Shang Gong Group Co., Ltd.
Semi-annual Report 2019

IMPORTANT NOTES

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

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

3. This semi-annual report is not audited.

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

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

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

6. Warning statement of forward-looking statements

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

7. There was no occupation of fund of the Company occurred for non-operating use by holding shareholder and its related parties.

8. There was no external guarantee against the rules and regulations of the Company.

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

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

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Chapter 1 Definition

1. As used in this report, the following terms have the following meanings unless the context requires otherwises:

Definition of common terms		
ShangGong Group, SGG, the Company	refer to	Shang Gong Group Co., Ltd.
PKFR	refers to	Shanghai Puke Flyingman Investment Co., Ltd
Pudong SASAC	refers to	State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Aear People's Government
DA AG	refers to	Dürkopp Adler AG. In July 2018, DAP Industrial AG completed the acquisition of all minority shareholders' equity of DA AG, and absorbed DA AG, and changed its name to Dürkopp Adler AG after the merger was completed.
PFAFF GmbH	refers to	PFAFF Industriesystemeund Maschinen GmbH
KSL	refers to	PFAFF Industriesystemeund Maschinen GmbH Zweigniederlassung KSL
Stoll KG, STOLL	refers to	H. Stoll AG & Co. KG
DAP Branch	refers to	Shang Gong Group Co., Ltd. Industrial Sewing Machine Branch
Butterfly Branch	refers to	Shang Gong Group Co., Ltd. Shanghai Butterfly Sewing Machine Branch
DAMSH	refers to	Dürkopp Adler Industrial Manufaturing (Shanghai) Co., Ltd.
PIZ	refers to	PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.
Richpeace, SG Richpeace	refers to	TIANJIN RICHPEACE AI CO., LIMITED
SGGEMSY	refers to	Zhejiang ShangGong GEMSY CO., LTD.
SHENSY	refers to	Shanghai Shensy Enterprise Development Co., Ltd.
SG Zhejiang	refers to	ShangGong Sewing Machine (Zhejiang) Co., Ltd.
Report period, reporting period	refers to	From 1st January 2018 to 31st December 2018

2. In this report, the unit of the amount is expressed in RMB Yuan unless otherwise specified.

Chapter 2 Company Profile and Main Financial Index

1. Company information

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

2. Contact information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Zhao Lixin	Shen Lijie
Office address	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai
Tel	021-68407700	021-68407515
Fax	021-63302939	021-63302939
Email	zlx@sgsbgroup.com	shenlj@sgsbgroup.com

3. Basic situation introduction

Registered address	Room A-D, 12th Floor, Orient Mansion, No. 1500 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Postal code of registered address	200122
Office address	No. 1566 New Jinqiao Road, Pudong New Aear, Shanghai
Postal code of office address	201206
Company website	www.sgsbgroup.com
Email	600843@sgsbgroup.com

4. Place for information disclosure and consulting

The name of the information disclosure media selected by the company	Shanghai Securities News, Hong Kong Commercial Daily
The website that publishes the annual report designated by China Securities Regulatory Commission	www.sse.com.cn
Lodging address of annual report of the Company	Office of the Company

5. Corporate stock

Type	Stock exchange	Stock abbreviation	Stock code
A Share	Shanghai Stock Exchange	SGSB	600843
B Share	Shanghai Stock Exchange	SGBG	900924

6. Other information

Not applicable.

7. Main accounting data and financial index

7.1 Main accounting data

	Six Months Ended June 30,		
	2019	2018	% Change YOY
Operaing income	1,621,983,029.80	1,494,794,413.27	8.51
Net profit attributable to shareholders of listed company	70,652,950.10	100,161,346.50	-29.46
Net profit attributable to shareholders of listed company after deduction of non-recurrent account profits and losses	43,728,412.11	89,370,615.19	-51.07
Net cash flow from operating activities	-107,010,991.19	-57,703,154.75	N/A

	June 30, 2019	December 31, 2018	% Change YOY
Net assets attributable to shareholders of listed company	2,335,177,718.64	2,212,858,250.06	5.53
Total assets	4,240,466,997.22	4,144,127,162.05	2.32

7.2 Main financial index

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change YOY
Basic earnings per share (yuan/share)	0.1288	0.1826	-29.46
Diluted earning per share (yuan/share)	0.1288	0.1826	-29.46
Basic earnings per share after deduction of non-recurrent profits and losses (yuan/share)	0.0797	0.1629	-51.07
Weighted average return on net assets (%)	3.1427	4.5625	Decrease 1.42 percent point
Weighted average return on net assets after deduction of non-recurrent profits and losses (%)	1.9451	4.0710	Decrease 2.13 percent point

8. Accounting data differences between domestic and foreign accounting standards

Not applicable.

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

Item	Six Months Ended June 30, 2019
Profits and losses from disposal of non-current assets	-54,610.64
Government subsidies recorded in the current profit and loss	8,334,412.90
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	30,368,799.38
Profits and losses from external entrusted loans	1,036,392.23
Other non-operating income and expenditure except the above-said items	-1,819,359.73
Impact on minority interests	-10,941,096.15
Impact on income tax	26,924,537.99

Chapter 3 Summary of Company Business

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

During the reporting period, the Company's main business is the sewing equipment manufacturing industry and intelligent equipment manufacturing industry. The Company’s business also involves office machinery, logistics services and trade. The company's main products include sewing, embroidery, cutting, welding and other sewing equipment, robot welding, assembly production lines, program-controlled mechanical processing lines, as well as intelligent storage, automatic transmission devices.

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

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

China’s sewing machinery manufacturing industry is a branch of light industry in China. It has established the most complete industrial system in the world, and is capable of manufacturing a full range of sewing machinery products, including household and industrial sewing machine, embroidery machine and cutting machine, and the related controller, motor ability and spare parts, which satisfies all kinds of social needs. However, compared with the advanced in the world, there is still a large gap for China’s sewing machinery manufacturing industry in independent innovation ability, industrial structure, technology, product and brand quality and other aspects. The whole industry is big but not strong. The development of the world sewing machinery industry started in the middle of the nineteenth Century in Europe and the United States. After 100 years of development, at present the world sewing machine industry development center has been transferred to the Asian region like China and Japan, and gradually formed tripartite confrontation pattern between China, Germany and Japan.

In the first half of 2019, due to the slowdown in global economic growth, the escalation of Sino-US trade disputes, and the cyclical adjustment of the industry, the production and sales of sewing machinery in China showed a downward trend, and the pressure for development increased. Foreign trade orders were transferred to foreign countries relatively quickly. The downstream industries had more shutdowns. The wait-and-see attitude gradually deepened and the willingness to invest dropped significantly, which directly led to a rapid decline in the market demand for sewing equipment in the short term. According to the statistics of China Sewing Machinery Association, the growth rate of the industry’s production in the first half of 2019 slowed down from 11.6% at the end of 2018 to -13.98%, and it still showed a downward trend. The downward pressure on the economy clearly exceeded the industry development expectations.

In terms of production, according to the Industry Association’s statistics, the output of Top 100 backbone machine manufacturers from January to June 2019 was 2,212,600 units, down 17.43%. Among them, the production of flatbed lockstitch, overlock, interlock, medium and heavy materials sewing machine, automatic sewing equipments and embroidery machines all showed a downward trend year-on-year. The output of household sewing machines was 716,600 units, a year-on-year decrease of 4.72%. The output of the equipment used befor/after sewing was 227,900 units, a year-on-year decrease of 2.14%.

In terms of sales, according to Industry Association's statistics, from January to June 2019, the cumulative sales revenue of Top 100 backbone machine manufacturers in the industry was approx 9.857 billion yuan, a year-on-year decrease of 9.7%, and the sales volume of sewing machinery products was 331,900 units, down 6.72%; sales volume of industrial sewing machines of 2,368,500 units, down 8.66% year-on-year.

In the first half of 2019, the domestic demand market for sewing equipment slowed down rapidly and entered negative growth. In the foreign trade market, industrial machine growth slowed down. From January to June, China exported 1,246,800 industrial machines, down 3.86% year-on-year, amounting to US$602 million, an increase of 2.31% year-on-year. The export volume and the growth rate have both turned negative. The export of common household sewing machines increased by 34.61%, year-on-year. And the export of multifunctional household machines decreased by 44.87%, year-on-year.

Affected by factors such as lower production and sales, high inventory, and increased costs, the profitability of enterprises declined in the first half of 2019, and the industry's benefits generally declined. According to Industry Association's statistics, from January to June, the total profit of Top 103 machine manufacturers in the industry reached 695 million yuan, a year-on-year decrease of 21%.

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

For details of major changes in the Company's major assets in the report period, please refer to "(3) Analysis of assets and liabilities" in "Chapter 4 Disscussion and Analysis on Business Operation".

The Company's overseas assets amounted to 1,965.6851 million yuan, accounting for 46.36% of the total assets.

The Company's overseas assets mainly come from the Company's previous overseas acquisitions and the business growth of overseas subsidiaries. The Company's wholly-owned subsidiary SGE acquired DA AG in 2005, acquired PFAFF GmbH and KSL in 2013.

3. Core competitiveness analysis in the report period

The Company is the first listed company with the longest history in the domestic sewing equipment industry, and has more than 50-year experience in sewing equipment production. The Company's "Butterfly" household sewing machine has a history of 100 years. The Company controlled DA AG and PFAFF GmbH, both are famous sewing machine manufacturing companies in the world with more than 150 years' history, as well as PFAFF KSL Branch, which possesses the world's top sewing technology. During the reporting period, the Company continued to promote the integration of global resources, promote the further integration of European subsidiaries, accelerate the construction of European and domestic manufacturing bases, and expand the main business. During the reporting period, the Company's core competitiveness was further consolidated and enhanced, further consolidating the foundation of the Company's sustainable and healthy development.The core competence of the Company is mainly shown in the following aspects:

(1) Strong technological research and development capability

The Company always adheres to the guidance of science and technology and develop through innovation, attaches much importance to the construction of technological research and development capabilities, which have become the important force driving the development of the Company. The Company has owned a powerful technological research and development team, has advanced testing methods and has strong continuous development capabilities of product and application technology. The R&D team's research and development of Industry 4.0 on sewing equipment has achieved initial results. The Company's technology center was identified as a Shanghai-Municipal-level R&D center, SGGEMSY was identified as a Zhejiang-Province-level R&D center, and Richpeace was recognized as a Tianjin-Municipal-level R&D center.

(2) Advanced technology advantage

The Company has the world’s high-end intelligent and 3D sewing technology of flexible material, and the Company is a global leader in special sewing machine for medium or heavy materials, garment automatic sewing unit, robot-control automatic sewing technology and textile material welding technology and other fields. The products are not only applied in the traditional market for sewing machine industry but also applied in some fields, such as automobile, environmental protection, aeronautics and astronautics and renewable energy, etc. Especially, the Company has a leaing position in sewing technology for light carbon fiber, 3D sewing automation and QONDAC 4.0 Intelligent Industrial Sewing Network Online Production Monitoring System.

(3) Multiple brand and product advantage

The Company adopts a multi-brand marketing strategy and has some world-famous industrial sewing equipment brands: ShangGong, DA, PFAFF Industrial, KSL, Mauser Spezial and Richpeace, and some famous domestic brands: Butterfly, Bee, and Flyingman. The Company has a full range of high-end sewing equipment product chain, these brands of the Company has a high recognition and reputation in the industry. The Company has a group of customers with great value and stability in the field of high-end automotive accessories manufacturing and luxury goods manufacting.

(4) Global resource integration capability

The Company utilizes and develops the basis and advantages of its respective domestic and foreign subsidiaries, implements globalization layout and integration in the production base, sales network, procurement of raw materials, technology R&D and other aspects, implements resource sharing, has complementary advantages and develops collaboratively. The Company not only has a wide sales network and business base in China, but also has established a relatively complete marketing channel and service network in the world. The Company has established three sewing machine R&D and production bases in Shanghai, Zhejiang and Zhangjiagang; the Company also has five R&D and manufacturing bases in Germany, Czech Republic and Romania.

(5) Internationalized operation and management experience

Since 2005, the Company has begun to implement an overseas merger and acquisition strategy for international operations. In recent years, the Company has increased the pace of overseas acquisitions and mergers, and the proportion of overseas businesses has grown. The Company's multi-year international operation and management has gradually cultivated a management team with an international perspective and multinational operating capabilities, and has accumulated rich international management experience.

Chapter 4 Discussion and Analysis on the Business Operation

1. Discussion and analysis on the business operation

During the reporting period, under the situation of the year-on-year decline in production and sales of the sewing equipment industry, the company achieved operating income of 1.622 billion yuan, up 8.51%; operating profit of 95 million yuan, down 33.66%; the net profit attributable to shareholders of listed companies was 71 million yuan, down 29.46%. The decrease in profit was mainly due to the cyclical adjustment of the sewing industry and the year-on-year decline of the downstream automotive industry, as well as the reduction in sales of major profitable products of European subsidiaries. In the first half of 2019, the Company mainly carried out the following works:

(1). Vigorously promote institutional reform, the first implementation of the stock option incentive plan

In the first half of 2019, the Company further deepened the mechanism reform, implemented the stock option incentive plan, explored to establish a more market-oriented incentive system, further improved the corporate governance structure, and promoted the establishment and improvement of the long-term incentive and restraint mechanism. It is conducive to the combination of the interests of shareholders, the Company and the core team, so that all parties can pay attention to the long-term development of the Company and promote the achievement of the medium and long-term goals of SGG.

2. Actively promote mergers and acquisitions and integration, purchase and sell shares

In the first half of 2019, the Company promoted business integration in an orderly manner and explored the promotion of moderate diversification of manufacturing products. In the first half of the year, the Company further promoted mergers and acquisitions and integration, and completed the repurchase of 9.97% equity of SHENSY. The capital increase of Shanghai ShangGong Financing Leasing Co., Ltd. is progressing. In Europe, the Company promotes the full integration of DA Group, PFAFF GmbH and KSL branches, and through integrated management, strives to reduce costs and strive for greater synergy. In China, the Company steadily promoted the follow-up work of the relocation of Shanghai SMPIC Electronics Co., Ltd.(hereinafter refers to SMPIC Electronics), as well as the integration of DAMSH, SMPIC Electronics and SGG's Manufacturing Branch, and vigorously promoted the development of robot application technology and intelligent manufacturing equipment business. In addition, the Company has also completed the follow-up capital increase of Richpeace, and promoted the collaboration between Richpeace, DAMSH, and PFAFF/KSL.

In addition, the Company also completed the sale of 26% equity of Stoll KG held by the Company's wholly-owned subsidiary DA AG, timely stopped the possible losses, and achieved certain investment income.

3. Adhere to market orientation and actively expand sales

The Company adheres to the market-oriented, benefit-first business philosophy, continue to implement a professional multi-brand marketing strategy, and strive to expand the market.

DA Group actively promoted the Qondac system in the first half of 2019 and launched the M-Type Delta machine at Texprocess 2019. However, due to the decrease in investment in the downstream automotive industry and the weak growth of garment machines, the operating income and profit of DA Group decreased in the first half of the year.

In China, the Company continues to integrate the domestic DAP sales platform, and integrates domestic branches of DAP Shanghai, DAP Taizhou and Richpeace, and implements localized management of sales and maintenance personnels. Due to the decline of the market, the sales of standard products of DA and Pfaff brands have stagnated in China. Although the export of basic products of ShangGong and Mauser brand has increased, the price competition is very fierce and the profit level is stretched. In the sales of leather heavy duty machines, sales of sewing equipment for the automotive industry decreased year-on-year, sales of sofa sewing equipment increased to a certain extent, and sales of KSL automation equipment products also achieved significant growth.

In Southeast Asia, the Company strengthened the coordinated sales of its subordinate DAP Singapore, Ricepeace and SGGEMSY, and integrated customer resources to expand market share. Especially in the Vietnamese market, SGG strengthened the dealer network and promote contract management. In South Asia, the Company focuses on marketing in countries such as India and Bangladesh, and vigorously supports dealers. The sales of basic products have increased year-on-year.

Since the beginning of 2019, the Company's subordinate production companies, such as PIZ and SGGEMSY, have jointly assumed sales responsibilities with the Group's sales organizations and realized budget indicators. Meanwhile, the production companies also assisted the Group's sales organizations to meet customer requirements for product price, function, quality improvement and maintenance services, and jointly control sales expenses.

In addition, in the first half of 2019, the Company made full use of the opportunity of the "Butterfly" brand’s 100-year anniversary, actively promoted the "Butterfly" brand, striving to achieve a substantial increase in the sales of household sewing machines in the domestic and foreign markets.

(4) Consolidate product technology advantages and steadily promote smart manufacturing

In 2019, the Company continued to build the Bensheim Trial Base in Germany to enhance KSL production capacity. ShangGong Zhejiang accelerated the construction of the Taizhou Intelligent Manufacturing Base, and with the assistance of SGGEMSY, did a good job in equipment selection and site layout of the base, and strived to complete the integration and commissioning by the end of 2019.

In terms of research and development, the Company continued to promote the development and trial production of industrial embroidery electric control, full motorized flat seam electric control machine, L-Type lockstitch; and promote the platform research and development of Mauser medium and heavy material machine as planned. Further promote the design-manufacturing-service integrated cloud platform development for apparel customization, and steadily promote the design and construction of intelligent micro-factory projects.

A. Main Business Analysis

(1). Analysis of changes of items in financial statements

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change YOY	Note
Operating income	1,621,983,029.80	1,494,794,413.27	8.51	Note 1
Operating cost	1,198,980,538.22	1,052,451,025.46	13.92	Note 2
Selling expenses	176,161,929.09	147,600,554.52	19.35	Note 3
General and administration expenses	121,131,457.00	108,118,771.87	12.04	Note 4
Finance expenses	8,875,035.67	12,091,231.56	-26.60	Note 5
R & D expenses	50,364,765.95	46,437,804.54	8.46	Note 6
Net cash flow from operating activities	-107,010,991.19	-57,703,154.75	N/A	Note 7
Net cash flow from investing activities	148,029,731.87	-78,130,173.37	N/A	Note 8
Net cash flow from financing activities	89,156,265.15	53,164,117.81	67.70	Note 9
Impact of exchange rate changes on cash and cash equivalents	3,559,382.88	-5,925,323.34	N/A	Note 10

Note 1: Mainly due to the increase in revenue from logistics services and the increase in revenue from sewing equipment and intelligent manufacturing equipment.
Note 2: Mainly due to the combined effect of increased operating income and corresponding increase in cost and product structure changes.
Note 3: Mainly due to the inclusion of Richpeace in the scope of consolidation at the end of August 2018.
Note 4: Mainly due to the inclusion of Richpeace in the scope of consolidation at the end of August 2018.
Note 5: Mainly due to the year-on-year increase in exchange gains.
Note 6: Mainly due to the inclusion of Richpeace in the scope of consolidation at the end of August 2018.
Note 7: Mainly due to the combined effects of tax refunds, purchase cash ratios and the year-on-year increase in cash paid to/for employees.
Note 8: Mainly due to the comprehensive impact of the disposal of STOLL's equity and the increase in purchase and construction of fixed assets.
Note 9: Mainly due to the increase in bank loans over the same period last year.
Note 10: Mainly due to the impact of changes in the euro exchange rate.

(2). Others

Analysis of Changes of Items in Income Statement

Item	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change YOY	% Change YOY	Reason
Other income	9,381,829.77	2,616,373.56	6,765,456.21	258.58	Note 1
Investment income	26,827,200.38	17,485,066.32	9,342,134.06	53.43	Note 2

Fair value change income	4,441,599.00	0.00	4,441,599.00	N/A	Note 3
Credit impairment loss	-5,101,160.00	0.00	-5,101,160.00	N/A	Note 4
Asset impairment loss	-923,010.98	350,484.13	-1,273,495.11	-363.35	Note 5
Asset disposal income	-54,610.64	-571,141.92	516,531.28	N/A	Note 6
Operating profit	94,742,938.50	142,815,575.74	-48,072,637.24	-33.66	Note 7
Non-operating income	1,425,209.20	3,355,954.72	-1,930,745.52	-57.53	Note 8
Non-operating expenses	388,816.97	955,572.93	-566,755.96	-59.31	Note 9
Income tax expense	19,700,782.13	32,930,028.35	-13,229,246.22	-40.17	Note 10
Other comprehensive income (net, after tax)	-6,205,566.73	-27,605,940.81	21,400,374.08	N/A	Note 11

Note 1: Mainly due to the comprehensive impact of the increase from the inclusion of Richpeace in the scope of consolidation at the end of August 2018 and the increase in financial support funds.
Note 2: Due to the completion of the transfer of 26% equity of STOLL held by DA AG in the current period.
Note 3: Due to the implementation of the new financial instruments guidelines, which increased gains from changes in fair value during the period.
Note 4: Due to the company's implementation of the new financial instruments guidelines, credit losses due to the expected credit loss rate.
Note 5: Mainly due to the increase in provision for inventory depreciation.
Note 6: Mainly due to the reduction in disposal losses of fixed assets.
Note 7: Mainly due to the year-on-year decline in the automotive industry, the product structure of sales changes, the gross profit margin decreased year-on-year and other comprehensive effects.
Note 8: Mainly due to the comprehensive impact of the company's parent company's completion of the Shanghai Pacific Industrial Co., Ltd. shareholder business change and recognition of equity.
Note 9: Mainly due to the reduction in external donation expenses.
Note 10: Mainly due to the year-on-year decrease in the net profit of the DA Group with high income tax rate.
Note 11: Mainly due to the combination of the gains and losses from changes in fair value of available-for-sale financial assets and the reduction in translation differences in foreign currency.

Main Business by Industry:

Industry	Operating income	Operating cost	Gross margin (%)	Operating income increase/ decrease (%)	Operating cost increase/ decrease (%)	Gross margin increase/ decrease (%)
Sewing equipment & intelligent equipment	1,048,999,399.01	681,060,264.05	35.08	6.41	12.45	Decrease 3.48 percent
Logistic service	464,735,166.06	433,211,379.97	6.78	28.21	31.91	Decrease 2.62 percent
Export trade	48,526,259.61	47,486,606.86	2.14	-32.48	-32.16	Decrease 0.46 percent
Office equipment and film materials	15,717,188.39	13,218,488.02	15.90	-46.00	-47.47	Increase 2.36 percent
Others	1,577,978,013.07	1,174,976,738.90	25.54	8.89	14.16	Decrease 3.44 percent

Main Business by Region:

Region	Operating income	Operating income increase/ decrease (%)
Domestic	997,668,461.79	20.89
Overseas	664,958,966.77	-8.81

B. Explanation of Major Changes in Profits Caused by Non-Core Business

Not applicable.

C. Analysis of Assets and Liabilities

1. Assets and Liabilities

Item	Ending balance of current period	Ending balance to total assets of current period（%）	Ending balance as of December 31, 2018	Ending balance to total assets as of December 31, 2018（%）	Change（%）	Notes
Transactional financial assets	90,854,497.33	2.14	0.00	0.00	N/A	Due to the implementation of the new financial instruments guidelines since January 1, 2019.
Prepayments	66,937,970.46	1.58	39,695,762.85	0.96	68.63	Mainly due to the increase in the amount of goods paid by the domestic subsidiaries in the current period.
Available for sale financial assets	0.00	0.00	117,733,027.78	2.84	-100.00	Due to the implementation of the new financial instruments guidelines since January 1, 2019.
Long-term receivables	60,884,478.09	1.44	31,427,418.92	0.76	93.73	Mainly due to the increase in the amount of financing lease receivables from the domestic subsidiary SGSB Finance Leasing Company.
Long-term equity investment	0.00	0.00	248,368,207.89	5.99	-100.00	Due to the completion of the transfer of 26% equity of STOLL held by DA AG in the current period.
Other equity investment	93,257,774.18	2.20	0.00	0.00	N/A	Due to the implementation of the new financial instruments guidelines since January 1, 2019.
Construction in progress	161,615,652.26	3.81	119,166,627.75	2.88	35.62	Mainly due to the increase in production and R&D base construction projects by domestic and foreign subsidiaries during the current period.。
Development expenditure	9,506,463.11	0.22	6,798,312.48	0.16	39.84	Mainly due to the increase in capital R&D expenditures of domestic and foreign subsidiaries during the period.
Short-term loan	295,933,464.04	6.98	206,614,015.12	4.99	43.23	Mainly due to the increased short-term working capital borrowing from the bank in the current period.
Taxes payable	13,713,219.67	0.32	21,208,862.17	0.51	-35.34	Mainly due to the decrease in value-added tax and corporate income tax payable by the company in the current period compared with the end of the previous year.
Non-current liabilities due within one year	921,178.53	0.02	4,173,297.07	0.10	-77.93	Mainly due to the company's transfer of the industrial development financial support fund project originally included in “Deferred Income” to “Other Income”。
Long-term payables	2,168,925.47	0.05	3,403,296.49	0.08	-36.27	Mainly due to the decrease in financing leases payable over one year at the end of the period compared to the end of the previous year.
Other comprehensive income	-35,141,425.78	-0.83	-75,701,094.41	-1.83	N/A	Due to the implementation of the new financial instruments guidelines since January 1, 2019.

2. Main Assets Restricted as of the End of the Reporting Period

Not applicable.

D. Investment Analysis

1. General Analysis

Unit: 10,000 Yuan

Long-term equity investment from January 1, 2019 to June 30, 2019	4966.72
Increase/Decrease	2966.32
Long-term equity investment from January 1, 2018 to June 30, 2018	2,000
Increase/Decrease (%)	148.32%

(1) Significant Equity Investment

Unit: 10,000 Yuan

Project	Main business	Total Amount	Shareholding ratio	Investment in 2018	Cumulative investment amount	Sources of funds	Lawsuit
Purchase 9.97% shares of SHENSY	Transportation of goods	3,016.32	50%	3,016.32	3,016.32	Self-owned funds	No
Capital increase of Richpeace	Automatic special equipment, high-tech content (light, machine, electricity integration) special sewing equipment manufacturing; high-end textile and apparel software design, development	1,950	65%	1,950	1,950	Self-owned funds	No

(2) Major non-equity investment

Item	Total amount	Actual investment amount for the current year	Cumulative actual investment amount	Sources of funds	Project progress
Investment in the construction of Taizhou Manufacturing Base	394 million yuan	RMB 44.09 million yuan	RMB 98.412 million yuan	Self-owned funds & raised funds	Under construction
Investment in the construction of the European intelligent product research and development center and manufacturing base	13.39 million euros	EUR 3,342,961.38	EUR 6,056,406.59	Self-owned funds	Under construction

For the fundraising project of the Company, please refer to the Company's "Special Report on the Deposit and Actual Use of Raised Funds (First Half of 2019)"

(3) Financial assets measured at fair value

Item	Initial investment cost	Book value as of June 30, 2019	Profi/loss during the report period	Changes in fair value during the report period
Listed company stock	74,016,342.53	90,854,497.33	1,614,968.82	4,441,599.00
Non-listed company equity	29,148,249.49	91,079,774.22	-	2,594,583.52
Total	103,164,592.02	181,934,271.55	1,614,968.82	7,036,182.52

E. Major assets and equity sales

Project name	Target	Amount	Estimated profit	Approval authority	Progress
Sell 26% equity of H. Stoll Co. AG & KG	26% equity of H. Stoll Co. AG & KG	34,750,935 euro	22,150,051.44 yuan	Board of Directors	The equity transfer has been completed on May 22, 2019, Germany. DA AG has received the equity transfer price of 34,750,935 euros on May 23, 2019, Germany.

F. Analysis of Major Subsidiaries

Unit: 10,000 Yuan

Name	Business Scope	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
DA AG	Production, processing and sale of machines, machines and related parts and software, in particular sewing machines and conveyors and other industrial products	€12.5 million euro	191,997	92,283	66,719	6,634	4,858
SHENSY	Transportation of goods	17,882	49,779	26,521	46,474	545	429
SGGEMSY	Manufacturing and sales of various sewing equipment	21,600	36,424	21,163	16,616	-253	-249
Richpeace	Automatic special equipment, high-tech content (light, machine, electricity integration) special sewing equipment manufacturing; high-end textile and apparel software design, development	8,000	23,058	8,997	9,253	687	717

2. Other Maters

(1) Warnings and explanations that the accumulated net profit from the beginning of the year to the end of the next reporting period may be a loss or a significant change from the same period of the previous year

Not applicable.

(2) Possible risks

Industrial and market risk

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

Transnational operations and integration risk

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

Risk of exchange rate fluctuations

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

Chapter 5 Important Matters

1. Shareholders' Meeting

Session	Convening date	Website published the resolution	Date of the disclosure of the resolution
2019 First Extraordinary Shareholders’ Meeting	March 18, 2019	www.sse.com.cn	March 19, 2019
2018 Annual Shareholders’ Meeting	June 21, 2019	www.sse.com.cn	June 22, 2019

2. Profit Distribution Plan or Capital Reserve Fund Transfer Plan

During the reporting period, the Company did not make profit distribution, nor did it convert capital reserve into share capital.

3. Commitment

PKFR promised that its shareholding ratio will not be reduced to less than the shareholding ratio of Pudong SASAC within 36 months from the date of stock delivery. The commitment period is from December 29, 2016 to December 28, 2019. It is being strictly implemented.

4. Appointment of Accounting Firms

Not applicable.

5. Bankruptcy

Not applicable.

6. Major lawsuits and arbitrations

The arbitration between the Stoll’s family shareholders and the Company's wholly-owned subsidiary DA AG regarding the adjustment of the capital increase price in 2015 has been terminated after the two parties signed the "equity transfer contract".

7. Penalties and rectification of listed companies and their directors, supervisors, senior management personnel, controlling shareholders, actual controllers and purchaser

Not applicable.

8. Explanation of the integrity of the company and its controlling shareholders and actual controllers during the reporting period

Not applicable

9. The Company's Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentives

Summary of matters	Query index
The 10th meeting of the 8th Board of Directors held on February 28, 2019, reviewed and approved the “Proposal on the Company's <2019 Stock Option Incentive Plan (Draft) and its Summary “(hereinafter referred to as the “Incentive Plan”) , "Proposal on the Company's <2019 Stock Option Incentive Plan Implementation Assessment Management Method" and "Proposal on Requesting the Company's Shareholders’ Meeting to Authorize the Board of Directors to Handle Issues Related to the 2019 Stock Option Incentive Plan". The Company's independent directors issued independent opinions on the relevant proposals of the Incentive Plan. The 8th meeting of the 8th Board of Supervisors held on February 28, 2019, reviewed and	Relevant announcements disclosed by the Company on March 2, 2019

Summary of matters	Query index
approved the Proposal on the Company's <2019 Stock Option Incentive Plan (Draft) and its Summary , "Proposal on the Company's <2019 Stock Option Incentive Plan Implementation Assessment Management Method" and "Proposal on Reviewing the List of Incentives for the First Time of the Company's 2019 Stock Option Incentive Plan"	
The Company publicized the list of incentives on the Company's official website from March 2 to March 12, 2019. During the publicity period, the Company did not receive any objections from employees to this incentive object. The ninth meeting of the 8th Board of Supervisors held on March 12, 2019, reviewed and approved the "Explanation of the review opinions and publicity of the company's 2019 stock option incentive plan for the first time."	Relevant announcements disclosed by the Company on March 13, 2019
The Company conducted a self-examination on the trading of the Company's stock by the insiders, and, disclosed the self-examination report on March 19, 2019	The self-examination report disclosed on March 19, 2019
The company's first extraordinary shareholders meeting held on March 18, 2019, reviewed and approved the "Proposal on the Company's <2019 Stock Option Incentive Plan (Draft) and its Summary" , "Proposal on the Company's <2019 Stock Option Incentive Plan Implementation Assessment Management Method" and "Proposal on Requesting the Company's Shareholders' Meeting to Authorize the Board of Directors to Handle Issues Related to the 2019 Stock Option Incentive Plan".	Relevant announcements disclosed by the Company on March 19, 2019
The 11th meeting of the 8th Board of Directors held on April 12, 2019, reviewed and approved the "Proposal on Adjusting the List of Incentives and the Amounts of Grants for the First Time of the 2019 Stock Option Incentive Plan" and the ""Proposal to Grant Stock Options for the First Time". The independent directors of the Company issued independent opinions on related matters. The 10th meeting of the 8th Board of Supervisors held on April 12, 2019, reviewed and approved the "Proposal on Adjusting the List of Incentives and the Amounts of Grants for the First Time of the 2019 Stock Option Incentive Plan" and the ""Proposal to Grant Stock Options for the First Time". The Company's Board of Supervisors has checked the issues related to the company's stock options.	Relevant announcements disclosed by the Company on April 16, 2019

10. Major related party transactions

The 29th meeting of the 8th Board of Directors held on April 29, 2019, reviewed and approved the "Proposal on Jointly Raising Capital with Shanghai SGSB Financial Leasing Co., Ltd. with Related Persons (Related Transaction)". (For details, please refer to Announcement No. 2019-027 disclosed by SGG on April 30, 2019). Currently, the matter is in progress.

11. Significant contracts and their implementation

(1) Trusteeship, contracting and lease

Not applicable.

(2) Guarantee

Unit: 10,000 Yuan, Currency: RMB

Guarantor	Relations of the guarantor to listed company	Security party	Amount guaranteed	Guarantee date (agreement signoff date)	Start date	Expiration date	Type	If guarantee is done	Overdue	Overdue amounts	If counter guarantee available?	Guarantee for related party?	Relation
SGG	The Company	Industrial & Commercial Bank of China Shanghai Hongkou Branch	6,254	2015/12/21	2015/12/21	2020/12/21	Joint liability guarantee	No	No	0	No	No	
Guarantee amounts spent during the report period (excluded guarantee to affiliate company.													
Total balance of guarantee at the end of period (affiliate companies are not quailed.)（A）													6,254
Guarantee of company to affiliates													
Total guarantee amounts of subsidiaries in the report period													-6,000
Total balance of guarantee to subsidiaries at the end of report period (B)													0

Company total guarantee amounts (including those to subsidiaries)	
Total guarantee amounts（A+B）	6,254
Ratio of total guarantee amounts to company net assets (%)	2.68
In which:	
Guarantee amounts provided to stockholders, actual controller and affiliated parties (C)	0
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）	0
Total guarantee amounts of the above-mentioned three items （C+D+E）	-
Note	On 21st December 2015, the Company's wholly owned subsidiary DA AG (formerly known as SGE) applied to the Frankfurt Branch of ICBC for a limit loan of 7.878 million euro so as to pay the acquisition fee to Stoll KG. ICBC Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for self-using fix assets where No.603 Dapu Road as counter guarantee for the abovementioned financing guarantee letter.

(3) Other Major Contracts

Not applicable.

12. Poverty Alleviation Work of Listed Companies

Not applicable.

13. Convertible Corporate Bonds

Not applicable.

14. Environmental Information

The Company and its subsidiaries are not key pollutant discharge units announced by the environmental protection department. During the reporting period, the Company and its subsidiaries strictly implemented thel laws and regulations on environmental protection, formulated strict environmental practices, and adopted corresponding measures for pollution sources.

15. Other Important Matters

(1) The Contents, Causes and Effects of Changes in Accounting Policies, Accounting Estimates and Accounting Methods

On April 30, 2019, the Ministry of Finance issued the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Accounting (2019) No. 6), and revised the financial statement format of general enterprises. In 2017, the Ministry of Finance revised and promulgated four accounting standards related to financial instruments, the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" (Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets" (Accounting [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 - Hedging" (Accounting [2017] No. 9), "Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation" (Finance [2017] No. 14) (hereinafter referred to as the “New Financial Instruments Guidelines”). Enterprises listed both in China and overseas shall implement the above guidelines from January 1, 2018. Other domestic listed companies shall implement the above guidelines from January 1, 2019. The Company is a domestic listed company, and the New Financial Instrument Guidelines shall be implemented from January 1, 2019. The main impacts of the Company's implementation of the above provisions are as follows:

Content and reasons for changes in accounting policies	Name and Amount of the Item that is Affected
(1) The “notes receivable and accounts receivable” in the balance sheet are divided into “notes receivable” and “accounts receivable”; “notes payable and accounts payable” are divided into	“Notes receivable and accounts receivable” in the balance sheet are divided into “notes receivable” and “accounts receivable”. The amount of “notes receivable”

Content and reasons for changes in accounting policies	Name and Amount of the Item that is Affected
"notes payable" and "accounts payables". The comparison data is adjusted accordingly.	was RMB 60,046,109.79 yuan from January 1, 2019 to June 30, 2019, and the amount from January 1, 2018 to June 30, 2018 was RMB 81,482,151.15 yuan. the amount of "accounts receivable" was RMB 602,322,319.41 yuan from January 1, 2019 to June 30, 2019, and the amount from January 1, 2018 to June 30, 2018 was RMB 536,278,543.75; "Notes payable and accounts payable" are divided into "notes payable" and "accounts payables". The amount of "notes payable" was RMB 66,510,597.85 yuan from January 1, 2019 to June 30, 2019, and the amount i from January 1, 2018 to June 30, 2018 was RMB 71,109,160.21 yuan. The amount of "accounts payable" was RMB 214,381,121.77 yuan from January 1, 2019 to June 30, 2019, and the amount i from January 1, 2018 to June 30, 2018 was RMB 247,693,879.70 yuan.
(2) Notes Receivable and accounts receivable measured at fair value through other comprehensive income are reclassified from "other current assets" to "receivables financing"; the comparative data is adjusted accordingly.	N/A
(3) Under the investment income in the income statement, the item "where: the financial assets are recognized and recognized as amortized cost" is added, and the comparative data is not adjusted.	N/A
(4) The financial assets are classified as "financial assets measured at amortized cost" and "fairly The financial assets whose value is measured and whose changes are included in other comprehensive income, and the financial assets measured at fair value through profit or loss. (5) Adjusted the accounting treatment of non-trading equity instrument investment. Allowing an enterprise to designate a non-trading equity instrument investment to be measured at fair value and its changes are included in other comprehensive income, but the designation is irrevocable and should be included in the cumulative gain or loss previously recognised in other comprehensive income. Transfers to retained earnings shall not be carried forward to the current profits and losses. (6) The impairment of financial assets was changed from "the loss occurred method" to "expected loss method", and the scope of the provision was expanded to make provision for impairment of financial assets more timely and full, revealing and preventing financial asset credit risk (7) The judgment principle of financial assets transfer and its accounting treatment are further clarified. (8) The hedge accounting standard expands the scope of eligible hedged items and hedging instruments, replaces quantitative requirements with qualitative hedge effectiveness test requirements, and introduces a "rebalancing" mechanism for hedging relationships. (9) The relevant disclosure requirements for financial instruments are adjusted accordingly.	Retrospective adjustment of consolidated statement data at the beginning of the year: 1. Increase trading financial assets: 86,406,778.33 yuan; 2. Reduce accounts receivable: 563,078.70 yuan; 3. Reduce other receivables: 91,853.79 yuan; 4. Reduce available-for-sale financial assets: 117,733,027.78 yuan; 5. Adjust other comprehensive income: 46,940,385.41 yuan; 6. Adjust undistributed profit: 11,741,623.31 yuan.

(2) The Situation of Major Accounting Errors Corrected during the Reporting Period that Need to be Retrospectively Re-stated, the Amount of Correction, the Reason and its Impact

Not applicable.

Chapter 6 Changes in Common Shares and Shareholders

1. Changes in Share Capital

(1) Changes in Shares

During the reporting period, the Company's total shares and share capital structure did not change.

(2) Changes in Restricted Shares

Not applicable.

2. Shareholders

(1) Total Number of Shareholders

As of the end of the reporting period, the Company had a total of 53,212 common shareholders, including 27,017 shareholders of A shares and 26,195 shareholders of B shares.

(1) The shareholdings of the top ten shareholders as of the end of the reporting period

Unit: Share

Top Ten Shareholders' Shareholdings							
Name	+/-	shares held at the end of the period	%	Shares held under restricted conditions	Pledge or freeze of shares		Nature
					Status	Amount	
Shanghai Puke Flyingman Investment Co., Ltd.	0	60,000,000	10.94	0	Pledge	60,000,000	Domestic non-state legal person
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Aear People's Government	0	45,395,358	8.27	0	/		State
China Great Wall Asset Management Co., Ltd.	0	22,200,000	4.05	0	/		State-owned legal person
Shanghai International Group Asset Management Co., Ltd.	0	10,968,033	2.00	0	/		State-owned legal person
SCBHK A/C KG INVESTMENTS ASIA LIMITED	-558,000	4,872,440	0.89	0	/		Foreign legal person
ISHARES CORE MSCI EMERGING MARKETS ETF	-134,300	4,854,960	0.88	0	/		Foreign legal person
Great Wall Guorong Investment Management Co., Ltd.	0	4,770,654	0.87	0	/		State-owned legal person
Guosheng Securities Co., Ltd.	0	4,617,046	0.84	0	/		Unknown
VANGUARD EMERGING MARKETS STOCK INDEX FUND		3,678,113	0.67	0	/		Foreign legal person
Zeng Weili	10,000	3,497,900	0.64	0	/		Demostic natural person

Top Ten Unrestricted Shareholders' Shareholdings			
Name	Shares held in unrestricted conditions	Share type and amount	
		Type	Amount
Shanghai Puke Flyingman Investment Co., Ltd.	60,000,000	A share	60,000,000
State-owned Assets Supervision and Administration Commission of Shanghai Pudong New Aear People's Government	45,395,358	A share	45,395,358
China Great Wall Asset Management Co., Ltd.	22,200,000	A share	22,200,000
Shanghai International Group Asset Management Co., Ltd.	10,968,033	A share	10,968,033
SCBHK A/C KG INVESTMENTS ASIA LIMITED	4,872,440	B share	4,872,440
ISHARES CORE MSCI EMERGING MARKETS ETF	4,854,960	B share	4,854,960
Great Wall Guorong Investment Management Co., Ltd.	4,770,654	A share	4,770,654
Guosheng Securities Co., Ltd.	4,617,046	A share	4,617,046
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,678,113	B share	3,678,113
Zeng Weili	3,497,900	A share	3,497,900

Note	PKFR is a subsidiary of Shanghai Pudong Technology Investment Co., Ltd., which has a relationship. Shanghai Pudong Technology Investment Co., Ltd. directly holds 789,457 A shares of the company, and PKFR holds 60,000,000 A sharesof the company. GreatWall Guorong Investment Management Co., Ltd. is a wholly-owned subsidiary of China GreatWall Asset Management Co., Ltd., and there is a relationship; the Company is not aware of any relationship or concerted action among other shareholders.

Amount of Shares Held by the Top 10 Shareholders with Restrictions on Sales and the Conditions for Restricted Sales: Not applicable.

(2) Strategic Investors or General Legal Persons Become Top 10 Shareholders due to Placement of New Shares

Not applicable.

3. Change of Controlling Shareholder or Actual Controller

Not applicable.

Chapter 7 Preferred Stock

Not applicable

Chapter 8 Directors, Supervisors and Senior Executives

1. Changes in Shareholding

(1) Changes in Shareholdings of Current/Departing Directors, Supervisors and Senior Executives

Not applicable.

(2) Equity Incentives Granted to Directors, Supervisors and Senior Executives during the Reporting Period

Unit: Share

Name	Title	Stock options held at the beginning of the period	Stock options granted during the reporting period	Stock option exercisable during the reporting period	Stock option exercised during the reporting period	Stock options held at the end of the period
Zhang Min	Director / Senior executive	0	250,000	0	0	250,000
Li Jiaming	Senior executive	0	191,000	0	0	191,000
Fang Haixiang	Senior executive	0	189,000	0	0	189,000
Li Xiaofeng	Senior executive	0	189,000	0	0	189,000
Xia Guoqiang	Senior executive	0	180,000	0	0	180,000
Zhao Lixin	Senior executive	0	118,800	0	0	118,800
Zhang Jianrong	Senior executive	0	86,400	0	0	86,400
Total	/	0	1,204,200	0	0	1,204,200

2. Changes in Directors, Supervisors and Senior Executives of the Company

Name	Title	Change
Lu Yujie	Director	Outgoing
Qiao Junhai	Supervisor, Chairman of the Board of Supervisors	Outgoing
Qiu Jian	Director	Election
Ni Ming	Supervisor, Chairman of the Board of Supervisors	Election

Note 1: On May 22, 2019, the Company's Board of Directors received a written resignation request from the Company's director, Mr. Lu Yujie. Mr. Lu Yujie applied for resignation as a director of the Company and a member of the Strategy Committee of the Board of Directors due to work adjustment. After resigning, Mr. Lu Yujie no longer holds any position in the Company. (For details, please refer to Announcement No. 2019-035 disclosed on May 23, 2019)

Note 2: On May 23, 2019, the company received a written resignation report from Mr. Qiao Junhai, Chairman of the Board of Supervisors. Mr. Qiao Junhai resigned as a supervisor and the Chairman of the Board of Supervisors due to his retirement. After Mr. Qiao Junhai resigned, he no longer held any position in the Company. (For details, please refer to Announcement No. 2019-036 disclosed on May 25, 2019)

Note 3: The 2018 Annual Shareholders' Meeting of the Company held on June 21, 2019 agreed to elect Ms. Qiu Jian as a director of the Company and agreed to elect Mr. Ni Ming as a supervisor of the Company. (For details, please refer to Announcement No. 2019-044 disclosed on June 22, 2019)

Note 4: The Company held the 14th meeting of the 8th Board of Supervisors at 4:30 pm on June 21, 2019, and agreed to elect Mr. Ni Ming as the chairman of the company's board of supervisors. (For details, please refer to Announcement No. 2019-045 disclosed on June 22, 2019)

Chapter 9 Corporate Bonds

Not applicable.

Chapter 10 Financial Report

1. Audit Report

Not applicable.

2. Financial Statements

Shang Gong Group Co., Ltd.

Consolidated Statement of Financial Position

June 30, 2019

Item	Note	June 30, 2019	December 31, 2018
Current assets:			
Cash and cash equivalents		725,154,280.84	595,034,146.11
Deposit reservation for balance			
Lending funds			
Transactional financial assets		90,854,497.33	
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		60,046,109.79	81,482,151.15
Accounts receivable		602,322,319.41	536,278,543.75
Receivable financing			
Prepayment		66,937,970.46	39,695,762.85
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables		88,782,983.97	120,422,496.29
Including: Interest receivable			
Dividends receivable			27,041,989.94
Redemptory monetary capital for sale			

Item	Note	June 30, 2019	December 31, 2018
Inventories		973,002,780.02	896,977,884.83
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		207,087,332.40	249,326,335.31
Total current assets		2,814,188,274.22	2,519,217,320.29
Non-current assets:			
Loans and payments on behalf			
Debt investment			
Available-for-sale financial assets			117,733,027.78
Other debt investment			
Held-to-maturity investments			
Long-term receivables		60,884,478.09	31,427,418.92
Long-term equity investments			248,368,207.89
Other equity investment		93,257,774.18	
Other non-current financial assets			
Investment properties		141,529,432.00	145,386,135.12
Fixed assets		473,459,229.06	473,157,221.59
Construction in progress		161,615,652.26	119,166,627.75
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		269,837,384.46	270,072,349.34
Development expenditures		9,506,463.11	6,798,312.48
Goodwill		139,832,829.09	140,074,270.28
Long-term deferred expenses		3,917,570.73	3,875,409.77
Deferred income tax assets		72,437,910.02	68,850,860.84
Other non-current assets			
Total non-current assets		1,426,278,723.00	1,624,909,841.76
Total assets		4,240,466,997.22	4,144,127,162.05
Current liabilities:			
Short-term loans		295,933,464.04	206,614,015.12
Borrowings from central bank			
Borrowings from banks and other financial institutions			
Transactional financial liabilities			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable		66,510,597.85	71,109,160.21
Accounts payable		214,381,121.77	247,693,879.70
Receipt in advance		73,995,073.96	75,412,987.77
Financial assets sold for repurchase			
Deposits from customers and interbank			
Acting trading securities			
Acting underwriting securities			
Employee benefits payable		82,735,517.09	101,169,469.49
Taxes and surcharges payable		13,713,219.67	21,208,862.17
Other payables		205,888,371.99	254,827,223.50
Including: Interest payable		927,338.69	805,898.77
Dividends payable		1,032,818.86	1,032,818.86
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year		921,178.53	4,173,297.07
Other current liabilities		46,902.00	47,083.80
Total current liabilities		954,125,446.90	982,255,978.83
Non-current liabilities:			
Provision for insurance contracts			
Long-term loans		357,436,483.87	340,477,650.27
Bonds payable			
Including: preference shares			
Perpetual bond			

Item	Note	June 30, 2019	December 31, 2018
Lease liability			
Long-term payables		2,168,925.47	3,403,296.49
Long-term employee benefits payable		225,793,814.95	234,036,612.41
Estimated liabilities			672,720.00
Deferred income			
Deferred income tax liabilities		76,809,893.48	70,805,236.44
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		662,729,117.77	649,915,515.61
Total liabilities		1,616,854,564.67	1,632,171,494.44
Owners' equity			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		915,580,674.78	916,215,448.24
Less: treasury stock			
Other comprehensive income		-35,141,425.78	-75,701,094.41
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
General risk reserves			
Undistributed profits		901,602,627.12	819,208,053.71
Total owners' equity attributable to the parent company		2,335,177,718.64	2,212,858,250.06
Minority interest		288,434,713.91	299,097,417.55
Total owners' equity		2,623,612,432.55	2,511,955,667.61
Liabilities and owners' equity		4,240,466,997.22	4,144,127,162.05

Legal representative: Zhang Min Financial director: Zhang Jianrong Financial manager: Zhao Lixin

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

June 30, 2019

Item	Note	June 30, 2019	December 31, 2018
Current assets:			
Cash and cash equivalents		111,326,283.02	125,257,400.64
Transactional financial assets		90,854,497.33	
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable		6,669,227.50	8,713,253.21
Accounts receivable		53,851,989.56	40,853,861.26
Receivable financing			
Prepayment		3,640,841.35	1,013,250.66
Other receivables		319,948,024.10	154,756,949.21
Including: Interest receivable			
Dividends receivable			1,050,356.92
Inventories		115,388,174.42	116,010,332.72
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		120,750,519.60	182,331,726.62
Total current assets		822,429,556.88	628,936,774.32
Non-current assets:			
Debt investment			
Available-for-sale financial assets			117,733,027.78
Other debt investment			
Held-to-maturity investments			
Long-term receivables		133,365,442.79	132,003,607.99
Long-term equity investments		845,611,221.03	795,948,021.03
Other equity investment		93,257,774.18	
Other non-current financial assets			

Item	Note	June 30, 2019	December 31, 2018
Investment properties		79,330,499.95	82,357,348.39
Fixed assets		7,778,573.36	5,108,388.24
Construction in progress		2,901,726.40	2,804,766.05
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		10,517,443.71	10,991,616.43
Development expenditures			
Goodwill			
Long-term deferred expenses		1,680,155.96	1,600,982.68
Deferred income tax assets		940,809.20	940,809.20
Other non-current assets			
Total non-current assets		1,175,383,646.58	1,149,488,567.79
Total assets		1,997,813,203.46	1,778,425,342.11
Current liabilities:			
Short-term loans		168,763,259.04	9,348,148.62
Transactional financial liabilities			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		115,827,051.65	95,996,884.11
Receipt in advance		2,917,232.30	19,890,459.82
Employee benefits payable		1,677,269.79	9,208,635.04
Taxes and surcharges payable		2,945,922.88	4,352,572.60
Other payables		170,309,661.58	174,326,023.74
Including: Interest payable			
Dividends payable		1,032,818.86	1,032,818.86
Liabilities held for sale			
Non-current liabilities maturing within one year			2,700,000.00
Other current liabilities			
Total current liabilities		462,440,397.24	315,822,723.93
Non-current liabilities:			
Long-term loans		1,489,984.87	1,489,984.87
Bonds payable			
Including: preference shares			
Perpetual bond			
Lease liability			
Long-term payables		1,574,312.63	1,574,312.63
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities		1,197,067.41	1,197,067.41
Other non-current liabilities		520,000.00	520,000.00
Total non-current liabilities		4,781,364.91	4,781,364.91
Total liabilities		467,221,762.15	320,604,088.84
Owners' equity:			
Share capital		548,589,600.00	548,589,600.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves		1,003,282,687.73	1,003,282,687.73
Less: treasury stock			
Other comprehensive income		61,931,524.73	12,396,555.80
Special reserves			
Surplus reserves		4,546,242.52	4,546,242.52
Undistributed profits		-87,758,613.67	-110,993,832.78
Total owners' equity		1,530,591,441.31	1,457,821,253.27
Total liabilities and owners' equity		1,997,813,203.46	1,778,425,342.11

Legal representative: Zhang Min　　Financial director: Zhang Jianrong　　Financial manager: Zhao Lixin

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

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
1. Incomes		1,621,983,029.80	1,494,794,413.27
Including: operating income		1,621,983,029.80	1,494,794,413.27
Interest income			
Premiums earned			
Income from handling charges and commissions			
2. Costs		1,561,811,938.83	1,371,859,619.62
Including: Operating Cost		1,198,980,538.22	1,052,451,025.46
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Taxes and surcharges		6,298,212.90	5,160,231.67
Selling expenses		176,161,929.09	147,600,554.52
General and administrative expenses		121,131,457.00	108,118,771.87
R & D expenses		50,364,765.95	46,437,804.54
Financial expenses		8,875,035.67	12,091,231.56
Including: Interest expense		10,871,565.30	6,107,454.56
Interest income		1,968,344.40	2,498,914.91
Plus: Other income		9,381,829.77	2,616,373.56
Investment income ("-" for losses)		26,827,200.38	17,485,066.32
Including: income from investment in associates and joint ventures			-1,691,101.14
Financial assets derecognised as a result of amortized cost ("-" for losses)			
Foreign exchange gains ("-" for losses)			
Net hedging income("-" for losses)			
Gains from changes in fair value("-" for losses)		4,441,599.00	
Credit impairment loss("-" for losses)		-5,101,160.00	
Losses from asset impairment ("-" for losses)		-923,010.98	350,484.13
Gains on disposal of assets ("-" for losses)		-54,610.64	-571,141.92
3. Operating profits ("-" for losses)		94,742,938.50	142,815,575.74
Plus: non-operating		1,425,209.20	3,355,954.72
Less: non-operating expenses		388,816.97	955,572.93
4. Total profits ("-" for total losses)		95,779,330.73	145,215,957.53
Less: income tax expenses		19,700,782.13	32,930,028.35
5. Net profit ("-" for net loss)		76,078,548.60	112,285,929.18
(1) Classified by operating sustainability			
a. Net profit from continuing operations ("-" for losses)		76,078,548.60	112,285,929.18
b. Net profit from discontinued operations ("-" for losses)			
(2) Classified by ownership			
a. Non-controlling interests		70,652,950.10	100,161,346.50
b. Net profit attributable to owners of the parent company		5,425,598.50	12,124,582.68
6. Other comprehensive income (net, after tax)		-6,205,566.73	-27,605,940.81
Other comprehensive income attributable to owners of the parent company (net, after tax)		-6,380,716.78	-25,400,680.10
(1) Other comprehensive income cannot be reclassified to gains and losses later		2,594,583.52	0.00
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			

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
investee that cannot be reclassified to gains and losses under the equity method			
c. Changes in fair value of other equity instruments investment		2,594,583.52	
d. Changes in the fair value of the company's own credit risk			
(2) Other comprehensive income to be reclassified to gains and losses later		-8,975,300.30	-25,400,680.10
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Changes in fair value of other debt investments			
c. Gains and losses from changes in fair value of available-for-sale financial assets			-11,535,229.13
d. Reclassification of financial assets recognized in other comprehensive income			
e. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
f. Other debt investment credit impairment provisions			
g. The effective portion of the gains and losses from cash flow hedging			
h. Translation differences of financial statements		-8,975,300.30	-13,865,450.97
i. Others			
Other comprehensive income attributable to non-controlling shareholders (net, after tax)		175,150.05	-2,205,260.71
7. Total comprehensive incomes		69,872,981.87	84,679,988.37
Total comprehensive income attributable to owners of the parent company		64,272,233.32	74,760,666.40
Total comprehensive income attributable to non-controlling shareholders		5,600,748.55	9,919,321.97
8. Earnings per share			
(1) Basic earnings per share (yuan/share)		0.1288	0.1826
(2) Diluted earnings per share (yuan/share)		0.1288	0.1826

Legal representative: Zhang Min　　Financial director: Zhang Jianrong　　Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Incomes

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
1. Operating income		179,461,220.67	184,812,505.26
Less: Operating cost		121,233,679.61	125,430,105.96
Tax and surcharges		2,935,494.62	2,284,387.24
Selling expenses		21,262,736.75	18,213,101.44
General and Administration expenses		24,415,400.44	23,872,348.49
R & D expenses		2,515,663.02	1,615,502.13
Finance expenses		287,665.37	63,811.51
Including: Interest expense		1,000,866.79	256,569.07
Interest income		2,290,041.84	2,330,299.53
Impairment losses on assets		3,557,000.00	524,688.70
Plus: Other income		5,087,526.30	18,852,017.46
Investment income ("-" for losses)			
Financial assets derecognised as a result of amortized cost ("-" for losses)			
Net hedging income("-" for losses)			
Gains from changes in fair value("-" for losses)		4,441,599.00	
Credit impairment loss("-" for losses)		-8,983,378.64	
Losses from asset impairment ("-" for losses)			-1,388,117.84

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Gains on disposal of assets ("-" for losses)		-462.36	1,906.38
2. Operating profits ("-" for losses)		10,912,865.16	31,323,743.19
Plus: Non-operating income		843,369.30	3,287,449.06
Less: Non-operating expenses		202,527.84	571,580.19
3. Total profits ("-" for total losses)		11,553,706.62	34,039,612.06
Less: income tax expenses		712,116.03	
4. Net profit ("-" for net loss)		10,841,590.59	34,039,612.06
(1). Net profit from continuing operations ("-" for losses)		10,841,590.59	34,039,612.06
(2). Net profit from discontinued operations ("-" for losses)			
5. Other comprehensive income (net, after tax)		2,594,583.52	-11,535,229.13
(1) Other comprehensive income cannot be reclassified to gains and losses later		2,594,583.52	0.00
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 cannot be reclassified to gains and losses under the equity method			
c. Changes in fair value of other equity instruments investment		2,594,583.52	
d. Changes in the fair value of the company's own credit risk			
(2) Other comprehensive income to be reclassified to gains and losses later		0.00	-11,535,229.13
a. The shares in other comprehensive income of the investee that can be reclassified to gains and losses under the equity method			
b. Changes in fair value of other debt investments			
c. Gains and losses from changes in fair value of available-for-sale financial assets			-11,535,229.13
d. Reclassification of financial assets recognized in other comprehensive income			
e. Gains and losses from the reclassification of the held-to-maturity investment to held-for-sale financial assets			
f. Other debt investment credit impairment provisions			
g. The effective portion of the gains and losses from cash flow hedging			
h. Translation differences of financial statements			
i. Others			
6. Total comprehensive incomes		13,436,174.11	22,504,382.93
7. Earnings per share			
(1) Basic earnings per share (yuan/share)			
(2) Diluted earnings per share (yuan/share)			

Legal representative: Zhang Min Financial director: Zhang Jianrong Financial manager: Zhao Lixin

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

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		1,644,797,923.74	1,468,995,000.92
Net increase in customer bank deposits and placement from banks and other financial institutions			

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
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			
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from acting trading securities			
Refunds of taxes and surcharges		52,454,537.10	24,524,599.65
Cash received from other operating activities		31,251,303.36	20,025,299.88
Sub-total of cash inflows from operating activities		1,728,503,764.20	1,513,544,900.45
Cash paid for goods purchased and services received		1,206,450,836.03	1,000,221,408.15
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			
Net increase in financial assets held for trading purposes			
Net increase in funds dismantled			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		414,334,280.82	359,869,785.40
Cash paid for taxes and surcharges		65,271,930.62	66,300,639.21
Cash paid for other operating activities		149,457,707.92	144,856,222.44
Sub-total of cash outflows from operating activities		1,835,514,755.39	1,571,248,055.20
Net cash flows from operating activities		-107,010,991.19	-57,703,154.75
2. Cash flows from investing activities:			
Cash inflow from divestment		538,317,344.85	415,980,156.89
Cash inflow from investment incomes		2,005,711.20	1,290,784.50
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		327,430.15	497,493.66
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		540,650,486.20	417,768,435.05
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		153,375,584.33	50,035,946.10
Cash paid for investments		239,245,170.00	445,862,662.32
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		392,620,754.33	495,898,608.42
Net cash flows from investing activities		148,029,731.87	-78,130,173.37
3. Cash flows from financing activities			
Cash received from investors		10,500,000.00	
Including: cash received by subsidiaries from investments by non-controlling shareholders			
Cash received from loans		427,182,843.42	137,855,600.00
Cash received from bonds issuance			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		437,682,843.42	137,855,600.00

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash paid for debt repayments		319,213,262.00	77,888,834.00
Cash paid for distribution of dividends and profits or payment of interest		7,807,308.57	6,802,648.19
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities		21,506,007.70	
Sub-total of cash outflows from financing activities		348,526,578.27	84,691,482.19
Net cash flows from financing activities		89,156,265.15	53,164,117.81
4. Effect of fluctuation in exchange rate on cash and cash equivalents		3,559,382.88	-5,925,323.34
5. Net increase in cash and cash equivalents		133,734,388.71	-88,594,533.65
Plus: beginning balance of cash and cash equivalents		558,241,622.39	713,813,720.45
6. Ending balance of cash and cash equivalents		691,976,011.10	625,219,186.80

Legal representative: Zhang Min Financial director: Zhang Jianrong Financial manager: Zhao Lixin

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

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
1. Cash flows from operating activities:			
Cash received from sale of goods and provision of services		152,131,095.83	197,477,098.52
Refunds of taxes and surcharges		3,393,365.77	997,057.43
Cash received from other operating activities		38,255,645.39	18,901,316.47
Sub-total of cash inflows from operating activities		193,780,106.99	217,375,472.42
Cash paid for goods purchased and services received		104,471,039.90	139,833,572.71
Cash paid to and on behalf of employees		26,116,825.65	27,806,037.36
Cash paid for taxes and surcharges		8,095,362.83	3,134,689.28
Cash paid for other operating activities		244,043,956.11	53,107,805.94
Sub-total of cash outflows from operating activities		382,727,184.49	223,882,105.29
Net cash flows from operating activities		-188,947,077.50	-6,506,632.87
2. Cash flows from investing activities:			
Cash inflow from divestment		272,427,018.55	376,654,041.82
Cash inflow from investment incomes		3,056,068.12	1,472,034.50
Cash gain from disposal of fixed assets, intangible assets, and other long-term investment		14,881.15	980.58
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		275,497,967.82	378,127,056.90
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		255,840.76	192,643.35
Cash paid for investments		258,745,170.00	408,033,790.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		259,001,010.76	408,226,433.35
Net cash flows from investing activities		16,496,957.06	-30,099,376.45
3. Cash flows from financing activities			
Cash received from investors			
Cash received from loans		159,415,110.42	
Cash received from bonds issuance			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		159,415,110.42	0.00
Cash paid for debt repayments			
Cash paid for distribution of dividends and profits or payment of interest		896,753.58	
Cash paid for other financing activities			

Item	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Sub-total of cash outflows from financing activities		896,753.58	0.00
Net cash flows from financing activities		158,518,356.84	0.00
4. Effect of fluctuation in exchange rate on cash and cash equivalents		645.98	3,501.82
5. Net increase in cash and cash equivalents		-13,931,117.62	-36,602,507.50
Plus: beginning balance of cash and cash equivalents		125,257,400.64	137,028,156.51
6. Ending balance of cash and cash equivalents		111,326,283.02	100,425,649.01

Legal representative: Zhang Min Financial director: Zhang Jianrong Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Consolidated Statement of Changes in Owner's Equity

Item	Six months ended June 30, 2019														
	Owners' equity attributable to the parent company													Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Capital reserves	Subtotal		
		Preference shares	Perpetual bonds	Others											
1. Previous year ending balance brought forward	548,589,600.00				916,215,448.24		-75,701,094.41		4,546,242.52		819,208,053.71		2,212,858,250.06	299,097,417.55	2,511,955,667.61
Plus: accounting policy changes							46,940,385.41				11,741,623.31		58,682,008.72		58,682,008.72
Correction of previous-period accounting errors															
Business combination involving entities under common control															
Others															
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	916,215,448.24	0.00	-28,760,709.00	0.00	4,546,242.52	0.00	830,949,677.02		2,271,540,258.78	299,097,417.55	2,570,637,676.33
3. Increase/ (decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	-634,773.46	0.00	-6,380,716.78	0.00	0.00	0.00	70,652,950.10		63,637,459.86	-10,662,703.64	52,974,756.22
(1) Total comprehensive incomes							-6,380,716.78				70,652,950.10		64,272,233.32	5,600,748.55	69,872,981.87
(2) Investment/ (divestment)	0.00	0.00	0.00	0.00	-634,773.46	0.00	0.00	0.00	0.00	0.00	0.00		-634,773.46	-16,263,452.19	-16,898,225.65
a. Common shares from shareholders															0.00
b. Investment capital from the holders of other equity instruments															0.00
c. Amount of the share-based payment included in the owners' equity															0.00
d. Others					-634,773.46								-634,773.46	-16,263,452.19	-16,898,225.65
(3) Distribution of profits															
a. Surplus reserves															
b. General risk reserves															

Item	Six months ended June 30, 2019														
	Owners' equity attributable to the parent company													Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Capital reserves	Subtotal		
		Preference shares	Perpetual bonds	Others											
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. Defined benefit plans change amount to carry forward retained earnings															
e. Other comprehensive income carry forward retained earnings															
f. Others															
(5) Special reserves															
a. Appropriation for current period															
b. Use in current period															
(6) Others															
4. Ending balance	548,589,600.00				915,580,674.78		-35,141,425.78		4,546,242.52		901,602,627.12		2,335,177,718.64	288,434,713.91	2,623,612,432.55

Item	Six months ended June 30, 2018														
	Owners' equity attributable to the parent company													Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Capital reserves	Subtotal		
		Preference shares	Perpetual bonds	Others											
1. Previous year ending balance brought forward	548,589,600.00				972,000,595.56		-72,163,452.90		4,546,242.52		692,241,691.51		2,145,214,676.69	311,216,783.45	2,456,431,460.14

Item	Six months ended June 30, 2018														
	Owners' equity attributable to the parent company													Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Capital reserves	Subtotal		
		Preference shares	Perpetual bonds	Others											
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	0.00	0.00	0.00	972,000,595.56	0.00	-72,163,452.90	0.00	4,546,242.52	0.00	692,241,691.51		2,145,214,676.69	311,216,783.45	2,456,431,460.14
3. Increase/ (decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	-5,832,696.23	0.00	-25,400,680.10	0.00	0.00	0.00	100,161,346.50		68,927,970.17	9,919,321.97	78,847,292.14
(1) Total comprehensive incomes							-25,400,680.10				100,161,346.50		74,760,666.40	9,919,321.97	84,679,988.37
(2) Investment/ (divestment)	0.00	0.00	0.00	0.00	-5,832,696.23	0.00	0.00	0.00	0.00	0.00	0.00		-5,832,696.23	0.00	-5,832,696.23
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					-5,832,696.23								-5,832,696.23		-5,832,696.23
(3) Distribution of profits															
a. Surplus															

Item	Six months ended June 30, 2018														
	Owners' equity attributable to the parent company													Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Capital reserves	Subtotal		
		Preference shares	Perpetual bonds	Others											
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. Defined benefit plans change amount to carry forward retained earnings															
e. Other comprehensive income carry forward retained earnings															
f. Others															
(5) Special reserves															
a. Appropriation for current period															
b. Use in current period															
(6) Others															
4. Ending balance	548,589,600.00	0.00	0.00	0.00	966,167,899.33	0.00	-97,564,133.00	0.00	4,546,242.52	0.00	792,403,038.01		2,214,142,646.86	321,136,105.42	2,535,278,752.28

Legal representative: Zhang Min　　Financial director: Zhang Jianrong　　Financial manager: Zhao Lixin

Shang Gong Group Co., Ltd.
Statement of Changes in Owner's Equity

Item	Six months ended June 30, 2019										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		12,396,555.80		4,546,242.52	-110,993,832.78	1,457,821,253.27
Plus: accounting policy changes							46,940,385.41			12,393,628.52	59,334,013.93
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	59,336,941.21	0.00	4,546,242.52	-98,600,204.26	1,517,155,267.20
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	0.00	0.00	2,594,583.52	0.00	0.00	10,841,590.59	13,436,174.11
(1) Total comprehensive incomes							2,594,583.52			10,841,590.59	13,436,174.11
(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. Defined benefit plans change amount to carry forward retained earnings											
e. Other comprehensive income carry forward retained earnings											
f. Others											
(5) Special reserves											
a. Appropriation for report period											
b. Use in report period											
(6) Others											
4. Ending balance	548,589,600.00				1,003,282,687.73		61,931,524.73		4,546,242.52	-87,758,613.67	1,530,591,441.31

Item	Six months ended June 30, 2018										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
1. Previous year ending balance brought forward	548,589,600.00				1,003,282,687.73		15,711,472.03		4,546,242.52	-143,892,809.85	1,428,237,192.43
Plus: accounting policy changes											0.00
Correction of previous-period accounting errors											0.00
Others											0.00
2. Beginning balance of current year	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	15,711,472.03	0.00	4,546,242.52	-143,892,809.85	1,428,237,192.43
3. Increase/(decrease) for the current year ("-" for losses)	0.00	0.00	0.00	0.00	0.00	0.00	-11,535,229.13	0.00	0.00	34,039,612.06	22,504,382.93
(1) Total comprehensive incomes							-11,535,229.13			34,039,612.06	22,504,382.93
(2) Investment/ (divestment)											
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. Defined benefit plans change amount to carry forward retained earnings											
e. Other comprehensive income carry forward retained earnings											
f. Others											
(5) Special reserves											
a. Appropriation for report period											
b. Use in report period											
(6) Others											
4. Ending balance	548,589,600.00	0.00	0.00	0.00	1,003,282,687.73	0.00	4,176,242.90	0.00	4,546,242.52	-109,853,197.79	1,450,741,575.36

Legal representative: Zhang Min　　Financial director: Zhang Jianrong　　Financial manager: Zhao Lixin

3. Company Basic Information

（1）Company Profile

Shang Gong Group Co., Ltd.(hereinafter referred to as "SGG" or "the Company"), a joint stock limited company with publicly issued A & B shares on the Shanghai Stock Exchange, is the first listed company in the sewing machinery industry of China. The Company was incorporated in April 1994. The registration number has changed to 91310000132210544K (Unified social credit code) in 2016. The organizational form of the Company is a joint stock limited company (a Sino-foreign joint venture and a listed company) and the registered capital amounts to 548,589,600.00 yuan. The registered address is Room A-D, 12th Floor, Orient Mansion, No. 1500, Century Avenue, China (Shanghai) Pilot Free Trade Zone and the head office is located in No. 1566 New Jinqiao Road, Pudong New Area, Shanghai. The legal representative is Mr. Zhang Min.

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

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

On 29th December 2016, Pudong SASAC, the original controlling shareholder and actual controller of the Company, had sold 60.00 million A shares of the Company to Shanghai Puke Flyman Investment Co., Ltd. which is the wholly-owned subsidiary of Shanghai Pudong Science and Technology Investment Co., Ltd. China Securities Depository and Clearing Co., Ltd. has issued a "transfer registration confirmation" on the same day.

After the transfer, PKFR held A shares accounted for 10.94% of the total share capital of the Company, which is the largest shareholder of the Company; Pudong SASAC held A shares accounted for 8.27%, which is the second largest shareholder of the Company. After the completion of the equity transfer, the Company has changed to a listed company with no controlling shareholder and no actual controller.

As of June 30, 2019, the Company’s total share capital is 548,589,600.00, including 548,589,600 shares with no restrictive terms, accounting for 100.00% of the total number of shares.

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

According to the resolution of the 16th meeting of the 8th board of directors, the financial statements were approved for disclosure by all directors of the Company on August 29, 2019.

（2）Scope of the Consolidated Financial Statements

Name of subsidiary
1. Shanghai Shanggong & Butterfly Sewing Machine Co., Ltd.
2. DAP (Shanghai) Co., Ltd.
3. Shanghai SMPIC IMPORT & EXPORT CO., LTD.
4. Shanghai SGSB Electronics Co., Ltd.

Name of subsidiary
5. Shanghai SGSB Asset Management Co., Ltd.
6. Shanghai Sewing Construction Property Co., Ltd.
7. Dürkopp Adler Aktiengesellschaft
8.Zhejiang ShangGong GEMSY Co., Ltd.
9.Shanghai Shensy Enterprise Development Co., Ltd.
10.Shanghai ShangGong Financial Leasing Co., Ltd.
11. PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.
12.DAP (Vietnam) Co., Ltd.
13.ShangGong Sewing Equipment (Zhejiang) Co., Ltd.
14.Dürkopp Adler Manufacturing(Shanghai) Co.,Ltd.
15.Tianjin Richpeace

See “Note 8 Changes in the scope of consolidation" and “Note 9 Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.

4. Preparation Basis of Financial Statements

(1) Preparation Basis of Financial Statements

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.

(2) Going Concern

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

5. Significant Accounting Policies and Accounting Estimates

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.

(1) Statement on compliance with Accounting Standards for Business Enterprises

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

(2) Accounting period

The accounting year is from 1st Januaryto 31st December in calendar year.

(3) Operating cycle

The Company’s operating cycle is 12 months.

(4) Functional currency

The Company adopts RMB as its functional currency.

(5) Accounting 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 cquire 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 cquire 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 cquire 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.

(6) Preparation Methods of Consolidated Financial Statements

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.

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 report 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 cquire, 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 cquire 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 report 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 report 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 cquire 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 cquire 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

①General 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.

If other investors increase their shareholdings due to the increase in capital of their subsidiaries and lose control, they shall be accounted for in accordance with the above principles.

②Disposal 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.

(7) Classification of joint venture arrangements and accounting methods for joint operation

Not applicable.

(8) Determination of cash and cash equivalents

Cash equivalents refer to short-term (usually due within three months from the date of purchase), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

When preparing the statement of cash flow, the Company's cash on hand and deposits that can be used for payment at any time are recognized as cash. An investment with a short maturity (expiring within three months from the date of purchase), strong liquidity, easy conversion into known cash, and a small risk of change in value is determined as a cash equivalent.

(9) Foreign currency transactions and translation of foreign currency statements

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.

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.

(10) Financial Instruments

A. Classification of financial instruments

According to the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as: financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income, and Financial assets measured at fair value through profit or loss.

The business model, which is based on the collection of contractual cash flow and the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal amount, is classified as financial assets measured at amortized cost; the business model, which is based on the collection of contractual cash flows and the sale of the financial assets and the contractual cash flows are only paid for the principal and interest based on the outstanding principal amount, is classified as financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income; Other financial assets other than these are classified as financial assets measured at fair value through profit or loss.

For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as a financial asset (equity instrument) that is measured at fair value and whose changes are included in other comprehensive income.

B. Confirmation basis and measurement method of financial instruments

（1）Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and debt investment, which are initially measured at fair value, and related transaction expenses are included in the initial recognition amount; Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in the current profit and loss.

（2）Financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income

Financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income includes receivables financing, other debt investment, etc., is initially measured at fair value, and related transaction costs are included in the initial recognition amount.

The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains and losses calculated using the effective interest method.

When the recognition is terminated, the accumulated gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income and recognised in profit or loss.

（3）Financial assets (equity instruments) measured at fair value and whose changes are included in other comprehensive income

Financial assets (equity instruments) measured at fair value and whose changes are included in other comprehensive income includes other equity instrument investments, etc., are initially measured at fair value, and related transaction costs are included in the initial recognition amount.

The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profits and losses.

When the confirmation is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

（4）Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss includs transactional financial assets, derivative financial assets, other non-current financial assets, etc., are initially measured at fair value, and related transaction costs are recognised in profit or loss.

The financial assets are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

When the derecognition is terminated, the difference between the fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

（5）Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, include transaction financial liabilities, derivative financial liabilities, etc., are initially measured at fair value, and related transaction expense is recognised in profit or loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

When the derecognition is terminated, the difference between the fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

（6）Financial liabilities measured at amortized cost

Financial liabilities measured at amortised cost include short-term borrowings, bills payable and accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, initially measured at fair value, and related transaction costs are included in the initial recognition amount.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

C. Confirmation basis and measurement method of financial asset transfer

When the company transfers a financial asset, if it has transferred almost all the risks and rewards of ownership of the financial asset to the transferee, the financial asset is derecognized; if almost all risks and rewards of ownership of a financial asset are retained, the recognition of the financial asset is not terminated.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:

（1）The book value of the transferred financial assets;

（2）The sum of consideration received for the transfer and the cumulative change in fair value that was originally recognised in the owner's equity (when the transferred financial asset is measured at fair value and its changes are included in other comprehensive financial assets (debt instruments)).

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets is apportioned between the derecognised portion and the non-recognised portion according to their respective fair values, and the difference between the following two amounts is included in current profit and loss:

（1）The book value of the derecognition portion;

（2）The sume of the consideration for the termination confirmation section and the amount corresponding to the termination confirmation part of the cumulative amount of changes in fair value that was originally recognised directly in owners' equity(The financial assets involved in the transfer are the financial assets measured at fair value and whose changes are included in other comprehensive income (debt instruments)).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

D. Financial liabilities termination confirmation conditions

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it is derecognised; If the company signs an agreement with the creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities are derecognised and the new financial liabilities are recognized.

If substantial changes are made to all or part of the contractual terms of existing financial liabilities, the existing financial liabilities or part of them will be terminated, and the financial liabilities after the modification of the terms will be recognized as a new financial liability.

When the financial liabilities are derecognised in whole or in part, the difference between the carrying amount of the financial liabilities derecognised and the payment consideration (including the transferred non-cash assets or the new financial liabilities) is recognised in profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated on the repurchase date based on the relative fair value of the continuing recognition portion and the derecognition portion. The difference between the book value assigned to the derecognised portion and the consideration paid (including the transferred non-cash assets or the new financial liabilities assumed) is recognised in profit or loss for the current period.

E. Method for determining the fair value of financial assets and financial liabilities

A financial instrument with an active market that determines its fair value by quoted prices in an active market. Financial instruments that do not exist in an active market use valuation techniques to determine their fair value. At the time of valuation, The Company uses valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information to select input values that are consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities, and use relevant observable input values first. Unobservable inputs are used only if the relevant observable inputs are not available or are not practicable.

F. Test method and accounting treatment method for impairment of financial assets (excluding receivables)

The Company considers all reasonable and evidence-based information, including forward-looking information, to estimate the expected credit losses of financial assets measured at amortized cost and financial assets at fair value through other comprehensive income (debt instruments), either individually or in portfolio. The measurement of expected credit losses depends on whether the credit risks of financial assets have increased significantly since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss preparation according to the amount of expected credit loss corresponding to the entire duration of the financial instrument; If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures its loss provision based on the amount of expected credit loss within 12 months of the financial instrument. The increase or reversal of the loss provision resulting from this is recognised in profit or loss as an impairment loss or gain.

If the financial instrument's credit risk at the balance sheet date is low, the Company believes that the credit risk of the financial instrument has not increased significantly since the initial recognition.

(11) Notes Receivable

The method for determining the expected credit loss of the notes receivable and the accounting treatment method are treated in accordance with the “5, (10) financial instruments 6, financial assets (excluding receivables) impairment test methods and accounting treatment methods”.

(12) Accounts Receivable

Method for determining expected credit loss of accounts receivable and accounting treatment method

A. Accounts Receivable

For accounts receivable, whether or not it contains significant financing components, the Company has always measured its loss provision in accordance with the amount of expected credit losses for the entire duration of the life, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

（1）Receivables with significant single amount and separate provision for bad debts:

Judgment amount standard with significant single amount: the top five balance of accounts receivable.

If there is objective evidence that a receivable has been credit-depreciated, the Company makes provision for bad debts and confirms the expected credit losses for the accounts receivable.

（2）Provision for bad debts receivables based on credit risk characteristics:

The Company combines the accounts receivable according to similar credit risk characteristics (age) and estimates the proportion of the provision for bad debts of the accounts receivable based on all reasonable and evidenced information, including forward-looking information.

When a single financial asset cannot obtain information for estimating expected credit losses at a reasonable cost, the company divides the receivables into several combinations according to the credit risk characteristics, and calculates the expected credit losses on a combined basis. The basis for determining the combination is as follows:

Portfolio1	Receivables guaranteed by financial institutions
Portfolio2	Amount due from government agencies and institutions
Portfolio3	Security deposit
Portfolio4	Employee reserve and employee collection and payment
Portfolio5	Balances of receivables other than accounts receivable subject to provisions for bad debts on an individual basis and other receivables

B.Other receivables

For the measurement of impairment losses of receivables other than accounts receivable (including notes receivable, other receivables, long-term receivables, etc.), it shall be treated in accordance with the “5, (10) financial instruments, financial assets (excluding receivables) impairment test methods and accounting treatment methods”.

(13) Receivable Financing

Not applicable.

(14) Other Receivables

The method for determining the expected credit losses of other receivables and the accounting treatment methods are treated in accordance with “5. (10) Financial instruments 6. Financial assets (excluding receivables) impairment test methods and accounting treatment methods”.

(15) Inventories

1. Classification of inventories

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

2. Measurement method of dispatched inventories

Inventories are measured with weighted average method when dispatched. The percentage matches method of the labor cost and labor revenue. One-off amortization method is adopted for low-cost consumables when they are consumed.

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.

4. Inventory system

Perpetual inventory system is adopted.

(16) Assets held for Sale

Not applicable.

(17) Debt Investment

Not applicable.

(18) Other Debt Investment

Not applicable.

(19) Long-term Receivables

The method for determining the expected credit loss of long-term receivables and the accounting treatment method are treated in accordance with the “5, (10) financial instruments 6, financial assets (excluding receivables) impairment test methods and accounting treatment methods”.

(20) Long-term Equity Investments

1. Criteria for judgment of common control and significant influence

The term “common control” refers to the sharing of control over an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Where the Company and other investors exert common joint control over the investee and have rights over the net assets of the investee, the investee is a joint venture of the Company.

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

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 cquire 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 cquire 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.

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.

(21) Investment Property

If using the cost measurement model:

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.

(22) Fixed Assets

A. Recognition criteria

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.

B. Depreciation method

Category	Depreciation Method	Depreciation Life (years)	Residual Rate (%)	Annual Depreciation Rate (%)
Buildings and constructions	Straight-line method	5-50	0-10	2.00-25.00
Machinery equipment	Straight-line method	3-15	0-10	6.00-33.33
Transportation equipment	Straight-line method	3-14	0-10	6.43-33.33
Electronic equipment	Straight-line method	3-14	0-10	6.43-33.33
Renovations of fixed assets	Straight-line method	5-15	0	6.67-20.00
Other equipment	Straight-line method	3-14	0-10	6.43-33.33

C. Identification basis and pricing method of financing lease fixed assets

If one of the following conditions is stipulated in the terms of the lease agreement signed between the Company and the lessor, it is recognized as a leased asset under finance:

(1) The ownership of the leased assets after the lease expires belongs to the Company;

(2) The Company has the option to purchase assets. The purchase price is much lower than the fair value of the assets when the option is exercised;

(3) The lease period accounts for the majority of the useful life of the leased asset;

(4) The present value of the minimum lease payment on the lease start date is not significantly different from the fair value of the asset.

At the beginning of the lease, the Company uses the lower of the fair value of the leased asset and the present value of the minimum lease payments as the entry value of the leased asset, and uses the minimum lease payment as the entry value of long-term payables. The difference is as unrecognized financing fee.

(23) 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.

(24) Borrowing Costs

A. 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.

B. 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.

C. 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.

D. 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.

(25) Biological Assets

Not applicable.

(26) Oil and Gas Assets

Not applicable.

(27) Use-of-right Assets

Not applicable.

(28) Intangible Assets

A. Valuation method, service life, impairment test

(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.

(2) Estimate of the useful life of the intangible assets with finite useful lives :

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

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

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

(3) Specific criteria divided the research stage and development stage

Expenditure internal research and development project is divided into research expenditures and development expenditures.

Research stage: the planned investigation and research activities to acquire and understand new scientific or technological knowledge.

Development stage: before commercial production and use, the research findings or other knowledge are applied in some plan or design to produce new or substantially improved materials, devices, products, etc.

B. Internal research and development expenditure accounting policy

Specific criteria divided the research stage and development stage:

If it can be reliably estimated that future economic benefits will flow to the entity, and that the purchase and production costs can be reliably measured, the development cost should be capitalized. The measurement of production cost of internally generated intangible assets is based on direct cost, indirect cost and amortization.

If it can be clearly defined that newly developed products or methods are technically feasible, and that they are intended for private use or sale, the development cost should be capitalized. The capitalized development cost should be amortized within a product's expected 5 to 8 years' life cycle, using a straight-line method. If the value in use cannot be recognized, impairment and amortization should be carried out. Research cost and the development cost which cannot be capitalized should be expense when it occurs.

(29) Impairment of Long-term Assets

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

Goodwill is tested for impairment at least at the end of each year.

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

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

(30) Long-term Deferred Expenses

Not applicable.

(31) Employee compensation

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.

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.

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.

(32) Estimated Liabilities

1. Recognition criteria for estimated liabilities

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

(1) The obligation is a present obligation of the Company;

(2) The performance of such obligation is likely to result in outflow of economic benefits from the Company;

(3) The amount of the obligation can be measured reliably.

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.

(33) Lease Liabilities

Not applicable.

(34) Share Payment

Not applicable.

(35) Other Financial Instruments such as Preferred Shares and Perpetual Bonds

Not applicable.

(36) Incomes

1. Specific criteria for determining the timing of income recognition for sales of goods

The Company will confirm that the sales income of the goods is realized when the Company has transferred the major risks and rewards of ownership of the goods to the purchaser; the Company does not retain the right to continue management linked to ownership, nor does it have effective control over the products sold; the amount of income can be measured reliably; the related costs incurred or to be incurred can be reliably measured.

The specific judgment criteria are as follows:

(1) Domestic sales: After the delivery of the goods, the Company confirms the sales income. According to the delivery method agreed in the sales order, the detailed standards for income recognition are:

When the customer goes directly to the warehouse of the Company to pick up goods, based on the outbound documents confirmed by the parties in various ways, the income is confirmed when the goods leave the warehouse.

When the customer appoints a carrier, based on the logistics document issued by the carrier, income is recognized when the goods are delivered to the carrier.

When the Company appoints a carrier, based on the logistics receipts signed and confirmed by the customer, income is recognized when the customer actually signs the receipt.

When the Company sells through the e-commerce platform, income is recognized when the electronic order received by the customer to confirm the receipt or the e-commerce receipt period expires.

If an unconditional return period or acceptance period has been agreed upon, the income recognition will be delayed to the expiry of unconditional return periodor acceptance period.

For sales on behalf of distributors, the income is recognized when the dealership list with the final customer confirmation is received.

(2) International sales: If choose to apply international trade terms, sale income is recognized according to the time point of risk transfer agreed in the specific applicable international trade terms. If an unconditional return period or acceptance period is agreed upon, the income recognition will be extended to the unconditional return period or the acceptance period after meeting the applicable trade term risk transfer point. If no international trade terms have been selected, the Company will recognize income after obtaining various types of risk transfer documents according to the agreed delivery method and the time of risk transfer.

(3) Sales of specialized sewing machine: As the customer has deeply customized the machine, according to the relevant agreement in the contract signed by both parties, the specific delivery obligations under each technical clause are distinguished, and the corresponding income is confirmed according to the completion of the customer demand and the relevant confirmation documents.

2. Recognition of income from transfer of assets use right

When the economic benefit related to the transaction is probably to flow into the Company and the relevant income can be reliably measured, the income from transfer of the assets use right is determined as follows:

(1) Interest income is measured based on the length of time for which the Company’s monetary funds is used by others and the applicable interest rate;

(2) Royalty income is measured according to the period and method of charging as stipulated in the relevant agreements or contracts.

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

The Company confirmed the income from the labor service when obtain the written settlement confirmation from the customer and issue the settlement certificate.

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

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

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

(1) If the service costs incurred are expected to be fully recoverable, the amounts equal to the labor costs incurred shall be recognized as incomes and the equivalent amounts of labor costs shall be carried forward;

(2) If the service costs incurred are not expected to be fully recoverable, the labor costs incurred shall be included in the current profit and loss, with no income from the rending of labor services not recognized.

The Company’s income from logistics service and sewing equipment maintenance services is recognized when related services have been provided, service costs have actually occurred, and service settlement documents confirmed by the service recipient have been obtained.

(37) Government Grants

A. Types

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

Government grants related to assets refer to government grants obtained by the Company that are used to purchase, construct or form long-term assets, including financial allocations for purchases of fixed assets or intangible assets, and financial discounts for special loans for fixed assets. Government grants related to income refer to government grants other than those related to assets.

The Company’s specific criteria for classifying government grants as related to assets are: government grants obtained by the Company that are used to purchase, construct or form long-term assets.

The Company’s specific criteria for classifying government grants as related to income are: government grants other than those related to assets.

If the government documents do not clearly specify the target of the grant, the judgment basis of classifying the government grant as related to the assets or related to the income is whether it is used to purchase or construct or form long-term assets.

B. Accounting treatment

Government grants related to assets: write down the carrying amount of the related assets or recognize them as deferred income. If it is recognized as deferred income, it shall be recorded into current profits and losses in a reasonable and systematic way within the useful life of the relevant assets (related to the Company’s daily activities, included in other income; unrelated to the Company’s daily activities, included in non-operating income).

Government grants related to income: grants used to compensate for the related costs or losses of the Company in the future period, shall be recognized as deferred income, and shall be recorded in the current profits and losses (related to the Company's daily activities, included in other income; unrelated to the Company's daily activities, included in non-operating income), or be used to reduce the related costs, expenses or losses during the period for confirming the relevant costs, expenses or losses.

(38) 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.

(39) Lease

A. Accounting treatment of operating lease

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

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

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

B. Accounting treatment of financial lease

(1) Assets rented in by financial lease: At the beginning of the lease, the Company uses the lower of the fair value of the leased assets and the present value of the minimum lease payments as the entry value of the leased assets, and uses the minimum lease payment as the entry value of the long-term payables. The

difference is used as unrecognized financing expenses. The Company adopts the actual interest rate method to amortize the unrecognized financing expenses during the asset lease period and count it into financial expenses. The initial direct costs incurred by the company are included in the value of the leased assets.

(2) Assets rented out by financial lease: At the lease beginning date, the Company recognizes the financial lease receivables, difference between the sum of unguaranteed residual value and its current value as unrealized financing income. It is recognized as lease income in each period during which rent is received in the future. The initial direct costs incurred by the Company in relation to the lease transaction are included in the initial measurement of the financial lease receivable, and the amount of income recognized in the lease period is reduced.

(40) Termination of Business

Termination of business is a component that has been disposed of by the Company or classified as held for sale by the Company, which is one of the following conditions, and can be separately distinguished when operating and preparing financial statements:

(1) This component represents an independent principal business or a major business area;

(2) This component is part of a plan to dispose of an independent primary business or a major operating area;

(3) This component is a subsidiary obtained only for resale.

(41) Changes in Important Accounting Policies and Accounting Estimates

A. Changes in important accounting policies

On April 30, 2019, the Ministry of Finance issued the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Accounting (2019) No. 6), and revised the financial statement format of general enterprises. In 2017, the Ministry of Finance revised and promulgated four accounting standards related to financial instruments, the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" (Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets" (Accounting [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 - Hedging" (Accounting [2017] No. 9), "Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation" (Finance [2017] No. 14) (hereinafter referred to as the “New Financial Instruments Guidelines”). Enterprises listed both in China and overseas shall implement the above guidelines from January 1, 2018. Other domestic listed companies shall implement the above guidelines from January 1, 2019. The Company is a domestic listed company, and the New Financial Instrument Guidelines shall be implemented from January 1, 2019. The main impacts of the Company's implementation of the above provisions are as follows:

Content and reasons for changes in accounting policies	Approval procedure	Remarks (name and amount of report items affected by importance)
(1) The “notes receivable and accounts receivable” in the balance sheet are divided into “notes receivable” and “accounts receivable”; “notes payable and accounts payable” are divided into “notes payable” and “accounts payables”. The comparison data is adjusted accordingly.		“Notes receivable and accounts receivable” in the balance sheet are divided into “notes receivable” and “accounts receivable”. The amount of “notes receivable” was RMB 60,046,109.79 yuan from January 1, 2019 to June 30, 2019, and the amount from January 1, 2018 to June 30, 2018 was RMB 81,482,151.15 yuan. the amount of “accounts receivable” was RMB 602,322,319.41 yuan from January 1, 2019 to June 30, 2019, and the amount from January 1, 2018 to June 30, 2018 was RMB 536,278,543.75; “Notes payable and accounts payable” are divided into “notes payable” and “accounts

		payables". The amount of "notes payable" was RMB 66,510,597.85 yuan from January 1, 2019 to June 30, 2019, and the amount i from January 1, 2018 to June 30, 2018 was RMB 71,109,160.21 yuan. The amount of "accounts payable" was RMB 214,381,121.77 yuan from January 1, 2019 to June 30, 2019, and the amount i from January 1, 2018 to June 30, 2018 was RMB 247,693,879.70 yuan.
(2) Notes Receivable and accounts receivable measured at fair value through other comprehensive income are reclassified from "other current assets" to "receivables financing"; the comparative data is adjusted accordingly.		N/A
(3) Under the investment income in the income statement, the item "where: the financial assets are recognized and recognized as amortized cost" is added, and the comparative data is not adjusted.		N/A
(4) The financial assets are classified as "financial assets measured at amortized cost" and "fairly The financial assets whose value is measured and whose changes are included in other comprehensive income, and the financial assets measured at fair value through profit or loss. (5) Adjusted the accounting treatment of non-trading equity instrument investment. Allowing an enterprise to designate a non-trading equity instrument investment to be measured at fair value and its changes are included in other comprehensive income, but the designation is irrevocable and should be included in the cumulative gain or loss previously recognised in other comprehensive income. Transfers to retained earnings shall not be carried forward to the current profits and losses. (6) The impairment of financial assets was changed from "the loss occurred method" to "expected loss method", and the scope of the provision was expanded to make provision for impairment of financial assets more timely and full, revealing and preventing financial asset credit risk (7) The judgment principle of financial assets transfer and its accounting treatment are further clarified. (8) The hedge accounting standard expands the scope of eligible hedged items and hedging instruments, replaces quantitative requirements with qualitative hedge effectiveness test requirements, and introduces a "rebalancing" mechanism for hedging relationships. (9) The relevant disclosure requirements for financial instruments are adjusted accordingly.	The twelfth meeting of the eighth board of directors	Retrospective adjustment of consolidated statement data at the beginning of the year: 1. Increase trading financial assets: 86,406,778.33 yuan; 2. Reduce accounts receivable: 563,078.70 yuan; 3. Reduce other receivables: 91,853.79 yuan; 4. Reduce available-for-sale financial assets: 117,733,027.78 yuan; 5. Adjust other comprehensive income: 46,940,385.41 yuan; 6. Adjust undistributed profit: 11,741,623.31 yuan.

B. Adjustment for changes in principal accounting estimates

Not applicable.

C. First implementation of the new financial instruments guidelines, new income standards, new lease standards, adjustments to the first implementation of the financial statements related projects at the beginning of the year

Consolidated Statement of Financial Position

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	595,034,146.11	595,034,146.11	
Deposit reservation for balance			
Lending funds			
Transactional financial assets		86,406,778.33	86,406,778.33
Financial assets at fair value whose fluctuation is attributed to profit or loss			

Item	December 31, 2018	January 1, 2019	Adjustment
for current period			
Derivative financial assets			
Notes receivable	81,482,151.15	81,482,151.15	
Accounts receivable	536,278,543.75	535,715,465.05	-563,078.70
Receivable financing			
Prepayment	39,695,762.85	39,695,762.85	
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	120,422,496.29	120,330,642.50	-91,853.79
Including: Interest receivable			
Dividends receivable	27,041,989.94	27,041,989.94	
Redemptory monetary capital for sale			
Inventories	896,977,884.83	896,977,884.83	
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	249,326,335.31	249,326,335.31	
Total current assets	2,519,217,320.29	2,604,969,166.13	85,751,845.84
Non-current assets:			
Loans and payments on behalf			
Debt investment			
Available-for-sale financial assets	117,733,027.78		-117,733,027.78
Other debt investment			
Held-to-maturity investments			
Long-term receivables	31,427,418.92	31,427,418.92	
Long-term equity investments	248,368,207.89	248,368,207.89	
Other equity investment		90,663,190.66	90,663,190.66
Other non-current financial assets			
Investment properties	145,386,135.12	145,386,135.12	
Fixed assets	473,157,221.59	473,157,221.59	
Construction in progress	119,166,627.75	119,166,627.75	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	270,072,349.34	270,072,349.34	
Development expenditures	6,798,312.48	6,798,312.48	
Goodwill	140,074,270.28	140,074,270.28	
Long-term deferred expenses	3,875,409.77	3,875,409.77	
Deferred income tax assets	68,850,860.84	68,850,860.84	
Other non-current assets			
Total non-current assets	1,624,909,841.76	1,597,840,004.64	-27,069,837.12
Total assets	4,144,127,162.05	4,202,809,170.77	58,682,008.72
Current liabilities:			
Short-term loans	206,614,015.12	206,614,015.12	
Borrowings from central bank			
Borrowings from banks and other financial institutions			
Transactional financial liabilities			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable	71,109,160.21	71,109,160.21	
Accounts payable	247,693,879.70	247,693,879.70	
Receipt in advance	75,412,987.77	75,412,987.77	
Financial assets sold for repurchase			
Deposits from customers and interbank			
Acting trading securities			
Acting underwriting securities			
Employee benefits payable	101,169,469.49	101,169,469.49	
Taxes and surcharges payable	21,208,862.17	21,208,862.17	

Item	December 31, 2018	January 1, 2019	Adjustment
Other payables	254,827,223.50	254,827,223.50	
Including: Interest payable	805,898.77	805,898.77	
Dividends payable	1,032,818.86	1,032,818.86	
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	4,173,297.07	4,173,297.07	
Other current liabilities	47,083.80	47,083.80	
Total current liabilities	982,255,978.83	982,255,978.83	
Non-current liabilities:			
Provision for insurance contracts			
Long-term loans	340,477,650.27	340,477,650.27	
Bonds payable			
Including: preference shares			
Perpetual bond			
Lease liability			
Long-term payables	3,403,296.49	3,403,296.49	
Long-term employee benefits payable	234,036,612.41	234,036,612.41	
Estimated liabilities	672,720.00	672,720.00	
Deferred income			
Deferred income tax liabilities	70,805,236.44	70,805,236.44	
Other non-current liabilities	520,000.00	520,000.00	
Total non-current liabilities	649,915,515.61	649,915,515.61	
Total liabilities	1,632,171,494.44	1,632,171,494.44	
Owners' equity			
Share capital	548,589,600.00	548,589,600.00	
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves	916,215,448.24	916,215,448.24	
Less: treasury stock			
Other comprehensive income	-75,701,094.41	-28,760,709.00	46,940,385.41
Special reserves			
Surplus reserves	4,546,242.52	4,546,242.52	
General risk reserves			
Undistributed profits	819,208,053.71	830,949,677.02	11,741,623.31
Total owners' equity attributable to the parent company	2,212,858,250.06	2,271,540,258.78	58,682,008.72
Minority interest	299,097,417.55	299,097,417.55	
Total owners' equity	2,511,955,667.61	2,570,637,676.33	58,682,008.72
Liabilities and owners' equity	4,144,127,162.05	4,202,809,170.77	58,682,008.72

Notes of adjustment: not applicable.

Statement of Financial Position

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	125,257,400.64	125,257,400.64	
Transactional financial assets		86,406,778.33	86,406,778.33
Financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial assets			
Notes receivable	8,713,253.21	8,713,253.21	
Accounts receivable	40,853,861.26	40,853,861.26	
Receivable financing			
Prepayment	1,013,250.66	1,013,250.66	
Other receivables	154,756,949.21	154,754,021.93	-2,927.28
Including: Interest receivable			

Item	December 31, 2018	January 1, 2019	Adjustment
Dividends receivable	1,050,356.92	1,050,356.92	
Inventories	116,010,332.72	116,010,332.72	
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	182,331,726.62	182,331,726.62	
Total current assets	628,936,774.32	715,340,625.37	86,403,851.05
Non-current assets:			
Debt investment			
Available-for-sale financial assets	117,733,027.78		-117,733,027.78
Other debt investment			
Held-to-maturity investments			
Long-term receivables	132,003,607.99	132,003,607.99	
Long-term equity investments	795,948,021.03	795,948,021.03	
Other equity investment		90,663,190.66	90,663,190.66
Other non-current financial assets			
Investment properties	82,357,348.39	82,357,348.39	
Fixed assets	5,108,388.24	5,108,388.24	
Construction in progress	2,804,766.05	2,804,766.05	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	10,991,616.43	10,991,616.43	
Development expenditures			
Goodwill			
Long-term deferred expenses	1,600,982.68	1,600,982.68	
Deferred income tax assets	940,809.20	940,809.20	
Other non-current assets			
Total non-current assets	1,149,488,567.79	1,122,418,730.67	-27,069,837.12
Total assets	1,778,425,342.11	1,837,759,356.04	59,334,013.93
Current liabilities:			
Short-term loans	9,348,148.62	9,348,148.62	
Transactional financial liabilities			
Financial liabilities at fair value whose fluctuation is attributed to profit or loss for current period			
Derivative financial liabilities			
Notes payable			
Accounts payable	95,996,884.11	95,996,884.11	
Receipt in advance	19,890,459.82	19,890,459.82	
Employee benefits payable	9,208,635.04	9,208,635.04	
Taxes and surcharges payable	4,352,572.60	4,352,572.60	
Other payables	174,326,023.74	174,326,023.74	
Including: Interest payable			
Dividends payable	1,032,818.86	1,032,818.86	
Liabilities held for sale			
Non-current liabilities maturing within one year	2,700,000.00	2,700,000.00	
Other current liabilities			
Total current liabilities	315,822,723.93	315,822,723.93	
Non-current liabilities:			
Long-term loans	1,489,984.87	1,489,984.87	
Bonds payable			
Including: preference shares			
Perpetual bond			
Lease liability			
Long-term payables	1,574,312.63	1,574,312.63	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities	1,197,067.41	1,197,067.41	
Other non-current liabilities	520,000.00	520,000.00	
Total non-current liabilities	4,781,364.91	4,781,364.91	

Item	December 31, 2018	January 1, 2019	Adjustment
Total liabilities	320,604,088.84	320,604,088.84	
Owners' equity:			
Share capital	548,589,600.00	548,589,600.00	
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserves	1,003,282,687.73	1,003,282,687.73	
Less: treasury stock			
Other comprehensive income	12,396,555.80	59,336,941.21	46,940,385.41
Special reserves			
Surplus reserves	4,546,242.52	4,546,242.52	
Undistributed profits	-110,993,832.78	-98,600,204.26	12,393,628.52
Total owners' equity	1,457,821,253.27	1,517,155,267.20	59,334,013.93
Total liabilities and owners' equity	1,778,425,342.11	1,837,759,356.04	59,334,013.93

Notes of adjustment: not applicable.

6. Tax

(1) Major taxes and tax rates

Tax type	Basis of tax assessment	Tax rate
Value-added tax (VAT)	Calculated based on the income from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the output tax for the period after deducting the deductible input tax for the period.	3%、5%、6%、7%、11%、10%、16%、17%、19%
consumption tax		
Business tax		
Urban maintenance and construction tax	Levied based on the actual payment of business tax and VAT.	1%、5%、7%
Enterprise income tax (EIT)	Levied based on the taxable income	16%-38%、15%、25%
Education surtax and local education sutax	Levied based on the actual payment of VAT.	3%、2%、1%

Note: The VAT rate applicable to DAAG and its subsidiaries is 19% or 7%.

If there are different corporate income tax rate taxpayers, see the disclosure statement

Tax subject name	Income tax rate（%）
Dürkopp Adler AG	16-38
DAP (Vietnam) Co., Ltd.	20
Zhejiang ShangGong GEMSY Co., Ltd.	15
Dürkopp Adler Manufacturing(Shanghai) Co.,Ltd.	15
SG Richpeace	15

(2) Tax incentives

The Company'S subsidiary Zhejiang ShangGong GEMSY Co., Ltd.,, Dürkopp Adler Manufacturing(Shanghai) Co.,Ltd.,, Tianjin Richpeace are state-level high-tech enterprises, enjoying corporate income tax at 15%.

The Company and all subsidiaries in Mainland China are entitled to a tax benefit of 75% deduction for research and development expenses.

Shanghai ShangGong Financial Leasing Co., Ltd.,, a subsidiary of the Company, provides tangible movable property financing leasing services and tangible movable property financing after-sales leaseback services, and enjoys the tax incentives for the portion of the VAT that exceeds 3% of the actual tax burden.

The Company'S three-tier subsidiary Shenzhen Yingruiheng Technology Co., Ltd. and Tianjin Yingrui'an Technology Co., Ltd. sell their own software products developed and produced, and enjoy the tax rebate of the part of the VAT actual tax burden of more than 3%.

7. Notes to Items of Consolidated Financial Statements

(1) Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	697,634.16	743,089.39
Bank deposit	687,708,199.44	556,653,249.22
Other monetary funds	36,748,447.24	37,637,807.50
Total	725,154,280.84	595,034,146.11
Including: total amount of cash and cash equivalents offshore	430,282,710.62	261,229,432.22

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

Item	Ending Balance	Beginning Balance
Bank Acceptance Deposit Guarantee (Note 1)	32,140,604.00	35,374,936.26
Security deposit (Note 2)	716,855.75	712,626.09
Deposit held for foreign exchange inspection (Note 3)	320,809.99	320,825.64
Total	33,178,269.74	36,792,523.72

Note 1: The balance as of June 30, 2019 is the monetary fund that SGGEMSY and Richpeace, which are subsidiaries of the Company, cannot withdraw at any time due to the opening of bank acceptance bills. .

Note 2: The balance as of June 30, 2019 is the electricity security deposit of Richpeace, a subsidiary of the Company, and the counterfeit deposit of Shanghai Butterfly Import & Export Co., Ltd., a third-level subsidiary of the Company.

Note 3: The balance of June 30, 2019 is the retained funds obtained by the Shanghai Butterfly Import and Export Co., Ltd., a third-level subsidiary of the Company, in the import and export trade that have not been transferred to the general trade account without being reviewed by the foreign exchange authorities.

(2) Transactional Financial Assets

Item	Ending Balance	Beginning Balance
Financial assets at fair value whose fluctuation is attributed to profit and loss for current period	90,854,497.33	86,406,778.33
In which：		
Transactional Equity Instrument Investment	90,854,497.33	86,406,778.33
Financial assets designated to be measured at fair value and their changes recorded in current profits and losses		
In which：		
Equity Instrument Investment		
Total	90,854,497.33	86,406,778.33

(3) Derivative Financial Assets

Not applicable.

(4) Notes receivable

A. Presentation of notes receivable by category

Item	Ending Balance	Beginning Balance
Bank acceptance bills	58,325,246.02	71,718,740.15
Commercial acceptance bills	1,720,863.77	9,763,411.00
Total	60,046,109.79	81,482,151.15

B. Notes receivable pledged as at the end of period

Item	Ending Balance
Bank acceptance bills	1,639,448.00
Commercial acceptance bills	
Total	1,639,448.00

C. Notes receivable endorsed or discounted at the end of the period and have not yet expired at the balance sheet date

Item	Closing confirmed amount	Closing unconfirmed amount
Bank acceptance bills	54,481,507.61	
Commercial acceptance bills		
Total	54,481,507.61	

D. Notes receivable transferred to accounts receivable due to the issuer's performance failure

Not applicable.

(5) Accounts Receivable

A. Disclosure of accounts receivable by aging

Aging	Ending Balance
Within 1 year	631,707,028.18
1-2 years	4,961,247.64
2-3 years	1,487,321.93
Over 3 years	82,927,144.25
Total	721,082,742.00

B. Disclosure of accounts receivable by bad debt provision method

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	%	
Provision for bad debts on a single basis	517,356,917.17	71.75	46,177,825.74	8.93	464,459,668.00	440,439,810.40	67.79	40,428,917.39	9.18	400,010,893.01
Provision for bad debts by portfolio	203,725,824.83	28.25	72,582,596.85	35.63	137,862,651.41	209,297,564.65	32.21	73,592,992.61	35.16	135,704,572.04
Total	721,082,742.00	100.00	118,760,422.59	16.47	602,322,319.41	649,737,375.05	100.00	114,021,910.00	17.55	535,715,465.05

Provision for bad debts made on an individual basis at the end of report period

Name	Ending Balance			
	Accounts receivable	Provision for bad debts	Provision ratio (%)	Reason for provision
Customer 2	19,659,755.00	19,659,755.00	100.00	Estimated not recoverable
Customer 3	18,176,864.00	386,675.15	2.13	Estimated partially not recoverable
Receivables guaranteed by financial institutions	55,407,380.32	277,036.90	0.50	Estimated partially not recoverable
Accounts receivable of SGG (Parent company)	19,446,122.98	12,675,163.63	65.18	Estimated partially not recoverable
Accounts receivable of ShangGong Butterfly	6,047,924.76	6,047,924.76	100.00	Estimated not recoverable
Accounts receivable of DAPSH	9,027,263.43	774,608.50	8.58	Estimated partially not recoverable
Accounts receivable of DA AG	241,317,373.08	6,268,413.45	2.60	Estimated partially not recoverable
Accounts receivable of SGSB Electronic Company	11,610.00	11,610.00	100.00	Estimated not recoverable
Accounts receivable of SHENSY	144,003,898.84	76,638.35	0.50	Estimated partially not recoverable
Accounts receivable of DAP Vietnam	1,415,930.19			Estimated recoverable
Accounts receivable of Richpeace	2,842,794.57			Estimated recoverable
Total	517,356,917.17	46,177,825.74	8.93	/

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

Name	Ending Balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	133,084,809.40	6,654,240.48	5.00
1 to 2 years	4,961,247.64	992,249.53	20.00
2 to 3 years	1,487,321.93	743,660.98	50.00
Over 3 years	64,192,445.86	64,192,445.86	100.00
Total	203,725,824.83	72,582,596.85	35.63

C. Bad debt provision

Type	Beginning Balance	Change				Ending Balance
		Accure	Recover or reverse	Write off	Accure	
Bad debt provision	114,021,910.00	5,826,703.89	970,289.94		117,901.36	118,760,422.59
Total	114,021,910.00	5,826,703.89	970,289.94		117,901.36	118,760,422.59

D. Accounts receivable actually written off in current period

Not applicable.

E. Top five accounts receivable by the ending balance of the borrowers

Company name	Ending balance		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer 1	31,176,789.40	4.32	155,883.95
Customer 2	19,659,755.00	2.73	19,659,755.00
Customer 3	18,176,864.00	2.52	386,675.15
Customer 4	16,010,701.32	2.22	80,053.51
Customer 5	12,608,352.58	1.75	63,041.76
Total	97,632,462.30	13.54	20,345,409.37

F. Receivables derecognized due to transfer of financial assets

Not applicable.

G. Transfer of accounts receivable and continued involvement in the formation of assets, liabilities

Not applicable.

Note: For details of the arrears of related parties in the accounts receivable at the end of the period, please refer to Note XII. (6) Accounts payable by related parties.

(6) Receivable Financing

Not applicable.

(7) Prepayment

A. Presentation of prepayments by aging

Aging	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	60,173,528.17	89.90	33,268,163.01	83.81
1-2 years	574,510.33	0.86	257,817.83	0.65
2-3 years	42,281.13	0.06	15,583.50	0.04
Over 3 years	6,147,650.83	9.18	6,154,198.51	15.50
Total	66,937,970.46	100.00	39,695,762.85	100.00

B. Top five prepayments to prepaid object in terms of their ending balance

Prepaid object	Ending Balance	Proportion in Total Ending Balance of Advances to Suppliers (%)
No.1	10,695,000.00	15.98
No.2	6,147,650.83	9.18
No.3	4,195,782.71	6.27
No.4	3,480,711.49	5.20
No.5	3,450,000.00	5.15
Total	27,969,145.03	41.78

Note: For the arrears of related parties in the prepayments at the end of the period, please refer to "12. (6) Accounts payable by related parties".

(8) Other receivables

Item	Ending Balance	Beginning Balance
Interest receivable		
Dividends receivable		27,041,989.94
Other receivables	88,782,983.97	93,288,652.56
Total	88,782,983.97	120,330,642.50

Interest receivable

Not applicable.

Dividends receivable

Item	Ending Balance	Beginning Balance
H.Stoll AG & Co.KG		27,041,989.94
Total		27,041,989.94

Note: DA AG completed the transfer of 26% of the shares held by Stoll in the current period and recovered the dividends to be distributed.

Other receivables

A. By aging

Aging	Ending Balance
Within 1 year	90,593,471.91
1-2 years	411,809.06
2-3 years	368,312.84
Over 3 years	33,366,676.94
Total	124,740,270.75

B. By nature

Nature	Ending balance	Beginning balance
Receivables from government agencies and institutions	17,621,194.43	17,823,075.77
Deposit in security	36,806,947.03	44,239,906.50
Employee Standby Fund and Employee Collection and Payment	759,149.92	1,942,944.76
Current account	69,552,979.37	64,995,266.26
Total	124,740,270.75	129,001,193.29

C. Provision for bad debts

Provision for bad debts	The first stage	The second stage	The third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1, 2019	2,079,345.56	266,518.23	33,366,676.94	35,712,540.73
The balance of January 1, 2019 is in this period				
-- Transfer to the second stage				
-- Transfer to the third stage				
-- Turn back to the second stage				
-- Turn back to the first stage				

Accrue in report period	419,858.03			419,858.03
Recover in report period	175,111.98			175,111.98
Reverse in report period				
Write-off				
Other change				
Balance on June 30, 2019	2,324,091.61	266,518.23	33,366,676.94	35,957,286.78

D. Provision for bad debts

Type	Begingning balance	Change			Ending balance
		Accual	Reversal or recovery	Write-off	
Other receivables bad debt provision	35,712,540.73	419,858.03	175,111.98		35,957,286.78
Total	35,712,540.73	419,858.03	175,111.98		35,957,286.78

E. Other receivables actually write-off in the current period

Not applicable.

F. Top five other receivables in terms of their ending balance

Name	Nature	Ending Balance	Age	% of Total other receivables	Ending Balance of Provision for Bad Debts
Customer A	Current accounts	14,125,990.90	From within 1 year to over 3 years	11.32	14,125,990.90
Customer B	Current accounts	13,972,876.30	1-2 years	11.20	1,743,643.82
Customer C	Export tax rebate	11,650,521.57	Within 1 year	9.34	58,252.61
Customer D	Security deposit	4,300,000.00	Within 1 year	3.45	21,500.00
Customer E	Security deposit	3,500,000.00	Within 1 year	2.81	17,500.00
Total	/	47,549,388.77	/	38.12	15,966,887.33

G. Receivables involving government grants

Not applicable.

H. Other receivables derecognized due to the transfer of financial assets

Not applicable.

I. Amount of assets and liabilities transferred from other receivables and continue to be involved

Not applicable.

Note: For details of the related party's arrears at the end of the period, please refer to Note XII. (6) Related party receivables and payables.

(9) Inventories

A. Classification of inventories

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	356,314,574.16	57,568,727.38	298,745,846.78	344,109,150.92	57,005,053.46	287,104,097.46
Goods in progress	281,145,088.90	39,624,184.91	241,520,903.99	243,900,021.71	39,753,513.85	204,146,507.86
Finished goods	338,778,719.26	40,973,046.49	297,805,672.77	301,330,071.32	40,953,279.20	260,376,792.12
Revolving materials	1,928,857.33	1,087,930.60	840,926.73	1,847,268.54	1,158,016.41	689,252.13
Consigned processing materials	5,192,430.15		5,192,430.15	1,312,325.29		1,312,325.29
Dispatched goods	25,048,510.46		25,048,510.46	32,403,336.09		32,403,336.09
Semi finished product	13,135,039.87	505,376.85	12,629,663.02	10,818,745.22	505,376.85	10,313,368.37
Labor cost	91,218,826.12		91,218,826.12	100,632,205.51		100,632,205.51
Total	1,112,762,046.25	139,759,266.23	973,002,780.02	1,036,353,124.60	139,375,239.77	896,977,884.83

Note: The Company's semi finished products include intelligent equipment projects that have not yet been assembled.

B. Inventory depreciation reserve and contract performance cost impairment provision

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	57,005,053.46	728,822.37			165,148.45	57,568,727.38
Goods in progress	39,753,513.85	14,383.54		30,974.63	112,737.85	39,624,184.91
Finished goods	40,953,279.20	210,779.70		159,509.48	31,502.93	40,973,046.49
Revolving materials	1,158,016.41			70,085.81		1,087,930.60
Semi finished product	505,376.85					505,376.85
Total	139,375,239.77	953,985.61		260,569.92	309,389.23	139,759,266.23

C. Explanation of the amount of capitalization of borrowing costs in the ending balance of inventory

Not applicable.

(10) Assets held for Sale

Not applicable.

(11) Non-current Assets Maturing within One Year

Not applicable.

(12) Other Current Assets

Item	Ending Balance	Beginning Balance
Unamortized expense	243,489.92	565,112.42
Input tax to be credited	12,517,618.01	15,243,281.57
Rentals and insurance fees	620,477.79	2,580,239.87
Overpaid enterprise income tax	74,705,746.68	50,937,701.45
Structured deposit	119,000,000.00	180,000,000.00
Total	207,087,332.40	249,326,335.31

(13) Debt Investment

Not applicable.

(14) Other Debt investment

Not applicable.

(15) Long-term receivables

Item	Ending Balance			Beginning Balance			Discount Rate
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value	
Financing lease	60,884,478.09		60,884,478.09	31,427,418.92		31,427,418.92	
Of which: unrealized financing income	9,471,611.91		9,471,611.91	5,591,540.26		5,591,540.26	
Total	60,884,478.09		60,884,478.09	31,427,418.92		31,427,418.92	/

(16) Long-term equity investment

Investees	Beginning Balance	Change in current period								Ending Balance	Ending Balance of Provision of Impairment
		Increa se in Invest	Decrea se in Invest ment	Return on Investment under Equity Method	Other Comprehensive Income Adjustment	Other Chang es in Equity	Declared Cash Dividends or Profit	Other	se in Invest		
H. Stoll AG & Co. KG	248,368,207.89		248,368,207.89							0	

Note: DA AG completed the transfer of a 26% stake in Stoll.

(17) Other Equity Investment

Item	Ending Balance	Beginning Balance
Non-listed company equity	93,257,774.18	90,663,190.66
Total	93,257,774.18	90,663,190.66

(18) Other Non-current Financial Assets

Not applicable.

(19) Investment Properties

A. Investment property measured at cost

Item	Buildings and Constructions	Leased Land Use Rights	Investment Real Estate Decoration	Total
1. Original book value				
(1) Beginning balance	229,018,510.26	50,523,752.24	2,583,492.92	282,125,755.42
(2) Increase in current period				
① Outsourcing				
② Transfer in from inventories, fixed assets or construction in progress				
③ Increase from business combination				
(3) Decrease in current period	360,423.22			360,423.22
① Disposal				
② Others				
③ Exchange rate fluctuation	360,423.22			360,423.22
4.Ending Balance	228,658,087.04	50,523,752.24	2,583,492.92	281,765,332.20
2. Accumulated depreciation and accumulated amortization				
(1) Beginning balance	110,814,471.54	17,287,325.55	861,164.76	128,962,961.85
(2) Increase in current period	2,801,096.42	552,001.62	252,499.28	3,605,597.32
①Amortization or accrual	2,801,096.42	552,001.62	252,499.28	3,605,597.32
(3) Decrease in current period	79,290.18			79,290.18
①Disposal				
② Others				
③ Exchange rate fluctuation	79,290.18			79,290.18
(4) Ending balance	113,536,277.78	17,839,327.17	1,113,664.04	132,489,268.99
3. Provision for impairment				
(1) Beginning balance	7,776,658.45			7,776,658.45
(2) Increase in current period				
①Accrual				
(3) Decrease in current period	30,027.24			30,027.24
①Disposal				
②Others				
③ Exchange rate fluctuation	30,027.24			30,027.24
(4) Ending balance	7,746,631.21			7,746,631.21
4. Book value				
(1) Book value at the end of the period	107,375,178.05	32,684,425.07	1,469,828.88	141,529,432.00
(2) Book value at the beginning of the period	110,427,380.27	33,236,426.69	1,722,328.16	145,386,135.12

(20) Fixed Assets

Item	Ending Balance	Beginning Balance
Fixed assets	473,459,229.06	473,157,221.59
Liquidation of Fixed Assets		
Total	473,459,229.06	473,157,221.59

Fixed assets

A. Fixed assets

Item	Buildings and Constructions	Machinery Equipment	Transportation Equipment	Electronic Equipment	Other Equipment	Total
1. Original book value						
(1) Beginning balance	529,909,913.71	419,337,123.33	20,888,060.43	7,359,112.39	300,780,133.58	1,278,274,343.44
(2) Increase in current period	3,105,748.27	14,241,306.12	1,754,571.95	362,221.57	9,834,401.24	29,298,249.15
① Purchase	1,714,322.27	8,629,702.63	1,754,571.95	362,221.57	7,989,589.24	20,450,407.66
② Transfer from construction in progress	1,391,426.00	5,299,926.00			1,844,812.00	8,536,164.00
③ Increase from business combination						
④Exchange rate fluctuation		311,677.49				311,677.49
(3) Decrease in current period	936,170.13	3,740,193.85	451,363.82	130,965.01	1,829,135.04	7,087,827.85
①Disposal or scrap		3,740,193.85	451,363.82	130,965.01	1,829,135.04	6,151,657.72
② Exchange rate fluctuation	936,170.13					936,170.13
(4) .Ending Balance	532,079,491.85	429,838,235.60	22,191,268.56	7,590,368.95	308,785,399.78	1,300,484,764.74
2. Accumulated depreciation						
(1) Beginning balance	257,432,056.90	274,509,114.01	10,948,812.97	5,669,194.63	244,071,340.52	792,630,519.03
(2) Increase in current period	6,540,746.78	11,205,735.05	1,207,177.09	586,521.14	7,866,950.76	27,407,130.82
①Accrual	6,540,746.78	10,569,060.81	1,207,177.09	586,521.14	7,798,714.35	26,702,220.17
②Exchange rate fluctuation		636,674.24			68,236.41	704,910.65
(3) Decrease in current period	427,957.06	2,945,795.23	363,138.52	71,276.00	1,652,172.26	5,460,339.07
①Disposal or scrap		2,945,795.23	363,138.52	71,276.00	1,652,172.26	5,032,382.01
②Exchange rate fluctuation	427,957.06					42,7957.06
(4) Ending balance	263,544,846.62	282,769,053.83	11,792,851.54	6,184,439.77	250,286,119.02	814,577,310.78
3. Provision for impairment						
(1) Beginning balance	4,913,777.92	7,485,432.76	48,170.70	37,818.61	1,402.83	12,486,602.82
(2) Increase in current period						
①Accrual						
(3) Decrease in current period		38,377.92				38,377.92
① Disposal or scrap		38,377.92				38,377.92
(4) Ending balance	4,913,777.92	7,447,054.84	48,170.70	37,818.61	1,402.83	12,448,224.90
4. Book value						
(1) Book value at the end of the period	263,620,867.31	139,622,126.93	10,350,246.32	1,368,110.57	58,497,877.93	473,459,229.06
(2) Book value at the beginning of the period	267,564,078.89	137,342,576.56	9,891,076.76	1,652,099.15	56,707,390.23	473,157,221.59

B. Idle fixed assets

Not applicable.

C. Fixed assets leased through finance leases

Item	Book value	Accumulated depreciation	Impairment	Book value
Machinery and equipment	5,817,491.21	897,380.08		4,920,111.13
Transportation Equipment	4,851,467.85	982,002.55		3,869,465.30
Total	10,668,959.06	1,879,382.63		8,789,576.43

D. Fixed assets leased out through operating leases

Item	Ending Book Value
Machinery and equipment	120,960.00
Electronic equipment	175,960.00
Total	296,920.00

E. Fixed assets without certificate of title

Item	Book value	Reason for failure in completing the formalities for obtaining certificates of title
Buildings and constructions	1,680,568.58	Self-built housing, the certificates are in the process

Note: Self-built housing for the Company's subsidiary Shanghai SGSB Asset Management Co., Ltd.

Note: For details of the restrictions on fixed assets mortgage, please refer to "VII. (70) Assets with limited ownership or use rights and 14. (II) Contingencies".

Liquidation of Fixed Assets

Not applicable.

(21) Construction in Progress

Item	Ending Balance	Beginning Balance
Construction in Progress	161,615,652.26	119,166,627.75
Construction materials		
Total	161,615,652.26	119,166,627.75

Construction in Progress

(1). Construction in Progress

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Household multifunctional sewing machine	1,304,367.87		1,304,367.87	1,304,367.87		1,304,367.87
Software development project	1,581,983.08		1,581,983.08	1,589,858.17		1,589,858.17
Sewing Equipment Engineering	12,166,019.41		12,166,019.41	14,361,655.65		14,361,655.65
Bensheim facility project	33,244,900.85		33,244,900.85	7,140,762.85		7,140,762.85
Modern logistics management center	59,113,440.42		59,113,440.42	54,755,378.01		54,755,378.01
Taizhou manufacturing base project	42,507,979.24		42,507,979.24	28,259,697.79		28,259,697.79
Construction Project	3,668,503.07		3,668,503.07	6,269,885.19		6,269,885.19
Equipment project	1,658,791.21		1,658,791.21	1,657,178.48		1,657,178.48
Production process improvement project	6,369,667.11		6,369,667.11	3,827,843.74		3,827,843.74
Total	161,615,652.26		161,615,652.26	119,166,627.75		119,166,627.75

(2). Changes in major construction in progress for current period

Item	Budget	Beginning balance	Increase in current period	Amount Transferred in Fixed Assets for the Current Period	Other decreases in current period	Ending balance	Proportion of the accumulated investment in project in budget (%)	capitalizatio n in	d amount of interest	amount of interest capitalizatio	interest capitalizatio n rate in 2017(%)	Source of Fund
Household multifunctional sewing machine		1,304,367.87				1,304,367.87						Self-owned
Software development project		1,589,858.17	161,773.58		169,648.67	1,581,983.08						Self-owned/ raised
Sewing Equipment Engineering		14,361,655.65	941,615.68	3,117,390.97	19,860.95	12,166,019.41						Self-owned
Bensheim base project		7,140,762.85	26,136,472.32		32,334.32	33,244,900.85						Self-owned
Modern logistics management center		54,755,378.01	4,358,062.41			59,113,440.42						Self-owned

Taizhou manufacturing project		28,259,697.79	14,248,281.45			42,507,979.24						Self-owned
Construction Project		6,269,885.19	2,864,783.06	5,418,773.03	47,392.15	3,668,503.07						Self-owned
Equipment project		1,657,178.48	1,612.73			1,658,791.21						Self-owned/ raised
Production process improvement project		3,827,843.74	2,541,823.37			6,369,667.11						Self-owned
Total		119,166,627.75	51,254,424.60	8,536,164.00	269,236.09	161,615,652.26	/	/			/	/

Note 1: For details of the mortgage restrictions of construction in progress, see Note 7. (79) Assets with limited ownership or use rights.

Note 2: The software development project was transferred to intangible assets after partial acceptance this year.

Construction Materials

Not applicable.

(22) Productive Biological Assets

Not applicable.

(23) Oil and gas Assets

Not applicable.

(24) Use-of-right Assets

Not applicable.

(25) Intangible Assets

A. Intangible assets

Item	Land Use Right	Patent and Non-patent Technology	Trademark Use Right	Computer Software	Others	Total
1. Original book value						
(1) Beginning balance	168,971,907.27	198,219,514.39	32,161,268.51	9,029,323.41	6,222,908.90	414,604,922.48
(2) Increase in current period		14,868,521.00		233,432.42	1,176,900.00	16,278,853.42
① Purchase		4,159,231.00		59,203.02	1,176,900.00	5,395,334.02
② R & D						
② Increase from business conbination						
③Exchange rate fluctuation				4,580.73		4,580.73
②Transfer from construction in progress/ development expenditure		10,709,290.00		169,648.67		10,878,938.67
(3) Decrease in current period		251,143.92			24,027.90	275,171.82
① Disposal						
②Exchange rate fluctuation		251,143.92			24,027.90	275,171.82
(4) .Ending Balance	168,971,907.27	212,836,891.47	32,161,268.51	9,262,755.83	7,375,781.00	430,608,604.08
2. Accumulated amortization						
(1) Beginning balance	14,746,217.28	99,844,555.33	20,561,268.51	3,157,623.12	6,222,908.90	144,532,573.14
(2) Increase in current period	2,091,418.68	12,772,655.81	600,000.00	768,736.00	29,863.89	16,262,674.38
① Accrual	2,091,418.68	12,772,655.81	600,000.00	764,155.27	29,863.89	16,258,093.65
② Exchange rate				4,580.73		4,580.73

Item	Land Use Right	Patent and Non-patent Technology	Trademark Use Right	Computer Software	Others	Total
fluctuation						
(3) Decrease in current period					24,027.90	24,027.90
① Disposal						
② Exchange rate fluctuation					24,027.90	24,027.90
4.Ending Balance	16,837,635.96	112,617,211.14	21,161,268.51	3,926,359.12	6,228,744.89	160,771,219.62
3. Provision for impairment						
(1) Beginning balance						
(2) Increase in current period						
① Accrual						
(3) Decrease in current period						
① Disposal						
(4) Ending balance						
4. Book value						
(1) Book value at the end of the period	152,134,271.31	100,219,680.33	11,000,000.00	5,336,396.71	1,147,036.11	269,837,384.46
(2) Book value at the beginning of the period	154,225,689.99	98,374,959.06	11,600,000.00	5,871,700.29		270,072,349.34

For details of the intangible assets mortgage, please refer to “VII. (79) Assets with limited ownership or use rights” in this note.

(26) Development Expenditures

Item	Beginning Balance	Increase in current period	Decrease in current period		Ending balance
		Internal Development Expenditure	Recognized as Intangible Assets	Transferred to Current Profits and Losses	
Sewing equipment	6,194,539.04	13,266,497.11	10,709,290.00		8,751,746.15
Freight platform	603,773.44	150,943.52			754,716.96
Total	6,798,312.48	13,417,440.63	10,709,290.00		9,506,463.11

Note: The development expenditures of sewing equipment represent the development costs of DA AG and DAMSH. The development expenditures of Freight platform represent the development costs of SHENSY.

(27) Goodwill

A. Book value of goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period	Decrease in Current Period		Ending Balance
		Acquisition	Disposal	Exchange Rate Fluctuation	
PFAFF GmbH	72,900,075.74			281,481.82	72,618,593.92
Beisler	22,863,893.28			88,282.08	22,775,611.20
Richpeace	77,544,194.54				77,544,194.54
Total	173,308,163.56			369,763.90	172,938,399.66

B. Provision for impairment of goodwill

Name of investee or goodwill formation events	Beginning Balance	Increase in Current Period	Decrease in Current Period		Ending Balance
		Accural	Disposal	Exchange Rate Fluctuation	
Beisler	22,863,893.28			88,282.08	22,775,611.20
PFAFF GmbH	10,370,000.00			40,040.63	10,329,959.37
Total	33,233,893.28			128,322.71	33,105,570.57

C. Information about the asset group or asset group combination in which the goodwill is located

The Company's goodwill belongs to the sewing equipment and intelligent manufacturing equipment division. After the acquisition, the company re-planned the product portfolio of each subsidiary, and each subsidiary independently produced and operated according to the product portfolio planned by the company. Therefore, all the assets of each subsidiary constitute the smallest cash-generating unit. Based on this, the Company separately treats each subsidiary as a separate asset group, and distributes the goodwill formed by the acquisition to the corresponding asset group for impairment test.

The Company acquired PFAFF and KSL in March 2013. In March 2015, PFAFF absorbed and merged with KSL. After the merger was completed, KSL became a subsidiary of PFAFF. However, KSL's product portfolio and various business activities remain unchanged and independent of PFAFF. The Company still conducts the goodwill impairment test of PFAFF and KSL as different asset groups, and the results of the goodwill impairment test are disclosed according to the independent legal entity.

(28) Long-term deferred expenses

Item	Beginning Balance	Increase in Current Period	Amortization in Current Period	Other Decreases in Current Period	Ending Balance
Enterprise Mailbox rental expense	152,640.82		33,785.04		118,855.78
Online brand registration fee	434,099.93		73,365.48		360,734.45
Landscape engineering	85,610.70		24,460.20		61,150.50
Leasehold improvements	2,613,314.69	484,105.03	233,410.29		2,864,009.43
Tooling cost	589,743.63		76,923.06		512,820.57
Total	3,875,409.77	484,105.03	441,944.07		3,917,570.73

(29) Deferred income tax assets / deferred income tax liabilities

A. Deferred income tax assets without offset

Item	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Receivables		6,768,626.79		2,812,242.21
Inventories		25,015,089.15		23,969,903.97
Long-term assets		495,000.00		850,120.55
Pension (Europe)		30,038,401.92		32,606,465.72
Estimated liabilities		168,180.00		168,180.00
Other liabilities		4,263,872.52		3,171,305.91
Unrealized profits from internal transactions		8,604,725.23		9,942,558.47
Offset amount		-2,915,985.59		-4,669,915.99
Total		72,437,910.02		68,850,860.84

B. Deferred income tax liabilities without offset

Item	Ending Balance		Beginning Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Receivables		5,837,687.92		5,426,063.85
Long-term assets		66,611,260.42		65,007,499.07
Other liabilities		7,276,930.73		5,041,589.51
Offset amount		-2,915,985.59		-4,669,915.99
Total		76,809,893.48		70,805,236.44

C. Deferred income tax assets or liabilities presented in net amount after offset

Not applicable.

(30) Other Non-current Assets

Not applicable.

(31) Short-term loans

Item	Ending Balance	Beginning Balance
Mortgage loans		15,000,000.00
Guaranteed loans	116,500,000.00	157,900,000.00
Credit loans	179,433,464.04	33,714,015.12
Total	295,933,464.04	206,614,015.12

Note: For details of the guarantees related to guarantee loans, please refer to "Notes and Contingencies of the Fourteenth, (II) Contingencies, Note 2" in this note.

(32) Transactional Financial Liabilities

Not applicable.

(33) Derivative Financial Liabilities

Not applicable.

(34) Notes payable

Type	Ending Balance	Beginning Balance
Bank acceptance bill	66,510,597.85	71,109,160.21
Total	66,510,597.85	71,109,160.21

(35) Accounts payable

Item	Ending Balance	Beginning Balance
Payable to suppliers	214,381,121.77	247,693,879.70
Total	214,381,121.77	247,693,879.70

(36) Receipt in advance

Item	Ending Balance	Beginning Balance
Advances on sales	73,995,073.96	75,412,987.77
Total	73,995,073.96	75,412,987.77

(37) Employee Compensation Payable

A. Employee compensation payable

Item	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Short-term remuneration	81,418,421.69	371,075,499.91	389,109,574.33	63,384,347.27
Post-employment benefits – defined benefit plans	956,764.30	12,610,853.78	12,541,311.76	1,026,306.32
Dismissal welfare		262,692.00	262,692.00	
Defined benefit plan maturing within one year	18,794,283.50	9,372,183.00	9,841,603.00	18,324,863.50
Total	101,169,469.49	393,321,228.69	411,755,181.09	82,735,517.09

B. Short-term remuneration

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
(1) Salary, bonus, allowance and subsidy	61,805,400.44	298,116,750.40	316,296,795.56	43,625,355.28
(2) Employee welfare	18,754,797.93	62,071,209.02	62,039,038.42	18,786,968.53
(3) Social insurance expenses	497,539.96	6,827,459.86	6,926,106.94	398,892.88

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Including: medical insurance premium	351,862.77	5,777,016.66	5,859,536.79	269,342.64
Work-related injury insurance premium	38,179.52	393,200.06	407,877.34	23,502.24
Maternity insurance premium	27,654.44	478,900.54	480,350.18	26,204.80
Other	79,843.23	178,342.60	178,342.63	79,843.20
(4) Housing provident funds	322,745.00	3,267,900.20	3,166,502.20	424,143.00
(5) Labor union expenditures and employee education expenses	37,938.36	792,180.43	681,131.21	148,987.58
(6) Short-term paid absences				
(7) short-term profit-sharing plan				
Total	81,418,421.69	371,075,499.91	389,109,574.33	63,384,347.27

C. Defined contribution plan

Item	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Basic endowment insurance premium	934,217.71	12,296,056.96	12,221,307.03	1,008,967.64
Unemployment insurance premium	22,546.59	290,431.39	295,639.30	17,338.68
Payment of annuity		24,365.43	24,365.43	
Total	956,764.30	12,610,853.78	12,541,311.76	1,026,306.32

(38) Taxes and surcharges payable

Item	Ending Balance	Beginning Balance
Value-added tax	3,742,413.66	6,825,857.95
Enterprise income tax	5,323,300.47	8,221,152.27
Individual income tax	3,846,266.43	4,696,274.54
Urban maintenance and construction tax	308,852.42	524,568.34
Educational surtax	240,367.48	417,462.59
Use tax of land	242,379.84	473,407.84
Stamp tax	6,945.70	10,922.70
Others	2,693.67	39,215.94
Total	13,713,219.67	21,208,862.17

(39) Other Payables

Item	Ending Balance	Beginning Balance
Interest Payable	927,338.69	805,898.77
Dividends payable	1,032,818.86	1,032,818.86
Other payables	203,928,214.44	252,988,505.87
Total	205,888,371.99	254,827,223.50

Interest Payable

Item	Ending Balance	Beginning Balance
Term interest on long-term borrowings due in installments	468,776.19	478,320.87
Short-term loan interest payable	458,562.50	327,577.90
Total	927,338.69	805,898.77

Dividends payable

Item	Ending Balance	Beginning Balance
Light Industrial Holding Group Co., Ltd	959,269.79	959,269.79
Privately-owned corporate shares	73,549.07	73,549.07
Total	1,032,818.86	1,032,818.86

Other payables

Item	Ending Balance	Beginning Balance
Other payables	203,928,214.44	252,988,505.87
Total	203,928,214.44	252,988,505.87

(40) Liabilities Held for Sale

Not applicable.

(41) Non-current liabilities maturing within 1 year

Item	Ending Balance	Beginning Balance
Long-term payable due within one year		2,700,000.00
Deferred income due within one year	921,178.53	1,473,297.07
Total	921,178.53	4,173,297.07

(42) Other current liabilities

Item	Ending Balance	Beginning Balance
Short-term bond payable		
Interest and rentals	46,902.00	47,083.80
Total	46,902.00	47,083.80

(43) Long-Term Loans

Item	Ending Balance	Beginning Balance
Mortgage loans	79,850,059.00	61,821,029.40
Credit loans	277,586,424.87	278,656,620.87
Total	357,436,483.87	340,477,650.27

Note: For the description of the related mortgages in the closing balance of the mortgage loan of RMB 61,821,029.40 (€7,878,000.00), please refer to “14. Commitments and Contingencies, (2) Contingencies, Note 1”.

(44) Bonds Payable

Not applicable.

(45) Lease Liability

Not applicable.

(46) Long-term Payables

Item	Ending Balance	Beginning Balance
Long-term payables	2,168,925.47	3,403,296.49
Special payable		
Total	2,168,925.47	3,403,296.49

Long-term Payables

Item	Ending Balance	Beginning Balance
Financing lease payments	405,155.28	1,853,818.94
Less: unconfirmed financing charges		-213,538.77
Other	1,763,770.19	1,763,016.32
Total	2,168,925.47	3,403,296.49

Special Payable

Not applicable.

(47) Long-term Employee Compensation Payable

Item	Ending Balance	Beginning Balance
1. Post-employment benefits – net liability of defined benefit plan	225,793,814.95	234,036,612.41
2. Dismissal welfare		
3. Other long-term benefits		
Total	225,793,814.95	234,036,612.41

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

The method used to calculate pension obligations is actuarial. The computation basis includes life expectancy, developed rate, changes in pension, and developed payroll trends.

(48) Estimated Liabilities

Item	Beginning Balance	Ending Balance	Reason
Pending litigation	672,720.00		
Total	672,720.00		/

(49) Deferred Income

Not applicable.

(50) Other Non-current Liabilities

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

(51) Share Capital

	Beginning Balance	Change in Current Period（+/-）					Ending Balance
		Issuance of New Shares	Sending shares	Transfer reserve to share capital	Others	Sub-total	
Total	548,589,600.00						548,589,600.00

(52) Other Equity Instruments

Not applicable.

(53) Capital Reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Stock premium	851,345,853.61			851,345,853.61
Other capital reserves	64,869,594.63	3,087,058.84	3,721,832.30	64,234,821.17
Total	916,215,448.24	3,087,058.84	3,721,832.30	915,580,674.78

The reduction of capital reserve is the acquisition of minority shareholders' equity by the Company's premium, and the premium partially offsets the capital reserve. For details, please refer to "Note IX. Interests in other entities, (2) Changes in the share of owners' equity in subsidiaries and control of transactions of subsidiaries, 2. Transactions on minority shareholders and ownership of owners' equity impact".

(54) Treasury Stock

Not applicable

(55) Other Comprehensive Income

Item	Beginning Balance	Change in Current Period						Ending Balance
		Accrual before Income tax for the Current Period	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current year	Less: Income Tax Expenses	Attributable to Owners of the Parent Company	Attributable to Minority Shareholders	Accrual before Income tax for the Current Period	
1. Other comprehensive income that cannot be reclassified in the loss and gain in the future	15,653,812.22	2,594,583.52				2,594,583.52		18,248,395.74
Including: change in re-measurement of the net liabilities and net	-43,683,128.99							-43,683,128.99

Item	Beginning Balance	Change in Current Period						Ending Balance
		Accrual before Income tax for the Current Period	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current year	Less: Income Tax Expenses	Attributable to Owners of the Parent Company	Attributable to Minority Shareholders	Accrual before Income tax for the Current Period	
assets under defined benefit plan								
A share in other comprehensive income of investee that cannot be reclassified in the losses and gains under the equity method								
Changes in fair value of other equity instruments investment	59,336,941.21	2,594,583.52				2,594,583.52		61,931,524.73
Changes in the fair value of the company's own credit risk								
2. Other comprehensive income that will be reclassified in the loss and gain in the future	-44,414,521.22	-8,975,300.30				-8,975,300.30		-53,389,821.52
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								
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								
Total other comprehensive income	-44,414,521.22	-8,975,300.30				-8,975,300.30		-53,389,821.52
2. Other comprehensive income that will be reclassified in the loss and gain in the future	-28,760,709.00	-6,380,716.78				-6,380,716.78		-35,141,425.78

(56) Special Reserve

Not applicable.

(57) Surplus Reserves

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

(58) Undistributed Profits

Item	Reporting period	Same period of the previous year
Adjustments to undistributed profits as at December 31, 2018	819,208,053.71	692,241,691.51
Adjustments to total undistributed profits as at January 1, 2019 (“+” for increase, “-“ for decrease)	11,741,623.31	
Adjusted undistributed profits as at January 1, 2018	830,949,677.02	692,241,691.51
Plus: net profit attributable to owners of the parent company for current period	70,652,950.10	100,161,346.50
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Ordinary share dividends payable		
Ordinary share dividend transferred to share capital (paid-in capital)		
Undistributed profits as at June 30, 2019	901,602,627.12	792,403,038.01

Due to the retrospective adjustment of the “Accounting Standards for Business Enterprises” and its related new regulations, the undistributed profit at the beginning of the period was affected by RMB 11,741,623.31.

(59) Operating income and operating costs

Item	Six months ended June 30, 2019		Six months ended June 30, 2018	
	Income	Cost	Income	Cost
Main business	1,577,978,013.07	1,174,976,738.90	1,449,212,806.09	1,029,214,894.79
Other businesses	44,005,016.73	24,003,799.32	45,581,607.18	23,236,130.67
Total	1,621,983,029.80	1,198,980,538.22	1,494,794,413.27	1,052,451,025.46

(60) Taxes and surcharges

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Urban maintenance and construction tax	1,186,567.54	806,953.97
Educational surtax	831,796.89	718,049.63
Property tax	2,701,640.87	2,215,365.99
Land use tax	843,976.91	958,617.88
Vehicle and vessel tax	24,563.19	16,544.80
Stamp tax	468,024.50	444,355.20
Other	241,643.00	344.20
Total	6,298,212.90	5,160,231.67

(61) Selling Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Employee compensation	81,976,322.24	68,477,738.65
Fix and after-sale service charges	12,435,841.37	11,855,231.61
Office expenses	567,519.91	411,478.32
Travelling expenses	12,093,308.16	9,834,477.29
Transportation cost	15,652,097.07	12,094,658.88
Advertising expense	5,003,069.64	2,394,034.63
Commission	11,052,766.29	11,350,261.62
Leasing and storage charges	6,533,043.72	3,982,825.41
Insurance premium	929,634.60	328,652.94
Conference fees	217,143.44	118,897.55
Depreciation costs	1,509,570.82	1,211,664.30
Exhibition fees	2,440,143.71	1,585,467.46
Sample printed matter and product loss	6,053,510.87	5,905,187.62
Entertainment expenses	2,302,784.51	757,129.82
Other	17,395,172.74	17,292,848.42
Total	176,161,929.09	147,600,554.52

(62) General and Administrative Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Employee compensation	75,969,230.38	69,551,075.61
Office expenses	2,840,052.69	1,947,623.71
Water and electricity	1,155,128.33	571,118.40
Entertainment expenses	3,386,709.26	3,324,228.18
Property insurance premium	1,153,967.13	1,172,655.05
Conference fees	41,789.39	130,873.98
Travelling expenses	4,622,465.02	3,880,277.57
Depreciation costs	9,360,965.39	5,137,472.71
Repair charges	361,168.64	242,365.23
Transportation cost	958,392.82	776,519.62
Rental fees	7,205,143.75	5,210,376.21
Costs of board meetings and supervisors' meetings	234,043.92	251,601.17
Agency fees and advisory expenses	7,281,420.10	10,898,525.41
Litigation cost	810,295.19	485,226.44
Other	5,750,684.99	4,538,832.58
Total	121,131,457.00	108,118,771.87

(63) R &D Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Employee compensation	38,830,582.16	30,214,516.84
Material consumption	8,956,173.83	13,545,488.72
Depreciation and amortization expenses	1,278,345.03	1,364,889.62
Others	1,299,664.93	1,312,909.36
Total	50,364,765.95	46,437,804.54

(64) Financial Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest expenses	10,871,565.30	6,107,454.56
Less: Interest income	-1,968,344.40	-2,498,914.91
Gains and losses on exchange	414,403.26	7,052,428.53
Others	-442,588.49	1,430,263.38
Total	8,875,035.67	12,091,231.56

(65) Other Income

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Financial support fund	5,315,320.00	466,000.00
Unemployment insurance aids enterprises to stabilize subsidies	1,229,254.26	46,700.00
Innovation Drives Industry Transformation and Upgrade Assessment Award		80,000.00
Property tax return		717,178.80
Qiantang Economic Development Zone subsidy	1,470,000.00	1,250,000.00
Comprehensive Bonded Area Management Committee Subsidy		44,000.00
VAT refund	1,047,416.87	
Others	319,838.64	12,494.76
Total	9,381,829.77	2,616,373.56

(66) Investment Income

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Long-term equity investments measured under equity method		-1,691,101.14
Investment income from disposal of long-term equity investment	22,150,051.44	
Investment income of a financial asset at its fair value and whose changes are included in the current profits and losses during the period of holding		
Investment income obtained from the disposal of financial assets at fair value and their changes are included in the current profits and losses		26,338.67
Investment income of the held-to-maturity investment during the holding period		
Investment income obtained from the disposal of the held-to-maturity investment		
Investment income derived from available-for-sale financial assets		11,889,784.50

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Investment income from disposal of available-for-sale financial assets		
Investment income of transactional financial assets during the holding period	1,555,711.20	
Dividend income from other equity instruments invested during the holding period	900,000.00	
Interest income earned by the debt investment during the holding period		
Interest income earned by other debt investments during the holding period		
Investment income from disposal of transactional financial assets	59,257.62	
Investment income from disposal of other equity instruments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Others	2,162,180.12	7,260,044.29
Total	26,827,200.38	17,485,066.32

(67) Net Hedge Income

Not applicable.

(68) Gains from Changes in Fair Value

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Transactional financial assets	4,441,599.00	
Among them: the gains from changes in fair value arising from derivative financial instruments		
Transactional financial liabilities		
Investment property measured at the fair value		
Total	4,441,599.00	

(69) Credit Impairment Loss

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Bad debt loss of accounts receivable	-4,856,413.95	
Bad debt loss of other receivables	-244,746.05	
Total	-5,101,160.00	

(70) Losses from Asset Impairment

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Losses from bad debts		409,326.21
Losses from inventory impairment	-923,010.98	-58,842.08
Total	-923,010.98	350,484.13

(71) Gain on Disposal of Assets

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Fixed assets	-54,610.64	-571,141.92
Total	-54,610.64	-571,141.92

(72) Non-operating Income

Item	Six months ended June 30, 2019	Six months ended June 30, 2018	Amount included in current non-recurring gains and losses
Government grants		20,000.00	
Unpayable payables	843,369.30	398,451.43	843,369.30
Others	581,839.90	2,937,503.29	581,839.90
Total	1,425,209.20	3,355,954.72	1,425,209.20

(73) Non-operating Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018	Amount included in current non-recurring gains and losses
Donations made	252,000.00	651,000.00	252,000.00
Amercement and overdue fine outlay	27,430.04	217,621.81	27,430.04
Compensation expense	30,000.00		30,000.00
Others	79,386.93	86,951.12	79,386.93
Total	388,816.97	955,572.93	388,816.97

(74) Income Tax Expenses

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Current income tax expenses	17,757,193.25	31,390,146.67
Deferred income tax expenses	1,943,588.88	1,539,881.68
Total	19,700,782.13	32,930,028.35

(75) Other Comprehensive Income

See notes for details.

(76) Items of the Statement of Cash Flows

A. Cash received from other operating activities

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Current accounts and advances withdrawn	21,833,449.53	14,390,620.52
Special subsidies and grants	6,681,929.77	2,636,373.56
Interest income	1,726,397.38	1,914,330.36
Non-operating income:	581,839.90	49,158.26
Other	427,686.78	1,034,817.18
Total	31,251,303.36	20,025,299.88

B. Cash paid for other operating activities

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Current accounts paid	25,946,613.12	30,750,544.80
Selling expenses	72,391,539.34	50,045,373.71
General and administrative expenses	43,989,692.37	56,975,876.20
Non-operating expenses	930,891.31	766,673.43
Others	6,198,971.78	6,317,754.30
Total	149,457,707.92	144,856,222.44

C. Cash received from other investing activities

Not applicable.

D. Cash paid from other investing activities

Not applicable.

E. Cash received from other financing activities

Not applicable.

F. Cash paid from other financing activities

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash paid for finance lease	1,906,007.70	
Returning the borrowings from original shareholders of Richpeace	19,600,000.00	
Total	21,506,007.70	

(77) Supplementary Information on the Statement of Cash Flows

A. Supplementary Information on the Statement of Cash Flows

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
1. Net profit adjusted to cash flows from operating activities		
Net profit	76,078,548.60	112,285,929.18
Plus: Provision for assets impairment	6,024,170.98	-350,484.13
Depreciation of fixed assets and others	30,307,817.49	25,407,641.27
Amortization of intangible assets	16,258,093.65	11,134,050.39
Amortization of long-term deferred expenses	441,944.07	186,385.50
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-“ for gains)	-54,610.64	571,141.92

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Losses on write-off of fixed assets （“-” for gains）	18,459.12	
Losses from changes in fair value (“-“ for gains)	-4,441,599.00	
Financial expenses (“-” for income)	12,135,331.99	13,159,883.09
Investments losses (“-“ for gains)	-26,827,200.38	-17,485,066.32
Decreases in the deferred income tax assets (“-” for increases)	-3,587,049.18	-2,942,077.58
Increases in the deferred income tax liabilities (“-” for decreases)	6,004,657.04	1,935,513.24
Decreases in inventories (“-” for increases)	-76,408,921.65	-82,640,544.93
Decreases in operating payables (“-” for increases)	-79,261,919.75	-105,872,538.02
Increases in operating payables (“-” for decreases)	-63,698,713.53	-13,092,988.36
Others		
Net cash flows from operating activities	-107,010,991.19	-57,703,154.75
2. Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents:		
Ending balance of cash	691,976,011.10	625,219,186.80
Less: beginning balance of cash	558,241,622.39	713,813,720.45
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	133,734,388.71	-88,594,533.65

B. Net cash paid to acquire subsidiaries during the current period

Not applicable.

C. Net cash received from disposal of subsidiaries during the current period

Not applicable.

D. Composition of cash and cash equivalents

Item	Ending Balance	Beginning Balance
1. Cash	691,976,011.10	558,241,622.39
Including: cash on hand	697,634.16	743,089.39
Unrestricted bank deposit	687,708,199.44	556,269,113.49
Other unrestricted monetary funds	3,570,177.50	1,229,419.51
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. Ending Balance of cash and cash equivalents	691,976,011.10	558,241,622.39
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		

(78) Notes of items in Statement of Changes in Owner’s Equity

Not applicable.

(79) Assets with restricted ownership or use rights

Item	Book value at the end of period	Restricted reasons
Monetary funds	33,178,269.74	Various types of deposits and other restricted funds
Notes receivable	1,639,448.00	Bill pledge business
Fixed assets	6,194,658.62	Bank loan is mortgaged

Item	Book value at the end of period	Restricted reasons
Intangible assets	14,694,873.26	Bank loan is mortgaged
Construction in progress	59,113,440.42	Bank loan is mortgaged
Investment property	26,186,673.19	Financing guarantee
Total	141,007,363.23	

(80) Monetary items in foreign currency

A. Monetary items in foreign currency

Item	Ending balance of foreign currency	Exchange rate	Ending balance of conversion into RMB
Monetary funds			42,617,439.55
Including: USD	5,651,499.23	6.8632	38,787,369.50
EUR	488,074.89	7,8473	3,830,070.05

B. Description of overseas operating entities

The domicile of primary operation of the Company’s subsidiary, DA AG, is in Germany, with Euro as functional currency for it is the applicable currency for the operation region.

The domicile of primary operation of the Company’s subsidiary, DAP Vietnam Co., Ltd., is in Vietnam, with VND as functional currency for it is the applicable currency for the operation region.

(81) Hedging

Not applicable.

(82) Government Grants

Type	Amount	Item	Amount recognized in current profits and losses
Financial support funds	5,315,320.00	Other income	5,315,320.00
Unemployment insurance aids enterprises to stabilize subsidies	1,229,254.26	Other income	1,229,254.26
Qiantang Economic Development Zone subsidy	1,470,000.00	Other income	1,470,000.00
VAT refund	1,047,416.87	Other income	1,047,416.87
Other	319,838.64	Other income	319,838.64
Total	9,381,829.77		9,381,829.77

8. Change in the Scope of Consolidation

(1) Business combinations not under common control

Not applicable.

(2) Business combinations under common control

Not applicable.

(3) Reverse purchase

Not applicable.

(4) Disposal of subsidiaries

Not applicable.

(5) Changes in consolidation scope with other reasons

Not applicable.

9. Equity in Other Entities

(1) Equity in subsidiaries

A. Composition of enterprise groups

Name of Subsidiary	Major Places of Business	Registered Place	Business Nature	Shareholding Ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Shanggong Butterfly Sewing Machine Co., Ltd.	Shanghai, China	Shanghai, China	Production and sales of sewing machines	100.00		Investment
DAP (Shanghai) Co., Ltd.	Shanghai, China	Shanghai, China	Sales of sewing machines	100.00		Investment
Shanghai SMPIC Imp. & Exp. Co., Ltd.	Shanghai, China	Shanghai, China	Sales, import and export of office equipment	100.00		Investment
Shanghai SGSB Electronics Co., Ltd.	Shanghai, China	Shanghai, China	Production and sales of electronic equipment	100.00		Investment
Shanghai SGSB Asset Management Co., Ltd.	Shanghai, China	Shanghai, China	Asset and property management	100.00		Investment
Shanghai Fengjian Property Co., Ltd.	Shanghai, China	Shanghai, China	Property Management	100.00		Business combinations under common control
Duerkopp Adler AG	Bielefeld, Germany	Bielefeld, Germany	Production and sales of sewing machines	100.00		Investment
Zhejiang ShangGong GEMSY CO., LTD.	Taizhou, Zhejiang, China	Taizhou, Zhejiang, China	Production and sales of sewing machines	60.00		Investment
Shanghai Shensy Enterprise Development Co., Ltd.	Shanghai, China	Shanghai, China	Logistics, etc.	50.00		The Company purchased 9.97% equitp of SHENSY from Shanghai Pudong Emerging Industry Investment Co., Ltd. in the report period. The shareholding ratio increased from 40.03% to 50%.
Shanghai ShangGong Financial Leasing Co., Ltd.	Shanghai, China	Shanghai, China	Financial Leasing	51.00	49.00	Investment
PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.	Zhangjiagang, Jiangsu, China	Zhangjiagang, Jiangsu, China	Production and sales of sewing machines	30.25	69.75	The company directly holds 30.25% of the shares of PFAFF Sewing Machine (Zhangjiagang) Co., Ltd., and indirectly holds the remaining 69.75% equity through other subsidiaries. Since the company directly manages the business activities of PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., this company is included in the direct scope of the company.
DAP Vietnam Co., Ltd.	Ho Chi Minh, Vietnam	Ho Chi Minh, Vietnam	Sales of sewing machines	100.00		Investment
ShangGong Sewing Equipment (Zhejiang) Co., Ltd.	Taizhou, Zhejiang, China	Taizhou, Zhejiang, China	Production and sales of sewing machines	100.00		Investment
Dürkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd.	Shanghai, China	Shanghai, China	Production and sales of sewing machines	51.00	49.00	Investment
TIANJIN RICHPEACE AI CO., LIMITED	Tianjing, China	Tianjing, China	Production and sales of sewing and intelligent equipment	65.00		Business combinations not under common control

B. Important non-wholly owned subsidiary

Name of subsidiary	Minority shareholders Shareholding%	Profit and loss attributable to minority shareholders for the current period	Other comprehensive income attributable to minority shareholders in this period	Balance of minority shareholders' equity at the end of the period
Zhejiang ShangGong GEMSY CO., LTD.	40.00	-997,053.67		84,652,974.20
Shanghai Shensy Enterprise Development Co., Ltd.	50.00	2,571,143.63		132,413,716.66
TIANJIN RICHPEACE AI CO., LIMITED	35.00	2,511,197.49		50,755,036.44

C. Main financial data of important non-wholly owned subsidiary

Name of subsidiary	Ending Balance						Beginning Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhejiang ShangGong GEMSY CO., LTD.	267,571,128.64	96,672,973.89	364,244,102.53	152,611,667.03		152,611,667.03	262,049,874.07	98,559,165.52	360,609,039.59	146,483,969.92		146,483,969.92
Shanghai Shensy Enterprise Development Co., Ltd.	399,712,888.99	98,078,143.53	497,791,032.52	212,463,094.72	20,118,632.86	232,581,727.58	382,809,588.75	93,768,523.55	476,578,112.30	213,777,562.28	1,878,628.16	215,656,190.44
TIANJIN RICHPEACE AI CO., LIMITED	172,235,395.06	58,342,337.57	230,577,732.63	140,605,600.57		140,605,600.57	154,392,606.55	57,857,955.80	212,250,562.35	161,027,646.24	1,608,000.62	162,635,646.86

Name of subsidiary	Six months ended June 30, 2018				Six months ended June 30, 2018			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Zhejiang ShangGong GEMSY CO., LTD.	166,160,497.18	-2,492,634.17	-2,492,634.17	3,360,636.84	162,005,039.06	-1,470,384.24	-1,470,384.24	4,900,293.65
Shanghai Shensy Enterprise Development Co., Ltd.	464,735,166.06	4,287,383.08	4,287,383.08	-1,304,985.39	362,468,133.25	9,786,092.92	9,786,092.92	-28,060,959.13
TIANJIN RICHPEACE AI CO., LIMITED	92,534,369.00	7,174,849.98	7,174,849.98	-14,831,373.85				

Note: TIANJIN RICHPEACE AI CO., LIMITED was included in the scope of the consolidated statements of the Company since August 31, 2018.

D. Major restrictions on the use of group assets and liquidation of group debt

Not applicable.

E. Financial support or other support provided to structured entities included in the scope of consolidated financial statements

Not applicable

(2) Transaction that changes the shareholding ratio in subsidiaries but still controls the subsidiaries

A. Desciption

In the current period, the Company purchased 9.97% equity in Shanghai Shensi Enterprise Development Co., Ltd. held by Shanghai Pudong Emerging Industry Investment Co., Ltd. through the delisting of Shanghai United Assets and Equity Exchange.

B. Impact of the transaction on minority shareholders' equity and Total owners' equity attributable to the parent company

	SHENSY
Purchase cost/disposal consideration	
-- Cash	30,163,200.00
-- Fair value of non-cash assets	
Total purchase cost/disposal consideration	30,163,200.00
Less: Net assets of subsidiaries calculated according to the proportion of acquired/disposed equity	26,441,367.70
Difference	3,721,832.30
Among them: adjusting the capital reserve	3,721,832.30
Adjust surplus reserve	
Adjust undistributed profit	

(3) Equity in joint operation and joint venture

Not applicable.

(4) Important common management

Not applicable.

(5) Equity in structured entities not included in the scope of consolidated financial statements

Not applicable.

10. Risks Related to Financial Instruments

The Company faces various financial risks in the course of its operations: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for risk management objectives and policies. The Board of Directors reviews the effectiveness of the implemented procedures and the rationality of risk management objectives and policies through monthly reports submitted by the heads of functional departments and subsidiaries. The Company's internal audit department will audit the risk management policies and procedures and report the findings to the audit committee.

The overall goal of the Company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the Company's competitiveness and resilience.

10.1 Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The Company's credit risk is mainly related to accounts receivable.

(1) Accounts Receivable

The accounts receivable of the Company are mainly exposed to the credit risk of customers caused by credit sales. Before opening up new customers and signing new framework contracts, the Company will evaluate new customers' credit risks, including external credit ratings and, in some cases, bank credit certificates (when this information is available).

For the sewing machine business and export trading business, the Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval. For sales that exceed the credit limit, the Company only sells it on the premise of additional approval. Otherwise, it must demand that it pay the corresponding amount in advance. For customers who have not completed payment in a timely manner on the previous credit sale, the Company will no longer accept new product orders before recovering accounts receivable.

For the logistics business, the Company only deals with customers that have been approved and have a good reputation and have a certain scale. After the credit period expires, the Company will perform various forms of collection for customers who have not paid on time. Due to the high dispersion of customers in the logistics business, there is no significant concentration of credit risk.

As of the end of the report period, the top five customers' accounts receivable of the Company accounted for 13.54% of the ending balance, and the Company did not have significant credit risk.

(2) Other Receivables

The Company's other receivables mainly include export tax refund receivables, various types of deposits and deposits. The Company manages and monitors this type of payments together with related economic activities to ensure that the Company does not have significant bad debt risks.

10.2 Market risk

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk that the Company may face is mainly derived from bank loans that carry interest at floating rates.

As of June 30, 2019, the Company’s short-term bank loans with Euribor as benchmark interest rate totaled 1.365 million euros, and long-term loans with Euribor as benchmark interest rate totaled 43.198 million euros. Supposing that other variables remain unchanged, a 50% benchmark change in interest rates would have no significant impact on the Company's current profit or loss and shareholders' equity.

(2) Exchange Rate Risk

Exchange rate risk refers to the risk of loss due to exchange rate changes. The foreign exchange risk of the Company mainly includes the risk associated with the monetary assets and liabilities formed by the Company and its subsidiaries and overseas customers through the settlement of non-standard currencies, as well as the risk of translation differences in foreign currency statements. The former risk affects the current period profit and loss, and the latter risk affects owner's equity (other comprehensive income).

See Note 5.(80) for details of monetary items in foreign currency as of June 30, 2019.

Exchange rate risk sensitivity analysis:

With the other variables unchanged, the pre-tax impact of reasonable changes in exchange rates on the current profit or loss and owner's equity is as follows:

Item	Exchange rate changes	Six months ended June 30, 2019		Six months ended June 30, 2018	
		Impact on current profits and losses	Impact on owner's equity	Impact on current profits and losses	Impact on owner's equity
Foreign currency statement conversion	10% appreciation of RMB	4,597,690.61	92,995,076.73	6,146,172.97	95,841,411.32
Foreign currency statement conversion	10% depreciation of RMB	-4,597,690.61	-92,995,076.73	-6,146,172.97	-95,841,411.32
Foreign Currency Items	10% appreciation of RMB	9,574,081.00	9,574,081.00	7,693,309.93	7,693,309.93
Foreign Currency Items	10% depreciation of RMB	-9,574,081.00	-9,574,081.00	-7,693,309.93	-7,693,309.93

(3) Other Price Risks

The Company holds equity investments in other listed companies. The management of the Company believes that the market price risks faced by these investment activities are acceptable. The listed company’s equity investment held by the Company is listed as follows:

Item	Ending Balance	Beginning Balance
Transactional financial assets	90,854,497.33	86,406,778.33
Total	90,854,497.33	86,406,778.33

As of June 30, 2019, if all other variables remain unchanged, if the value of the equity instrument increases or decreases by 20%, the Company will increase or decrease the Fair value change income by 18,170,899.47 yuan. The management of the Company believes that 20% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

10.3 Liquidity risk

Liquidity risk refers to the risk of shortage of funds when performing obligations settled by way of delivery of cash or other financial assets. The Company's policy is to ensure that it has sufficient cash to repay the debts due. Liquidity risk is centrally controlled by the Company's financial department. By monitoring cash balances, marketable securities that can be realised at any time, and rolling forecasts of cash flows for the next 12 months, the financial department ensures that the Company has sufficient funds to repay debts under all reasonably foreseen circumstances.

The Company's external sources of funds mainly include bank loans. As of June 30, 2019, the Company's unused bank loan quota was 14 million euros (is equivalent to 110 million yuan at the end of the period) and 630 million yuan. The Company's own funds are relatively abundant and liquidity risk is relatively small.

11. Disclose of Fair Value

(1) The fair value at end of current period of assets and liabilities measured at fair value

Item	Fair value at the end of reporting period			
	Measured at the fair value of the first level	Measured at the fair value of the second level	Measured at the fair value of the third level	Total
1. Measurement at fair value based on going concern				
(1) Transactional financial assets	90,854,497.33			90,854,497.33
A. Financial assets measured at fair value through current profit and loss	90,854,497.33			90,854,497.33
a. Investment in debt instruments				
b. Investments in equity instruments	90,854,497.33			90,854,497.33
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) Other debt investment				
(3) Other equity investment			91,079,774.22	91,079,774.22
(4) Investment property				
A. Use right of leased land				
B. Leased buildings				
C. Land use right held for transfer upon appreciation				
(5) Biological assets				
A. Consumable biological assets				
B. Productive biological assets				
Total amount of assets measured at fair value based on going concern	90,854,497.33		91,079,774.22	181,934,271.55
(6) Transactional financialliabilities				
A. Financial liabilities measured at fair value through current profit and loss				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				

Item	Fair value at the end of reporting period			
	Measured at the fair value of the first level	Measured at the fair value of the second level	Measured at the fair value of the third level	Total
B. Financial liabilities designated to be measured at fair value through current profit and loss				
Total amount of liabilities measured at fair value based on going concern				
2. Measurement at fair value based on going concern				
(1) Assets held for sale				
Total amount of assets measured at fair value not based on going concern				
Total amount of liabilities measured at fair value not based on going concern				

The input values used for fair value measurement are divided into three levels:

The first level of input is an unadjusted quote for the same asset or liability that can be obtained on the measurement date in an active market.

The second level input value is an input value that is directly or indirectly observable for related assets or liabilities other than the first level input value.

The third level input value is the unobservable input value of the relevant asset or liability.

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value of the fair value measurement is significant.

(2) Basis for determination of market price for measurement of fair value of the first level based on going concern and not based on going concern

The fair value at end of reporting period of Transactional financial assets was determined on the basis of the closing price of Shenzhen Stock Exchange and Shanghai Stock Exchange on the last trading day in June 2019.

(3) Qualitative and quantitative information on valuation techniques and important parameters used in item Measured at the fair value of the second level based on going concern and not based on going concern

Not applicable.

(4) Qualitative and quantitative information on valuation techniques and important parameters used in item Measured at the fair value of the second level based on going concern and not based on going concern

Other equity instrument investments (non-listed company equity instrument investments) are equity investments that do not constitute control, joint control, significant influence, and no active market quotation. The fair value at the end of the period is determined in accordance with reasonable methods stipulated in accounting standards.

12. Related Party and Related Party Transaction

(1) The parent company of the Company

The Company is a listed company with no controlling shareholder and no actual controller.

(2) The subsidiaries of the Company

See the Note 9 Equity in Other Entities for the details.

(3) The joint operation and joint ventures of the Company

See the Note 9 Equity in Other Entities for the details.

(4) Other related parties

Name of Other Related Parties	Relationship with the Company
Shanghai Hirose Precision Industrial Co., Ltd.	Other related party
Shanghai Fuji Xerox Co., Ltd.	Other related party
Zhejiang GEMSY Electromechanical Co., Ltd.	Other related party
Shenzhen Yingning Venture Capital Co., Ltd.	Other related party
Tianjin Tongshang Software Co., Ltd.	Other related party

(5) Related transactions

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

Purchase of goods / receipt of services

Related Party	Content of Related Transaction	Six months ended June 30, 2019	Six months ended June 30, 2018
Stoll Electronics Co., Ltd.	Purchase of goods / Receiving of service		10,978,177.50

Sales of goods /rendering of services

Related Party	Content of Related Transaction	Six months ended June 30, 2019	Six months ended June 30, 2018
Shanghai Fuji Xerox Co., Ltd.	Sales of goods	5,183,629.38	9,806,140.15
Stoll Electronics Co., Ltd.	Sales of goods		454,513.14

B. Related lease

The Company acted as lessor:

Name of leasee	Type of leased asset	Rental recognized in report period	Rental recognized in last period
Shanghai Hirose Precision Industrial Co., Ltd.	Machinery equipment	250,000.00	250,000.00

(6) Receivables and payables from related parties

A. Receivables

Item	Related party	Ending Balance		Beginning Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Shanghai Fuji Xerox Co., Ltd.	866,910.69	44,345.53	1,688,554.30	84,427.72
	Stoll Electronics Co., Ltd.			57,950.27	
Prepayment					
	Zhejiang Gemsy Mechanical and Electrical Co., Ltd.	6,147,650.83		6,147,650.83	
Other receivables					
	Zhejiang Gemsy Mechanical and Electrical Co., Ltd.	697,279.69	469,379.69	697,279.69	367,679.69

B. Payables

Item	Related party	Ending Balance	Beginning Balance
Account payables			
	Stoll Electronics Co., Ltd.		1,696,195.46
Other payables			
	Shenzhen Yingning Venture Capital Co., Ltd.	10,000,000.00	35,116,900.00
	Tianjin Tongshang Software Co., Ltd.	3,000,000.00	24,810,600.00
	H. Stoll AG & Co. KG		23,675,820.92

13. Share Payment

Not applicable.

14. Commitments and contingencies

(1) Important commitments

Not applicable.

(2) Contingencies

A. Important contingent events at the balance sheet date

a) Contingent liabilities formed by debt guarantees provided by the Company for its subsidiary DA AG as of June 30, 2019

Guarantee	Guarantee Amount	Commencement Date of Guarantee	Expiration Date of Guarantee	Whether the Guarantee has been Fulfilled or not	Note
Industrial and Commercial bank Shanghai Hongkou Branch	EUR 7.878 million	21st December 2015	21st December 2020	No	Note

Note 5: on 21st December 2015, the Company's wholly owned subsidiary, DA AG (formerly known as ShangGong Europe), applied to the Frankfurt Branch of ICBC for a loan of no more than 7.878 million euro so as to pay the acquisition fee to Stoll KG. ICBC Shanghai Hongkou Branch issued a financing guarantee letter for the funds, and the Company issued an unconditionally irrecoverable corporate letter of guarantee for self-using fix assets where No.603 Dapu Road as counter guarantee for the abovementioned financing guarantee letter.

As of June 30, 2019, there is no outflow of economic benefits arising from the above contingencies.

(2) Shanghai Shensy Enterprise Development Co., Ltd., a second-level subsidiary of the Company, borrowed 50,000,000.00 yuan from Bank of Communications Shanghai Baoshan Branch, borrowed RMB 66,500,000.00 from China Construction Bank Shanghai Baosteel Baoshan Branch, and borrowed RMB 10,000,000.00 from Shanghai Bank Fumin Branch. The third-level subsidiary Shanghai Shensy Kaile Internet of Things Co., Ltd. provides joint liability guarantee.

As of June 30, 2019, there is no outflow of economic benefits arising from the above guarantee.

(3) The Company's third-level subsidiary Mudanjiang Kailehui Logistics Co., Ltd. signed a financing sale and leaseback contract with ProLogis Financial Leasing (Shanghai) Co., Ltd.. Shanghai Shensy Enterprise Development Co., Ltd., a second-level subsidiary of the Company, is jointly and severally liable for all payment obligations under the financing sale and leaseback contract.

As of June 30, 2019, Shanghai Shensy Enterprise Development Co., Ltd. has not yet experienced the outflow of economic benefits due to the above guarantees, and the amount of financing leases that have not yet been settled amounts to 117,403.04 yuan.

(4) Shanghai Shensy Kaile Supply Chain Management Co., Ltd., a third-level subsidiary of the Company,borrowed RMB 18,267,733.00 yuan from China Construction Bank Shanghai Baosteel Baoshan Branch. Shanghai Shensy Enterprise Development Co., Ltd., a second-level subsidiary of the Company, provides joint liability guarantee.

As of June 30, 2019, there is no outflow of economic benefits arising from the above guarantee.

15. Post balance sheet event

(1) Important non-adjusting events

A. Capital increase in Shanghai ShangGong Financial Leasing Co., Ltd.

The Company and its subsidiary DA AG plans to jointly increase capital with Shanghai Zhongtong Ruide Investment Group Co., Ltd. (hereinafter referred to as “ZTRD”). to Shanghai ShangGong Financial Leasing Co., Ltd.; the Company will increase its capital by USD 2.10 million, DA AG will increase its capital by USD 2.6 million, and ZTRD will increased its capital by USD 15.53 million. Upon completion of the capital increase, ZTRD will hold a 51.00% stake in Shanghai ShangGong Financial Leasing Co., Ltd. The Company will lose control of Shanghai ShangGong Financial Leasing Co., Ltd. and will no longer include Shanghai ShangGong Financial Leasing Co., Ltd. in the scope of consolidation of the Company. As of the date of issuance of the financial statements, the capital increase has not yet completed the required government filing or approval work and registration procedures, and the capital increase of each shareholder has not been paid in place.

B. Equity incentive plan

The Company plans to implement equity incentives to the company's directors, senior management and other key personnel in business and management positions, in the form of stock options. At the time of exercise, the Company will issue RMB A shares of common stock to the incentive object. The equity incentive plan is valid for five years. The exercise period is 36 months after the grant of equity, and the lock option period is 12 months after the stock option grant. The stock option is valid to meet the performance requirements announced by the company. The equity incentive plan is to be awarded 13,204,200.00 stock options, with a total of 318 employees granted for the first time, and the exercise price is RMB 7.90 yuan/share.

The equity incentive plan was approved by the 10th meeting of the 8th Board of Directors of the Company on February 28, 2019, and was approved by the company's first extraordinary shareholders meeting in 2019 on March 18, 2019. As of the date of issuance of the financial statements, the equity incentive plan has not yet reached the exercise period.

The equity incentive plan was approved by the 10th meeting of the 8th Board of Directors of the Company on February 28, 2019, and was approved by the company's first extraordinary shareholders meeting in 2019 on March 18, 2019. As of the date of issuance of the financial statements, the equity incentive plan has not yet reached the exercise period.

(2) Profit Distribution

According to the resolution of the Company’s 11th Meeting of the 8th Board of Directors on 12 April 2019, no dividends of 2018 will be distributed, neither the transferring of capital reserves into share capital.

16. Other Significant Events

(1) Division information

A. Basis for determining the report division

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

B. Report division’s financial information

Item	Sewing equipment division	Logistics service division	Export trade division	Other business segments	Offset between divisions	Total
1. Operating income	1,288,054,651.48	464,735,166.06	50,497,161.02	43,288,827.32	224,592,776.08	1,621,983,029.80
Including: External transaction income	1,068,553,062.47	464,735,166.06	50,497,161.02	38,197,640.25		1,621,983,029.80
Inter-segment transaction income	219,501,589.01			5,091,187.07	224,592,776.08	
2. Depreciation	40,049,679.20	1,669,793.70	4,043.52	5,284,338.79		47,007,855.21

Item	Sewing equipment division	Logistics service division	Export trade division	Other business segments	Offset between divisions	Total
and amortization						
3. Total profit	113,487,277.47	5,401,363.07	-209,978.64	-9,058,428.95	13,840,902.22	95,779,330.73
4. Income tax expenses	17,755,866.82	1,113,979.99		830,935.32		19,700,782.13
5. Net profit	95,731,410.65	4,287,383.08	-209,978.64	-9,889,364.27	13,840,902.22	76,078,548.60
6. Total assets	4,403,755,739.82	497,791,032.52	10,946,787.34	921,294,272.30	1,593,320,834.76	4,240,466,997.22
7. Total liabilities	2,009,668,312.06	232,581,727.58	2,791,967.79	181,107,938.97	809,295,381.73	1,616,854,564.67

17. Notes to mains items of the financial statements of the parent company

(1) Accounts receivable

A. By aging

Aging	Ending Balance
Within 1 year	55,248,759.35
1 to 2 years	1,221,212.97
2 to 3 years	100,749.95
Over 3 years	64,671,383.02
Total	121,242,105.29

B. By bad debt provision method

Type	Ending Balance					Beginning Balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
provision for bad debt made on an individual basis	19,446,122.98	16.04	12,675,163.63	65.18	6,770,959.35	42,236,048.21	39.53	19,217,099.26	45.50	23,018,948.95
provision for bad debt made on a portfolio with similar risk credit characteristics basis	101,795,982.31	83.96	54,714,952.10	53.75	47,081,030.21	64,602,975.75	60.47	46,768,063.44	72.39	17,834,912.31
Total	121,242,105.29	100.00	67,390,115.73	55.58	53,851,989.56	106,839,023.96	100.00	65,985,162.70	61.76	40,853,861.26

Provision for bad debts made on an individual basis at the end of report period

Name	Ending Balance			
	Accounts receivable	Provision for bad debts	Provision ratio (%)	Reason for provision
Customer C	6,745,451.61	337,272.58	5.00	Estimated partially not recoverable
Customer D	5,854,440.56	5,543,196.15	94.68	Estimated partially not recoverable
Customer E	4,679,327.49	4,679,327.49	100.00	Estimated not recoverable
Other Customers	2,166,903.32	2,115,367.41	99.11	Estimated partially not recoverable
Total	19,446,122.98	12,675,163.63	65.18	/

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

Name	Ending Balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	48,477,800.00	2,424,115.14	5.00
1 to 2 years	1,221,212.97	244,242.59	20.00
2 to 3 years	100,749.95	50,374.98	50.00
Over 3 years	51,996,219.39	51,996,219.39	100.00
Total	101,795,982.31	54,714,952.10	53.75

C. Bad debt provision

Type	Beginning Balance	Change			Ending Balance
		Accure	Recover or reverse	Write off	
Bad debt provision	65,985,162.70	1,521,109.47	116,156.44		67,390,115.73
Total	65,985,162.70	1,521,109.47	116,156.44		67,390,115.73

D. Accounts receivable actually written off in current period

Not applicable.

E. Top five accounts receivable by the ending balance of the borrowers

Company name	Ending Balance		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
Customer A	11,530,775.39	9.51	11,530,775.39
Customer B	7,480,189.67	6.17	7,480,189.67
Customer C	6,745,451.61	5.56	337,272.58
Customer D	5,854,440.56	4.83	5,543,196.15
Customer E	4,679,327.49	3.86	4,679,327.49
Total	36,209,184.72	29.93	29,570,761.28

F. Receivables derecognized due to transfer of financial assets

Not applicable.

G. Transfer of accounts receivable and continued involvement in the formation of assets, liabilities

Not applicable.

Note: For details of the arrears of related parties in the accounts receivable at the end of the period, please refer to Note XII. (6) Accounts payable by related parties.

(2) Other Receivables

Item	Ending Balance	Beginning Balance
Interest receivable		
Dividends receivable		1,050,356.92
Other receivables	319,948,024.10	153,703,665.01
Total	319,948,024.10	154,754,021.93

Interest Receivable

Not applicable.

Dividends Receivable

Investee	Ending Balance	Beginning Balance
Shanghai ShangGong Butterfly Sewin Machine Co., Ltd.		1,050,356.92
Total		1,050,356.92

Other Receivables

A. By aging

Aging	Ending Balance
Within 1 year	381,003,939.72
1-2 years	200,800.00
2-3 years	
Over 3 years	29,177,304.03
Total	410,382,043.75

B. By nature

Nature	Ending Balance	Beginning Balance
Employee Standby Fund and Employee Collection and Payment	759,149.92	656,980.92
Receivables from government agencies and institutions		1,547,836.20
Deposit in security		181,200.00
Current account	409,622,893.83	234,173,241.93
Total	410,382,043.75	236,559,259.05

C. Provision for bad debts

Provision for bad debts	The first stage Expected credit losses in the next 12 months	The second stage Expected credit loss for the entire duration (no credit impairment)	The third stage Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance on January 1, 2019	53,638,130.01	40,160.00	29,177,304.03	82,855,594.04
The balance of January 1, 2019 is in this period				
-- Transfer to the second stage				
-- Transfer to the third stage				
-- Turn back to the second stage				
-- Turn back to the first stage				
Accrue in report period	7,655,613.88			7,655,613.88
Recover in report period	77,188.27			77,188.27
Reverse in report period				
Write-off				
Other change				
Balance on June 30, 2019	61,216,555.62	40,160.00	29,177,304.03	90,434,019.65

D. Provision for bad debts

Type	Begingning Balance	Change			Ending Balance
		Accual	Reversal or recovery	Write-off	
Other receivables bad debt provision	82,855,594.04	7,655,613.88	77,188.27		90,434,019.65
Total	82,855,594.04	7,655,613.88	77,188.27		90,434,019.65

E. Other receivables actually write-off in the current period

Not applicable.

F. Top five other receivables in terms of their ending balance

Name	Nature	Ending Balance	Age	% of Total other receivables	Ending Balance of Provision for Bad Debts
Customer A	Related party transactions	88,590,200.00	1-2 years	21.59	4,429,510.00
Customer B	Related party transactions	79,477,061.26	1-2 years	19.37	3,973,853.06
Customer C	Related party transactions	73,664,670.11	Within 1 year	17.95	3,683,233.51
Customer D	Related party transactions	44,441,872.51	From within 1 year to over 3 years	10.83	44,441,872.51
Customer E	Related party transactions	33,000,000.00	Within 1 year	8.04	1,650,000.00
Total	/	319,173,803.88	/	77.78	58,178,469.08

G. Receivables involving government grants

Not applicable

H. Other receivables derecognized due to the transfer of financial assets

Not applicable.

I. Amount of assets and liabilities transferred from other receivables and continue to be involved

Not applicable.

(3) Long-term equity investments

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	851,111,221.03	5,500,000.00	845,611,221.03	801,448,021.03	5,500,000.00	795,948,021.03
Total	851,111,221.03	5,500,000.00	845,611,221.03	801,448,021.03	5,500,000.00	795,948,021.03

A. Investment in subsidiaries

Name	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Provision for impairment provided in current period	Ending balance of provision for impairment
DAP (Shanghai) Co., Ltd.	59,046,675.86			59,046,675.86		
Shanghai Shanggong Butterfly Sewing Machines Co., Ltd	79,000,000.00			79,000,000.00		
Duerkopp Adler AG	142,370,693.64			142,370,693.64		
Shanghai SMPIC Imp. & Exp. Co., Ltd.	12,000,000.00			12,000,000.00		
Shanghai SGSB Asset Management Co., Ltd.	60,000,000.00			60,000,000.00		5,000,000.00
Shanghai SGSB Electronics Co., Ltd	20,000,000.00			20,000,000.00		
Shanghai Fengjian Property Co., Ltd.	500,000.00			500,000.00		500,000.00
Shanghai Shensy Enterprise Development Co., Ltd.	86,083,077.64	30,163,200.00		116,246,277.64		
Zhejiang ShangGong GEMSY CO., LTD.	129,600,000.00			129,600,000.00		
Shanghai ShangGong Financial Leasing Co.,Ltd.	33,452,430.00			33,452,430.00		
PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd.	12,553,070.89			12,553,070.89		
DAP Vietnam Co., Ltd.	204,273.00			204,273.00		
ShangGong Sewing Equipment (Zhejiang) Co., Ltd.	10,000,000.00			10,000,000.00		
Dürkopp Adler Industrial Manufacturing (Shanghai) Co., Ltd.	20,000,000.00			20,000,000.00		
TIANJIN RICHPEACE AI CO., LIMITED	136,637,800.00	19,500,000.00		156,137,800.00		
Total	801,448,021.03	49,663,200.00		851,111,221.03		5,500,000.00

(4) Operating Income and Operating Costs

Item	Six months ended June 30, 2019		Six months ended June 30, 2018	
	Income	Cost	Income	Cost
Main Business	157,741,349.49	115,259,551.04	161,971,986.03	119,608,864.69
Other Business	21,719,871.18	5,974,128.57	22,840,519.23	5,821,241.27
Total	179,461,220.67	121,233,679.61	184,812,505.26	125,430,105.96

(5) Investment Income

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
Long-term equity investments measured under equity method		
Investment income from disposal of long-term equity investment		
Investment income of a financial asset at its fair value and whose changes are included in the current profits and losses during the period of holding		
Investment income obtained from the disposal of financial assets at fair value and their changes are included in the current profits and losses		26,338.67
Investment income of the held-to-maturity investment during the holding period		
Investment income obtained from the disposal of the held-to-maturity		

Item	Six months ended June 30, 2019	Six months ended June 30, 2018
investment		
Investment income derived from available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		11,889,784.50
Investment income of transactional financial assets during the holding period	1,555,711.20	
Dividend income from other equity instruments invested during the holding period	900,000.00	
Interest income earned by the debt investment during the holding period		
Interest income earned by other debt investments during the holding period		
Investment income from disposal of transactional financial assets	59,257.62	
Investment income from disposal of other equity instruments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Others	2,572,557.48	6,935,894.29
Total	5,087,526.30	18,852,017.46

18. Supplementary Information

(1) Extraordinary profit or loss for current period

Item	Amount	Note
Profits or losses from disposal of non-current assets	-54,610.64	
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)	8,334,412.90	
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	30,368,799.38	
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	1,036,392.23	
Other profits or losses which can be deemed as non-recurring profits or losses		
Income tax effects	-10,941,096.15	
Minority interest effects	-1,819,359.73	
Total	26,924,537.99	

(2) Return on Equity and Earnings Per Share

Profit in Report Period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	3.1427	0.1288	0.1288
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	1.9451	0.0797	0.0797

(3) Differences in Accounting Data under Domestic and Overseas Accounting Standards

Not applicable.

Chapter 11 Documents for Reference

1. Financial Statements signed by the legal representative, chief accountant and accounting manager and sealed by the Company.

2. Original documentation and announcements published by the Company in the newspaper appointed by CSRC within the report period.

Shang Gong Group Co., Ltd.

Chairman of the Board: Zhang Min

August 29, 2019