provision for bad debt	Proportion of provision (%)	Reason for provision
Other insignificant receivables (Note 1)	12,096,114.32			Unimpaired according to the separate test
Other insignificant receivables (Note 2)	2,080.00	2,080.00	100	Impaired according to the separate test
Other insignificant	369,954.12			Unimpaired according to the separate test



receivables (Note 3)				
Other insignificant receivables (Note 4)	50,000.00	50,000.00	100	Impaired according to the separate test
Other insignificant receivables (Note 5)	37,779,420.27			Unimpaired according to the separate test
Total	50,297,568.71	52,080.00		

Note 1: It represents the other receivable of the subsidiary ShangGong Europe, which was unimpaired according to the separate test.

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

Note 3: It represents the other receivable of DAP (Shanghai) Co., Ltd., for which the provision for impairment is made based on the separate test.

Note 4: It represents the other receivable of the subsidiary SGSB Electronics Co., Ltd., for which the provision for impairment is made based on the separate test.

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

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

The provision for bad debts in the current period had an amount of RMB 482,207.28; provision for bad debts that was reversed or recovered had an amount of RMB 3,407,215.67.

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

None.

7.7.4 Top five other receivables in terms of their ending balance

Company name	Nature	Ending balance	Aging	Proportion in the ending balance of total other receivable (%)	Provision for bad debt Ending balance
Export tax refund receivable	Current account	19,555,112.79	Within 1 year	18.35	
No.2	Export tax refund receivable	11,537,041.00	From within 1 year to over 3 year	10.83	11,537,041.00
No.3	Current account	1,343,094.74	Over 3 years	1.26	1,343,094.74
No.4	Current account	948,662.60	Over 3 years	0.89	948,662.60
No.5	Current account	810,982.38	Over 3 years	0.76	40,549.12
Total		34,194,893.51		32.09	13,869,347.46

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

7.8 Inventories

7.8.1 Classification of inventories

Item	Balance as at June 30, 2015			Balance as at January 1, 2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	209,654,536.12	39,103,286.20	172,551,249.92	208,357,455.81	42,645,678.28	165,711,777.53
Revolving materials	3,764,766.19		3,764,766.19	3,739,665.27		3,739,665.27
Consigned processing materials	3,262,869.35		3,262,869.35	2,629,586.84		2,629,586.84
Goods in progress	136,715,439.16	28,876,656.97	107,838,782.19	129,707,847.01	31,025,012.77	98,682,834.24
Finished goods	210,155,868.44	26,437,194.73	183,718,673.71	203,356,508.10	27,509,182.96	175,847,325.14
Goods in transit	9,208,222.26		9,208,222.26	6,221,668.16		6,221,668.16
Cost of service	57,325,842.26		57,325,842.26			
Others	2,166,889.90	2,166,889.90		2,166,889.90	2,166,889.90	
Total	632,254,433.68	96,584,027.80	535,670,405.88	556,179,621.09	103,346,763.91	452,832,857.18

7.8.2 Inventory provision

Item	Balance as at	Increase in current period	Decrease in current period	Balance as at June
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	January 1, 2015	Provision	Others	Reversal or write-off	Others	30, 2015
Raw materials	42,645,678.28	59,478.73		636,386.66	2,965,484.15	39,103,286.20
Revolving materials						
Consigned processing materials						
Goods in progress	31,025,012.77	50,026.37			2,198,382.17	28,876,656.97
Finished goods	27,509,182.96	1,309,886.59		890,680.75	1,491,194.07	26,437,194.73
Goods in transit						
Others	2,166,889.90					2,166,889.90
Total	103,346,763.91	1,419,391.69		1,527,067.41	6,655,060.39	96,584,027.80

7.9 Other current assets

Item	Ending Balance	Beginning Balance
Held-to-maturity investments	10,055,787.96	10,913,103.93
Input tax to be credited	8,700,378.63	11,422,190.04
Rentals and insurance fees	2,714,178.44	2,908,518.21
Financial products	480,000,000.00	520,000,000.00
Total	501,470,345.03	545,243,812.18

7.10 Available-for-sale financial assets

7.10.1 Available-for-sale financial assets

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available for sale debt instruments	180,516,100.61	1,698,131.91	178,817,968.70	132,729,474.08	1,698,131.91	131,031,342.17
Available for sale equity instruments	148,228,312.34		148,228,312.34	89,648,607.58		89,648,607.58
Including:						
Measured at fair value	32,287,788.27	1,698,131.91	30,589,656.36	43,080,866.50	1,698,131.91	41,382,734.59
Measured at cost	180,516,100.61	1,698,131.91	178,817,968.70	132,729,474.08	1,698,131.91	131,031,342.17
Total	180,516,100.61	1,698,131.91	178,817,968.70	132,729,474.08	1,698,131.91	131,031,342.17

7.10.2 Available-for-sale financial assets measured at fair value as at June 30, 2015

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments	73,058,822.53		73,058,822.53
Fair value	148,228,312.34		148,228,312.34
Changes in fair value accumulated included in other comprehensive income	75,169,489.81		75,169,489.81
Provision for impairment provided			

7.10.3 Available-for-sale financial assets measured at cost as at June 30, 2015

Investee	Book balance				Provision for impairment				Shareholding ratio in investee (%)	Cash dividend in current period
	As at January 1, 2015	Increase in current period	Decrease in current period	As at June 30, 2015	As at January 1, 2015	Increase in current period	Decrease in current period	As at June 30, 2015		
Shanghai Fuji Xerox Co., Ltd.	29,140,749.49			29,140,749.49					15.92	
Shanghai Hirose Precision Industrial Co., Ltd.									30	850,000.00
Shanghai Shensy Enterprises Development Co., Ltd.	10,593,077.64		10,593,077.64							4,430,318.44
Bank of Shanghai Co., Ltd.	951,400.00			951,400.00					<5	
Changshu Qixing Elec-plating Co., Ltd.									90	
Shanghai Huazhijie Plastic Co., Ltd.	736,283.66			736,283.66	736,283.66			736,283.66	23.04	
Shanghai Hualian Sewing Machinery	400,000.00			400,000.00					21.74	



Investee	Book balance				Provision for impairment				Shareholding ratio in investee (%)	Cash dividend in current period
	As at January 1, 2015	Increase in current period	Decrease in current period	As at June 30, 2015	As at January 1, 2015	Increase in current period	Decrease in current period	As at June 30, 2015		
Co., Ltd.										
Shanghai Xinguang Underwear (South Africa)	308,033.99			308,033.99	308,033.99			308,033.99	14.3	
Shenyin & Wanguo Securities Co., Ltd.	200,000.00		200,000.00							
Wuxi Shangong Sewing Machines Co., Ltd	153,814.26			153,814.26	153,814.26			153,814.26	80	
China Perfect Machinery Co., Ltd.	90,000.00			90,000.00					<5	
Shanghai Baoding Investment Co., Ltd.	7,500.00			7,500.00					<5	
Shanghai Shangong Jiarong Sewing Machine Trade Co., Ltd.	500,000.00			500,000.00	500,000.00			500,000.00	12.5	
Pfaff Industrial Iberica S.A.U.	7.46		0.59	6.87					49	
Total	43,080,866.50		10,793,078.23	32,287,788.27	1,698,131.91			1,698,131.91		5,280,318.44

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

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Balance of provision for impairment provided as at January 1, 2015	1,698,131.91		1,698,131.91
Provision in current period			
Including: transfer-in from other comprehensive income			
Decrease in current period			
Including: reversal due to the increase in post balance sheet fair value			
Balance of provision for impairment provided as at June 30, 2015	1,698,131.91		1,698,131.91

7.11 Investment Properties

Investment property measured at cost

Item	Use right of leased land	Leasehold improvement	Buildings and constructions	Total
1. Total original book value				
(1) Balance as at January 1, 2015	50,523,752.24	2,583,492.92	154,028,309.73	207,135,554.89
(2) Increase in current period				
- Outsourcing				
- Inventories \ fixed assets \ transfer-in from construction in progress				
- Increase due to business combinations				
(3) Decrease in current period			3,906,573.34	3,906,573.34
- Reclassification to fixed assets				
- Exchange rate fluctuation			3,906,573.34	3,906,573.34
(4) Balance as at June 30, 2015	50,523,752.24	2,583,492.92	150,121,736.39	203,228,981.55
2. Total accumulated depreciation and accumulated amortization				
(1) Balance as at January 1, 2015	12,655,624.71	172,232.88	74,603,852.96	87,431,710.55
(2) Increase in current period	625,338.60	86,116.44	2,145,576.46	2,857,031.50
- Provision or amortization	625,338.60	86,116.44	2,145,576.46	2,857,031.50
(3) Decrease in current period			1,687,867.93	1,687,867.93
- Reclassification to fixed assets				
- Exchange rate fluctuation			1,687,867.93	1,687,867.93
(4) Balance as at June 30, 2015	13,280,963.31	258,349.32	75,061,561.49	88,600,874.12



Item	Use right of leased land	Leasehold improvement	Buildings and constructions	Total
3. Provision for impairment				
(1) Balance as at January 1, 2014			7,388,484.54	7,388,484.54
(2) Increase in current period				
- Provision				
(3) Decrease in current period			580,427.52	580,427.52
- Disposal				
- Exchange rate fluctuation			580,427.52	580,427.52
(4) Balance as at June 30, 2015			6,808,057.02	6,808,057.02
4. Book value				
(1) Book value as at June 30, 2015	37,242,788.93	2,325,143.60	68,252,117.88	107,820,050.41
(2) Book value as at January 1, 2014	37,868,127.53	2,411,260.04	72,035,972.23	112,315,359.80

7.12 Fixed Assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic equipment	Other equipment	Total
1. Total original book value						
(1) Balance as at January 1, 2015	344,819,134.54	301,319,332.51	10,897,328.80	3,804,003.14	222,171,734.90	883,011,533.89
(2) Increase in current period	21,385,671.84	16,724,949.32	6,043,882.26	98,753.75	9,487,583.52	53,740,840.69
- Acquisition	480,893.00	7,855,708.71	616,618.96	98,753.75	5,634,013.45	14,685,987.87
- Transfer-in from construction in progress	199,227.10	7,577,499.70			219,836.80	7,996,563.60
- Reclassification from Investment properties	20,705,551.74	1,291,740.91	5,427,263.30		3,633,733.27	31,058,289.22
- Increase due to business combinations	23,019,533.24	19,920,526.73	298,600.00	16,000.00	19,523,820.76	62,778,480.73
(3) Decrease in current period		4,081,814.81	298,600.00	16,000.00	3,746,442.12	8,142,856.93
- Disposal or write-off	23,019,533.24	15,838,711.92			15,777,378.64	54,635,623.80
- Exchange rate fluctuation	343,185,273.14	298,123,755.10	16,642,611.06	3,886,756.89	212,135,497.66	873,973,893.85
(4) Balance as at June 30, 2015						
2. Total accumulated depreciation	203,302,037.29	225,373,275.80	7,404,130.39	3,233,029.15	198,020,682.82	637,333,155.45
(1) Balance as at January 1, 2015	5,430,145.64	5,811,073.47	3,421,467.94	119,462.48	7,350,539.91	22,132,689.44
(2) Increase in current period	3,039,463.28	5,135,419.43	627,031.20	119,462.48	4,281,057.47	13,202,433.86
- Provision	2,390,682.36	675,654.04	2,794,436.74		3,069,482.44	8,930,255.58
- Reclassification from Investment properties	13,997,390.60	16,000,017.30	268,740.00	14,880.12	17,823,336.08	48,104,364.10
- Increase due to business combinations		3,545,522.30	268,740.00	14,880.12	3,923,674.08	7,752,816.50
(3) Decrease in current period	13,997,390.60	12,454,495.00			13,899,662.00	40,351,547.60
- Disposal or write-off	194,734,792.33	215,184,331.97	10,556,858.33	3,337,611.51	187,547,886.65	611,361,480.79
- Exchange rate fluctuation						
(4) Balance as at June 30, 2015	4,913,777.92	2,239,862.87	48,170.70	37,818.61	37,548.00	7,277,178.10
3. Provision for impairment						
(1) Balance as at January 1, 2015						
(2) Increase in current period						
- Provision						
(3) Decrease in current period	4,913,777.92	2,239,862.87	48,170.70	37,818.61	37,548.00	7,277,178.10
- Disposal or write-off						
(4) Balance as at June 30, 2015	143,536,702.89	80,699,560.26	6,037,582.03	511,326.77	24,550,063.01	255,335,234.96
4. Book value	136,603,319.33	73,706,193.84	3,445,027.71	533,155.38	24,113,504.08	238,401,200.34
(1) Book value as at June 30, 2015						
(2) Book value as at January 1, 2015	344,819,134.54	301,319,332.51	10,897,328.80	3,804,003.14	222,171,734.90	883,011,533.89

Note: among the above balance of fixed assets as at June 30, 2015, the buildings and constructions of RMB 103,547,137.95 are used to obtain a loan from banks; see the Note 10.1 Commitments and Contingencies for information on mortgage loans and credit extension.



7.12.2 There were no idle fixed assets as at June 30, 2015.

7.12.3 There were no held-for-sale fixed assets as at June 30, 2015.

7.12.4 There were no fixed assets without certificate of title as at June 30, 2015.

Item	Book value	Reason for failure in completing the formalities for obtaining certificates of title	Expected date of completion of the formalities for obtaining the certificates of title
Buildings and constructions	322,433.50	Self-built housing, the certificates are in the process	
Total			

7.13 Construction in Progress

7.13.1 Construction in progress

Item	Balance as at June 30, 2015			Balance as at January 1, 2014		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Sewing Equipment Engineering	6,920,757.80		6,920,757.80	6,871,251.40		6,871,251.40
ERP project	2,185,522.63		2,185,522.63	2,492,380.56		2,492,380.56
Shenbei building decoration	8,008,980.17		8,008,980.17	4,317,708.05		4,317,708.05
Entrustment of KSL for product development	30,594.71		30,594.71	20,754.71		20,754.71
Information management system	14,550,000.00		14,550,000.00			
Total	31,695,855.31		31,695,855.31	13,702,094.72		13,702,094.72

7.13.2 Major changes in construction in progress for the current period

Project Name	Budget	Balance as at January 1, 2015	Increase in current period	Amount transferred in the fixed assets for the current period	Other decreases in current period	Balance as at December 31, 2014	Proportion of the accumulated investment in project in budget (%)	Construction in progress	Accumulated amount of interest capitalization	Including: amount of interest capitalization in current period	Interest capitalization rate in current period (%)	Source of fund
Sewing equipment project		6,871,251.40	8,456,846.90	7,996,563.6	410,776.90	6,920,757.80						Self-owned fund
Shenbei building decoration - household multifunctional sewing machine	1,802,411.70	1,362,906.29	314,670.76		1,477,438.29	200,138.76						Raised fund
Automatic sewing unit and electronic controlled system - Shenbei building air conditioner		1,129,474.27	10,581,538.46		9,725,628.86	1,985,383.87						Raised fund
Automatic sewing unit and electronic controlled system - Entrustment of PFAFF for product development	25,721,820 (3.45 million euro)	4,317,708.05	4,986,297.69		1,295,025.57	8,008,980.17						Raised fund
Information management system	10,000,000.00	20,754.71	9,840.00			30,594.71						Raised fund
Modern logistics management center	80,000,000.00		14,550,000.00			14,550,000.00						Self-owned fund
Total		13,702,094.72	38,899,193.81	7,996,563.6	12,908,869.62	31,695,855.31						

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

7.14 Intangible assets

Item	Land use right	Right to use of trademarks	Computer software	Patent and non-patent technology	Others	Total
1. Original book value						
(1) Balance as at January 1, 2015	18,452,093.00	20,161,268.51	507,942.03	77,782,113.87	5,913,781.92	122,817,199.33
(2) Increase in current period				288,535.80		288,535.80
- Acquisition				288,535.80		288,535.80
(3) Decrease in current period				5,780,683.14	464,577.24	6,245,260.38



Item	Land use right	Right to use of trademarks	Computer software	Patent and non-patent technology	Others	Total
- Disposal				219,836.80		219,836.80
-Exchange rate fluctuation				5,560,846.34	464,577.24	6,025,423.58
(4) Balance as at June 30, 2015	18,452,093.00	20,161,268.51	507,942.03	72,289,966.53	5,449,204.68	116,860,474.75
2. Total accumulated depreciation						
(1) Balance as at January 1, 2015	4,734,301.61	20,161,268.51	390,957.79	32,965,615.50	5,913,781.92	64,165,925.33
(2) Increase in current period	189,270.96		22,779.78	4,200,441.70		4,412,492.44
- Provision	189,270.96		22,779.78	4,200,441.70		4,412,492.44
(3) Decrease in current period				2,519,708.96	464,577.24	2,984,286.20
- Disposal						
- Exchange rate fluctuation				2,519,708.96	464,577.24	2,984,286.20
(4) Balance as at June 30, 2015	4,923,572.57	20,161,268.51	413,737.57	34,646,348.24	5,449,204.68	65,594,131.57
3. Provision for impairment						
(1) Balance as at January 1, 2015						
(2) Increase in current period						
- Provision						
(3) Decrease in current period						
- Disposal						
(4) Balance as at June 30, 2015						
4. Book value						
(1) Book value as at June 30, 2015	13,528,520.43		94,204.46	37,643,618.29		51,266,343.18
(2) Book value as at January 1, 2015	13,717,791.39		116,984.24	44,816,498.37		58,651,274.00

7.15 Development Expenditures

Item	Balance as at January 1, 2015	Increase in current period	Transfer-out in current period		(4) Balance as at June 30, 2015
			Included in the current profit and loss	Recognized as intangible assets	
Development expenditures	38,666,597.30	5,253,133.20	6,613,822.21		37,305,908.29
Total	38,666,597.30	5,253,133.20	6,613,822.21		37,305,908.29

Balances as at January 1, 2015 and June 30, 2015, represent the development costs of ShangGong Europe.

7.16 Goodwill

7.16.1 Book value of goodwill

Name of investee or goodwill formation events	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
		Formation due to business combinations	Exchange rate fluctuation	
PFAFF Industriesysteme und Maschinen GmbH	6,588,783.24	57,231,413.56		63,820,196.80
KSL Keilmann Sondermaschinen GmbH	62,672,466.45		62,672,466.45	
Beisler	21,722,636.16		1,706,495.52	20,016,140.64
Total	90,983,885.85	57,231,413.56	64,378,961.97	83,836,337.44

7.16.2 Provision for impairment of goodwill

Name of investee or goodwill formation events	Balance as at January 1, 2015	Increase in current period	Decrease in current period		Balance as at June 30, 2015
		Provision	Disposal	Exchange rate fluctuation	
Beisler	3,392,298.00			266,493.50	3,125,804.50
Total	3,392,298.00			266,493.50	3,125,804.50

7.17 Long-term Deferred Expenses

Item	Balance as at January 1, 2015	Increase in current period	Amortization in current period	Other decreases in current period	Balance as at June 30, 2015
Mailbox rental	26,400.00		3,300.00		23,100.00



Mailbox registration fee		101,886.80			101,886.80
Total	26,400.00	101,886.80	3,300.00		124,986.80

7.18 Deferred income tax assets and deferred income tax liabilities

7.18.1 Deferred income tax assets

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Provision for asset impairment	6,485,858.12	4,416,584.02
Unrealized profits of internal transactions	5,086,037.97	4,197,287.97
Deductible losses	140,517.07	80,624.41
Pension (Europe)	30,127,878.92	32,705,414.68
Total	41,840,292.08	41,399,911.08

7.18.2 Deferred income tax liabilities

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Appreciation of assets evaluation due to business combinations not under common control	31,463,396.87	32,555,861.47
Others	367,587.47	1,610,067.34
Total	31,830,984.34	34,165,928.81

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

7.19 Short-term Loans

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Mortgage loans	17,999,138.00	19,533,672.00
Guaranteed loans	195,578,998.97	201,618,563.71
Credit loans	348,148.62	363,084.80
Total	213,926,285.59	221,515,320.51

Note 1: DA AG, the subsidiary of ShangGong Europe, raised loans from Commerzbank Germany, amounting to RMB 53,997,414.00 (EUR 7.86 million) by pledging fixed assets amounting to RMB 103,547,137.95. RMB 17,999,138.00 of the loans belongs to short-term loan, and RMB 35,998,276.00 belongs to long-term loan.

Note 2: ShangGong Europe raised guaranteed loans amounting to RMB 186,578,998.97 from Commerzbank Germany Bielefeld Branch. (Details referred to below 10 Commitment note 2, note3 and note 4.)

Note 3: Shanghai Shensy Enterprise Development Co., Ltd raised guaranteed loans amounting to RMB 9,000,000.00 from China Construction Bank Shanghai Baoshan Branch, which was guaranteed by its subsidiary Shanghai Shensy Keller Network Co., Ltd.

7.20 Accounts Payable

7.20.1. Presentation of accounts payable

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Payables to suppliers	170,490,552.22	135,538,211.68
Total	170,490,552.22	135,538,211.68

7.20.2 No amount was due to shareholders holding more than 5% (inclusive) voting shares of the Company among amounts as at June 30, 2015.

7.20.3 Please refer to the Note 9.6 for details on amounts due to related parties among accounts payable as at June 30, 2015.

7.20.4. There were no accounts payable with aging of more than one year and large amount among amounts as at June 30, 2015.



7.21 Receipt in Advance

7.21.1 Presentation of advances from customers

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Advances on sales	21,740,996.64	26,856,206.59
Total	21,740,996.64	26,856,206.59

7.21.2 There were no advances from shareholders holding more than 5% (inclusive) voting shares of the Company among amounts as at June 30, 2015.

7.21.3 There were no advances from related parties among amounts as at June 30, 2015.

7.21.4. There were no advances from customers with aging of more than one year and large amount among amounts as at June 30, 2015.

7.22 Employee compensation payable

7.22.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
Short-term remuneration	46,746,205.46	218,172,503.12	222,852,200.73	42,066,507.85
Post-employment benefits - defined benefit plans	43,230.90	4,442,622.01	4,454,029.61	31,823.30
Dismissal welfare	1,273,780.61	280,216.00	937,226.90	616,769.71
Defined benefit plan maturing within one year	25,643,025.57	10,294,457.45	12,992,175.51	22,945,307.51
Total	73,706,242.54	233,189,798.58	241,235,632.75	65,660,408.37

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

7.22.2 Presentation of short-term remuneration

Item	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
(1) Salary, bonus, allowance and subsidy	46,665,456.96	179,268,829.32	183,892,689.97	42,041,596.31
(2) Employee welfare	56,804.00	35,279,685.79	35,335,960.79	529
(3) Social insurance expenses	23,944.50	2,141,212.02	2,141,169.22	23,987.30
Including: medical insurance premium	21,062.40	1,876,296.31	1,876,355.81	21,002.90
Work-related injury insurance premium	960.7	112,624.77	112,058.27	1,527.20
Maternity insurance premium	1,921.40	152,290.94	152,755.14	1,457.20
(4) Housing provident funds		1,046,290.08	1,046,290.08	
(5) Labor union expenditures and employee education expenses		436,485.91	436,090.67	395.24
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	46,746,205.46	218,172,503.12	222,852,200.73	42,066,507.85

7.22.3 Presentation of defined benefit plans

Item	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
Basic endowment insurance premium	40,348.80	3,908,713.71	3,919,524.11	29,538.40
Unemployment insurance premium	2,882.10	221,380.85	221,978.05	2,284.90
Payment of annuity		312,527.45	312,527.45	
Total	43,230.90	4,442,622.01	4,454,029.61	31,823.30

7.23 Taxes and surcharges payable

Tax and surcharge items	Balance as at June 30, 2015	Balance as at January 1, 2015
Value-added tax	1,788,382.99	929,973.39



Business tax	197,430.83	308,697.48
Enterprise income tax	52,347,188.38	50,902,952.68
Individual income tax	4,341,179.07	4,377,641.19
Urban maintenance and construction tax	120,349.54	38,193.56
Property tax	117,766.06	23,071.31
Educational surtax	23,630.89	5,804.36
River management fee	58,935,927.76	56,586,333.97
Total	1,788,382.99	929,973.39

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

7.24 Dividends payable

Company name	Balance as at June 30, 2015	Balance as at January 1, 2015	Reasons for failure to pay for more than one year
Light Industrial Holding Group Co., Ltd	959,269.79	959,269.79	long aging, unable to pay
Privately-owned corporate shares	73,549.07	73,549.07	long aging, unable to pay
Total	1,032,818.86	1,032,818.86	

7.25 Other payables

7.25.1 Presentation of other payables by nature of accounts

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Other payables:	218,467,020.65	227,161,793.29

7.26 Non-current liabilities maturing within one year

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Long-term borrowings maturing within one year	520,000.00	520,000.00

7.27 Other current liabilities

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Interest and rentals	741,902.21	703,838.61
Accrued exhibitions fee	2,000,000.00	
Total	2,741,902.21	703,838.61

7.28 Long-term Loans

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Mortgage loans	35,998,276.00	49,256,280.66
Credit loans	1,489,984.87	1,489,984.87
Total	37,488,260.87	50,746,265.53

Note: see Note 1 of Note 5.19 Short-term Loans for details on disclosed mortgage assets.

7.29 Long-term Payables

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Others	7,997,819.83	6,972,940.71
Total	7,997,819.83	6,972,940.71

7.30 Long-term Employee Compensation Payable

7.30.1 Presentation of long-term employee compensation payable

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
1. Post-employment benefits - net liability of defined benefit plan	232,002,553.54	259,279,480.67
2. Dismissal welfare		
3. Other long-term benefits	1,496,674.49	1,624,274.93
Total	233,499,228.03	260,903,755.60

Note: Defined benefit plan of ShangGong Europe is based on supporting commitment. The base of measuring supporting liability is on insurance actuarial approach and hypothesis, not only consider known



and possessed right to draw defined benefit plan, but the increase of future payroll and defined benefit plan.

7.31 Bonds Payable

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
Baoshan SME's collective notes	52,138,694.34	

Note: the three-year collective notes were issued by Shanghai Shensy Enterprise Development Co., Ltd, subsidiary of the Company, in October 24, 2012. The issuing value is RMB 50 million; annual interest rate is 6.38%.

7.32 Share Capital

Item	Balance as at January 1, 2015	Increase (+) and decrease (-) for the current year			Balance as at June 30, 2015
		Issuance of new shares	Others	Sub-total	
Total shares	548,589,600.00				548,589,600.00

7.33 Capital Reserves

Item	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
Stock premium	851,345,853.61			851,345,853.61
Other capital reserves	97,964,430.40	8,303,849.03		106,268,279.43
Total	949,310,284.01	8,303,849.03		957,614,133.04

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

7.34 Other Comprehensive Income

Item	Balance as at January 1, 2015	Current Period					Balance as at June 30, 2015
		Accrual before income tax for the current period	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current period	Less: income tax expenses	Attributable to owners of the parent company	Attributable to minority shareholders	
1. Other comprehensive income that cannot be reclassified in the loss and gain in the future	-34,817,652.00						-34,817,652.00
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan	-34,817,652.00						-34,817,652.00
A share in other comprehensive income of investee that cannot be reclassified in the losses and gains under the equity method							
2. Other comprehensive income that will be reclassified in the loss and gain in the future	-64,649,330.70	28,780,026.28			28,780,026.28		-35,869,304.42
Including: a share in other comprehensive income of investee that will be reclassified in the loss and gain under the equity method							
Losses and gains on the change in fair value of available-for-sale financial assets	16,789,785.05	58,379,704.76			58,379,704.76		75,169,489.81
Held-to-maturity investments reclassified as losses and gains on available-for-sale financial assets							
Effective portion of losses and gains on cash flow hedges							
Foreign currency translation differences	-81,439,115.75	-29,599,678.48			-29,599,678.48		-111,038,794.23
Total other comprehensive income	-99,466,982.70	58,379,704.76			-29,599,678.48		-70,686,956.42



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

7.35 Surplus Reserves

Item	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015
Statutory surplus reserves	2,273,121.26			2,273,121.26
Discretionary surplus reserves	2,273,121.26			2,273,121.26
Total	4,546,242.52			4,546,242.52

7.36 Retained Earnings

Item	Current period	Previous period
Adjustments to retained earnings as at December 31, 2014	193,106,033.92	-2,996,568.99
Adjustments to total retained earnings as at January 1, 2015 ("+" for increase, "-" for decrease)		
Adjusted retained earnings as at January 1, 2015	193,106,033.92	-2,996,568.99
Plus: net profit attributable to owners of the parent company for current period	100,341,086.85	41,854,215.80
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves in current period		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Other transfer-out		
Adjustments to retained earnings as at June 30, 2015	293,447,120.77	38,857,646.81

7.37 Operating income and operating costs

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Primary business	1,012,319,769.02	687,978,806.08	945,170,208.40	648,246,394.33
Other businesses	26,742,320.07	13,683,424.76	24,719,958.63	13,057,341.87
Total	1,039,062,089.09	701,662,230.84	969,890,167.03	661,303,736.20

7.38 Business taxes and surcharges

Item	Current period	Previous period
Business tax	1,038,198.21	746,354.42
Urban maintenance and construction tax	499,872.67	227,719.48
Educational surtax	378,953.28	195,641.65
Others	1,202,588.40	1,191,086.52
Total	3,119,612.56	2,360,802.07

7.39 Selling expenses

Item	Current period	Previous period
Employee compensation	46,923,736.41	50,816,387.04
Fix and after-sale service charges	7,883,535.51	7,051,749.67
Office expenses	1,348,806.64	1,554,464.89
Travelling expenses	7,323,743.45	6,650,362.56
Transportation cost	8,443,184.44	9,115,711.32
Advertising expense	2,786,858.53	2,539,824.71
Commission	9,389,082.61	9,908,944.45
Leasing and storage charges	4,283,239.87	3,069,168.81
Insurance premium	792,832.13	840,634.26
Packing expenses	9,561.71	2,896.28
Conference fees	751,926.35	772,388.16
Depreciation costs	363,048.58	409,679.11
Exhibition fees	3,020,714.30	508,986.71
Utility bills	6,557.49	8,459.44



Item	Current period	Previous period
Loading and unloading expenses	11,224.44	10,985.29
Samples, printing materials and scraps	4,399,830.64	5,103,474.71
Others	16,219,152.66	11,593,863.35
Total	113,957,035.76	109,957,980.76

7.40 General and administrative expenses

Item	Current period	Previous period
Employee compensation	52,268,080.59	49,473,405.36
Office expenses	1,655,571.01	1,746,903.79
Utility bills	398,877.76	250,481.32
Entertainment expenses	1,139,269.11	873,422.13
Property insurance premium	1,377,864.09	1,298,558.19
Conference fees	150,853.00	177,038.43
Travelling expenses	2,742,430.88	2,724,606.10
Depreciation costs	2,745,058.93	3,120,149.11
Repair charges	323,339.46	116,127.26
Transportation cost	628,854.29	462,556.21
Rental fees	1,635,198.11	3,729,543.15
Costs of board meetings and supervisors' meetings	256,714.36	213,738.28
Agency fees and advisory expenses	5,241,031.04	4,866,294.61
Litigation cost	109,352.82	213,982.23
New product development expenses	22,386,716.12	28,412,862.30
Taxes and surcharges	325,579.36	388,121.21
Amortization of intangible assets	828,200.88	1,237,786.80
Others	6,237,392.86	2,855,302.70
Total	100,450,384.67	102,160,879.18

7.41 Financial expenses

Type	Current period	Previous period
Interest expenses	6,379,828.00	11,476,827.50
Less: interest income	814,788.26	2,664,823.98
Gains and losses on exchange	-2,356,547.53	512,275.69
Others	1,741,504.02	797,900.71
Total	4,949,996.23	10,122,179.92

7.42 Losses from asset impairment

Item	Current period	Previous period
Losses from bad debts	-4,235,208.57	5,034,528.87
Losses from inventory impairment	1,419,391.69	-223,541.82
Losses from long-term investment impairment		
Losses on impairment of goodwill		
Total	-2,815,816.88	4,810,987.05

7.43 Gains from changes in fair value

Reasons for gains from changes in fair value	Current period	Previous period
Financial assets measured at fair value through current profit and loss		-13,426.44
Including: gains from changes in fair value of derivate financial instruments		
Financial liabilities measured at fair value through current profit and loss		
Investment property measured at fair value		
Total		-13,426.44

7.44 Investment income

Item	Current period	Previous period



Long-term equity investments measured under equity method		34,509.38
Investment income from disposal of long-term equity investments		
Investment income from financial assets measured at fair value through current profit and loss during the		
Investment income from disposal of financial assets measured at fair value through current profit and loss	1,071,204.85	
Investment income from holding of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets	5,280,318.44	11,355,235.97
Investment income from disposal of available-for-sale financial assets		
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	14,034,874.88	
Total	20,386,398.17	11,389,745.35

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

7.45 Non-operating income

Item	Current period	Previous period	Amounts included in the non-recurrent profit and loss for the current period
Total gains from disposal of non-current assets	311,518.30	472,023.73	311,518.30
Including: gains from disposal of fixed assets	311,518.30	472,023.73	311,518.30
Gains on disposal of intangible assets			
Gains from debt restructuring			
Gains from exchange of non-monetary assets/Gains from transaction of non-currency assets			
Donation accepted			
Government subsidies	1,639,575.49	149,000.00	1,639,575.49
Penalty revenue	100		100
Others	5,907,085.92	20	5,907,085.92
Total	7,858,279.71	621,043.73	7,858,279.71

Government subsidies included in current profit and loss

Item	Current period	Previous period	Asset-related / income-related
Governmental financial subsidies for Pudong New Area	399,000.00		399,000.00
Special funds of Shanghai Municipality for overseas investment cooperation	1,220,100.00		1,220,100.00
Funds of Shanghai Hongkou District Finance Bureau of Shanghai Municipality for Supporting the Development of Enterprises		149,000.00	
Subsidies for dying out of yellow-label cars	10,000.00		10,000.00
Subsidies for Management of Old Public Houses in Shanghai Municipality	10,475.49		10,475.49
Total	1,639,575.49	149,000.00	1,639,575.49

7.46 Non-operating expenses

Item	Current period	Previous period	Amounts included in the non-recurrent profit and loss for the current year
Total losses from disposal of non-current assets	113,231.77	207,013.43	113,231.77
Including: losses from disposal of fixed assets	113,231.77	207,013.43	113,231.77
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from exchange of non-monetary assets			
Donations made	200,000.00	200,000.00	200,000.00
Amercement and overdue fine outlay	16,175.07	187.57	16,175.07
Others	5,000.00	6,565.50	5,000.00
Total	334,406.84	413,766.50	334,406.84



7.47 Income tax expenses

Item	Current period	Previous period
Current income tax calculated according to the tax law and relevant provisions	37,361,247.95	31,140,048.30
Deferred income tax expenses	-1,524,433.58	-5,166,717.52
Total	35,836,814.37	25,973,330.78

7.48 Items of statement of cash flows

7.48.1 Cash received from other operating activities

Item	Current period	Previous period
Current accounts and advances withdrawn	12,961,792.44	2,192,892.33
Special subsidies and grants		149,000.00
Interest income	814,788.26	2,664,823.98
Other income	13,776,580.70	5,006,716.31
Total	6,120,155.14	2,192,892.33

7.48.2 Cash paid for other operating activities

Item	Current period	Previous period
Current accounts paid	7,861,986.09	2,151,537.15
Selling expenses	43,331,239.23	36,760,316.58
General and administrative expenses	26,251,928.45	23,415,581.18
Non-operating expenses	221,175.07	206,753.07
Total	1,741,504.02	797,900.71

7.48.3 Cash received for other investing activities

Item	Current period	Previous period
Cash of Shanghai Shensy Enterprise Development Co., Ltd at combining date	60,250,855.95	
Total	60,250,855.95	

7.48.4 Cash paid for other investing activities

Item	Current period	Previous period
Payment for acquiring assets of PFAFF Taicang Co., Ltd		29,246,702.07
Total		29,246,702.07

7.48.5 Cash received from other financing activities

Item	Current period	Previous period
Guarantee deposit release		712,000.00
Cash allocation of Shanghai Huayuan Enterprise Development Co., Ltd's bankruptcy reorganization	4,333,644.42	
Total	4,333,644.42	712,000.00

7.48.6 Cash paid for other financing activities

Item	Current period	Previous period
Directional seasoned offering and the relevant expenses		436,702.82
Mortgage and pledge (e.g. certificate of term deposit, security deposit)	277,449.14	210,295.85
Capital reduction of minority shareholder		
Total	277,449.14	646,998.67

7.49 Supplementary information to statement of cash flows

7.49.1 Supplementary information to the statement of cash flows

Supplementary information:	Current period	Previous period
1. Net profit adjusted to cash flows from operating activities		
Net profit	109,812,102.58	64,783,867.21
Plus: provision for assets impairment	-2,815,816.88	4,810,987.05
Depreciation of fixed assets and others	15,434,126.76	17,217,835.54
Amortization of intangible assets	5,037,831.04	7,037,844.44



Supplementary information:	Current period	Previous period
Amortization of long-term deferred expenses	3,300.00	3,300.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-261,822.93	-265,010.30
Losses on write-off of fixed assets ("-" for gains)	63,536.40	
Losses from changes in fair value ("-" for gains)		13,426.44
Financial expenses ("-" for income)	9,545,162.26	10,964,551.81
Investments losses ("-" for gains)	-20,386,398.17	-11,389,745.35
Decreases in the deferred income tax assets ("-" for increases)	-89,496.38	-3,153,605.22
Increases in the deferred income tax liabilities ("-" for decreases)	-2,334,944.47	-575,729.71
Decreases in inventories ("-" for increases)	-11,958,536.78	-72,884,572.01
Decreases in operating payables ("-" for increases)	-65,699,090.99	-55,392,061.55
Increases in operating payables ("-" for decreases)	-44,757,162.75	20,082,138.24
Others		
Net cash flows from operating activities	-8,407,210.31	-18,746,773.41
2. Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents:		
Balance of cash as at December 31, 2014	601,309,534.75	468,643,384.99
Less: balance as at January 1, 2014 of cash	581,848,889.10	446,063,638.27
Plus: balance as at December 31, 2014 of cash equivalents		
Less: balance as at January 1, 2014 of cash equivalents		
Net increase in cash and cash equivalents	19,460,645.65	22,579,746.72

7.49.2 Composition of cash and cash equivalents

Item	Balance as at June 30, 2015	Balance as at January 1, 2015
1. Cash	601,309,534.75	581,848,889.10
Including: cash on hand	2,503,414.31	907,883.87
Unrestricted bank deposit	597,645,010.44	578,453,080.34
Other unrestricted monetary funds	1,161,110.00	2,487,924.89
Deposit in central bank available for payment		
Deposits with banks and other financial institutions		
Loans from banks and other financial institutions		
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at December 31, 2014	601,309,534.75	581,848,889.10
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group	57,704,860.78	59,580,353.06

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

7.50 Monetary items denominated in foreign currency

7.50.1 Monetary Items Denominated in Foreign Currency

Item	Balance in foreign currency as at June 30, 2015	Exchange rate	Balance in RMB as at June 30, 2015
Cash and cash equivalents	396,298.45	0.7886	312,520.96
Including: HKD	454,165.60	6.1136	2,776,586.84
USD	42,825,736.07	6.8699	294,208,524.25
EUR	99,489.12	4.558	453,471.40
SGD	396,298.45	0.7886	312,520.96

7.50.2 Description of overseas operating entities

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



region.

8. Change in the scope of consolidation

8.1 Business combinations not under common control

8.1.1 Business combinations not under common control in 2014

Acquiree	Acquisition time	Acquisition cost	Proportion of equity acquired (%)	Way of acquisition	Acquisition date	Basis for determination of the acquisition date	Income of acquiree during the period from the acquisition date to June 30, 2015	Net profit of acquiree during the period from the acquisition date to June 30, 2015
Shanghai Shensy Enterprise Development Co., Ltd	November 26, 2004	10,593,077.64	10.59	Pay in cash	November 26, 2004	The registered capital subscribed in cash		
	April 30, 2015	75,490,000.00	29.44	Pay in cash	April 30, 2015	Having a control right over the acquiree	102,451,627.65	4,888,313.33

Note: ShangGong Group and Shanghai Pudong Emerging Industry Investment Co., Ltd respectively invested 75.49 million yuan and 22.05 million yuan into Shanghai Shensy Enterprise Development Co., Ltd. The registration has completed in April 30, 2015. ShangGong Group holds 40.03% of its equity, and Pudong Emerging Industry holds 9.97% of its equity. ShangGong Group and Pudong Emerging Industry are persons acting in concert.

9. Equity in other entities

9.1 Equity in subsidiaries

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

10. Disclose of fair value

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

– The input value of the first level is the unadjusted quotation of similar assets and liabilities that can be obtained in an active market on the measurement date.

– The input value of second level is the directly and indirectly observable input value of the relevant assets or liabilities other than the input value of the first level.



- The input value of the third level is the unobservable input value of the relevant assets or liabilities.

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

10.1 The fair value as at June 30, 2015 of assets and liabilities measured at fair value

Item	Fair value as at June 30, 2015			Total
	Measured at the fair value of the first level	Measured at the fair value of the second level	Measured at the fair value of the third level	
1. Measurement at fair value based on going concern				
(1) Financial assets measured at fair value through current profit and loss				
A. Financial assets held for trading				
a. Investment in debt instruments				
b. Investments in equity instruments				
c. Derivative financial assets				
B. Financial assets designated to be measured at fair value through current profit and loss				
a. Investment in debt instruments				
b. investments in equity instruments				
(2) Available-for-sale financial assets	148,228,312.34			148,228,312.34
a. Investment in debt instruments				
b. Investments in equity instruments	148,228,312.34			148,228,312.34
c. Others				
(3) Investment property				
A. Use right of leased land				
B. Leased buildings				
C. Land use right held for transfer upon appreciation				
Total amount of assets measured at fair value based on going concern	148,228,312.34			148,228,312.34
(4) Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
(5) Designated financial liabilities measured at fair value through current profit and loss				
Total amount of liabilities measured at fair value based on going concern				
2. Measurement at fair value based on going concern				
(1) Assets held for trading				
Total amount of assets measured at fair value not based on going concern				
Total amount of liabilities measured at fair value not based on going concern				

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

The fair value as at June 30, 2015 of available-for-sale financial assets was determined on the basis of the closing price of Shanghai Securities Exchange on June 30, 2015.

11. Related party and related party transaction

11.1 The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company	Voting ratio in the Company



				(%)	(%)
Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission	Shanghai	State-owned		19.21	19.21

Notes to the parent company of the Company:

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

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

11.2 The subsidiaries of the Company

See the Note 7 Equity in Other Entities for the details of subsidiaries of the Company

11.3 Other related parties of the Company

Name of other related parties	Relationship with the Company
Shanghai Hirose Precision Industrial Co., Ltd.	Investee
Shanghai Fuji Xerox Co., Ltd.	Investee

11.4 Related party transactions

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

Table of purchase of goods / receipt of services

Related party	Content of related transaction	Current period	Last period
Dürkopp Adler Sewing Machines Suzhou Co., Ltd	Purchase of goods		14,298,553.25

Note: Dürkopp Adler Sewing Machines Suzhou Co., Ltd was included in the scope of consolidation in June 2015, the transaction amount disclosed above was formed before the purchase date, and the transactions occurred in June 2015 had already been offset at the consolidated level

Table of sales of goods/rendering of services

Related party	Content of related transaction	Current period	Last period
Shanghai Fuji Xerox Co., Ltd.	Sales of goods	20,235,928.65	18,463,623.11
Dürkopp Adler Sewing Machines Suzhou Co., Ltd	Sales of goods		7,599,612.94

Note: Dürkopp Adler Sewing Machines Suzhou Co., Ltd was included in the scope of consolidation in December 2014, the transaction amount disclosed above was formed before the purchase date, and the transactions occurred in December 2014 had already been offset at the consolidated level

(2) Leasing

The Company acted as lessor:

(Monetary unit: RMB10,000)

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

(3) Other related transactions

None.

11.5 Accounts due from/to the related parties

11.5.1 Accounts receivable

Item	Related party	Balance as at June 30, 2015		Balance as at January 1, 2015	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shanghai Fuji Xerox Co., Ltd.	3,365,531.91	168,276.60	3,337,712.71	166,885.64



12. Commitments or contingencies

12.1 Major commitment events

12.1.1 Mortgage loans and credit extension

Mortgages/Collaterals	Estimated use	Amount of borrowing	Borrower
Bank deposits of RMB 50,000,000.00	Guaranty		ShangGong (Europe) Holding Corp. GmbH
Bank deposits of EUR 698,300.00	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Bank deposits of EUR 328,100 thousand	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Bank deposits of EUR 95,100 thousand	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Accounts receivable of EUR 111,850 thousand	Surety margin		ShangGong (Europe) Holding Corp. GmbH
Fixed assets of EUR 15,072.6 thousand	Surety margin of credit line	EUR 7,860,000.00	ShangGong (Europe) Holding Corp. GmbH
1.2 million shares of DA AG held by ShangGong (Europe) Holding Corp. GmbH	Guaranty		ShangGong (Europe) Holding Corp. GmbH

12.2 Contingencies

12.2.1 Major contingencies on the balance sheet date:

The contingent liabilities arising from the provision of debt guarantees by the Company for its subsidiary, ShangGong (Europe) Holding Corp. GmbH as at June 30, 2015 (Monetary unit: 10'000)

Guarantee	Guarantee amount	Commencement date of guarantee	Expiration date of guarantee	Whether the guarantee has been fulfilled or not	Remark
ShangGong (Europe) Holding Corp. GmbH	USD 530	2005/6/30	2015/10/31	No	Note 1
Shanghai Branch of the Commerzbank	The equivalent of RMB 58 million in EUR	2014/03/25		No	Note 2
Shanghai Branch of the Commerzbank	EUR 800	2014/07/01		No	Note 3
Shanghai Branch of the Commerzbank	EUR 1200	2014/09/17	2034/09/17	No	Note 4
Commerzbank	EUR 555	2013/7/30	2015/11/29	No	Note 5

Note 1: In 2005, the Company issued, to FAG Kugelfischer GmbH (hereinafter referred to as the "FAG Company"), the letter of guarantee for payment of not more than USD 5.3 million for the housing rented by Dürkopp Adler AG (a holding subsidiary of ShangGong (Europe) Holding Corp. GmbH) as its subsidiary's office in America, the guarantee term is between June 30, 2005 and October 31, 2015; At the same time, ShangGong Europe provided a pledge in cash of EUR 635 thousands with the same term to the FAG Company on June 30, 2005, which was used as collateral for the re-guarantee for the guarantee provided by the FAG Company for the transaction of housing leaseback between a subsidiary of the DA AG in America and UTF Norcross L.L.C..

Note 2: on March 25, 2014, the Company's wholly-owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of not more than the equivalent of RMB 58 million in EUR, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued a corporate letter of guarantee for payment of RMB 70 million as counter guarantee for the above mentioned financing guarantee letter, with a guarantee term of one year.

Note 3: on June 30, 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a current fund loan of EUR 8 million, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of EUR 8.8 million as counter guarantee for the above mentioned financing guarantee letter, with a guarantee term of one year.

Note 4: on September 17, 2014, the Company's wholly owned subsidiary, ShangGong (Europe) Holding Corp. GmbH, applied to the Bielefeld Branch of the Commerzbank for a short-term credit loan of EUR 12 million, the Shanghai Branch of the Commerzbank issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for payment of EUR 7.9 million and provided a pledge in cash of RMB 50 million as counter guarantee for the above mentioned



financing guarantee letter.

Note 5: ShangGong (Europe) Holding Corp. GmbH used 1.2 million shares of Dürkopp Adler AG as collateral for bank guarantee of EUR5.55 million which was issued by the Commerzbank. 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 installment to the vendor of KSL Keilmann Sondermaschinenbau GmbH.

As of June 30, 2015, there is no flow-out of economic benefits occurred in the Company due to the above guarantee events.

13. Post balance sheet events

13.1 Profit distribution

According to the decision in the 22nd board meeting (7th round) on 28 August, 2015, no dividends will be distributed.

13.2 Notes to other post balance sheet events

At the end of July 2015, ShangGong Europe paid EUR 547,450,000, the second-period share purchase installment, to the seller of KSL GmbH. ShangGong Europe has removed the pledge of 1.2 million shares of DA AG which mortgaged to the Commerzbank as collateral.

14. Other significant events

None.

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

15.1 Accounts receivable

15.1.1 Disclosure of classification of accounts receivable

Type	Balance as at June 30, 2015					Balance as at January 1, 2015				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis										
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	68,752,872.91	100.00	65,761,872.52	95.60	2,991,000.39	68,535,577.99	100.00	65,775,453.15	95.97	2,760,124.84
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis										
Total	68,752,872.91	100.00	65,761,872.52	95.60	2,991,000.39	68,535,577.99	100.00	65,775,453.15	95.97	2,760,124.84

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

Aging	Balance as at June 30, 2015		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year	2,927,621.62	146,381.08	5.00%



1 to 2 years	178,928.65	35,785.73	20.00%
2 to 3 years	133,233.86	,66,616.93	50.00%
Over 3 years	65,513,088.78	65,513,088.78	100.00%
Total	68,752,872.91	65,761,872.52	

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

The provision for bad debts for the current period amounted to RMB 13,771.16; the provision for bad debts recovered or reversed in the current period amounted to RMB 27,351.78.

15.1.3 Accounts receivable actually written off for the current year

None

15.1.4 Top five accounts receivable by the balance as at June 30, 2015 of the borrowers

Company name	Balance as at June 30, 2015		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer A	11,530,775.39	16.76	11,530,775.39
Customer B	7,480,189.67	10.87	7,480,189.67
Customer C	4,679,327.49	6.8	4,679,327.49
Customer D	1,795,394.94	2.61	89,769.75
Customer E	1,687,149.74	2.45	1,687,149.74
Total	27,172,837.23	39.49	25,467,212.04

15.2 Other receivables

15.2.1 Disclosure of classification of other receivables

Type	Balance as at June 30, 2015					Balance as at January 1, 2015				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debt made on an individual basis	53,078,109.65	41.11	53,078,109.65	100		53,050,119.13	28.64	53,050,119.13	100	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	76,032,947.97	58.89	18,673,953.26	24.56	57,358,994.71	132,211,153.78	71.36	21,516,873.61	16.27	110,694,280.17
Other receivables with insignificant single amount and provision for bad debt made on an individual basis										
Total	129,111,057.62	100	71,752,062.91	55.57	57,358,994.71	185,261,272.91	100	74,566,992.74	40.25	110,694,280.17

Other receivables with significant single amount and provision for bad debts made on an individual basis as at June 30, 2015:

Other receivables (by entity):	Balance as at June 30, 2015			
	Other receivables	Provision for bad debts	Proportion of Provision	Reason for provision
Shanghai SGSB Asset-management Co.,Ltd.	41,505,068.65	41,505,068.65	100.00%	Not expected to recover
Shanghai Xinxing Sewing Plant	11,573,041.00	11,573,041.00	100.00%	Not expected to recover
Total	53,078,109.65	53,078,109.65	100.00%	

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

Aging	Balance as at June 30, 2015



	Other receivables	Provision for bad debts	Proportion of Provision
Within 1 year	60,302,350.58	3,015,117.53	5.00%
1 to 2 years	66,440.56	13,288.11	20.00%
2 to 3 years	37,218.43	18,609.22	50.00%
Over 3 years	15,626,938.40	15,626,938.40	100.00%
Total	76,032,947.97	18,673,953.26	

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

The provision for bad debts provided in the current period amounted to RMB 354,867.80; the provision for bad debts recovered or reversed in the current period amounted to RMB 3,169,797.62..

15.2.3 Other receivables actually written off during the reporting period.

None.

15.2.4 Top five other receivables by the balance as at June 30, 2015 of the borrowers

Company name	Nature of fund	Balance as at June 30, 2015	Aging	Proportion in total other receivables (%) Proportion in total accounts receivable (%)	Balance of provision for bad debts as at June 30, 2015
Customer A	Current accounts	41,505,068.65	From within 1 year to over 3 years	32.15	41,505,068.65
Customer B	Current accounts	20,449,125.00	Within 1 year	15.84	1,022,456.25
Customer C	Current accounts	14,186,796.93	Over 3 years	10.99	709,339.85
Customer D	Current accounts	11,537,041.00	From within 1 year to over 3 years	8.94	11,537,041.00
Customer E	Current accounts	10,568,502.38	Within 1 year	8.18	528,425.12
Total		98,246,533.96		76.1	55,302,330.87

15.3 Long-term Equity Investments

Item	Balance as at June 30, 2015			Balance as at January 1, 2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	384,542,909.37	5,000,000.00	379,542,909.37	298,459,831.73	5,000,000.00	293,459,831.73
Investments in associates and joint ventures						
Total	384,542,909.37	5,000,000.00	379,542,909.37	298,459,831.73	5,000,000.00	293,459,831.73

Among which, details on investments in subsidiaries

Investee	Balance as at January 1, 2015	Increase in current period	Decrease in current period	Balance as at June 30, 2015	Provision for impairment provided in the current period	Balance of provision for impairment as at June 30, 2015
ShangGong (Europe) Holding Corp. GmbH	142,370,693.64			142,370,693.64		
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	79,000,000.00			79,000,000.00		
Dürkopp PFAFF Trade (Shanghai) Co., Ltd.	24,403,443.11			24,403,443.11		
Shanghai Shanggong SMPIC Electronics Co., Ltd.	20,000,000.00			20,000,000.00		
Dürkopp Adler Sewing Machines Suzhou Co., Ltd	15,685,694.98			15,685,694.98		
SMPIC Imp. & Exp. Co., Ltd.	12,000,000.00			12,000,000.00		
Shanghai SGSB Asset-management Co., Ltd.	5,000,000.00			5,000,000.00		5,000,000.00
Shanghai Fengjian Property Co., Ltd.						
Shanghai Shensy Enterprise Development Co., Ltd		86,083,077.64		86,083,077.64		
Total	298,459,831.73	86,083,077.64		384,542,909.37		5,000,000.00



15.4 Operating Income and Operating Costs

Item	Current period		Last period	
	Income	Cost	Income	Cost
Primary business	8,128,090.32	6,926,976.34	14,908,693.94	13,458,020.87
Other businesses	13,146,524.66	4,878,350.51	12,311,310.84	3,335,766.19
Total	21,274,614.98	11,805,326.85	27,220,004.78	16,793,787.06

15.5 Investment Income

Item	Current period	Last period
Long-term equity investment measured at cost method		
Long-term equity investment measured at equity method		
Investment income from disposal of long-term equity investments		
Investment income from holding of financial assets measured at fair value through current profit and loss		
Investment income from disposal of financial assets measured at fair value through current profit and loss	1,071,204.85	11,355,235.97
Investment income from holding of available-for-sale financial assets		
Investment income from holding of available-for-sale financial assets	5,280,318.44	
Investment income from disposal of available-for-sale financial assets		
Gains from re-measurement of residual equity at fair value after the loss of control right		
Others	11,279,013.70	
Total	17,630,536.99	11,355,235.97

Note: "others" mainly refer to the gains of RMB 11,279,013.70 from financial products among other current assets.

16. Supplementary Information

16.1 Extraordinary Profit or Loss for the Current Period

Item	Amount
Profits or losses from disposal of non-current assets	198,286.53
Tax returns, deduction and exemption approved beyond the authority or without official approval documents	
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	1,639,575.49
Payment for use of state funds received from non-financial institutions recorded in current profits and losses	
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing	
Gains or losses from non-monetary asset exchange	
Gains or losses from entrusting the investments or management of asset	
Impairment provision for force majeure such as natural calamities	
Gains or losses from debt restructuring	
Restructure expenses, such as the compensation for employee relocation and integration costs	
Gains or losses from transactions with obvious unfair transaction price	
Year-to-date net profits or losses of subsidiaries arising from business combinations under common control	
Profits or losses arising from contingencies not related to the company's normal business	
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	2,886,218.55
Reversal of the impairment provision for receivables subject to separate impairment test	
Profits or losses from entrusted loans	
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode	
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses	
Custodian income from entrusted management	
Other non-operating income and expenditure except for the above items	5,686,010.85
Other profits or losses which can be deemed as non-recurring profits or losses	
Income tax effects	-328,180.80
Minority interest effects	-437,512.60



Item	Amount
Total	9,644,398.02

14.2 Yield Rate of Net Assets and Earnings Per Share:

Profit for the current year	Yield rate of net weighted average assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	6.0951	0.1829	0.1829
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	5.5093	0.1653	0.1653



Chapter 10 For References

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

Shang Gong Group Co., Ltd.
Chairman of Board of Directors: Zhang Min
August 27, 2015