

**深圳中冠纺织印染股份有限公司**  
**Shenzhen Victor Onward Textile Industrial Co., Ltd.**

# 2010 Annual Report



April 2011

## Important Notes

The Board of Directors of the Company hereby guarantees that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.

Shinewing Certified Public Accountants audited the Financial Report of the Company and issued the standard unqualified Auditor's Report.

Mr. Hu Yongfeng, board chairman and General Manager, Mr.Zhang Jinliang, Deputy General

Manager , Mr. Ren Chengzheng , Manager of Financial Dept of the Company represent and warrant

the financial report in this report is true and complete.

# Contents

Section 1. Brief Introduction of the Company

Section II. Summary of Accounting Highlights and Business Highlights

Section III Changes in Share Capital and Particulars about Shareholders

Section IV. Particulars about Directors, Supervisors, Senior Executives and staff

Section V Administrative Structure

Section VI. Particulars about Shareholders' General Meeting

Section VII Report of the Board of Directors

Section VIII Report of the Supervisory Committee

Section IX Important Events

Section X. Financial Report

Section X1. .List of Documents Available for Inspection

## Section I Brief Introduction of the Company

(I) Name of the Company in Chinese: 深圳中冠纺织印染股份有限公司

Name in English: Shenzhen Victor Onward Textile Industrial Co., Ltd.

Abbreviation of English name of the Company: VICTOR ONWARD

(II) Legal Representative: Hu Yongfeng

(III) Secretary to the Board of Directors : Zhang Jinliang

Contact address: Room 1308, Hualian Building, No.2008 Shennan Zhong Road ,  
Shenzhen

Tel: (755) 83668425

Fax: (755) 83668427

E-mail: [zhang.jl@udcgroup.com](mailto:zhang.jl@udcgroup.com)

Securities affair representative: Wu Xia

Contact address: Room 1308, Hualiang Building, No.2008 Shennan Zhong Road,  
Shenzhen

Tel: (755) 83667895

Fax: (755) 83668427

E-mail: [wuxia\\_08@126.com](mailto:wuxia_08@126.com)

IV. Registered address: 26 Kuipeng Road, Kuiyong Town, Longgang District, Shenzhen

Business address: 26 Kuipeng Road, Kuiyong Town, Longgang District, Shenzhen

Contact address: Room 1308, Hualiang Building, No.2008 Shennan Zhong Road,  
Shenzhen

Zip Code: 518119

Website: [http:// www.chinaszvo.com](http://www.chinaszvo.com)

E-mail: [szvo@chinaszvo.com](mailto:szvo@chinaszvo.com)

(V) Designated newspapers for information disclosure: Securities Times and Hong  
Kong Commercial Daily.

Designated website for information disclosure: <http://www.cninfo.com.cn>

The place for preparing and placing the annual report: Office of the board secretary of  
the Company

(VI) Stock exchange for listing of the stocks of the Company: Shenzhen Stock  
Exchange

Stock abbreviation: ST Shenzhen Victor Onward A, ST Shenzhen Victor Onward B

Stock code : 000018, 200018

VII. Other Relevant Information of the Company

1. The date and place when and where the Company made its first registration:

The Company was first registered as Shenzhen Victor Onward Printing and Dyeing Co., Ltd. in Shenzhen in 1984.

The Company changed its registration and was registered as Shenzhen Victor Onward Textile Industrial Co., Ltd. in Shenzhen in 1991.

2. Registration No. of Legal Entity Business License: 440301501131182

3. Tax Registration No.: 440301618801483

4. The name and business address of the Certified Public Accountants engaged by the Company

Name: Shinewing Certified Public Accountants

Address: Room 4001A, Lianhe Plaza, Futian District, Shenzhen, China

## Section II. Summary of Accounting Highlights and Business Highlights

### I. Main Profit Indicators of 2010

Unit: RMB

Items	Amount
Operating profit	2,328,181
Total profit	2,326,231
Net profit attributable to the shareholders of the listed company	4,102,924
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	3,864,424
Cash flow generated by business operation, net	237,582

Difference between IFRS and PRC GAAP :

Unit:RMB

	Net profit attributable to shareholders of listed Company		Owners' equity attributable to shareholders of listed company	
	Amount in current period	Amount in last period	Amount at the priod-end	Amount at the period-begin
Pursuant to overseas accounting standards	4,220,760	12,210,638	135,858,634	135,622,260
Pursuant to Chinese accounting standards	4,102,924	12,090,678	142,929,499	143,058,948
Subitem and total adjusted pursuant to international accounting standards::				
Total of differences between the IAS and domestic accounting standard	117,836	119,960	-7,070,865	-7,436,688
Statement on differences between the IAS and Domestic accounting Standard	117,836	119,960	-7,070,865	-7,436,688
Explanation on difference between IFRS and PRC GAAP	The influence of appreciation through appraisal of workshop and 2 parking spaces in Hong Kong in 1992.			

Items of deducting non-recurring gains and losses and the involved amounts are as following:

Unit:RMB

Items of non-recurring gains and losses	Amount	Notes (if applicable)
Gains and losses of non-recurring	-39,237	
Except the effective hedge business related to the normal operation business of the Company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets	257,537	
Other non-operating income and expenditure beside for the above items	38,860	
Subtotal	257,160	
Amount of influence of minority interests (After tax)	-18,660	
Total	238,500	

## 2. Highlights of accounting data and financial indicators in the latest three years

Main accounting data Unit: RMB

	2010	2009	Changed over last year (%)	2008
Operating profit	9,351,110	27,517,759	-66.02%	46,881,258
Total profit	2,326,231	11,667,821	-80.06%	-26,168,635
Net profit attributable to the shareholders of the listed company	4,102,924	12,090,678	-66.07%	-25,957,333
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	3,864,424	11,810,122	-67.28%	-26,771,342
Cash flow generated by business operation, net	237,582	-866,440	-127.42%	13,621,421
	End of 2010	End of 2009	Changed over last year (%)	End of 2008
Gross Assets	195,732,419	201,318,234	-2.77%	192,923,851
Shareholders' equity attributable to shareholders of the listed company	142,929,499	143,058,948	-0.09%	130,073,334
Capital stock	169,142,356	169,142,356	0.00%	169,142,356

## Main Financial Indicators

Unit: RMB

	2010	2009	Changed over last year (%)	2008
Basic gains per share(RMB/Share)	0.02	0.07	-71.43%	-0.15
Diluted gains per share(RMB/Share)	0.02	0.07	-71.43%	-0.15
Basic earning per share after deducting of non-recurring gains/losses(RMB/Share)	0.02	0.07	-71.43%	-0.16
Net income on asset, Weighted(%)	2.80%	8.90%	-6.10%	-16.34%
Net income on asset, weighted and deducted non-recurring gain/loss(%)	2.64%	8.69%	-6.05%	-16.99%
Net cash flow per share generated by business operation (RMB/Share)	0.001	-0.005	-120.00%	0.081
	End of 2010	End of 2009	Changed over last year (%)	End of 2008
Net asset per share attributable to shareholders of the listed company(RMB/Share)	0.85	0.85	0.00%	0.77

## 3. Return Ratio and Earnings per share

Profit in the report peirod	Return Ratio on Net asset, Weighted(%)	Earnings per share	
		Basic gains per share	Diluted gains per share
Net profit attributable to the shareholders of the parent Company	0.03	0.02	0.02
Net profit after deducting non-recurring gains and losses attributable to the shareholders	0.03	0.02	0.02

## 4. Particulars about Changes in Shareholders' Equity in the Report Period

Unit: (RMB)

Items	Owner's equity Attributable to the Parent Company					Minor shareholders' equity	Total of owners' equity
	Share Capital	Capital reserves	Surplus reserves	Attributable profit	Other		
Balance at the beginning of current year	169,142,356	39,297,104	26,704,791	-102,767,941	10,682,638	508,088	143,567,036

Changed in the current year		575,430		4,102,924	-4,807,803	-1,819,683	-1,949,132
Balance at the end of this term	169,142,356	39,872,534	26,704,791	-98,665,017	5874835	-1,311,595	141,617,904

### Section III. Particulars about Changes in Share Capital and Shareholders

I. The changes in share capital  
(1) The changes in share capital  
Unit: shares

	Year-beginning		<u>Increase or decrease this time</u> (+/-)		Year-end	
	Quantity	Proportion%	Other	Subtotal	Quantity	Proportion%
I. Share with conditional subscription	0	0	0	0	0	0
1.State-owned shares	0	0	0	0	0	0
2.State-owned legal person shares	0	0	0	0	0	0
3.Other domestic shares	0	0	0	0	0	0
Of which:						
Domestic legal person shares	0	0	0	0	0	0
Domestic natural person shares	0	0	0	0	0	0
4.Share held by foreign investors	0	0	0	0	0	0
Of which:						
Foreign legal person shares	0	0	0	0	0	0
Foreign natural person shares	0	0	0	0	0	0
II. Shares with unconditional subscription	169,142,356	100	0	0	169,142,356	100
1.Common shares in RMB	99,720,453	58.96	0	0	99,720,453	58.96
2.Foreign shares in domestic market	69,421,903	41.04	0	0	69,421,903	41.04
3.Foreign shares in overseas market	0	0	0	0	0	0



4.Other	0	0	0	0	0	0
III. Total of capital shares	169, 142, 356	100	0	0	169, 142, 356	100

## II. Share issue and listing

(1) The Company has never issued shares or derived securities within the previous three years as of the end of the report period.

(2) The total number of the shares of and its structure of the Company remained unchanged within the previous three year by the end of the report period.

## III. Introduction to shareholders

### 1. Total number of shareholders at the end of the period:

At the end of 2009, the Company had 11,637 registered shareholders in total including 7,005 shareholders of A shares and 4,632 shareholders of B shares.

### 2. At the end of 2010, Top 10 shareholders and top 10 holders of unconditional shares

Unit: Shares

Total number of shareholders							11, 637
Particulars about the shareholding of the top ten shareholders							
Name of the shareholder	Nature of shareholder	Share proportion %	Total shares	Increase or decrease the year	Conditional shares	Pledged or frozen	
Union Holdings Co., Ltd.	Domestic non-state-owned legal person	25.51%	43,141,032	0	0	0	
STYLE-SUCCESS LIMITED	Foreign shareholder	14.46%	24,466,029	0	0	0	
Shenzhen Textile (Group)Holdings Ltd	State-owned shareholder	5.76%	9,739,594	-1,566,068	0	0	
Rich Crown Investment Co., Ltd.	Foreign shareholder	3.62%	6,114,556	0	0	0	
Union Development Group Co., Ltd.	Other	3.44%	5,821,089	0	0	0	
BOCI SECURITIES MITED	Foreign shareholder	1.49%	2,528,567	0	0	Unknown	
Shing Ying Chieh	Foreign shareholder	1.00%	1,698,982	-1,797,737	0	Unknown	
Li Min	Other	0.98%	1,650,000	0	0	Unknown	
Liuzhou Jiali Real estate Development Co., ltd.	Other	0.76%	1,280,100	0	0	Unknown	
Shanghai Hongkong Wanguo Securities	Foreign shareholder	0.58%	979,986	0	0	Unknown	
Top 10 holders of unconditional shares							
Name of the shareholder	Unconditional shares		Type of shares				
Union Holdings Co., Ltd.	43,141,032		RMB Common shares				
STYLE-SUCCESS LIMITED	24,466,029		Foreign shares placed in domestic exchange				
Shenzhen Textile (Group)Holdings Ltd	9,739,594		RMB Common shares				

Rich Crown Investment Co., Ltd.	6,114,556	Foreign shares placed in domestic exchange
Union Development Group Co., Ltd.	5, 821, 089	RMB Common shares
BOCI SECURITIES MITED	2, 528, 567	Foreign shares placed in domestic exchange
Shing Ying Chieh	1, 698, 982	Foreign shares placed in domestic exchange
Li Min	1, 650, 000	RMB Common shares
Liuzhou Jiali Real estate Development Co., ltd.	1, 280, 100	RMB Common shares
Shanghai HongkongWanguo Securities	979, 986	Foreign shares placed in domestic exchange
Notes to the related relationship between the shareholders or their concerted action	The controlling shareholder of the above-mentioned largest shareholder Shenzhen Union Holdings Ltd.and fourth shareholder Rich Crown Investment Co., Ltd.. Is Union Development Group Ltd.	

### 3. Introduction to the largest shareholder of the Company

Name of the largest shareholder of the Company: Shenzhen Union Holdings Co., Ltd.

Legal representative: Dong Binggen

Date of establishment: September 11, 1989

Business scope: Production of and dealing in various fabrics, garments chemical fibers and textile equipment, domestic commerce, material supply and marketing (excluding monopolized commodities), management of self-owned properties, processing with imported materials and designs, internal introduction and foreign cooperation, assembling with imported spare parts and cooperation in compensation trade.

Registered capital: RMB 1123.8877 million

Nature of enterprise: Share-holding system

Registered address: Shenzhen

### 4. Particulars about the actual controller of the Company

In the report period, the actual controller of the Company remains unchanged.

Name of the actual controller: Union Development Group Co., Ltd.

Legal representative: Dong Binggen

Date of establishment: August 1983

Registered capital: RMB 90.61 million

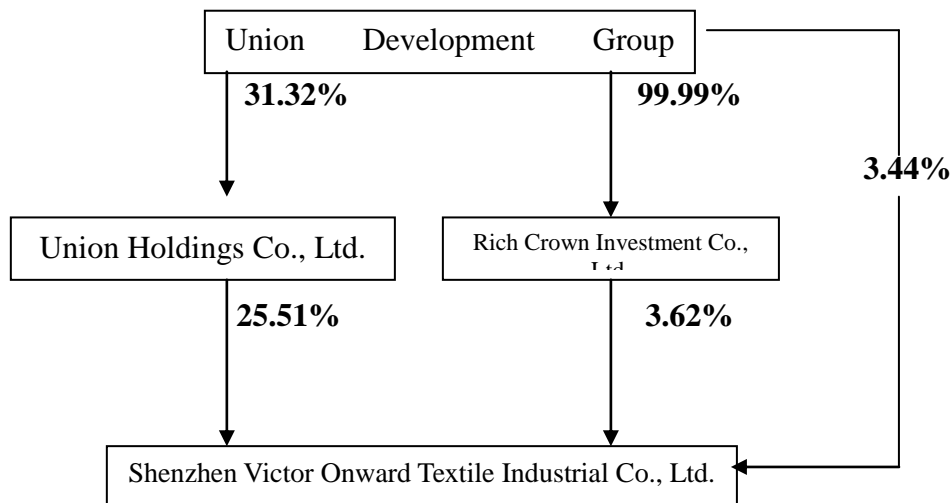
Business scope: Production and sales of chemical, textile and garment products (the license of product site is subject to separate application), import and export business, contracting of project construction, import and export of necessary engineering equipment and materials, export of labor, external investment, technical consulting services, real estate development and sales within the scope of land use right legally obtained, property management and lease services and sales of automobiles (including cars).

### 5. The property right and controlling relationship between Union Development Group

Ltd. and the Company is as follows:

Hangzhou Jinjiang Group Co., Ltd.
--------------------------------------

↓ 20.89%



6. Statement of Union Group on its shareholders, shareholder structure and actual controller:

Throughout the years, due to constant reform of economic management system and quick development of socialist market economy, the Group has experienced management mechanism's adjustment and equity structure change for many times. In 1993 when the State Council carried out structural reform, Ministry of Textile Industry was dissolved and China Textile Federation was established. The Group's relationship of subordination continued. After China Textile Federation was dissolved in 1998, the Group was put under the supervision of Central Enterprise Industrial Committee. In 2003, State-owned Assets Supervision and Administration Commission of the State Council was established. In April 2005, The Group became one of the enterprises under its supervision. State-owned Assets Supervision and Administration Commission of the State Council transferred 12.09% state-owned equity of Union Group to OCT Group Company and authorized OCT Group Company to perform the capital contributor's responsibilities on behalf of 12.09% state-owned equity. OCT Group Company became the largest shareholder of Union Group.

Union Group has been engaged in textile and garment industry for long term. Due to fierce market competition, state-owned capital has left or is leaving textile and garment industry. The provincial management mechanism to which the Group's shareholders are subject has also undergone great change. From 2004, some shareholders of the Group as promoters began to assign shares of Union Group in

succession according to the change of situation and their own conditions. Some private enterprises became the shareholders of Union Group. By November 2005, Hangzhou Jinjiang Group Co., Ltd. acquired 20.89% equity of Union Group and became the largest shareholder. OCT Group became the second largest shareholder.

(1) At present, Union Group has 16 corporate shareholders. The particulars are as follows:

No.	Name of shareholder	Amount of capital contribution (RMB'0000)	Proportion of capital contribution (%)	Remarks
1	Hangzhou Jinjiang Group Co., Ltd.	1,892.8120	20.8896	Private
2	OCT Group	1,094.9500	12.0842	State-owned
3	Henan Fuxin Investment Co., Ltd.	984.2567	10.8600	Private
4	Xian International Intrust Co., Ltd.	926.0019	10.2196	State-owned
5	Shandong Textile Industrial Association	569.9196	6.2898	State-owned
6	Hebei National assets Holding Co., Ltd.	531.4800	5.8655	State-owned
7	Zhejiang Zhengcai Industry Co.,Ltd.	530.0000	5.8492	Private
8	Heilongjiang Textile Industry Association	500.0000	5.5181	State-owned
9	Sichuan Shulian Co., Ltd.	329.0240	3.6312	Private
10	Hebei Textile Industry Association Secretariat	300.0000	3.3108	State-owned
11	Jiangsu Textile (Group) Company	288.6723	3.1859	State-owned
12	Liaoning Textile Industry Association	286.4400	3.1612	State-owned
13	Shenzhen Textile (Group)Holdings Ltd	260.0000	2.8694	State-owned
14	Xinjiang Textile Industry Association	236.4600	2.6096	State-owned
15	Beijing Textile Holdings Co., Ltd.	215.8400	2.3820	State-owned
16	China Textile Machineay (Group)Co., Ltd.	115.1435	1.2707	State-owned
	Total	9061.00	100.00	

(2) Composition of board members of Union Group

According to the Articles of Association of Union Group, the directors shall be

appointed by the corporate shareholders that contribute capital of more than RMB 5 million (not including RMB 5 million) and be elected by the shareholders' meeting. The board of directors shall be composed of 7 to 11 members. The current sixth board of directors was elected in October 2008. It has 7 members, including 5 members coming from corporate shareholders, 1 member jointly recommended by shareholders and 1 independent director. The particulars are as follows:

No	Name of shareholder	Directors appointed	Remarks
1	Hangzhou Jinjiang Group Co., Ltd.	1 person/Dou Baibing	
2	OCT Group	1 person /Wang Xiaowen	
3	Shandong Textile Industrial Association	1 person/Xia Zhilin	
4	Hebei National assets Holding Co., Ltd.	1 person /Gao Jianru	
5	Tianjing Tianfang Investment Co.,Ltd.	1 person/Liu Baogen	Original Shareholder representative
6		Dong Binggen	Connon recommended
7		Long Xingping	Indepenment Director

### (3) Description of the actual controllers

Union Group has been a standardized limited liability company since its establishment. Despite decentralized equity and large number of shareholders, the department in charge of industry and state asset management department has been incontrovertible direct administrator because they were all state-owned shareholders and engaged in the same industry before 2004. Private capital has entered since 2004 and its proportion has been unceasingly enlarged. The largest shareholder turned from national administrative department into a state-owned enterprise, which was then replaced by a private enterprise. The actual controller of Union Group gradually changed. The concrete process of change is as follows:

(1) After the establishment of Union Group and before State-owned Assets Commission under the State Council transferred 12.09% equity held by it to OCT Group, the relationship of subordination of Union Group was definite. State administrative agencies (Ministry of Textile Industry, China Textile Federation,

industrial commission of national enterprise and State-owned Assets Commission under the State Council) exercised management rights. Relevant national departments were responsible for the establishment of board of directors, appointment of management, audit and supervision.

(2) From April 2005, OCT Group became the largest shareholder of Union Group. The management methods adopted when State-owned Assets Commission under the State Council conducted supervision were still adopted in some aspects. For examples, Union Group regularly submitted financial data to state assets management department and accepted the economy audit by the supervisory committee under the State Council. The financial statements of OCT Group consolidated those of Union Group. However, changes started in some aspects. The establishment of board of directors and the appointment of management were carried out completely according to the Articles of Association of Union Group. The shareholders' general meeting and the board of directors independently exercised the powers assigned by laws and regulations. The reelection of board of directors and the appointment of management were no longer reported to relevant department for examination and approval.

(3) In 2005, Hangzhou Jinjiang Group held 20.89% equity of Union Group through acquisition and became the largest shareholder of Union Group by replacing OCT Group. Hangzhou Jinjiang Group and OCT Group respectively appointed one of 8 members of the fifth board of directors reelected in that year.

(4) In 2007, Union Group did not submit various financial data to OCT Group and state-owned regulatory authority. The statements of OCT Group did not consolidate those of Union Group. State assets supervision organ did not conduct regular economy audit of Union Group either.

(5) Though private enterprise Hangzhou Jinjiang Group is the largest shareholder, only one of 1 member of the board of directors comes from it and it has no substantial influence on important decisions of Union Group. Meanwhile, Hangzhou Jinjiang Group neither participated in the daily management and operation of Union Group, nor required submission of daily financial statements, nor consolidated financial statements nor sent personnel to conduct economy audit

(6) From the fifth board of directors, Dong Binggen was jointly recommended by all

shareholders to enter the board of directors and was elected as board chairman. He does not represent any shareholder. Instead, he is responsible for all shareholders.

Based on the above facts, Union Group holds the opinion that Union Group, as a limited liability company with a history of 28 years, has formed a standardized mode of operation according to law and business management during change of equity and its corporate governance structure has been increasingly stable and mature. The shareholders' meeting is the highest power organ of the Company. The board of directors is responsible to the shareholders' meeting and exercises the right to make decisions on important matters of Union Group according to the articles of association. The management is responsible for daily operation management of Union Group. At present, Union Group does not have administrative department or unit in charge. The largest shareholder only holds 20.89% equity of Union Group. No shareholder has absolute control over or absolute influence on the shareholders' meeting and board of directors of Union Group and is daily operation. The mutual restriction between shareholders of Group is quite apparent. Therefore, Union Group only has the largest shareholder and does not have actual controller at present.

7. Introduction to other legal person shareholders holding over 10% of total shares

(1) Style-Success Ltd.

Legal Representative: Miss Amy Wang

Date of establishment: November 1999

Business scope: Investment

## Section IV Particulars about Directors, Supervisors, Senior Executives

### and Employees

I Basic information about directors, supervisors and senior executives and Staff

(1) Basic information

1. Information for the change of share holding and salary of directors, supervisors and executives and staff

Name	Sex	Age	Title	<u>Term of office</u>	<u>Shares held at the year-beginning</u>	<u>Shares held at the year-end</u>	<u>Increase/dec rease amount</u>	The total amount of remuneration received from the Company in the report period	Incentive stock option vested during the reporting period

								(RMB'0000)	
Hu Yongfeng	Male	48	Board chairman/General Manager	2008.4-2011.4	0	0		38	
Ding Yue	Male	52	Vice Board chairman	2008.4-2011.4	0	0		0	
Shu Yibo	Female	38	Vice Board chairman	2008.4-2011.4	0	0		0	
Zhang Mei	Female	35	Director	2008.4-2011.4	0	0		0	
Feng Junbin	Male	48	Director	2008.4-2011.4	0	0		0	
Jin Ligang	Male	51	Independent director	2008.4-2011.4	0	0		5	
Shen Songqin	Male	53	Independent director	2008.4-2011.4	0	0		5	
Wang Tianguang	Male	37	Independent director	2008.4-2011.4	0	0		5	
Dong Binggen	Male	61	Chairman of the supervisory committee	2008.4-2011.4	0	0		0	
Huang Xiaoping	Female	53	Supervisor	2008.4-2011.4	0	0		0	
Pan Weichao	Male	59	Supervisor	2008.4-2011.4	0	0		9	
Zhang Jinliang	Male	48	Deputy general Manager	2008.4-2011.4	0	0		15	
Ren Changzheng	Male	48	Board secretary	2010.12 to till now	0	0		0	
Chen Xin	Male	37	The outgoing director/ Board secretary	2008.4-2010.6	0	0		6.5	
Ren Changzheng	Male	35	Manager of Finance Dept	2008.4-2011.4	0	0		9	

Notes: The period of remuneration receipt by Chen Xing, a director and board secretary who has left his post, is from January 2010 to June 2010.

## 2. Particulars about directors and supervisors holding positions at corporate shareholders

Name	Name of corporate shareholders	Position	Term of office	Whether receiving remuneration or subsidy
Dongbinggen	Shenzhen Union Holdings Ltd.	Board chairman	2007.6-till now	No



Dong Binggen	Union Development Group Co., Ltd.	Secretary of Party committee, chairman of board of directors and President	2008.10- till now	Yes
Ding Yue	Union Development Group Co., Ltd.	Vice President	2008.10-till now	Yes
Ding Yue	Shenzhen Union Holdings Ltd.	Convener of the Supervisory Committee	2007.6- till now	No
Hu Yongfeng	Union Development Group Co., Ltd.	Vice President	2008.10-till now	No
Hu Yongfeng	Shenzhen Union Holdings Ltd.	Vice Board chairman	2007.6- till now	No
Huang Xiaoping	Union Development Group Co., Ltd.	Secretary of Party committee, secretary of discipline committee	2008.10-till now	Yes
Huang Xiaoping	Shenzhen Union Holdings Ltd.	Director	2007.6- till now	No
Feng Junbin	Shenzhen Textile(Holding) Co., Ltd.	Deputy general manager	2007.1- till now	Yes
Zhang Mei	Union Development Group Co., Ltd.	Manager of Finance Dept.	2008.10-till now	Yes
Zhang Mei	Shenzhen Union Holdings Ltd.	Director	2009.5- till now	No

(II).Particulars about main work experience of present directors, supervisor and senior executives  
Chairman of the Board :

Hu Yongfeng, male, with bachelor degree, was born in July 1962, Senior Engineer, graduated from Southeast Textile Technology Institute in 1983. He is ever took the post of section chief of state textile headquarters general office, He now serves as Vice President of Union Development Group Co., Ltd. and Vice chairman of the Board of Union Holdings Co., Ltd., He served as chairman of the Board of the Company from Oct., 2000 till now. He served as General manager of the Company since April 2008.

Director:

Ding Yue, male, was born in March 1958, with bachelor degree, Senior Economist, graduated from Lanzhou University in 1983. He took the turns of deputy section chief of personnel labor department of Textile Technology Department, section chief of personnel labor department of textile headquarters, deputy director of personnel labor department of textile headquarters and concurrently director of talents exchange center of Textile Headquarters and chairman of the Board of Union Holdings Co., Ltd., He now serves as Vice President of Union Development Group Co., Ltd. and convener of the supervisory committee of Union Holdings Co., Ltd., He served as director of the Company from June 2002 till now. He served as Vice Chainman board of the Company since April 18, 2008.

Shu Yibo, Female, was born in February 1972, who is studying for EMBA. ,ever took the post of Manager of Sale of Manqi Industry Co., Ltd., Director of Manqi Investment Development Co., Ltd..He is now in charge of Chairman of the board , General Manager of Manqi Industry Co., Ltd.,Chairman of board of Manqi Investment Development Co., Ltd.She served as director of the Company since April 18, 2008, He served as Vice Chairman of board of the Company July 29, 2008.

Zhang Mei, female, was born in February 1975, is a certified public accountant with Master's degree, She once worked at Financial Division of China Garment Corporation. she now serves as manager of Finance Dept of Union Development Group Co., Ltd, She served as Director of the Company since April 18, 2008.

Feng Junbin, male, was born in July 1962, is a junior college graduate. He has served successively as special enterprise controller of Dapu Financial Bureau of Guangdong Province, deputy division chief of Fengshun Financial Bureau and director of Audit Dept, Manager of Management Dept, He now serves as Deputy General Manager, Supervisor of Shenzhen Textile (Holdings) Co., Ltd. He now serves as Deputy General Manager of Shenzhen Textile (Holdings) Co., Ltd, He served as director of the Company April 18, 2008.

Chen Xing, male, was born in March 1973, with doctor degree, graduated from Dongbei University in 2000; he ever took the post of business manager of operation office of Union Development Group Co., Ltd. and held the position of secretary of the Board of the Company from March 2002 to June 2010, He served as director of the company from April 18, 2008 to June 28, 2010. a director and board secretary of the Company resigned from the position of director and board secretary for personal reasons on June 28, 2010.

#### Independent directors:

Jin Ligang, male, was born in August 1959, graduated from Beijing Foreign Trade College in 1980. From 1981 to 1983, he majored in international economy at Rome LUISS Private University. He once worked at North America and Oceania Department of Third Bureau of Ministry of Foreign Trade and Economic Cooperation, who was in charge of U.S.-related affairs. He has served as assistant of board chairman and president and office director of West Europe China Trade Center (Hamburg, West Germany), deputy chief and chief of America and Oceania Department of Ministry of Foreign Trade and Economic Cooperation, business counselor of Economic and Commercial Department of Embassy in U.S. and business counselor of Economic and Business Office of Consulate General in New York in succession. He now serves as board chairman of American Stone Bridge International Company and director of Beijing Decision Making & Consultation Center. He served as Independent directors of the company since April 2008.

Shen Songqin, male, was born in January 1957, has doctor's degree. In 1980, he graduated from Hangzhou University and worked there after graduation. He studied for Master's degree at Hangzhou University from 1985 and obtained the degree of master of Arts in 1988. He studied for doctor's degree from 1995 and obtained the degree of doctor of literature in 1998. His dissertation was appraised "Excellent Dissertation for Doctor's Degree in China in 2000". He now is a professor, doctor tutor and deputy dean of Chinese Language Department of Zhejiang University. In 2006, he was appraised as Qianjiang Scholar of Zhejiang Province (specially engaged professor). In 2007, he

was appraised as Middle-aged/Young Expert with Outstanding Contribution in Zhejiang Province". He served as independent director of the Company since April 18, 2008.

Wang Tianguang, male, Was born in May 1973, is a certified public accountant. He graduated from Economic Management School of Qinghua University. He once served as chief staff of Listed Company Supervision Division of Shenzhen Securities Regulatory Bureau, general manager of Shenzhen Investment Banking Dept. of Yinhe Securities. He now serves as Deputy General Manager of Southwest securities Co., Ltd, Investment Bank, He served as Independent director of the company since April 18, 2008.

#### Supervisors:

Dong Binggen, male, Was born in July 1949, an engineer, with bachelor degree, graduated from East China Textile Technology Institute in 1977. He ever took the post of deputy president of Zhejiang Silk Technology Institute, general manager of China Clothes Headquarters and board chairperson of China Clothes Association, etc.; he is now in charge of secretary of Party Committee, chairman of the board and general manager of Shenzhen Union Development Group Co., Ltd. and chairman of the Board of Shenzhen Union Holdings Co., Ltd., He served as Chairman and held the position of Chairman of the Supervisory Committee of the Company from June 2002 till now.

Huang Xiaoping, female, Was born in January 1957, an Economist, is a junior college graduate, once served as policewoman of Public Security Bureau of Dan County, Hainan, chief staff and deputy director of office, deputy chief and chief of Personnel & Labor Division and office director of China Garment Industry Corporation, vice chairman of China Garment Association. She now serves as deputy secretary of Party committee and secretary of discipline committee of Union Development Group Co., Ltd. Co., Ltd. she served as Supervisor of the company since April 18, 2008.

Pan Weichao, male, Was born in August 1951, is a junior college graduate., has worked at the Company since April 1984. He has served successively as vice chairman of labor union, Manager of General Affairs Dept. and chairman of labor union. He now serves as Manager of affairs Dept of the Company, he has served as employee-representing supervisor of the Company Since April 18, 2008.

#### Deputy general manager:

Zhang Jinliang, male, was born in May 1962, Senior Accountant, a senior accountant with bachelor degree, was born in May 1962. He ever took the post of senior section chief of Shenyang Dispatch and Shenzhen Dispatch of Audit Administration, manager of operation department of Shenzhen Property Union Holdings Co., Ltd., deputy director and director of auditing office of Union Development Group Co., Ltd., deputy general

manager of Shenzhen Union Holdings Co., Ltd. and general manager of Yuyao Union Textile Co., Ltd., and he held the position of deputy general manager of the Company since December 2004, He served as director of the company since December 27, 2010.

Secretary of the Board of Directors:

Zhang Jinliang (Refer to Deputy General Manager column for details)

Manager of Finance Dept:

Ren Changzheng, male, was born in August 1975, In 1997,he graduated from Guizhou Finance University, once worked at Financial Division of Guizhou Yunman Aircraft Factory and Planning and Finance Division of Union Development Group Co., Ltd. He now serves as Manager of Finance Dept of the Company.

(III) Annual remuneration

The total amount of annual remuneration of directors, supervisors and senior executives in 2010 is RMB 0.925 million. Including,The allowance for each independent director is RMB 50,000 (including tax) per year.

(IV) Particulars about leaving post, engaging and dismissing

1. Mr. Chen Xing, a director and board secretary of the Company resigned from the position of director and board secretary for personal reasons on June 28, 2010.

2.After Resolution by the 14th meeting of the fifth board of directors, Zhang Jinliang was elected as Secretary to the board of directors of the Company on December 27, 2010..

The resolutions of the meetings were disclosed on Securities Times ,Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) respectively on June 29, 2010 and December 28, 2010.

II.. Staffs:

By the end of the report period, the Company had 30 staff members in total, including 6 managerial employees , 3 financial employees, 21 Logistics employees. The Company has provided social insurance to its staff according to relevant regulations of the government.

## Section V Administrative Structure

## 1. Administrative Status

The Company has constantly improved its corporate governance structure, established modern enterprise system and standardized its operation strictly according to the requirements of the Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange, Guidelines for Governance of Listed Companies and relevant laws and regulations of CSRC. In accordance with relevant regulations on special activities of governance of listed companies and requirements of CSRC Shenzhen Securities Administration, the Company revised the Articles of Association of the Company, formulated a series of internal management regulations including Regulations on Reception and Promotion, Regulations on Management of Information Disclosure, Detailed Working Rules of General Manager, Regulations on Management of Shares of the Company Held by Directors, Supervisors and Senior Executives and Change of Such Shares, Regulations on Engagement of Certified Public Accountants, Special Regulations on Management of High-risk Investment and Regulations on Registration of Persons Knowing Insider Information and further defined the authority of each department. The Company also formulated Regulations on Ascertaining Responsibilities for Material Errors in Disclosure of Information in Annual Report, Regulations on Management of External Information Users, the Management System for Financial Accounting Related Personnel and Related Parties and the Regulations of Shenzhen Printing and Dyeing Co., Ltd. on Preventing Fund Occupation by Controlling Shareholder and Related Parties as required by CSRC.

(1). Shareholders and shareholders' general meeting: The Company convened and held shareholders' general meeting strictly according to the requirements of Opinions on Standardization of Shareholders' General Meeting of Listed Companies, formulated Rules of Procedure of Shareholders' General Meeting, ensured all shareholders, especially medium and small shareholders, enjoy equal position and can fully exercise their own rights.

(2). Relationship between the controlling shareholder and the Company: The acts of the controlling shareholder of the Company were standardized. It did not exceed the authority of the shareholders' general meeting to directly or indirectly intervene with the decision-making and operating activities of the Company. The Company is independent from its controlling shareholder in respect of personnel, assets, finance, organ and business. The board of directors, the supervisory committee and internal organ of the Company are able to operate independently.

(3). Directors and the board of directors: The Company elected directors strictly according to the director selection and appointment procedure specified in the Articles

of Association of the Company and will further perfect director selection and appointment procedure and actively promote system of cumulative voting. The member composition of the board of directors of the Company complied with the requirements of laws and regulations. The board of directors of the Company formulated Rules of Procedure of the Board of Directors. Directors of the Company were able to attend board meetings and shareholders' general meetings with responsible attitude, actively participate in relevant training, get familiar with relevant laws and regulations and understand the rights, obligations and responsibilities of director. The Company has established independent director system according to Guiding Opinions on the Establishment of Independent Director System at Listed Companies issued by CSRC. The numbers of independent directors are 3 peoples.

(4). Supervisors and the supervisory committee: The number and composition of the Supervisory Committee of the Company complied with the requirements of laws and regulations. The Supervisory Committee of the Company formulated the Rules of Procedure of the Supervisory Committee. The supervisors of the Company were able to perform their duties seriously, take the attitude of being responsible for all shareholders and supervise the legality and regulation conformity of the Company's finance and the duty performance of the directors, managers and other senior executives of the Company.

(5). Performance evaluation and encouragement and regulating mechanism The Company established the system of subsidy for independent directors and directors and remuneration for senior executives. The Company will further improve and perfect overall remuneration system, establish fair and transparent performance appraisal standard and stimulation and restriction mechanism for directors, supervisors and executives.

(6). Interested parties: The Company was able to fully respect and safeguard the legal rights and interests of the interested parties including banks, other creditors, employees and consumers and promote its sustained and healthy development together with interested parties.

(7).Information disclosure and transparency: The Company designated the secretary to the board of directors to be responsible for information disclosure, Regulations on Management of Information Disclosure,Regulations on Management of External Information Users and reception of shareholder and consultation. In the report period, the Company was able to truly, accurately, completely and timely disclose relevant information according to the provisions of laws, regulations and the Articles of Association of the Company. The Company will continue to operate in a standardized way strictly according to the requirements of relevant laws and regulations including the Company Law, further perfect company administration structure and establish and improve various regulations in light of the gap with the requirements of Standards of Administration of Listed Companies, ensure the maximization of shareholders' interests and safeguard the lawful rights and interests of all shareholders.

## II. Particulars about duty performance of independent directors

The Company has perfected independent director system in the Articles of Association of the Company according to Guiding Opinions on the Establishment of Independent Director System at Listed Companies issued by CSRC. The board of directors of the Company now has three independent directors, taking up one third of the total number of directors. These Three independent directors have consciously performed their duties according to the principles of good faith and diligence since they came into office. They

expressed independent opinions on important matters of the Company including external guarantees, related transactions, corporate governance.

#### Independent Directors' attendance of the Boarding meeting

Name	Times of meeting should attend	Attended personally (times)	Attended by proxy (times)	Absent form meeting (times)	Notes
Jin Ligang	9	9	0	0	
Shen Songqin	9	9	0	0	
Wang Tianguang	9	9	0	0	

#### III. The separation of the Company from its controlling shareholder in five respects

The Company is independent from its controlling shareholder in respect of personnel, assets, finance, organization and business. The particulars are as follows:

1. Business: The Company has complete business and the ability of independent operation. It is completely independent from its controlling shareholder in respect of business.
2. Personnel: The Company is independent in respect of labor, personnel and wage management. Except that Mr. Hu Yongfeng, the board chairman and general manager of the Company, received remuneration from the actual controller, other senior executives received remuneration from the Company, who neither held position at nor received remuneration from the controlling shareholder.
3. Assets: The Company has complete assets. Its property rights are definite and not related to its controlling shareholder and other shareholders.
4. Organization: The Company established an organizational structure that is completely independent of its controlling shareholder. The board of directors, the supervisory committee and internal organs of the Company are able to operate independently.
5. Finance: The Company has independent finance. It set up independent finance department and established independent financial accounting system. It has standardized and independent financial and accounting system and financial control system applicable to branches and subsidiaries. The Company independently pays taxes according to law. It opened accounts with banks independently. The Company and its controlling shareholder do not use the same bank account.

#### IV. Self-Appraisal of Internal Control:

According to the requirements of relevant regulations such as the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance and China Securities Regulatory Commission and the Guidelines for Listed Company Internal

Control issued by Shenzhen Stock Exchange, Shenzhen Victor Onward Textile Industrial Co., Ltd. combined its own characteristics and actual situation, conducted internal control self-assessment 2010 and formed the internal control self-assessment report.

#### (I). Overview of Internal Control

##### 1. Update on Rules Building for Internal Control

According to relevant regulations of the Company Law and the Securities Law, company had stipulated and gradually developed management rules and internal control systems such as the Articles of Association, Rules of Order for Annual Shareholder Meeting, Rules of Order for Board of Directors, Rules of Order for supervisory committee, Work Rules for Independent Directors, the Annual Report Working System for Independent Director, the Working Instructions for Audit Committee, the Working Instruction for Strategies Committee, the Working Instruction for Nominations Committee, the Working Instructions for Salary and Appraisal Committee, Detailed Working Rules of General Manager, the Management System for Financial Accounting, Internal Audit Management System, Regulations on Registration of Persons Knowing Insider Information and Special Regulations on Management of High-risk Investment other management rules and internal control rules etc. which basically covered the main part of company's operation and management activities and they have stronger practicability. The establishment and implementation of these systems improved company's operation & management level and the ability to guard against risks.

##### 2. Internal Audit Department for Supervision & Inspection, Work and Staffing of Such Department

The Company established internal audit division in Finance Dept., which is directly responsible to the board of directors for inspecting and supervising the status of the Company's internal control, regularly checking the defects of the Company's internal control, appraising the effect and efficiency of internal control, timely making suggestions on improvement and strengthening supervision and audit of internal operation.

##### 3. Our Organizational Structure for Internal Control

The Company established internal control organization composed of the shareholders' general meeting, the board of directors, the supervisory committee, the management and functional departments, set up internal management organs, designed work division, defined responsibilities and authority and assigned rights and responsibilities to each responsible department according to actual situation, characteristics of business and requirements of relevant internal control. The board of directors of the Company is composed of 9 directors including three independent



directors, one board chairman and two vice board chairmen. The supervisory committee is composed of 3 supervisors including one chairman of the supervisory committee and one employee-representing supervisor.

We exercise internal control by standardizing and effectively executing the articles of association, and authorizing in major operation level layer by layer. The specific measures include:

- 1) We have clearly stipulated the approval authorities and review procedures of the annual shareholder meeting and the board of directors for financial guarantees, which has effectively controlled the financial risks and credit risks of our company.
- 2) We have clarified the decision authorities for affiliated transactions, and demanded stringent review and decision-making procedures to be established.
- 3) We have clearly stipulated the definition, procedure, authorized amount and level of major investment, contract requirement, matters to be disclosed, etc.
- 4) Make analysis and judgment to major internal information, and go through relevant procedures in case we are required to fulfill information disclosure obligation.

The parent company assigns directors and trustees to subsidiaries according to laws, regulations and the articles of association, to influence the production & operation activities of subsidiaries through directors and trustees, and promote the effective execution of duties of all levels by means of professional inspection.

#### 4. The performance and achievements of company on internal control development in 2010

In order to further improve standardized operation level on company's annual information disclosure and strengthen periodic report, the preparing & reviewing on important matters and the management on company's external information user during disclosure period, Company established the Accountability System for Annual Report Disclosure Major Errors and the Management system for external information user according to the requirement of China Securities Regulatory Commission and relevant laws and rules. It defined the accountability of person in charge of annual report information disclosure and the management on external information user. At the same time, in order to standardize the behavior of financial administrator & accounting organization administrator and strengthen the financial supervision, company stipulated the Management System for Financial Accounting Related Personnel based on relevant laws & rules and it further defined the duty and authority of relevant people.

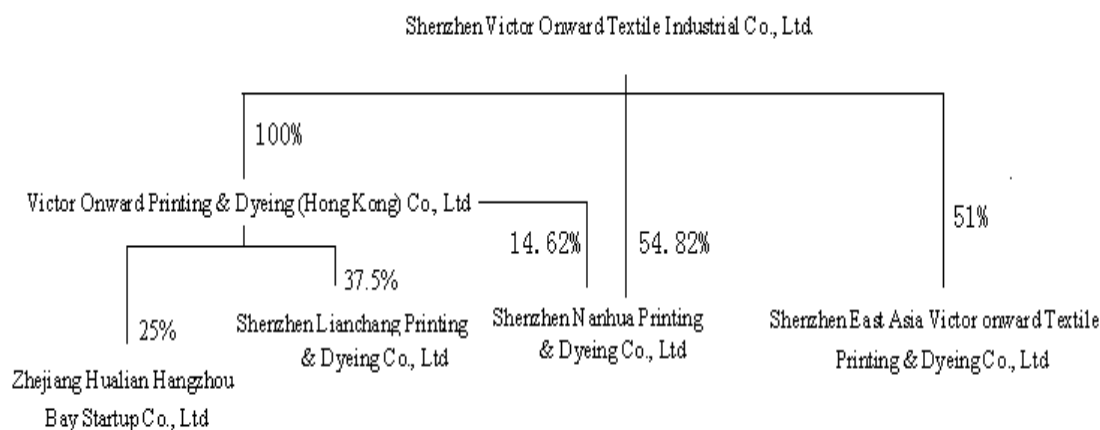
On April 2010, Based on the requirement of Notice of carrying out special campaign on standardizing accounting basic work fully and deeply in Shenzhen jurisdiction area issued by Shenzhen securities regulatory bureau, company made the work program for this special campaign and organized & carried out special campaign on financing and accounting basic work in whole company wide, the audit committee

conducted inspection and provided guidance to the operation status of campaign. Through this special campaign, it further standardized financial & accounting basic works and improved standardized operation level of company's finance & accounting.

On October 2010, Based on the requirement of Notice of carrying out self-examination on the establishment & implementation of long term effective mechanism for preventing fund occupation (Shenzhen Security Bureau [2010] No.59), company actively carried out related self-examination works and further improved the long term effective mechanism for preventing fund occupation by going over company's related regulations and rules, also conducted audit one by one on the fund occupation & capital transactions status of majority shareholder and its related parties since 2010. According to self-examination result, company's long term effective mechanism for preventing fund occupation basically meet the requirement of notice, it was not found in company that fund was occupied by majority shareholder and its related parties.

## (II)Key Control Activities

### 1. Management Update of Our Controlled Subsidiaries:



To standardize the relations with controlled subsidiaries, enhance the support, guidance and management to controlled subsidiaries, promote controlled subsidiaries to run according to modern enterprise rule, and further perfect corporate governance structure:

- (1) Supervise various controlled subsidiaries to establish relevant operation plans and risk management procedures.
- (2) Enhance the performance appraisal of various controlled subsidiaries.
- (3) Various controlled subsidiaries execute necessary internal control self-inspections according to their operation natures.

### 2. Internal Control of Affiliated Transactions:

We manage affiliated transactions in which we are involved in strict accordance to the management rules for affiliated transactions provided in the Internal Control Guidance for Listed Firms and the Stock Listing Rules promulgated by Shenzhen Stock

Exchange, our Articles of Association and our Management Methods for Affiliated Transaction. The articles of association provides that the board of directors determines relevant affiliated transactions of our company within the power scope authorized in the annual shareholder meeting; the board of directors determines the decision authority of affiliated transactions and requires stringent review and decision-making procedures to be established. Our Management Methods for Affiliated Transaction have made specific stipulations to the affiliated individuals, affiliated relations, conditions, decision-making procedures and disclosure of affiliated transactions. Affiliated transactions of our company taking place in the report period are compliant to the principles of honesty, equality, self-willingness, fairness, openness, and do not harm the interests of our company and other shareholders. Review procedures, voting avoiding and other requirements have been abided by according to relevant laws, administrative regulations, departmental regulations, the stock listing rules, etc. Relevant responsible individuals have fulfilled approval and report duties to affiliated transactions when they take place to our company and controlled subsidiaries. in the report period, No event was found in our company that fund occupied by controlling shareholder and its related parties for non-operating purpose.

### 3. Internal Control of Financial Guarantees:

According to the *Guidance of Shenzhen Stock Exchange on Internal Control of Listed Firm*, we have clearly stipulated the approval authorities, review procedures and information disclosure requirements of the annual shareholder meeting and the board of directors for financial guarantees, which have effectively controlled the financial risks and credit risks of our company. In the report period, The company has no external Guarantees.

### 4. Internal Control of the Use of Raised Capitals:

The Company formulated the Regulations on Management of IPO Proceeds of the Company to clarify fund depositing, fund use and the examination and approval, change and supervision of fund use. In the report period, The company not raises funds..

### 5. Internal Control of Major Investment:

According to requirements of the *Stock Listing Rules, Guidance on Internal Control of Listed Firms* and other statutes, we have clearly stipulated the definition, procedure, authorized amount and level for major investment, contract requirement, disclosure matters, etc. The articles of association have clarified the approval authorities relevant review procedures of the annual shareholder meeting and the board of directors for major investment. Compared against the relevant provisions of the *Guidance of Shenzhen Stock Exchange on Internal Control of Listed Firms*, we have exercised stringent, adequate and effective internal control to investment, and have never violated the *Guidance on Internal Control of Listed Firms, Stock Listing Rules*, etc. In the report period, The company has no significant investment matters.

### 6. Internal Control of Information Disclosure:

We have set up a set of effective stringent information management rule, enhanced

the management of information affairs, ensured the accuracy and confidentiality of information, prevented information from being disclosed earlier than scheduled time, promoted directors, trustees and executives to fulfill their duties loyally and diligently, and guaranteed the truth, accuracy, promptness and fairness of disclosed information. We have conducted reception, communications and other investor relation activities and ensured the fairness of information disclosure according to the provisions of the Guidance of Shenzhen Stock Exchange on the Fair Information Disclosure of Listed Firms, the Guidance of Shenzhen Stock Exchange on the Investor Relation Management of Listed Firms, etc. Individuals liable to report can promptly report relevant information to the board of directors and the secretary of board of directors. The secretary of board of directors shall analyze and judge major internal information, and promptly report to the board of directors of any matter whose information needs to be disclosed, so that the board of directors to go through relevant procedures and disclose to external entities.

### (III) Problems of Our Internal Control and Corrective Actions

#### (1) Defects and Problems of Our Internal Control.

The Company's printing & dyeing plant in Shenzhen ceased production,owadays, our mission-critical production equipment and management team delay to move to Nanjing, We have an increasingly hollow core business.

#### (2) Specific Causes of Internal Control Problems, Current Situation, Corrective actions and Measures.

The Company's printing & dyeing plant in Shenzhen ceased production, Five subsidiaries controlled by the Company stopped the operation of relevant printing and dyeing business due to the production suspense of printing and dyeing mill and most of them maintained their daily operation by house property lease.The Company's printing & dyeing plant in Shenzhen ceased production, Due to the reason on the side of the other party of joint venture and change of industry prospect, as of December 31, 2010, Capital Increasing of the joint venture project had not been completed,The capital construction of Nanjing Factory has still not satisfied the conditions for equipment installation so that the joint venture project can not be completed after much delay. Shenzhen East Asia Textile Printing and Dyeing Co., Ltd., a subsidiary established by the Company in Shenzhen to undertake the Company's original printing and dyeing business, stopped its operating

activities because the joint venture factory in Nanjing failed to start operation as schedule so that there was no business for undertaking.

Corrective Actions and Measures: Due to the delay of the relocation of our printing & dyeing business, our production & operation activities are seriously influenced and may not restore to normality within 3 months. Pursuant to the provision of Shenzhen Stock Exchange Stock Listing Rules, Article 13.3.1, Shenzhen Stock Exchange exercised other special treatment to our stocks since August 27<sup>th</sup>, 2007. This accident has major influence to the production & operation activities and sustainable growth of our company. To guarantee the stable operation and sustainable growth of our company, we will enhance the coordination of engineering project, and try to implement the relocation plan as soon as possible.

### (3) Overall Appraisal to Our Internal Control.

With all mentioned above, Based on the requirements of <Standardized operation guidelines to listed companies in main stock market>, <Internal control guidelines to listed companies > and The fundamental norms of enterprise's internal control, company established quite perfect internal control structure and conducted standardized operation. Our annual shareholder meeting, board of directors, board of trustees and management have clearly stated duties and operate in a disciplined manner. We follow the principles of truth, accuracy, completeness, promptness and fairness in term of information disclosure. The internal control system can provide institutional guarantee to company's normal operation & risk control. At the same time, in the later work, company will further improve the management level of company and make it perfect, strengthen & improve the construction of internal control system and enhance internal control execution.

Company has not recruited external audit institution for giving opinions on company's internal control self-examination report yet.  
V Committee of supervisors of Our Board of Trustees to the Self-Appraisal of Our Internal Control

Opinion of committee of supervisors:

1. We have established and improved an internal control system covering the entire production & operation process according to the relevant stipulations of China Securities Regulatory Commission and Shenzhen Stock Exchange as well as the specific situation of our company, to confirm every work has its rule to follow, and form a disciplined management system. Our existing internal control rules provide guarantee to the production & operation activities of our company.

2. We have established and improved a corporate governance structure and internal organizational structure compliant to the requirement of modern management, and

formed a decision-making mechanism, execution mechanism and supervision mechanism for the key activities of our internal control, and guaranteed the standardized operation of various business activities.

3. In the report period, we have never violated the Guidance of Shenzhen Stock Exchange on Internal Control of Listed Firms and our internal control rules. With all mentioned above, the board of trustees deems that our 2010 Annual Internal Control Self-Appraisal Report has comprehensively and objectively reflected the actual situation of internal control in our company, can show us areas to be improved, has proposed corrective actions, and we agree with it.

#### VI. Comments of Our Independent Directors to the Self-Appraisal of Our Internal Control

Independent director opinion:

Based on the Circular of Shenzhen Stock Exchange on Doing a Good Annual Report Work for Listed Firms in 2010, as independent directors of the company, we have carefully read through the 2010 Annual Internal Control Self-Appraisal Report submitted by the board of directors, talked to the management and relevant departments, referred to the management rules of the company, and now make following comments based on our independent stance:

1. The internal control rules of the company are compliant to relevant national regulations and the requirements of securities regulatory authority, and fit for the actual situation of production and operation of the company.

2. The internal control measures of the company have played good roles in the various processes and links of the company management.

3. The 2010 Annual Internal Control Self-Appraisal Report has comparatively objectively reflected the true situation of internal control, is comparatively comprehensive in summarizing the internal control, and is comparatively clear in areas of internal control to be improved.

4. The 2010 Annual Internal Control Self-Appraisal Report is compliant to the actual situation of internal control of our company.

#### VII Performance Appraisal & Incentive Mechanism for Executives, Establishment and Implementation of Relevant Rewarding Rules

We appraise the performance of executives according to relevant index and criteria, the results of performance appraisal are recorded in the archives of executives, and are

linked to the compensations and hiring of executives.

## Section VI. Particulars about Shareholders' General Meeting

In the report period, the Company held 1 shareholders' general meeting. Relevant particulars are as follows:

### (1) 2009 annual shareholders' general meeting of the Company

#### 1. Notice, convening and holding of shareholders' general meeting

The Company issued the notice of holding 2009 annual shareholders' general meeting on April 7, 2010. 2009 annual shareholders' general meeting of the Company was held in the meeting room on the 16/F of Union Building, Shennan Road Central, Shenzhen in the morning of May 12, 2010 as scheduled. The meeting was presided over by Mr. Hu Yongfeng, the board chairman of the Company. 5 shareholders and shareholders' agents attended this meeting, representing 90,225,600 shares which account for 53.34% of the total shares of the Company. 2 shareholders holding A shares (agents) attended the meeting, representing 59,145,015 shares which account for 59.31% of total voting shares held by the Company's shareholders holding A shares. 3 shareholders holding B shares (agents) attended the meeting, representing 31,080,585 shares which account for 44.77% of total voting shares held by shareholders holding B shares of the Company. Chen Dong, lawyer of Guangdong Shengdian Law Office attended and witnessed the meeting and issued legal opinion.

#### 2. The resolutions adopted at the shareholders' general meeting and the disclosure of resolution announcement

The meeting examined and voted through the following proposals:

- (1) 2009 annual work report of the board of directors of the Company.
- (2) 2009 annual work report of the supervisory committee of the Company.
- (3) 2009 annual report of the Company and its summary.
- (4) The profit distribution preplan of the Company for 2009

(5) The proposal for renewing the engagement of Shine Wing Certified Public Accountants as the Company's audit body for 2010;

The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on May 13, 2010.

## VII Report of the Board of Directors

### I. The discussion and analysis of operation status

The Company's printing & dyeing plant in Shenzhen ceased production, Five subsidiaries controlled by the Company stopped the operation of relevant printing and dyeing business due to the production suspense of printing and dyeing mill and most of them maintained their daily operation by house property lease. .It plans to invest in Nanjing East Asia Textile Printing and Dyeing Co., Ltd. with part of machinery and equipment in 2007, Due to the reason on the side of the other party of joint venture and change of industry prospect, as of December 31, 2010, Capital Increasing of the joint venture project had not been completed,The capital construction of Nanjing Factory has still not satisfied the conditions for equipment installation so that the joint venture project can not be completed after much delay. Shenzhen East Asia Textile Printing and Dyeing Co., Ltd., a subsidiary established by the Company in Shenzhen to undertake the Company's original printing and dyeing business, stopped its operating activities because the joint venture factory in Nanjing failed to start operation as schedule so that there was no business for undertaking. The main source of the profit made by the Company in the report year is the income from its investment in Zhejiang Union Hangzhou Bay Ventures Co., Ltd.

(I) Review of the operating status of the Company in the report period

1. Overall operating status in the report period

Unit: RMB

Items	2010	2009	Amount of change and percentage	Proportion of change (%)
Operating Income	9,351,110	27,517,759	-18,166,649	-66.02
Operating Profit	2,328,181	11,905,069	-9,576,888	-80.44
Total profit	2,326,231	11,667,821	-9,341,590	-80.06
Net profit attributable to shareholders of listed Company	4,102,924	12,090,678	-7,987,754	-66.07

Notes:

(1) Operating income decreased by RMB 18.16 million year on year mainly because the printing and dyeing business of the Company was not recovered;

(2) Operating profit decreased by RMB 9.57 million mainly because the key business of the Company was not recovered, the earnings of Zhejiang Union Hangzhou Bay Ventures Co., Ltd., an affiliated company, decreased by 47.20% year on year to



RMB 45.05 million and Shenzhen East Asia Victor Onward Textile Printing and Dyeing Co., Ltd., a controlled subsidiary, suffered loss of RMB 3.5 million;

(3) Total profit decreased by RMB 93.4 million mainly for the reason mentioned in (2);

(4) The net profit attributable to shareholders of listed Company increase by RMB 7.98 million year on year mainly due to the said factors.

## 2. Scope of key business and its operation status

Scope of key business :Production and sales of textile products, necessary raw materials, auxiliary materials, various fabrics and garments and provision of relevant services.

In report period, the controlled subsidiaries continued production suspense and rectification and were mainly engaged in asset preservation and lease of idle properties except that the main operation.

(1).The income from main operation earned by the Company in the report period mainly includes the income from printing and dyeing business. In the report period, the total income from main operation was RMB 9.35 million, an decrease of 66.2% year on year. The Company realized net profit of RMB 2.32 million.

(1) Income from and cost of core business in terms of industry are as follows:

Unit: RMB'0000

The Status of key business in terms of industry of business						
On industry or production	Income from key business	Cost of key business	Key business profit ratio (%)	Increase/decrease of key business turnover (%)	Increase/decrease of key business cost (%)	Change of key business profit over the same period of last year (%)
Fabrics bleaching, Printing & dyeing	96	32	66.67	-94.93	-98.17	59.39
Lease	839	400	52.32	-2.10	-20.79	11.25

Income from and cost of main operation in terms of areas are as follows:

Unit: RMB'0000

Area	Income from key business	Increase/decrease of income (%)
Mainland China	766	-51.58
Hong Kong and Overseas	169	-85.55

(2) The line of business or product whose income or profit accounts for over 10% of total income from main operation or profit from main operation in the report period

Unit:RMB'0000

The Status of key business in terms of industry of business						
On industry or production	Income from key business	Cost of key business	Key business profit ratio (%)	Increase/decrease of key business turnover (%)	Increase/decrease of key business cost (%)	Change of key business profit over the same period of last year (%)
Fabrics bleaching, Printing & dyeing	96	32	66.67	-94.93	-98.17	59.39
Lease	839	400	52.32	-2.10	-20.79	11.25

(3). The profit structure and key business structure in the report period did not change much compared with the previous report period.

(4).Major Suppliers and Customers

At present, the Company is mainly engaged in renting property. The tenants in Shenzhen are its main customers.

3.Change in composition of the Company's assets and reasons therefore:

Unit:RMB'0000

Items of consolidated balance sheet	2010	2009	Amount of change and percentage	Proportion of change (%)
Monetary fund	5178	5,610	-432	-7.70
Account receivable	58	239	-181	-75.73
Prepayments	2	94	-92	-97.87
Other receivable	17	122	-105	-86.07
Inventories	42	85	-43	-50.59
Disposable financial asset	87	30	57	190.00
Long term share equity investment	7719	6842	877	12.82
Property investment	3967	4444	-477	-10.73
Account payable	271	455	-184	-40.44
Minority interests d	-131	50	-181	-362.00

(1) Monetary capital decreased by 4.32 million and 7.70% mainly because Nanhua Company, a subsidiary, paid loan principal of RMB 3 million to Shenzhen Union Property Group Co., Ltd., a related party;

(2) Accounts receivable, payment in advance, other receivables and advance collections respectively decreased by RMB 1.81 million, RMB 0.92 million, RMB 1.05 million and RMB 1.84 million mainly because East Asia Victor Onward Company, a subsidiary, settled current accounts;

(3) Inventories decreased by RMB 0.43 million and 50.59% mainly because East Asia Victor Onward Company, a subsidiary, disposed of inventories;

- (4) Financial assets available for sale increased by RMB 0.57 million due to the rise in trading price of the stocks of Hong Kong Exchange;
- (5) Long-term equity investment increased by RMB 8.77 million and 12.82% mainly because the real estate project of Zhejiang Union Hangzhou Bay Ventures Co., Ltd., an affiliated company, made profit;
- (6) Real estate for investment decreased by RMB 4.77 million and 10.73% mainly due to depreciation of house properties;
- (7) Minority interests decreased by RMB 1.81 million and 40.44% mainly because Nanhua Company and Shenzhen East Asia, two subsidiaries of the Company, suffered excess loss. According to No. 4 Interpretation of Accounting Standards for Business Enterprises, where the loss for current period shared by minority shareholders of a subsidiary exceeds the owner's equity enjoyed by them in this subsidiary at the beginning of period in consolidated financial statements, the difference shall write off minority interests. Whether the Articles of Association of the Company or an agreement defines the obligation of minority shareholders for excess loss or not, excess loss shall write off minority interests, i.e., minority interests will be negative when the subsidiary suffering excess loss is included for statement consolidation. However, the minority shareholders of Nanhua Company were declared bankrupt and suffered compulsory liquidation in 2000. No retroaction can be conducted. Therefore, the minority shareholders of Nanhua Company shall no longer bear losses.

4.Reasons for material change in the items of profit and loss statement of the Company in the report period:

Unit : RMB'0000

Items of profit and loss statement	2010	2009	Amount of change and percentage	Proportion of change (%)
Business income	935	2,752	-1,817	-66.02
Business cost	432	2,262	-1,830	-80.90
Sales expense	68	226	-158	-69.91
Administrative expense	886	798	88	11.03
Financial expenses	65	80	-15	-18.75
Asset impairment loss	401	362	39	10.77
Investment gain	1152	2,163	-1,011	-46.74
Non-business income	3	55	-52	-94.55
Non business expenses	4	79	-75	-94.94

(1) Business income and Business cost respectively decreased by RMB 18.17 Million and RMB 18.30 million ( 66.02%, 80.90% )year on year mainly because the printing and dyeing business of the Company was not recovered;

(2) Sales expenses decreased by RMB 1.58 million and 69.91% mainly due to further deterioration of business and decrease of all expenses in the report year;

(3) Administrative expenses increased by RMB 0.88 million and 11.03%, mainly due to different classification of administrative expenses and taxes of Nanhua Company, a subsidiary, as compared with the previous year;

(4) Financial expenses decreased by RMB 0.15 million and 18.75% mainly due to decrease of loans of Nanhua Company, a subsidiary;

(5) Assets impairment loss increased by RMB 0.39 million mainly due to provision for impairment caused by liquidation of current accounts and inventories after East Asia Victor Onward Company, a subsidiary, suspended its business for rectification;

(6) Investment income decreased by RMB 10.11 million and 46.74% mainly because the earnings of Zhejiang Union Hangzhou Bay Ventures Co., Ltd., an affiliated company, i.e., RMB 45.05 million, decreased by 47.20% year on year;

(7) Non-operating income increased by RMB 0.52 million mainly because Hong Kong Victor Onward, a subsidiary of the Company, received the refund of taxes and levies in the report year;

(8) Non-operating expenses increased by RMB 0.75 million mainly due to payment of fine for delayed payment when applying for real estate title certificate for the old land of Victor Onward Factory of the Company.

#### 5. Composition of the cash flow of the Company:

Unit:RMB'0000

Items	2010	Proportion to the net amount of cash flow from similar activities %	Proportion of change in cash and cash equivalents %
	Amount of cash flow		
Subtotal of cash inflows from business activities	1451	6308.70%	-335.88%
Subtotal of cash outflows from business activities	1428	6208.70%	-330.56%
Net cash flows from operating activities	23	100.00%	-5.32%

Subtotal of cash inflows from investing activities	35	129.63%	-8.10%
Subtotal of cash outflows from investing activities	8	29.63%	-1.85%
Net cash flows from investing activities	27	100.00%	-6.25%
Subtotal of cash inflows from financing activities			
Subtotal of cash outflows of financing activities	308	100.00%	-71.30%
Net cash flows from financing activities	-308	100.00%	71.30%
Influence of the change of exchange rate on cash	-174	100.00%	40.28%
Change in cash and cash equivalents	-432	100.00%	100.00%

Items	2010	2009	Amount of change and percentage	Proportion of change (%)	Proportion of change (%)
Cash received from sales of goods or rendering of services	932	2,292	-1,360	-59.34	Influence stopping production for rectification, Business decreased
Tax returned	18	195	-177	-90.77	Influence stopping production for rectification, Business decreased
Other cash received from business operation	501	1,226	-725	-59.14	Influence stopping production for rectification, Business decreased
Cash paid for purchasing of merchandise and services	250	2,283	-2,033	-89.05	Influence stopping production for rectification, Business decreased
Cash paid to staffs or paid for staffs	361	432	-71	-16.44	Staff reduce

Taxes paid	189	241	-52	-21.58	Influence stopping production for rectification, Business decreased
Other cash paid for business activities	626	871	-245	-28.13	Current account
Net cash retrieved from purchasing of fixed assets, intangible assets, and other long-term assets	8	283	-275	-97.17	Factory land use rights
Cash paid as investment	0	141	-141		Accepted the 3.66% equity of Nanhua Company held by Shenzhen Nanyou (Group)
Cash to repay debts	308	0	308		Loan principal payments

6. Status of equipment utilization of the Company:

The Company suspended production for rectification in February 2007 and plans to relocate factory. Its equipment has been in idle status.

7.The operating status of main controlling subsidiaries and joint ventures

Five subsidiaries controlled by the Company stopped the operation of relevant printing and dyeing business due to the production suspense of printing and dyeing mill and most of them maintained their daily operation by house property lease.

(II) Forecast of the Company's future development

1. The development trend of the industry the Company is engaged in and the situation of market competition confronted by the Company

The Company controlled subsidiary Nanhua Printing & Dyeing and the Company owned Printing & Dyeing Factory are continuously suspended for rectification. most of them maintained their daily operation by house property lease.

2. Development opportunities and challenges in the future and business plan for the new year:

The board of directors of company is positively studying the future development of company to enhance company's sustainable operating ability.

3. The fund needed by the Company to realize the strategy of sustainable development, the plan to use funds and fund source

Nil

4,Main risk factors and countermeasures

At present, The Company has faced the situation of no main operation. While, the funds of original shareholder of Nanjin factory is not available in time, project schedule

was always delayed , till now, the joint venture factory in Nanjin is not ready for equipment installation, it is unable to start production as per schedule, There is no sign of improvement for company's dyeing business in short term, the operation is facing difficulties.

## 2. Investment in the report period

(I) There were neither funds raised in the report period nor those raised in previous periods whose use continued in the report period.

(II) In the report period, there were investment projects utilizing non-raised funds:No

## 3. Particulars about the cash bonus of the Company in previous three years

The Company did not distribute dividends in the previous three years.

## 4. Notes to the unqualified auditor's report with paragraph of emphasized matters issued by Shine Wing Certified Public Accountants for the Company's financial report for 2010

(I) Basic information about the matters involved in non-standard unqualified audit opinions:

Shine Wing Certified Public Accountants issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial statements for 2010 Basic information of emphasized matters: Since March 2007, Shenzhen Victor Onward Textile Industrial Co., Ltd. stopped production and dismissed most of workers. And most subsidiaries of the company had stopped production and it maintained daily operation by house leasing. Shenzhen Victor Onward Textile Industrial Co., Ltd. had disclosed its improvement measures in Note 13 of Financial Statement, but its sustainable operation ability is still uncertain. This paragraph does not affect audit opinions that have been given.

(II) Basic opinions of certified public accountants on such matter:

Shine Wing Certified Public Accountants accepted entrustment, completed the audit of the financial statements of the Company for 2009 and issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial statements for 2010. In accordance with No. 14 Rule for Preparation and Report of Information Disclosure by Companies Publicly Issuing Securities - Non-standard Unqualified Audit Opinions and Treatment of Matters Involved Therein, relevant notes are as follows:

As noticed by Shine Wing Certified Public Accountants during audit, Since March 2007, Shenzhen Victor Onward Textile Industrial Co., Ltd. stopped production and dismissed most of workers. The company currently only had house leasing business.

Except that Shenzhen East Asia Victor Onward Textile Printing and Dyeing Co., Ltd. is still operating normally, other 5 subsidiaries controlled by the Company have stopped operation or are maintaining daily operation by house property lease. It plans to invest in Nanjing East Asia Textile Printing and Dyeing Co., Ltd. with part of machinery and equipment in 2007, Due to the reason on the side of the other party of joint venture and change of industry prospect. we believe that the sustainable operation ability of Shenzhen Victor Onward Textile Industrial Co., Ltd. is still uncertain, so I emphasized the situation in the audit reports and issued unqualified auditor's report with paragraph

of emphasized matters. The matters involved in highlighted statement did not apparently violate Accounting Standards for Business Enterprises and regulations on relevant information disclosure standardization.

This special statement is issued by us according to relevant regulations of CSRC and shall not be used for other purpose. We and the C.P.A. who performed this service shall not bear any liability for the consequences caused by its improper use.

(III) The opinions of the board of directors, supervisory committee and management of the Company on this matter:

The board of directors, Supervisory Committee and managers believed that the printing and dyeing plant of the company had stopped operation or maintained daily operation by house leasing. Due to the reason on the side of the change of industry prospect, Capital Increasing of the joint venture project had not been completed.

(IV) Extent of influence of this matter on the Company:

This event greatly impacted the production & operation activities and sustainable development of company, it made company had the situation of implementing other special treatment which was stipulated in Shenzhen Stock Exchange Listing Rules , the stock of our company had been implemented for other special treatment.

(V) The possibility of eliminating this matter and its influence:

Though the transfer of printing and dyeing business has been somewhat delayed, The board of directors of company is positively studying the future development of company to enhance company's sustainable operating ability.

(VI) The concrete measures of eliminating this matter and its influence

Company is communicating with joint venture partner and trying to minimize the losses and settle this joint venture project issue properly.

## V. Routine work of the board of directors

### 1. Board meetings and resolutions in the report period:

In the report period, the board of directors of the Company held 9 meetings in total.

1. In the Morning of April 7, 2010, the 9th meeting of the fifth board of directors of the Company was held in the meeting room on the 16/F of Union Building , Shennan Road Central, Shenzhen. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on April 9, 2010.

2. In the Morning of April 26, 2010, the 10th meeting of the fifth board of directors of the Company was held through voting by correspondence. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on April 28, 2010.

3. In the Morning of May 28, 2010, the 11th meeting of the fifth board of directors of the Company was held through voting by correspondence. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong



Commercial Daily on May 28, 2010.

4. In the Morning of August 19, 2010, the 12th meeting of the fifth board of directors of the Company was held through voting by correspondence. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on August 21, 2010.

5. In the Morning of October 25, 2010, the 13th meeting of the fifth board of directors of the Company was held through voting by correspondence. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on October 26, 2010.

6. In the morning of October 25, 2010, the Special meeting of the fifth board of director of the company was held through voting by correspondence. The meeting examined and adopted the Rectification Report of Shenzhen Printing and Dyeing Co., Ltd. on Standardization of Basic Financial and Accounting Work and Self-inspection Report of Shenzhen Printing and Dyeing Co., Ltd. on the Status of Establishment and Implementation of Long-acting Mechanism of Prevention of Fund Occupation.

7. In the morning of November 8, 2010, the Special meeting of the fifth board of director of the company was held through voting by correspondence. The meeting examined and adopted the Management System for Financial Accounting Related Personnel .

8. In the morning of November 12, 2010, the Special meeting of the fifth board of director of the company was held through voting by correspondence. The meeting examined and adopted the Regulations of Shenzhen Printing and Dyeing Co., Ltd. on Preventing Fund Occupation by Controlling Shareholder.

9. In the Morning of December 27, 2010, the 14th meeting of the fifth board of directors of the Company was held through voting by correspondence. The announcement of the resolutions of this meeting was published on Securities Times and Hong Kong Commercial Daily on December 28, 2010.

(2) Implementation by the board of directors of the resolutions of the shareholders' general meeting

The board of directors of the Company strictly implemented the resolutions of shareholders' general meetings and the matters authorized by shareholders' general meetings according to the provisions of the Company Law and the Articles of Association of the Company.

2009 annual shareholders' general meeting of the Company examined and adopted

the proposal for the profit distribution of the Company for 2010: The Company is neither to distribute dividends nor capitalize capital surplus for 2010.

(3) Performance introduced of the Special Committee of the Board of Directors

The audit committee of company's board of directors consisted of three directors and two of them are independent directors, the convener is acted by independent director. In the report period, According to the requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange and the rules of The working regulations for audit committee of the board of directors, audit committee performed the following duties based on the principle of due diligence during the reporting period.

1. April 19, 2010, The meeting examined and adopted the Financial and accounting basis of the work program of work of special events .

2. May 28, 2010, The Meeting examined and adopted Financial and accounting activities of self-examination based on the work of the special report.

3. October 25, 2010, The Meeting examined and adopted the specification based on the work of rectification of the financial accounting report.

(4) Debriefing work plan of auditing

On December 27, 2010, Audit committee reviewed company's financial report auditing work plan 2010 and debriefed the "Analysis on the business activities of Shenzhen Victor Onward Textile Industrial Co., Ltd. in 2010" presented by financial department of Shenzhen Victor Onward Textile Industrial Co., Ltd., audit committee agreed the financial report audit work plan 2010 submitted by company.

(5). Reviewing financial statement of company

Audit committee gave the opinion to unaudited financial statements at the second meeting before annual report and thought that the financial statement 2010 prepared by company basically reflected the assets status and business performance of company. Audit committee agreed to conduct annual finance report audit work based on it and request company's financial department provide positive cooperation, and coordinate this audit work, strengthen communication and contact, promptly inform audit committee about the issues found in auditing works and audit progress

(6). Supervising and urging audit works of accounting firm

The member of audit committee had conducted communication with accounting firm many times and asked for the information of audit progress. Audit committee carefully reviewed the initial audit report issued by annual CPA at the third meeting before annual report. By referring to part of their working paper and verifying related situation, audit committee thought that this initial audit report was prepared according to new edition of accounting standard. Basically, it truly and fairly reflected company's financial situation on Dec. 31<sup>st</sup>, 2010 and business performance and cash flow in 2010. There is no objection on the initial audit report issued by annual audit CPA.

(7). Opinions about accounting firm

Audit committee think that ShineWing accounting firm strictly followed the regulations of audit laws and rules and started and completed company's annual audit 2010, the audit time is sufficient, audit personnel have high professional quality, strong practice ability and risk awareness. Their audit conclusion truly reflected the actual situation of company. Audit committee proposed to recruit ShineWing accounting firm

continuously as the audit institution for annual audit 2011.

(4). Profit distribution preplan for 2010

As audited by Shinewing Certified Public Accountants, the total profit of the Company for 2010 is RMB 2,326,231 , After deduction of minority gains and losses of RMB-1,731,989 and income tax expenses of RMB-44,704, net profit is RMB4,102,924,the total year-end undistributed profit is - RMB -98,665,017. The Company is neither to distribute profit nor to capitalize capital surplus for the current year.

## Section VIII Report of the Supervisory Committee

### I. The meetings of the supervisory committee

In the report period, the supervisory committee of the Company held 5 meetings in total.

(1) In the morning of April 7, 2010, the 8th meeting of the fifth supervisory committee of Shenzhen Victor Onward Textile Industrial Co., Ltd. was held on 16/F of Union Building, Shennan Road Central, Shenzhen. The meeting examined and adopted the following resolutions:

1. 2009 Work Report of the Company;
2. 2009 Auditor's Report of the Company ;
3. Profit Distribution Preplan of the Company for 2009
4. 2009 Annual Report and 2009 Annual Report (Summary) of the Company;
5. Special Statement on Matters Involved in Unqualified Auditor's Report with Highlighted Matter Paragraph for 2009;
6. Report on Self-evaluation on Internal Control of Shenzhen Victor Onward Textile Industrial Co., Ltd. in 2009;

(II) In the Morning of April 26, 2010, the 9th meeting of the fifth supervisory committee of the company was held through voting by correspondence. The meeting examined and adopted the following resolutions: The First Quarterly Report 2010.

(III) In the Morning of August 19, 2010, the 10th meeting of the fifth supervisory committee of the company was held through voting by correspondence. The meeting examined and adopted the following resolutions:The semiannual report 2010 and its

## Summary.

(IV) In the Morning of October 25, 2010, the 11th meeting of the fifth supervisory committee of the company was held through voting by correspondence. The meeting examined and adopted the following resolutions::The Third Quarterly Report 2010.

(V) In the Morning of October 25, 2010, the meeting of the fifth supervisory committee of the company was held through voting by correspondence. The meeting examined and adopted the following resolutions::Self-inspection Report of Shenzhen Victor Onward Textile Industrial Co., Ltd. on the Status of Establishment and Implementation of Long-acting Mechanism of Prevention of Fund Occupation.

II. In the report period, the supervisory committee seriously performed its duties and expressed independent opinions in respect of the following matters:

### 1. The operation of the Company according to law.

In the report period, the Company operated strictly according to Company Law, Securities law and the Articles of Association of the Company and other relevant laws and regulations. The Company's procedure of decision was legal and its internal control system was sound. The directors and managers of the Company all did their duties during their work and none of their acts were found to violate the laws, regulations and the Articles of Association or harm the Company's interests.

### 2. Inspection of the financial status of the Company.

The Supervisory Committee carefully checked and examined the financial data of the Company including the financial report of the Company for 2008 audited by Shine Wing Certified Public Accountants and held the opinion that the unqualified auditor's report of the Company for 2008 with paragraph of emphasized matters issued by Shine Wing Certified Public Accountants was true and gave a true view of the financial position and operating results of the Company.

### 3. The Company did not raise funds in the report period.

4. Neither insider trading nor act that caused harm to the rights and interests of part of shareholders or the loss of the Company's assets was found in respect of the transaction price of the assets purchased or sold by the Company.

5. The related transactions between the Company and associated enterprises (companies) were conducted in a fair manner and at market prices. The joint investment made by the Company and related enterprises is in keeping with the interests of the Company. Relevant voting procedure complied with relevant provisions of the Articles of Association of the Company and Stock Listing Rules of Shenzhen Stock Exchange and related directors observed the regulations on absence during vote. The related transactions were fair and reasonable and did not harm the interests of the Company and middle and small shareholders.

6. In the report year, Shine Wing Certified Public Accountants issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial report for 2010. Company board of supervisors that: the cost in printing & dyeing industry is continuing high in Shenzhen. the printing & dyeing business of the Company

and Productions & operations are in serious difficulties and are hard to continue normal operation. the Company controlled subsidiary Nanhua Printing & Dyeing and the Company owned Printing & Dyeing Factory are continuously suspended for rectification. As the transfer of the Company's printing and dyeing business is somewhat delayed, the production and operating activities of the Company have been seriously affected, In accordance with the provisions of 13.3.1 of Stock Listing Rules of Shenzhen Stock Exchange, Shenzhen Stock Exchange carried out special treatment of the stocks of the Company from August 27, 2007.

7. The current internal control system of company is relative perfect, reasonable and effective in general, company's Self-assessment report for internal control 2010 objectively and truly reflected the establishment, development and implementation of company internal control system.

## Section IX Important Events

I. The Company did not get involved in any material lawsuit or arbitration in the report period.

II. The acquisition and disposal of assets and merger by absorption in which the Company was involved in the report period.

III. Related transactions.

(I) Related transactions related to daily operation

1. Related leased

Not applicable

(2) Fund transfer between the Company and related parties( Unit:RMB)

Related party	Amount of period-end	Amount of period-begin
Account receivable		
Shenye Union(Hong Kong)	314, 198	325, 127
Other receivable		
Union Group	22, 564, 462	21, 566, 542
Union Property	699, 258	3, 671, 008

3. Other material related transactions

No other material related transaction.

4. Significant contracts and their performance

(I) The Company did not hold in trust or contract for or lease the assets of other

companies nor did other companies nor did other companies hold in trust or contract for the assets of the Company in the report period.

(2). Significant guarantee:

(A) In the report period, the Company did not provided the external guarantee. There was no significant guarantee that was provided in previous periods but continued to be valid in the report period. The Company will strictly according to the requirements of laws and regulations of the Company Law, the Securities Law, Stock Listing Rules and the Articles of Association of the Company, further standardize the fund transfer between the Company and the controlling shareholder and other related parties, lower operation risk and protect the legitimate rights and interests of investors.

(B) The special statement and independent opinions of the independent directors on the external guarantee of the Company.

According Circular on Certain Issues Relating to Standardization of Fund Transfer Between Listed Companies and Their Related Parties and Guarantees Provided by Listed Companies ("the Circular") issued by CSRC, we, as the Company's independent directors, seriously examined the status of the external guarantee provided by the Company with practical attitude and hereby give our opinions on relevant issues:

According to the result of our prudent investigation, as of December 31, 2010, the Company did not provide guarantee to its controlling shareholder, other related parties of which the Company holds less than 50% equity, any unincorporate entity or individual against regulations nor did the controlling shareholder and other related parties force the Company to provide guarantee to others as of the end of the report period. In the report period, the Company specified the examination and approval procedure of external guarantee and the credit standards for the object of guarantee according to the gist of the Circular, added the same to the revised Articles of Association of the Company, strictly observed the provisions of the Articles of Association of the Company and strictly controlled the risks of its external guarantee.

(3) The Company did not entrust others to manage its cash assets in the report period.

(4) Other significant contracts

The first provisional shareholders' general meeting of Shenzhen Victor Onward Textile Industrial Co., Ltd. in 2007 held on April 6, 2007 adopted the proposal for increasing capital of Nanjing East Asia Textile Printing and Dyeing Co., Ltd.

Nanjing East Asia Textile Printing and Dyeing Co., Ltd. ("Nanjing East Asia") is a sino-foreign equity joint venture legally registered in Nanjing. The Company plans to operate Nanjing East Asia as a joint venture through increasing share capital of Nanjing East Asia. The Company is to increase capital of Nanjing East Asia with material objects valued at RMB 30 million as registered capital (full payment of subscribed registered capital is subject to the appraised value accepted by both parties), which

accounts for 30% of total registered capital. The original shareholders of Nanjing East Asia are to invest RMB 70 million in Nanjing East Asia as registered capital (Full payment of subscribed registered capital is subject to audited amount accepted by both parties), which accounts for 70% of total registered capital. After completion of share capital increase, Nanjing East Asia will be renamed as NAN JING VICTOR ONWARD PRINTING & DYEING CO.,LTD .

As the funding of investment counterpart is not available in time, it caused the delay of project schedule and the increasing investment project has not been finished by now. It has been delayed for three years and many factors had changed comparing with the original factors, a lot of things had changed such as local investment environment, financing environment and environmental requirement etc. which increased the difficulty to the starting of joint venture investment project. It also caused a lot of loss for the long time idle of factory machine and equipment. The expense for restarting equipment will be increased greatly and all of them make the difficulties to the completion of joint venture investment project. Company is keeping communication with joint venture partner and trying to reduce the loss to the uttermost level & solve this joint venture project issue properly.

(5) In accordance with the notice of Shenzhen Stock Exchange about Fair Information Disclosure of Listed Companies, the Company improved internal control system and procedure for information disclosure and formulated reception and introduction system, information disclosure, reference and registration system. The Company and relevant information disclosure obligors strictly abode by the principle of fair information disclosure, neither implemented discriminatory policy nor disclosed, revealed or divulged non-open significant information to specific objects.

Reception	Place	Mode	Object	Discussion issue and offered information
2010	Office of board secretary of the Comapny	Telephone	Individual investor	The Company communicated with investors in respect of its production and operation status and its reorganization and listened to the opinions of investors.

(VI) In the report period, Commitment made by the Company or shareholders holding over 5% of shares of the Company.

#### 1. Significant commitments

The external investment contract and the related financial expenses signed haven't been executed or fully performed

As of December 31, 2010, Group has signed a contract but there are still outstanding major agreement total foreign investment RMB 30 million .Specific conditions are as follows:

Name	Investment amount	Payable amount of investment	Non-payable amount of investment	Investment Period	Notes
Investment in machinery and equipment in Nanjing East Asia Textiles Co., Ltd.	30 million	-	30 million	Uncertain	Not because of the other production sites can not be completed relocation

2.The Signed or is ready to carry out the contract of large contracts

As of December 31, 2010,The Group still has signed the agreement but did not pay large amounts of letting contracts total RMB 1.71 million. Specific conditions are as follows:

Name	Investment amount	Payable amount of investment	Non-payable amount of investment	Investment Period	Notes
The relocation of production equipment as a whole works	1, 710, 000	855, 000	855, 000	Uncertain	Not because of the other production sites can not be completed relocation

2.In addition to these commitments , as of December 31, 2010,The Group has no other significant commitments.

(II) Unfreezing of restricted shares held after share holding structure reform in the report period

The restricted A shares held by relevant shareholders holding non-negotiable shares in A share market after the share holding structure reform shares were all unfrozen in 2009. The promise made by Union Holdings Co., Ltd., the largest shareholder(43,141,032 shares) of the Company, in the share holding structure reform of the Company: If it sells



the unfrozen negotiable shares of the Company held by it through the trading system of Shenzhen Stock Exchange six months after unfreezing of shares and sells 5% or more than 5% of total shares within six months from the first sale, it shall strictly meet the requirements of relevant laws, regulations and rules and timely notify the Company to make announcement about share sales. The content of disclosure: The quantity of shares to be sold, the planned time of sale, the range of selling price and reason for selling and other information required by Shenzhen Stock Exchange. this commitment is under fulfillment.

(VII) Engagement and ismission of Certified public Accountants

In the report period, The Company still engaged Shine Wing Certified Public Accountants to do the auditing work .The annual auditing fees totaled RMB 0.30 million, Shine Wing Certified Public Accountants has providing auditing service for 5 years for the Company in succession.

(VIII) Punishment to the Company , its Directors, Supervisors and senior Managment and rectification in the reporting period.

In the report period, none of the Company, its Directors, Supervisors, senior Management , Shareholders or actual controllers was subject to investigation by cometent authorities, enforcement measures by judicial and regulatory authorities, transfer to judicial departments or prosecution for criminal liability, inspection or administrative punishment by CSRC, non-admission to securities market, or punishment by other administrative departments or public condemnation by the Zhenzhen Exchange as a result of being identified as an inappropriate candidate.

(IX) Future issues of balance sheet

This Group had no other significant matters after the balance sheet date.

(X) Other material events

As shown in the auditor's report, the net profit of the Company for 2009 is RMB 11,667,821 and the net profit for the shareholders of the Company is RMB 12,090,678. According to relevant provisions of Stock Listing Rules of Shenzhen Stock Exchange, the circumstance for giving caution of delisting risk of A shares and B shares of the Company has disappeared. After approval by Shenzhen Stock Exchange, the caution of delisting risk of the stocks of the Company was cancelled from May 31, 2010. However, the key business of the Company has not recovered. The circumstance for other special treatment specified in Stock Listing Rules of Shenzhen Stock Exchange still exists.

Other special treatment continued for the trading of the stocks of the Company.

## Section X Financial Report

Auditor's report

XYZH/2010SZA1030

To All shareholders of Shenzhen Victor onward Textile Industrial Co., Ltd.:

We audited accompanying consolidated financial statements and financial statements of the parent company of Shenzhen Victor Onward Textile Industrial Co., Ltd.(hereinafter referred to as "the Company"), including balance sheet as at December 31, 2010, profit statement, cash flow statement and statement of changes in shareholders' equity for the year then ended and the notes to financial statements.

### I. Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with international Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### II. Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2010, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standard.

### IV. Matters emphasized

We remind the users of financial statements to pay attention to the fact that the Company stopped production and dismissed most of workers since March 2007. And most subsidiaries of the company had stopped production and it maintained daily operation by house leasing. Shenzhen Victor Onward Textile Industrial Co., Ltd. had disclosed its improvement measures in Note 13 of Financial Statement, but its sustainable operation ability is still uncertain. This paragraph does not affect audit opinions that have been given.

Shine Wing Certified public Accountants

C.P.A:

Zhang WeiJian

C.P.A:

Xia Wei

Beijing China

April 27, 2011

Shenzhen Victor Onward Textile Industrial Co., Ltd.

## Balance Sheet

December 31, 2010

(Unit:RMB)

Assets	December 31, 2010		December 31, 2009	
	Consolidated	Parent company	Consolidated	Parent company
Monetary fund	51,786,613	23,577,186	56,105,626	24,960,502
Trading financial assets	77,235	77,235	171,221	85,725
Bill receivable				
Account receivable	586,576		2,398,250	488,528
Prepayments	23,225		942,126	
Interest receivable	6,646		5,480	
Other account receivable	175,951	75,638,428	1,227,246	81,416,712
Inventories	429,613	429,612	856,553	444,557
Non-current asset due in 1 year				
Other current asset				
Total of current assets	53,085,859	99,722,461	61,706,502	107,396,024
Non-current assets:				
Disposable financial asset	874,427		309,399	
Expired investment in possess				
Long-term account receivable				
Long-term equity investment	77,199,476	38,613,199	68,427,751	41,317,197
Investment property	39,679,004	6,019,483	44,445,185	6,595,088
Fixed assets	17,492,132	14,313,935	18,772,745	14,867,709
Construction in progress				
Engineering material				
Disposal of fixed assets				
Intangible assets	2,049,023	2,049,023	2,117,958	2,117,958
Expense on research and development				
Goodwill	5,352,498		5,538,694	
Long-term expenses to be apportioned				
Deferred income tax assets				
Other non-current assets				
Total non-current assets	142,646,560	60,995,640	139,611,732	64,897,952

Total assets	195,732,419	160,718,101	201,318,234	172,293,976
Legal representative:	Financial controller	The person in charge of the financial		
Hu Yongfeng	Zhang Jinliang	Department: Ren Changzheng		

Shenzhen Victor Onward Textile Industrial Co., Ltd.

Balance Sheet(Cont'd)

December 31, 2010

(Unit:RMB)

Liabilities and shareholders' equity	December 31, 2010		December 31, 2009	
	Consolidated	Parent company	Consolidated	Parent company
Current liabilities				
Short-term loan				
Trade off financial liabilities				
Bill payable				
Account payable	3,353,297	115,281	4,101,084	1,793,753
Prepayment	2,718,175	1,939,819	4,555,433	3,448,961
Employees' wage payable	620,363	579,911	559,967	559,967
Tax payable	2,914,867	1,723,217	2,519,063	1,192,456
Dividend payable	1,276,241		1,320,637	
Other account payable	29,974,945	651,133	30,926,067	652,984
Non-current liability due in 1 year				
Other current liability	1,228,163	1,185,618	1,139,376	1,139,376
Total of current liability	42,086,051	6,194,979	45,121,627	8,787,497
Non-current liabilities:				
Long-term loan	1,350,126		1,534,300	
Long-term payable	8,907,695		9,217,564	
Differed income Expected liabilities				
Differed income tax liability	892,357	4,211,921	968,868	4,294,606
Other non-current liabilities	878,286	878,286	908,839	908,839
Total of non-current liabilities	12,028,464	5,090,207	12,629,571	5,203,445
Total of liability	54,114,515	11,285,186	57,751,198	13,990,942
Owners' equity				
Share capital	169,142,356	169,142,356	169,142,356	169,142,356
Capital reserves	39,872,534	31,606,598	39,297,104	31,606,598
Less: Shares in stock				
Surplus reserves	26,704,791	26,309,287	26,704,791	26,309,287
Common risk provision				
Undistributed profit	-98,665,017	-80,137,758	-102,767,941	-76,527,638
Different of foreign currency translation	5,874,835	2,512,432	10,682,638	7,772,431

Total of owner's equity belong to the parent company	142,929,499	149,432,915	143,058,948	158,303,034
Minor shareholders' equity	-1,311,595		508,088	
Total of owners' equity	141,617,904	149,432,915	143,567,036	158,303,034
Total of liabilities and owners' equity	195,732,419	160,718,101	201,318,234	172,293,976

Legal representative:	Financial controller	The person in charge of the financial
Hu Yongfeng	Zhang Jinliang	Department: Ren Changzheng

# Shenzhen Victor Onward Textile Industrial Co., Ltd.

## Profit statement

(Unit:RMB)

Items	Year 2010		Year 2009	
	Consolidated	The Company	Consolidated	The Company
I. Total operating income	9,351,110	1,315,850	27,517,759	12,161,743
Including: Operating income	9,351,110	1,315,850	27,517,759	12,161,743
II. Total operating cost	18,546,449	5,081,502	37,293,220	19,095,176
Including: operating cost	4,323,089	-45,739	22,624,986	11,514,289
Business tax and surcharge			540	
Sales expense	687,772		2,267,860	
Administrative expense	8,868,792	5,218,289	7,977,421	5,049,672
Financial expenses	652,427	-2,773,710	802,606	-1,075,506
Asset impairment loss	4,014,369	2,682,662	3,619,807	3,606,721
Add: Gains from change of fair value (“-”for loss)			48,912	
Investment gain (“-”for loss)	11,523,520	257,537	21,631,618	290,960
Incl: investment gains from affiliates	11,264,659		21,337,265	
III. Operational profit (“-”for loss)	2,328,181	-3,508,115	11,905,069	-6,642,473
Add: Non-business income	38,382	189	552,940	24,248
Less: Non business expenses	40,332	39,434	790,188	709,264
Incl: Loss from disposal of non-current assets	39,237	5,983	13,693	5,983
IV.Total profit(“-”for loss)	2,326,231	-3,547,360	11,667,821	-7,327,489
Less: Income tax expenses	-44,704	62,760	-45,510	781,547
V. Net profit (“-”for net loss)	2,370,935	-3,610,120	11,713,331	-8,109,036
Net profit attributable to the owners of parent company	4,102,924		12,090,678	
Minority shareholders’ gain & loss	-1,731,989		-377,347	
VI. Earnings per share:				
(I) Basic earnings per share	0.02		0.07	
(II)Diluted earnings per share	0.02		0.07	
VII. Other comprehensive income	-4,320,067	-5,259,999	-451,485	-257,221
VIII. Total comprehensive income	-1,949,132	-8,870,119	11,261,846	-8,366,257
Total comprehensive income attributable to the owner of the parent company	-129,449		11,638,212	
Total comprehensive income attributable minority shareholders	-1,819,683		-376,366	
Legal representative:	Financial controller	The person in charge of the financial		



Hu Yongfeng

Zhang Jinliang

Department:  
Ren Changzheng

## Shenzhen Victor Onward Textile Industrial Co., Ltd.

## Cash flow statement

Year 2010  
(Unit:RMB)

Items	Report period		Same period of the previous year	
	Consolidated	Parent company	Consolidated	Parent company
I.Cash flows from operating activities				
Cash received from sales of goods or rendering of services	9,321,851	1,916,761	22,924,742	12,978,391
Net increase of trade financial asset disposal			269,610	269,610
Tax returned	185,563	104,485	1,950,227	797,227
Other cash received from business operation	5,010,985	3,803,329	12,255,169	3,155,976
Sub-total of cash inflow	14,518,399	5,824,575	37,399,748	17,201,204
Cash paid for purchasing of merchandise and services	2,508,670	1,035,551	22,837,806	13,184,921
Cash paid to staffs or paid for staffs	3,612,910	2,237,620	4,317,377	2,346,409
Taxes paid	1,898,137	850,110	2,405,719	827,766
Other cash paid for business activities	6,261,100	2,466,390	8,705,286	2,493,330
Sub-total of cash outflow from business activities	14,280,817	6,589,671	38,266,188	18,852,426
Cash flow generated by business operation, net	237,582	-765,096	-866,440	-1,651,222
II.Cash flow generated by investing				
Cash received from investment retrieving	81,386			
Cash received as investment gains	260,948	257,537	3,044	
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	9,669	9,669	65,749	56,583
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related				

cash received				
Sub-total of cash inflow due to investment activities	352,003	267,206	68,793	56,583
Cash paid for construction of fixed assets, intangible assets and other long-term assets	83,200	55,788	2,830,657	2,744,201
Cash paid as investment			1,407,076	1,407,076
Net cash received from subsidiaries and other operational units				
Other cash paid for investment activities				
Sub-total of cash outflow due to investment activities	83,200	55,788	4,237,733	4,151,277
Net cash flow generated by investment	268,803	211,418	-4,168,940	-4,094,694

Legal representative:

Hu Yongfeng

Financial controller

Zhang Jinliang

The person in charge of the financial

Department:

Ren Changzheng

Shenzhen Victor Onward Textile Industrial Co., Ltd.

Cash flow statement(Cont'd)

**Year 2010**  
(Unit:RMB)

Items	Report period		Same period of the previous year	
	Consolidated	Parent company	Consolidated	Parent company
III.Cash flow generated by financing				
Cash received as investment				
Incl: Cash received as investment from minor shareholders				
Cash received as loans				
Cash received from bond placing				
Other financing –related cash received				
Sub-total of cash inflow from financing activities				
Cash to repay debts	3,084,542		137,332	

Cash paid as dividend, profit, or interests				
Incl: Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities				
Sub-total of cash outflow due to financing activities	3,084,542		137,332	
Net cash flow generated by financing	-3,084,542		-137,332	
IV. Influence of exchange rate alternation on cash and cash equivalents	-1,740,856	-829,638	-90,090	-43,600
V. Net increase of cash and cash equivalents	-4,319,013	-1,383,316	-5,262,802	-5,789,516
Add: balance of cash and cash equivalents at the beginning of term	56,105,626	24,960,502	61,368,428	30,750,018
VI. Balance of cash and cash equivalents at the end of term	51,786,613	23,577,186	56,105,626	24,960,502

Legal representative: Hu Yongfeng      Financial controller: Zhang Jinliang      The person in charge of the financial Department: Ren Changzheng

**Shenzhen Victor Onward Textile Industrial Co., Ltd.**  
**Consolidated Statement on Change in Owners' Equity**  
**Year 2010**  
**(Unit:RMB)**

Items	Amount of the Current term									
	Owner's equity Attributable to the Parent Company								Minor shareholders' equity	Total of owners' equity
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Other		
I. Balance at the end of last year	169142356	39297104			26704791		(102767941)	10682638	508088	143567036
Add: Change of accounting policy										
Correcting of previous errors										
Other										
II. Balance at the beginning of current year	169142356	39297104			26704791		(102767941)	10682638	508088	143567036
III. Changed in the current year		575430					4102924	(4807803)	(1819683)	(1949132)
( I ) Net profit							4102924		(1731989)	2370935
( II ) Other misc. income		575430						(4807803)	(87694)	(4320067)

Total of (I) and (II)		575430					4102924	(4807803)	(1819683)	(1949132)
(III) Investment or decreasing of capital by owners										
1. Capital inputted by owners										
2. Amount of shares paid and accounted as owners' equity										
3. Other										
(IV) Profit allotment										
1. Providing of surplus reserves										
2. Common risk provision										
3. Allotment to the owners (or shareholders)										
4. Other										
(V) Internal transferring of owners' equity										
Capitalizing of capital reserves (or to capital shares)										
1. Capitalizing of surplus reserves (or to capital shares)										
3. Making up losses by surplus reserves.										
4. Other										
(VI) Special reserves										
1. Provided this year										
2. Used this term										
IV. Balance at the end of this term	169142356	39872534			26704791		(98665017)	5874835	(1311595)	141617904

Legal representative:

Hu Yongfeng

Financial controller

Zhang Jinliang

The person in charge of the financial

Department:

Ren Changzheng

Shenzhen Victor Onward Textile Industrial Co., Ltd.

Consolidated Statement on Change in Owners' Equity(Cont'd)  
**Year 2010**  
(Unit:RMB)

Items	Amount of the previous term									
	Owner's equity Attributable to the Parent Company								Minor shareholders' equity	Total of owners' equity
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Other		
I.Balance at the end of last year	169142356	39194631			26309287		(115810517)	11237577	884454	130957788
Add: Change of accounting policy										
Correcting of previous errors										
Other										
II.Balance at the beginning of current year	169142356	39194631			26309287		(115810517)	11237577	884454	130957788
III.Changed in the current year		102473			395504		13042576	(554939)	(376366)	12609248
( I ) Net profit							12090678		(377347)	11713331
( II ) Other misc.income		102473						(554939)	981	(451485)
Total of (I) and (II)		102473					12090678	(554939)	(376366)	11261846
(III) Investment or decreasing of capital by owners							1347402			1347402
1. Capital inputted by owners										
2. Amount of shares paid and accounted as owners' equity										
3. Other							1347402			1347402
( IV ) Profit allotment					395504		(395504)			
1.Providing of surplus reserves					395504		(395504)			
2. Common risk provision										
3. Allotment to the owners (or shareholders)										
4. Other										
(V) Internal transferring of owners' equity										
Capitalizing of capital reserves (or to capital shares)										
1.Capitalizing of surplus reserves (or to capital shares)										
3. Making up losses by surplus reserves.										
4. Other										

(VI) Special reserves									
1. Provided this year									
2. Used this term									
IV. Balance at the end of this term	169142356	39297104			26704791	(102767941)	10682638	508088	143567036

Legal representative:

Hu Yongfeng

Financial controller

Zhang Jinliang

The person in charge of the financial

Department:

Ren Changzheng

Shenzhen Victor Onward Textile Industrial Co., Ltd  
Parent Company Statement on Change in Owners' Equity  
Year 2010  
(Unit:RMB)

Items	Amount of the Current term								
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Different of foreign currency translation	Total of owners' equity
I. Balance at the end of last year	169142356	31606598			26309287		(76527638)	7772431	158303034
Add: Change of accounting policy									
Correcting of previous errors									
Other									
II. Balance at the beginning of current year	169142356	31606598			26309287		(76527638)	7772431	158303034
III. Changed in the current year							(3610120)	(5259999)	(8870119)
( I ) Net profit							(3610120)		(3610120)
( II ) Other misc. income								(5259999)	(5259999)
Total of (I) and (II)							(3610120)	(5259999)	(8870119)
(III) Investment or decreasing of capital by owners									
1. Capital inputted by owners									
2. Amount of shares paid and accounted as owners' equity									
3. Other									
( IV ) Profit allotment									
1. Providing of surplus reserves									
2. Common risk provision									

3. Allotment to the owners (or shareholders)									
4. Other									
(V) Internal transferring of owners' equity									
Capitalizing of capital reserves (or to capital shares)									
1.Capitalizing of surplus reserves (or to capital shares)									
3. Making up losses by surplus reserves.									
4. Other									
(VI) Special reserves									
1. Provided this year									
2. Used this term									
IV. Balance at the end of this term	169142356	31606598			26309287		(80137758)	2512432	149432915

Legal representative:

Hu Yongfeng

Financial controller

Zhang Jinliang

The person in charge of the financial

Department:

Ren Changzheng

**Shenzhen Victor Onward Textile Industrial Co., Ltd**  
**Parent Company Statement on Change in Owners' Equity**  
**Year 2010**

(Unit:RMB)

Items	Amount of the previous term								
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Different of foreign currency translation	Total of owners' equity
I.Balance at the end of last year	169142356	31606598			26309287		(68418602)	8029652	166669291
Add: Change of accounting policy									
Correcting of previous errors									
Other									
II.Balance at the beginning of current year	169142356	31606598			26309287		(68418602)	8029652	166669291
III.Changed in the current year							(8109036)	(257221)	(8366257)
(I) Net profit							(8109036)		(8109036)
(II) Other misc.income								(257221)	(257221)
Total of (I) and (II)							(8109036)	(257221)	(8366257)
(III) Investment or									

decreasing of capital by owners									
1. Capital inputted by owners									
2. Amount of shares paid and accounted as owners' equity									
3. Other									
(IV) Profit allotment									
1. Providing of surplus reserves									
2. Common risk provision									
3. Allotment to the owners (or shareholders)									
4. Other									
(V) Internal transferring of owners' equity									
Capitalizing of capital reserves (or to capital shares)									
(1) Capitalizing of surplus reserves (or to capital shares)									
3. Making up losses by surplus reserves.									
4. Other									
(VI) Special reserves									
1. Provided this year									
2. Used this term									
IV. Balance at the end of this term	169142356	31606598			26309287		(76527638)	7772431	158303034

Legal representative:

Hu Yongfeng

Financial controller

Zhang Jinliang

The person in charge of the financial

Department:

Ren Changzheng

## 1. Basic Information of the Company

Shenzhen Victor Onward Textile Industrial Co., Ltd. (hereinafter referred to as "the Company"), grew out of the Xingnan Printing Factory Co., Ltd, founded in 1980, was the first wholly foreign-owned enterprise in Shenzhen. In April 1984, Xingnan Printing Factory Co., Ltd was changed into foreign joint venture, and was renamed Shenzhen Victor Onward Textile Industrial Co., Ltd. . On November 19, 1991, the Company was reorganized into a joint stock limited company and renamed Shenzhen Victor Onward Textile Industrial Co., Ltd. pursuant to the approval of Shenzhen Municipal Government.

The domestically listed RMB ordinary shares ("A shares, Stock code: 000018" ) and domestically listed foreign investment shares ("B shares ,stock code: 200018") issued by the Company were listed on Shenzhen Stock Exchange in 1992.



By December 31, 2010, the total share capital was 169,142,356 million shares, of which circulating A-share 99,720,453 shares, circulating B-share 69,421,903. of which Union Holdings Co., Ltd. (hereinafter referred to Union Holdings ) holding limit-sale A-shares 3,141,032 shares, accounting for 25.51% of the total equity, is the controlling shareholder of the company, Union Development Group Co., Ltd. (hereinafter referred to Union Group) holding circulating A-share 5,821,089 shares, accounting for 3.44% of the total equity, Union Group holds 31.32% of equity of Hualian Holdings and has the right to control Union Holdings, thus Union Group is the actual controller of the Company.

By December 31, 2010, Victor Onward printing and dyeing (Hong Kong) Co., Ltd. (hereinafter referred to as "Hong Kong Victor Onward"), Hong Kong Victor Onward Digital Printing Co., Ltd. (hereinafter referred to as "Victor Onward Digital Printing"), Shengzhong Industrial Co., Ltd. (hereinafter referred to as "Shengzhong") ,Shenzhen East Asia Victor onward Holding (hereinafter referred to as "East Asia Company) and Shenzhen Nanhua Printing and Dyeing as well as its wholly-funded subsidiary Nanhua Xingye Co., Ltd (hereinafter referred to as "Nanhua Xingye") are all subsidiaries of the Company. The Company and its subsidiaries are collectively referred to as "the Group".

The Group is mainly engaged in the production and processing (printing and dyeing) and sales of various high-grade fabrics of pure cotton, pure linen, polyester-mixed cotton, linen cotton and mixed fiber and finished garments. Registered address: 26 Kuipeng Road, Kuiyong Town, Longgang District, Shenzhen Legal Representative: Hu Yongfeng

## II. Basis for the preparation of financial statements

The financial statements was prepared on the basis of the Group's continuous operation.

## III. Complying with the statements in Accounting Standards for Business Enterprises

The financial statements of the Group comply with the requirements of Accounting Standards for Business Enterprises, truly reflect the integrity of the financial situation, operating results and cash flows, and other relevant information of the company.

## IV. Accounting policies, accounting estimation and the method of preparing consolidated financial statements

### V. Accounting policies, accounting estimation and the method of preparing consolidated financial statements

#### (1) Fiscal year

The fiscal year of the Group starts on January 1 and ends on December 31 on the Gregorian calendar.

#### (2) Standard currency for book keeping

Except for Shenzhen East Asia Company and Veapop taking RMB as the standard

currency for bookkeeping, the Company and other subsidiaries of the Group all take HKD as the standard currency for bookkeeping.

(3) Basis for bookkeeping and costing principle

The Group's basis for bookkeeping is accrual system. Except that the financial assets for transaction, the financial liabilities for transaction, and financial assets available for sale are accounted by fair value, generally, account by historical cost.

(4) Cash and cash equivalents

The cash stated in cash flow statement refers to cash in hand and bank deposits usable for payment at any time. Cash equivalent refers to the investments with holding period of less than 3 months and strong liquidity that are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

(5) Foreign currency Convert

(1) Foreign currency Transactions

(2) Foreign currency statement Convert

The financial statements of the company and the subsidiaries making HK dollars as bookkeeping currency shall be converted into RMB. In the course of conversion, the assets & liabilities items shall be converted by using the spot exchange rate on the balance sheet date, the items of shareholders equity except for the retained profit shall be converted according to the spot exchange rate, the items of incomes and expenses in the profit statement shall be converted by the approximate exchange rate of spot exchange rate on the transaction date. The conversion differences of foreign currency statements produced in the above conversions shall be individually listed under the item of shareholders equity.

The cash flow in the cash flow statement are converted by the average exchange rate of the market rates announced in the accounting period. The influences on cash flow from the changes of exchange rate are separately listed in cash flow statement.

6. Financial assets and Financial Liabilities

(1). Classification of financial assets:

According to investment purposes and economic nature, the financial assets of the Group can be divided into the financial assets measured by fair value and the changes included in the current loss and gain, the expired investments held, receivables and financial assets for sale, the four categories.

1). The financial assets measured by fair value and the changes included in the current loss and gain: mainly refer to the financial assets for sale in short term, which shall be listed in balance sheet in transactional financial assets.

2). The expired investments held: refer to the non-derivative financial assets which have fixed expire date and fixed or determined recovering amount.

3). Receivables: refer to the non-derivative financial assets which have no quotation in active market but have fixed or determined recovering amount, including notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

4). Financial assets for sale: include the non-derivative financial assets which are recognized as for sale when they are initially confirmed, and the financial assets which are not divided into other categories.

Financial assets are conducted initial confirmation by at fair value. The relevant expenses to obtain the financial assets measured by fair value and the changes included in the current loss and gain shall be included in the current loss and gain, the relevant transactional expenses of other financial assets shall be the initial confirmation amount. When the contract right of a financial asset is ended or the risk and reward of ownership of the financial asset are transferred to the corresponding party, the confirmation of financial assets shall be ended.

At fair value and changes in their gains and losses included in the current period of financial assets and financial assets to be sold in accordance with the fair value of follow-up measures; receivables and investments held to maturity using the effective interest method to share more than the cost listed.

The changes of fair values of financial assets measured by fair value and the changes included in the current loss and gain shall be included in the changing loss and gain of fair value; all the interest and cash dividends obtained during the period holding the assets shall be confirmed as investment income; upon the disposal of the assets, the differences between the fair value and initial bookkeeping amount shall be confirmed as investment loss and gain, and at the same time, the changing loss and gain of fair value shall be adjusted.

The changes of fair values of financial assets for sale shall be included in equity of shareholders; during the holding period, the interest accounted by actual interest rate shall be included in the investment income; the cash dividends of equity tool investment for sale shall be included in investment income upon the invested unit's declaration of distributing dividends; upon the disposal, the differences between the price and book value deducting the fair value originally included in shareholders equity shall be included in investment loss and gain.

Except for the financial assets measured by fair value and the changes included in the current loss and gain, on the financial sheet date, the Group will check the book value of other financial assets on the balance sheet date, if there is objective evidence showing that impairment has happened on a financial asset, provision for the impairment shall be drawn. If dramatic or non-temporary decline has happened on the financial assets for sale, the accumulative loss originally included in shareholders equity shall be included in the impairment loss. The equity tool investments which the impairment loss has been confirmed and are related to the events of

conformation of impairment loss shall be included in the equity of shareholders. The impairment loss of equity tool investments which have no quotation in the active market and the fair value can not be reliably measured, will not be transferred back.

#### (1) Financial Liabilities

The financial liabilities of our Group shall be classified into the financial liabilities or other ones which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period when they are initially recognized.

The financial liabilities, which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial liabilities and the financial liabilities designated which are measured at their fair values and variation of which is recorded into the profits and losses of the current period when they are initially recognized, shall be made subsequent measurement on its financial assets according to their fair values, and the profits and losses arising from the change in the fair value and the dividends and interests expenses related to the financial liability shall be recorded into the profits and losses of the current period.

The subsequent measurement shall be made on the basis of the post-amortization costs by adopting the actual interest rate method for other financial liabilities.

#### (1) The determination method for fair value of financial assets and financial liabilities

If there is active market for a financial instrument, the quoted prices in the active market shall be used to determine the fair values thereof. In the active market, the quoted prices of our Group for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer for the corresponding fair values of assets or liabilities, while the quoted prices of our Group for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge for the corresponding fair values of assets or liabilities. Where there is no available offer or charge for a financial asset or financial liability, but there is no any significant change to the economic environment after the latest transaction day, we shall adopt the market quoted price of the latest transaction to determine the fair value of the said financial asset or financial liability.

Where there is no active market for a financial instrument, we shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

#### 7.Account receivable and provisions for bad debts

The Group will recognize the following cases as the determination standard of loss on bad debts for accounts receivable: the debt or others can't be repaid in the foreseeable period, e.g. the debtor units have been closed, revocation, bankruptcy, insolvent, severe insufficient cash flow or the occurrence of natural disasters; the repayment obligations are delayed and failed to be performed beyond 3-year by the debt entities; there are other absolute evidences proving that unable to be collected or little possibility.

The Group adopted the method of counter compensation for the possible bad debt losses, which were drawn provision for bad debt by the method of individual recognition at period end and were included in the current loss and gain. The receivables which were not to be recovered, after being approved by the Group, would be regarded as bad debt loss and the provision for bad debt would be written off.

(1) Accounts receivable with material specific amount and specific provisioned bad debt preparation.

Judgment criteria or amount standard of material specific amount or amount criterial	Account receivable with special account receivable exceeding RMB 1 million is viewed as material accounts receivable.
Provision method with material specific amount and provision of specific bad debt preparation	Provision Had debt preparation in accordance with the difference of present value of future cash flow below the book value .

(2)The accounts receivable of bad debt provisions made by Group

Determine the basis of Group	
Group of account age	The Group is classified by the credit risk features based on the account age of receivables
Group of affiliated party	The Group is classified by the credit risk features based on the relations of account receivables and transaction objects.
Deposit Group	The Group is classified by the credit risk features based on the account age of receivables .
The withdrawing method of bad debt reserves carried by Group.	
Group of account age	The provisions for bad debts withdrawn by the analysis method of account age
Group of affiliated party	Generally without the provisions for bad debts.
Group of account age	Generally without the provisions for bad debts.

1) Provision proportion of bad debt preparation of accounts receivable adopting aging analysis method:

Age	Proportion
Within 1 year	3%
1-2 years	10%
2-3 years	50%
Over 3 years	100%

2) The accounts receivable of bad debt provisions withdrawn by adopting other methods:

Related party Group	Special relationship between the related party and the Group (such as joint ventures, associates, etc.), there is a little balance between the predicted future cash flow and the carrying amount.
Deposit Group	Including the rent deposit, purchase deposit and reserve deposit, etc., but without great individual amount and the bad debt reserves withdrawn by combination are difficult to reflect the accounts receivable of risk features.

(3) Account receivable with non-material specific amount but specific bad debt preparation

Reason of specific bad debt preparation provision	Accounts receivable with non-material specific amount and being not able to relent its risk character by provisioning bad debt preparation in accordance with portfolio
Provision method of bad debt preparation	Bad debt preparation will be provisioned in accordance with the difference of present value of its future cash flow below its book value.

## 8. Inventories

(1)The inventories of the Company include raw materials, work-in-process, finished products, low-value and easily-worn articles and packing articles and are stated at the lower of cost and net realizable value.

Perpetual inventory system was implemented for inventory, the inventory would be priced according to actual cost; upon receiving or sending inventory, weighted average method would be used. The low value consumable products would be amortized by method of one-time writing off.

The inventory at year end can be priced by depending on which is lower between cost and realizable net value if the inventory were damaged or full or partly unused or the sale price lower than cost and other reasons. The provision for devaluation of finished products and big raw materials shall be drawn according to the difference which the cost of individual inventory item higher than the realizable net value; other raw materials with large quantity and low unit price shall be drawn provision for devaluation according to categories.

Goods in stock, products in production and other materials directly for the sale, the amount of the realizable net value shall be determined according to the estimated sale

price deducting the estimated sale expenses and relevant taxes; the amount of realizable value of material inventory for production shall be determined according to the estimated sale value of finished products deducting the estimated cost which will happen before the completion and estimated sale cost and relevant taxes. The inventory holding for the implementation of sale contract or service contract, the realizable net value shall be accounted on the basis of contract price; if the quantity of inventory held by enterprise is bigger than the quantity ordered in the sale contract, the realizable net value of the excess inventory shall be accounted on the basis of general sale price.

#### 9. Long-term equity investment

Long-term equity investments mainly include the equity investments which are held by the Group and the ones that the units being invested can be controlled or jointly controlled, or the equity investments which have not quotation in active market and the fair value can not be reliably measured.

Joint control refers to the control that common control on some economic activities according to contract. The references for the determination of common control are the business activities which any operating party can not be controlled independently; the decisions relating to basic operating activities of the joint venture enterprise are to be agreed by all joint parties.

Significant impact refers to having the right to participate in decision making on financial and operating policies of the units being invested but can not control or jointly control the making of these policies. The determining reference of significant impact is to own 20% (inclusive) or more but less than 50% of the voting shares directly owned by the Group or owned through subsidiaries, unless there is clear evidence that under that circumstance the production operating decision can not be participated and no major influence will formed.

The long-term equity investments obtained through merger of companies under same control the merger were the owner's equity book value of the shares as a long-term equity investment of initial investment cost. The long-term equity investments obtained through merger of companies under different control shall make the fair value which made on the merger (purchase) to pay the control of the assets or liabilities as the merger cost.

Apart from the long-term equity investments stated above, the long-term equity investment obtained by cash, the initial investment obtained by cash will be determined according to the price actually paid, initial investment costs include the direct costs, tax, and other necessary expenses to obtaining long-term investment; the initial investment will be determined according to the fair value of the equity securities issued; the long-term equity investments invested by investors, the initial investment cost shall be determined according to contract value; the long-term equity investment obtained by debt restructuring, non-monetary assets or other methods, the initial investment cost shall be determined according to the relevant accounting standards.

If the subsidiary uses the cost method to account, adjustment shall be conducted according to equity method when prepare the consolidated financial statements; the joint venture and joint venture investment using the equity method; for the long-term equity investments which have no control or joint control or significant influence and no price in an active market, the method of cost shall be adopted to account; the long-term equity investments which have no control or joint control or significant influence, there are quotations in an active market and the fair value can be reliably measured, shall be accounted as financial assets for sale.

When using the method of cost accounting, the long-term equity investments were priced by the initial investment costs. Additional investment to recover the cost of long-term equity investment. When using the equity method accounting, the current investment gains and losses are the share of net losses and gains to be owned or shared and achieved in the current year by the unit being invested. When determining the share to be shared by the unit being invested, on the basis of the fair value of the identifiable assets, according to the accounting policy and accounting period of the Group, offsetting the internal transaction loss and gain and the part that the equity proportion attributable to the joint enterprise and united enterprise, and confirm the net profit of the unit being invested after profit adjustment.

For the long-term equity investments on joint venture enterprises and joint owned enterprises held before the first implementation date, if existing the debit difference relating to the equity investment, the debit difference of equity investment, after deducting the investment loss and gain according to the original remained period, should be confirmed as investment gains and losses.

The Group shall adopt the cost method to calculate for those invested units that never have the jointed control or significant impacts due to the investment reduced, and a long-term equity investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured; Also, the cost method shall be adopted to calculate for the long-term equity investment able to be implemented and controlled to the invested units due to the investment supplemented; Moreover, the equity method shall be adopted to account for performing the jointed control or significant impacts to the invested units but no control formed due to the investment supplemented, or without control to the invested units but able to implement the long-term equity investment of jointed control or major impacts to the invested units due to disposing of the investment.

The gap between the carrying amount and actual payment gained in disposal of the long-term equity investment will be recorded into the investment interest of the current period. Using the equity method for calculating the long-term equity investment which is recorded into the owner's equity due to other changes except for the net profits or losses of the invested units, the initial parts recorded into the owner's equity shall be transferred into the investment returns of the current period when disposal of the investment.



#### 10. Investment real estate

The investment real estates of the Group are the rental buildings.

The investment real estates are accounted by the cost, the purchased investment real estates include the cost of the purchase price, related taxes and fees and other expenses which can be directly attributable to the assets; the costs of investment real estate self constructed include the necessary expenses to construct the asset to reach the predicted use state.

The Group adopts the cost method to conduct follow-up measurement on investment real estates are accounted devaluations and amortized. The expected service life, net residual rate and value depreciation rates of investment real estate are as follows:

Type	Expected useful life (Year)	Estimated residual value rate	Annual depreciation rate (%)
Real estate in Hongkong	20-50 years	0%	2%-5%
Real estate in China	20-30 years	10%	3%-4.5%

If the investment real estate is changed to self use, since the date of change, investment real estate shall be converted into fixed assets or intangible assets. The function of self-use real estate is to earn rent or capital appreciation, then since the date of change, the fixed assets or intangible assets shall be converted into investment real estate. When the conversion happens, the book value before the conversion will be the book value after the conversion.

When the real estate investment is disposed or will never be used, and economic interests can not be obtained from the disposal, the confirmation of the investment real estate shall be terminated. The amount of the income from the sale, transfer, disposal of the investment in real estate deducting the book value and related taxes and fees shall be included in the current loss and gain.

#### 11. Fixed assets

Fixed assets refer to the tangible assets which have the following characteristics at the same time, namely, held for production of goods, providing services, leasing or operation and management, and the life span shall not be more than a year, and the unit value is high.

Classification of fixed assets: houses and buildings, machinery and equipments, transportation equipments, office equipments and others.

The fixed assets shall be measured according to the actual cost to obtain them, including, the cost of purchasing the fixed assets including the purchase price, value-added tax, import tariffs and other related taxes, and other expenses happened to reach the predicted use state; the cost of building the fixed assets, which are composed of the expenses to reach the predicted use state of the assets; the fixed assets invested by investors, the value on the contract or agreement shall be the accounting value, but if the contract or agreement value is not fair, the fair value shall be accounted; the fixed leased assets, the lower amount of the fair value of leased assets and the present value of the lowest lease payment shall be as the accounting value.

Follow-up expenditures on fixed assets, including major repair expenses, expenses on updated improvement and other, To confirm compliance with the conditions of fixed assets, it shall be included in the cost fixed assets, the recognition of book value of replaced the part shall be terminated; If not meeting the conditions of confirming fixed assets, they should be included in the current period.

In addition to the fixed assets which depreciation and impairment had already fully accounted and the lands which are separately accounted, the Group accounts depreciation on all fixed assets. The method of average number of years will be used when accounting depreciation which will be included in the costs and expenses of the relevant assets. The predicted net residual rate, classified depreciation years and depreciation rates are as follows:

No	Type	Expected useful life (Year)	Estimated residual value rate	Annual depreciation rate (%)
1	Real estate in Hong Kong	20-50 years	0%	2%-5%
2	Real estate in China	20-30 years	10%	3%-4.5%
3	Machinery and equipment	5-14 years	10%	6%-18%
4	Transportation Equipment	4-5 years	10%	18%-22.5%
5	Office equipment and other	5 years	10%	18%

At the end of each year, the Group shall recheck the predicted service life of fixed assets, the predicted net residual value and depreciation method, if changes happen, then it shall be treated as accounting estimate.

When the fixed assets were disposed, or expected to be used or the disposal can not have economic interests, the confirmation of the fixed assets shall be terminated. The

income from the sale, transfer or damage of the fixed assets deducting the book value and related taxes shall be included in the current loss and gain.

#### 12. Construction in progress

The price of the construction project: determine the costs according to the actual expenditure on the project. Measure the price of the self-operated projects according to the direct materials, direct wages, direct construction costs; Measure the turnkey projects according to the price should be paid on the project; measure the project of equipment installation according to the value, of the equipment, installation costs, and the expenditures on the trial operation to determine the project costs. The costs of projects under construction also include the cost of borrowing to be capitalized and exchange gain and loss.

The time for the construction project converted to the fixed assets: the fixed assets of the company reached the predicted state, according to the budget of the project, construction cost or the actual cost of the project, transfer the fixed assets according to the predicted price, account the depreciation from the next month on. Upon finishing the procedures, make relevant adjustment.

#### 13. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discount or premium, as well as the supporting costs and exchange difference due to foreign currency borrowing. The borrowing costs which can be directly attributed to capitalized condition, and taken place in the capital expenditure, borrowing costs have taken place, in order to meet the assets available for sale or purchase of the necessary state of construction or production activities, the capitalization begins; when the construction or purchase of the conditions of production in line with the capital assets reached the sale state, the capitalization should stop. And the rest borrowing costs should be recognized as expenses in the current period.

The expenses on interests for the specialized loan happened in current period deducting the interest income from the bank or the investment income from temporary investment should be capitalized; the general assets of the borrower in accordance with the cumulative excess of expenditure over the assets of the specialized part of the borrower multiplied by the weighted average expenditure occupied by the weighted average borrowings to determine the amount of capitalization, until the restart of construction or purchase of assets. The capitalization rate shall be calculated and determined in the light of the general borrowing and weighted average interest rate.

The assets which meet capitalization conditions, refer to the fixed assets, investment real estates and other inventories which are constructed for a long time (usually more than one year) to achieve the intended use or sale of state to.

If meet the capitalization conditions or non-normal breaks occurred in the course of production and the break time is more than three months, then the capitalization of

borrowing costs shall be suspended; when the acquisition or construction or production meet the conditions of capitalization and achieve the predicted use or sale state, the

#### 14. Intangible assets

The intangible assets of the Group include land use rights and computer software. Including: For the intangible assets purchased, the actual purchase price was the actual cost; For the intangible assets invested by investors, The actual cost of intangible assets invested by investors, shall be determined according to the contract or agreement value, but if the contract or agreement values are not fair, the actual costs shall be determined according to the fair value.

Since the date of selling land use rights, they are amortized according to the years sold; patent technology, non-patent technology and other intangible assets are amortized in accordance with the expected number of years, the benefited years specified in the contract and the effective length according to law. The amount to be amortized will be included in the related asset costs and current loss and gain according to the benefited targets.

The predicted service life of the intangible assets and amortization methods should be rechecked and adjusted at the end of each year. Recheck the intangible assets with uncertain service life in each accounting period should be rechecked, if there is evidence showing that the service life of the intangible asset is limited, then estimate its service life and amortized it within the predicted service life.

#### 15. Impairment in non-financial assets

The Group conducts inspection on long-term equity investments, fixed assets, construction in progress, intangible assets with limited service life on every balance sheet date. when exist the following signs showing that the assets may have impairment, the Group will conduct impairment test. The intangible assets without certain service life, whether it has impairment signs, impairment tests shall be conducted at the end of each year. If the recoverable amount of single asset can not be tested, it shall be tested on the basis of the asset group the asset belong to or the asset combination.

After the impairment test, if the book value of the asset exceeds its recoverable amount, the deficiency is recognized as the impairment loss, upon the confirmation of the above assets, they will not be transferred back in the following accounting period. The recoverable amount of the asset refer to the net amount of the fair value of the asset deducting disposal cost of assets and the present value of the expected future cash flows.

The signs of impairment as follows:

- (1). Current market value of assets decreased significantly, the decline is significantly higher than the decline due to time passage or normal use.
- (2) The economic, technical or legal environment of the company and the market of the assets will have significant change in the current period or in the near future, therefore negative impact on the enterprise.

- (3) Market interest rates or other market return rate of investment in the current period have been increased, thus affecting the discount rate of the predicted cash flow, and resulting in the significant reduction in the amount of recoverable assets.
- (4) There is evidence showing that the assets were actually obsolete or damaged.
- (5) The assets have been or will be idle, ended the use or disposed in advance.
- (6) There are evidences of internal report showing that the economic performance of the assets has been lower than or less than what expected, such as the net cash flow created by assets or the operating profits (or losses) realized are far below (or above) the expected amount.
- (7) Other signs showing the assets may have or have had impairment.

#### 16. Goodwill

Goodwill refers to the difference of equity investment under the control of the same cost or merger of enterprises should enjoy more than the cost or a merger of the investment was the purchase of flats or net assets in order to obtain.

The goodwill related to subsidiaries shall be individually listed in the consolidated financial statements, the goodwill related to joint companies and associated companies shall be included in the book value of long-term equity investments.

#### 17. Long-term amortized expenses

The long-term expenses of the Group to be amortized refer to all the expenses already paid but should be undertaken in the current period or in the coming period with amortization period more than 1 year (not including 1 year), the expenses will be amortized averagely in the benefit period. If the long-term prepaid expenses can not benefit from subsequent accounting period, then all amortization value of the project not amortized should be transferred to the current loss and gain.

#### 18. Employee's salary

During the accounting period, workers' salary shall be recognized as liability, and be included in relevant cost and expenses according to the beneficiary target of the service provided by workers, and shall be included in the relevant cost and expenses. The compensations for the cancelation of workers' labor relationship shall be included in the current loss and gain.

Including wages, bonuses, allowances and subsidies, welfares, social insurance and housing accumulation fund, union fee and workers' education fund, and other related expenses related to obtain services provided by employees.

If decide to relieve the labor relationships with employee before the employment contracts become mature, or encourage workers to voluntarily accept the compensation proposal due to redundancy, while the Group has have a formal plan for termination of labor relationship or have proposed the voluntary redundancy scheme which will be

implemented, and the Group is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, the anticipated debts, confirmed to be caused by the compensation due to relieve of labor relationships with workers, shall be recorded into the profits and losses of the current period.

#### 19. Predicted liabilities

When the external security, commercial acceptance bill discount, pending litigation or arbitration, product quality assurance or business related matters subject to the following conditions at the same time, the Group will identify it as liabilities: the obligation is a present obligation of the Group; the enforcement of the obligation is likely to lead to the outflow of economic benefits; the amount of the obligation can be measured reliably.

Predicted liabilities shall be conducted initial measurement according to the best estimates of related existing liabilities, and comprehensively consider risks, uncertainties and the time value of money and other factors relating to contingent events. Time value of money has the greatest influence, the best estimates shall be determined by future cash outflow. On the balance sheet, recheck the book value of predicted liabilities, adjust the book value to reflect the current best estimates if there are any changes.

#### 20. Principle for confirmation of income

The Group's revenues mainly include: incomes from sales of goods and transferring assets use right. The principle of income confirmation is as follows:

When the Group had transferred the ownership of the risks and rewards of the commodities to the buyer, the Group does not keep the management right relating to ownership and does not implement effective control on the commodities sold out, the income amount can be reliably measured, and the related economic benefit will possibly flow into the enterprise, and when the related costs may happen or had happened can be measured reliably, the realization of the commodity sold out should be confirmed. The economic interests relating to transaction can flow into the company, and the relevant incomes and costs can be reliably measured, the sales income of transferring assets use right shall be confirmed.

#### 21. Government subsidies

Government subsidies, when the Group can meet the conditions attached and can receive, shall be confirmed. If government subsidies are monetary assets, they shall be measured according to the amount received; the subsidies allocated according to rated standards, they shall be measured according to the amount receivable. If government subsidies are non-monetary assets, they shall be measured according to fair value; if the fair value can not be reliably measured, they shall be measured according to nominal

amount (1 yuan).

The government subsidies relating to assets shall be recognized as deferred income, and be averagely distributed within the service life of relevant assets, and be included in the current loss and gain. If the government subsidies relating to income are used to compensate the related expenses and losses, they shall be confirmed as deferred income and be included in the current loss and gain in the period of confirming relevant expenses. If used to compensate the relevant expenses and losses happened, they shall be included in the current loss and gain.

## 22. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities shall be confirmed according to the difference between the tax base of assets and liabilities and their book value (temporary differences). The loss and tax which can be offset in the future years shall be recognized as temporary differences to determine the corresponding deferred income tax assets. On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured by the predicted application rate.

The Group shall determine the deferred income tax assets produced by the deductible temporary differences within the amount limit of payable taxes which are likely used to deduct the temporary differences. The book value of the recognized deferred income tax assets shall be deducted when the deferred income tax assets produced by the deductible temporary differences within the amount limit of payable taxes which are likely used to deduct the temporary differences. When enough payable tax can be obtained, the deducted amount shall be transferred back.

## 23. Lease

At the beginning date of lease, the Group divided leasing into financing lease and operating lease.

Financing lease essentially refers to the lease that transferred all the risks and rewards relating to asset ownership. As the lessee, on the beginning date of lease, the Group took lower one in the cash of the fair value and the lowest lease payment as the book-keeping value of the fixed assets leased in by financing, and the lowest lease payment as the accounting value of the long-term payment, and the difference between the them will be recorded as financing costs not confirmed.

Operating lease refers to the other lease apart from financing lease. As the lessee, during the lease period, the Group included the related asset cost and current losses and gains by the straight-line method during the lease period. The rent of the Group will be confirmed as income during the lease period by the straight-line method.

## 24. Accounting of income tax

The accounting of income tax of the Group shall use the method of debt of balance sheet. The income tax expenses include current income tax and deferred income tax. The current income tax and deferred income tax relating to the transactions and events directly included in shareholders equity shall be included in shareholders equity, except the book value of deferred income tax adjustment goodwill, the rest current income tax and deferred income tax or income shall be included in the current loss and gain.

Current income tax cost refers to the amount of payable income tax which shall be paid to tax department according to the current transactions and events determined according to tax provisions; deferred income tax refers to difference between deferred income tax balance sheet debt in accordance with the law shall be recognized deferred income tax assets and deferred income tax liabilities in the amount originally confirmed.

## 25. Corporate consolidation

Corporate consolidation refers to two or more separate companies merge and form a transaction or event of report subject. The consolidation day or purchase day or the consolidation date of obtaining the assets or liabilities, shall be confirmed as the date of obtaining the control right of the party being merged or purchased.

The corporate consolidation under same control: the assets and liabilities obtained by the consolidation party in the merger shall be measured according to the book value of merged party on the consolidation day. The difference between the book value of net assets obtained by the consolidation party and the book value of the consolidation price paid, the capital public reserve shall be adjusted; if the capital public reserve is not enough to be deducted, the retained earnings shall be adjusted.

The corporate consolidation under different control: the consolidation cost is the fair value of equity stocks issued and the assets and debts paid to obtain the control right of the purchased party on the purchase day. The difference between the consolidation cost and fair value of recognizable net asset, shall be confirmed as goodwill; if the consolidation cost is smaller than the fair value of recognizable net asset of the purchased party, the difference shall be included in current loss and gain upon confirmation.

## 26. Methods for compilation of consolidated financial statements

### (1). Principles to determine the scope of merger:

The Group will include the subsidiaries which have actual controlling right and the subjects which have special purpose into the scope of consolidated financial statements.

#### (1) Accounting methods adopted in consolidated financial statements:

The consolidated financial statements of the Group shall be compiled in accordance with Enterprise Accounting Standards No. 33 - Consolidated Financial Statements and the related provisions, the major internal transaction in the scope of consolidation and transactions shall be offset. The part of shareholders equity of the subsidiary which does not belong to the parent company, shall be individually listed as equity of minority shareholders in the consolidated financial statement. If the accounting policy and accounting period of the subsidiary and the company are not consistent, when compile consolidated financial statement, the financial statement of the subsidiary shall be adjusted according to the accounting policy and accounting period of the company.

For the subsidiary obtained by corporate merger under different control, when prepare consolidated financial statements, the individual financial statement shall be adjusted on the basis of fair value of the net assets on the purchase day; for the subsidiary obtained by corporate merger under same control, it will be taken as having been existed at the year beginning, its assets, liabilities,



operating results and cash flow shall be consolidated in the financial statement according to original book value since the year beginning of the consolidation period.

## V. Changes in accounting policies and estimates

### 1.Changes in accounting policies and estimates

According to the provisions of “Accounting Standards Interpretation for Enterprises No. 4” (Finance [2010] 15) that “in the consolidated financial statements, if the current losses burdened by the minority shareholders of subsidiary company exceed the portion shared in the owner’s equity by the minority shareholders at the beginning of the subsidiary, the balance shall reduce the equity of minority shareholders. Which will be traced to adjust except the impracticable if the minority shareholders haven’t disposed as per above provision before the interpretation is released.” in 2010, the Group changes the excess deficit of minority shareholder of the subsidiary burdened by parent company into that burdened by the minority shareholder of the subsidiary. But the subsidiary company – South China Company whose minority shareholders has declared bankrupt in 2000 and have compulsory liquidation which can’t be taken back, so the minority shareholders of South China Company no longer bear the losses.

### 2. Changes and impact of the accounting estimation

The Group has no changes in accounting estimation this year.

### 3..Correction of accounting errors from previous term

There is no correction of the accounting error from previous term in the report period.

## VI.Taxation

### 1. Corporate income tax

The interest rate of corporate income tax of the company and subsidiaries in China mainland is 25%, according to the State Council on December 26, 2007, of the [2007] No. 39 Notice on the Implementation of Enterprise Income Tax Preferential Policies for the Transition, the enterprise income tax rate of the Company and the subsidiaries in China mainland gradually transited from 15% to 25%, the company implement the transition rate of 22% in 2010. the interest rate of the income from Hong Kong of the subsidiaries in Hong Kong is 16.5%.

### 2. VAT

The sales interest rate of processing income and sale income of printing products of subsidiaries in China mainland and the company is 17%, export products will be adopted the method of "free, credit and rebate", the tax rebate rate is 16% (2010). The purchase of raw materials such as VAT input tax paid by the amount of output tax can be offset, the tax rate is 17%. Of which: the input tax of VAT for export products can pply for payment of rebate. VAT taxable amount is the balance of the current output tax offsetting the current input tax.

The subsidiaries of the Company in Hong Kong do not need to pay VAT.

### 3. Business tax

The housing rental income of the company and Nanhua Printing & Dyeing Company shall be applied to business tax, applicable rate 5%. The subsidiaries of the Company in Hong Kong do not need to pay business tax.

### 4. City construction tax and education additional expenses

City construction tax of the Company is based on the value-added tax, business tax, applicable interest rate 1% in January -November, the company does not need to pay education additional expenses.. According to the relevant provisions of “Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax” and “State Council, Circular on Unification of the Systems of Urban Maintenance and Construction Tax and Education Supplementary Tax for Domestic Enterprises and Individuals and For Foreign-invested Enterprises and Foreigners” (Guofa [2010] No. 35), the City Maintenance and Construction Tax is as per 7% actual amount of value added tax, consumption tax and business tax paid by taxpayers in Shenzhen since December 1, 2010. Also, the Education Supplementary Tax will be begin to be paid since December 2010. applicable interest rate 3%.

The subsidiaries of the company in Hong Kong do not need to pay City construction tax and education additional expenses, subsidiaries in mainland China, the applicable City construction tax rate is 1% and 7%, applicable education additional tax rate of 3%.

### 5. Property tax

70% of the original value of property of the subsidiaries of the Company in China mainland shall be the tax basis, applicable tax rate 1.2% ,Rental property to real estate tax based on rental income,applicable tax rate 12%, subsidiaries in Hong Kong do not pay property taxes.

## VII. Corporation Consolidation and Consolidation Financial statement

### (1) Subsidiaries

Name	Registration place	Quality	Registered capital	Business scope	Investment amount	Proportion%		Vote right Proportion%	Whether the merger of statement	Notes
						Direct	Indirect			
Hong Kong Victor Onward Co.	HongKong	Trade	2,400,002 (HKD)	Purchase of raw materials, marketing of printed and dyed woven fabrics, investment and holding business	2,400,002 (HKD)	100%		100%	Yes	1
Shenzhong Company	Hongkong	Trade	1,000,000 (HKD)	Sales of Corduroy, dyed cloth and printed cloth	1,000,000 (HKD)		100%	100%	Yes	2
Nanhua Company	Shenzhen	Production	85,494,700 (HKD)	Production and sales of printed cloth and dyed cloth	HKD 16,874,255 +RMB 4,240,100	54.82%	14.62%	69.44%	Yes	3
Xinye Company	Hongkong	Trade	10,000 (HKD)	Sales of printed cloth and dyed cloth	10,000 (HKD)		100%	100%	Yes	4
Shenzhen East Asia Co.	Shenzhen	Trade	3,000,000 (RMB)	Textile, Printing and dyeing industry and Raw materials, Machinery equipment and other fabrics	1,530,000 (RMB)	51%		51%	Yes	5

1.The Company invested HKD 2,400,002 in 1984 to establish Hong Kong Victor Onward Company in Hong Kong.

2. Shengzhong Company was established in November 9 1993, registered capital 1 million Hong Kong dollars, Hong Kong Victor Onward holding 100% equity.

3. Nanhuan Company was established in July 21, 1988, registered capital 85.49 million Hong Kong dollars, by December 31, 2010 the shareholding structure as follows:

Name of investor	Year-beginning amount	Proportion%	Year-end amount	Proportion
Shenye Union (Hongkong)Co., Ltd.	26,127,180.32	30.56%	26,127,180.32	30.56%
The Company *	46,868,194.54	54.82%	46,868,194.54	54.82%
Hong Kong Victor Onward Company	12,499,325.14	14.62%	12,499,325.14	14.62%
Total	85,494,700.00	100.00%	85,494,700.00	100.00%

4. Xingye Company invested HKD10,000 to establish Industry Company in Hong Kong in December 1996. Nanhua Company Holding's 100% of the equity.

5. Shenzhen East Asia Company was established in February 28, 2007, registered capital 3 million yuan, the company invested 1.53 million yuan, holding 51% equity, Nanjing East Asia Textile Co., Ltd. invested 1.47 million yuan, holding 49% equity.

(2)The changes of consolidated scope

No changes of consolidated scope happened during the current period.

(3) Foreign currency translation

Except that Shenzhen East Asia Company Company has RMB as basic accounting currency, the company and other subsidiaries have Hong Kong dollars as basic accounting currency. The financial statements are reflected after conversion of RMB and the foreign currency conversion methods were described in Note IV, 5, of which the spot exchange rate of HK dollar to RMB was 0.8819 at year beginning, and the spot exchange rate at year end was 0.8509 the approximate exchange rate of the spot exchange rate uses the current average exchange rate 0.8657.

VIII. Notes to the main items of consolidated financial statements and the Company's financial statements

The following financial statements disclosed below, except where indicated otherwise, "year beginning" means January 1, 2010, "year end" means December 31, 2010, "this year" means from January 1, 2010 to December 31, "last year" means from January 1, 2009 to December 31, the currency unit RMB.

1. Monetary Capital

Items	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Stock cash			91,999			182,181
RMB	81,570	1.0000	81,570	173,224	1.0000	173,224
HKD	12,256	0.8509	10,429	10,173	0.8805	8,957
Bank deposit			46,026,397			45,493,122
RMB	20,478,001	1.0000	20,478,001	19,948,646	1.0000	19,948,646
HKD	28,692,137	0.8509	24,414,139	29,004,367	0.8805	25,538,345
USD	171,268	6.6227	1,134,257	898	6.8282	6,131
Other monetary capital			5,668,217			10,430,323
RMB	5,668,217	1.0000	5,668,217	10,395,615	1.0000	10,395,615
HKD	-		-	39,419	0.8805	34,708
<b>Total</b>	<b>—</b>	<b>—</b>	<b>51,786,613</b>	<b>—</b>	<b>—</b>	<b>56,105,626</b>

Funds in other currencies (RMB) mainly kept in the securities of the Group companies for the purchase of new shares issued by drawing lots of money does not exist at the end of restrictions on the use of monetary funds.

## 2. Financial assets for transaction

### (1) Financial assets for transaction

Item	Year-end balance	Year-beginning balance
Equity tool investment for transaction.	77,235	171,221
<b>Total</b>	<b>77,235</b>	<b>171,221</b>

Transactional equity tools are the shares which are to be cashed at any time purchased by the subsidiary of the company Hong Kong Victor Onward Company, priced by fair value, its cash has no major restrictions.

## 3. Account receivable

(1) Categories of account receivable

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Account receivable with significant specific amount that were provisioned had debt preparation separately	5,334,174	36.47	4,747,598	89.00	4,014,942	26.41	3,998,082	99.58
Aging group	-	-	-	-	6,280,260	41.32	3,956,455	63.00
account receivable that were not significant	9,293,828	63.53	9,293,828	100.00	4,905,430	32.27	4,847,845	98.83

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
but have been provisioned bad debt preparation separately								
Total	14,628,002	100	14,041,426	86.86	15,200,632	100	12,802,382	84.22

- 1) Account receivable with significant specific amount that were provisioned had debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Victor Onward Textile (HK)Co., Ltd.	1,606,281	852,616	53.08	Aging long
Shenzhen Jinrongyuan Enterprise Development Co., Ltd.	1,514,739	22,350	1.48	—
Carnival Index International Ltd	1,153,023	1,153,023	100.00	Aging long
TAI YANG ENTERPRISE CO., LTD.	1,060,131	1,060,131	100.00	Aging long
Shengzhong Enterprise Co.,Ltd.	—	1,659,478	N/A	The company insolvent, to be canceled
<b>Total</b>	<b>5,334,174</b>	<b>4,747,598</b>	<b>89.00</b>	<b>—</b>

\*Shengzhong Company, a subsidiary of the Company, was planned to be deregistered. The Company made full provision for bad debts in respect of the accounts of RMB 1,659,478 receivable from this company. On consolidation, these accounts receivable were eliminated, but corresponding provision for bad debts was not eliminated.

- 2) As of December 31, 2010, account receivable that were not significant but have been provisioned bad debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
VEGA GARMENT CO.,LTD	770,071	770,071	100.00	Aging long
Fly Dragon International	601,975	601,975	100.00	Aging long
Grateful Textiles Co.,Ltd	594,760	594,760	100.00	Aging long
World Fabrica (Int'l) Ltd	488,190	488,190	100.00	Aging long
Shenzhen Fangzhou Textile Co., Ltd.	468,486	468,486	100.00	Aging long
Ezhou Xiangya Garments Co., Ltd.	368,929	368,929	100.00	Aging long
Tak Shing Buying Office Led	350,039	350,039	100.00	Aging long
Starline Textile CO.Ltd.	348,708	348,708	100.00	Aging long
U.D.C. (H.K.) Co.,Ltd	314,198	314,198	100.00	Aging long
Panther Fabric Ltd.	309,721	309,721	100.00	Aging long
Other (Total 110)	4,678,751	4,678,751	100.00	Aging long



Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Total	9,293,828	9,293,828	100.00	

(2)Of the account receivables at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

(3)The front 5 units' information of account receivable

Unit name	Relation with the company	Amount	Age	Percentage of account receivable (%)
Victor Onward Textile (HK)Co., Ltd.	Non-Related parties	1,606,281	1-2 years	10.98
Shenzhen Jinrongyuan Enterprise Development Co., Ltd.	Non-Related parties	1,514,739	Within 1 year	10.36
Carnival Index International Ltd	Non-Related parties	1,153,023	Over 3 years	7.88
TAIYANGENTERPRISECO., LTD.	Non-Related parties	1,060,131	Over 3 years	7.25
VEGA GARMENT CO., LTD	Non-Related parties	770,071	Over 3 years	5.26
Total		6,104,245		41.73

(4)About the account receivable from the related parties

Name	Relation with this company	Amount	Proportion(%)
Shenye Union (HK) Co., Ltd.	The related parties controlled the same Actual controller	314,198	2.15

(5)Accounts receivable include the following foreign currency balances

Foreign currency Name	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	11,038,875	0.8509	9,392,979	10,399,223	0.8805	9,156,516
USD	405,753	6.6227	2,687,180	587,260	6.8282	4,009,929
Total			12,080,159			13,166,445

#### 4. Prepayments

(1) Aging

Items	Year-end balance		Year-beginning balance	
	amount	Proportion	amount	Proportion

		(%)		(%)
Within 1 year	22, 832	98. 31	942, 126	100
1—2 years	393	1. 69		
<b>Total</b>	<b>23, 225</b>	<b>100. 00</b>	<b>942, 126</b>	<b>100</b>

(2) Prepayments main unit

Company Name	Relation with the Company	Amount	Age	Causes
Insurance premium	Non-Related parties	16, 742	Within 1 year	Payments for goods not paid
Vehicle license fees	Non-Related parties	2, 941	Within 1 year	Payments for goods not paid
Business Register fees	Non-Related parties	2, 329	1-2 years	Payments for goods not paid
Other	Non-Related parties	1, 213	Within 1 years	Payments for goods not paid
<b>Total</b>		<b>23, 225</b>		

(3) Of the Prepayment at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

(4)Prepayments include the following foreign currency balances Foreign Currency of Name	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	27, 295	0. 8509	23, 225	24, 307	0. 8805	21, 402
<b>Total</b>			<b>23, 225</b>			<b>21, 402</b>

#### 5. Interest receivable

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Exchange rate Differences	Year-end balance
Interest on Fixed deposits	5, 480	22, 935	21, 584	-185	6, 646
<b>Total</b>	<b>5, 480</b>	<b>22, 935</b>	<b>21, 584</b>	<b>-185</b>	<b>6, 646</b>

The interests receivable was the ones for the subsidiary of the company Hong Kong Victor Onward Bank's deposits, with principal about 20 million Hong Kong dollars.

6. Other receivables

(1) Categories of other receivable

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Other receivable with significant specific amount that were provisioned bad debt preparation separately	3,376,237	73.57	3,376,237	100.00	3,382,210	69.52	3,382,210	100.00
Other accounts that were provisioned bad debt preparation in	-	-	-	-	1,168,889	24.02	256,083	21.91

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
accordance with agin Group								
Deposit Group	175,951	3.83	-	-				
Other receivable that were not significant but have been provisioned had debt preparation separately	1,036,996	22.60	1,036,996	100.00	314,440	6.46	-	-
Totla	4,589,184	100.00	4,413,233	96.17	4,865,539	100.00	3,638,293	74.78

1) Other ts receivable with significant specific amount that were provisioned had debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Nanjing East Asia	1, 321, 309	1, 321, 309	100. 00	Aging long
CCB.Guangdong Shunde Branch	1, 079, 962	1, 079, 962	100. 00	Aging long
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	974, 966	974, 966	100. 00	Aging long
<b>Total</b>	<b>3, 376, 237</b>	<b>3, 376, 237</b>	-	

2) Group-Deposit Group

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
RECOVERABLECLIENT	28, 327	-	-	Deposit, No provision for bad debts
Huachuang Room 1802	24, 649	-	-	
CRE18050 (DD18JUN96)	7, 964	-	-	
Customs bond of Shenzhen & Hongkongcar car	7, 989	-	-	
Rent deposit	37, 440	-	-	
Other	69, 582	-	-	
<b>Total</b>	<b>175, 951</b>		-	

3) As of December 31, 2010, account receivable that were not significant but have been provisioned bad debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
HongKong Victor Onward	728, 362	728, 362	100. 00	Aging long
Shanghai Huayinke Industry Co., Ltd.	179, 994	179, 994	100. 00	Aging long
Shenzhen Environmental Management System Certification Center	34, 999	34, 999	100. 00	Aging long
Shenzhen Huaxinfeng Industrial Co., Ltd.	33, 103	33, 103	100. 00	Aging long
Shenzhen Design Institute of Ministry of Machinery Industry Shanghai Branch	29, 999	29, 999	100. 00	Aging long
State Revenue Bureau. Shenzhen Refund Branch	12, 107	12, 107	100. 00	Aging long

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Other (Total 13)	18,432	18,432	100.00	Aging long
Total	<b>1,036,996</b>	<b>1,036,996</b>	-	-

(2) Of the Other account receivable at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

(3) The front 5 units' information of Other account receivable

Name	Relation with the company	Amount	Account Age	Proportion(%)	Content
Nanjing East Asia C	Non-Related parties	1,321,309	Over 3 years	28.79	货款
CCB.Guangdong Shunde Branch	Non-Related parties	1,079,962	Over 3 years	23.53	货款
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	Non-Related parties	974,966	Over 3 years	21.25	货款
HongKong Victor Onward	Non-Related parties	728,362	Over 3 years	15.87	货款
Shanghai Huayinke Industry Co., Ltd.	Non-Related parties	179,993	Over 3 years	3.92	货款
<b>Total</b>		<b>4,284,592</b>		<b>93.36</b>	

(4) Other receivable include the following foreign currency balances

Foreign Currency of Name	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	1,219,263	0.8509	1,037,471	1,202,955	0.8805	1,059,202
<b>Total</b>			<b>1,037,471</b>			<b>1,059,202</b>

## 7. Inventory

(1) Inventory types

Items	Year-end balance			Year-beginning balance		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Raw materials	2,131,413	1,701,800	429,613	2,205,557	1,761,000	444,557
Stock goods	644,622	644,622	-	602,685	190,689	411,996
<b>Total</b>	<b>2,776,035</b>	<b>2,346,422</b>	<b>429,613</b>	<b>2,808,242</b>	<b>1,951,689</b>	<b>856,553</b>

The Company has been out of production, the closing inventories shall be written down after deducting the full amount provisions except the preservation materials.

## (2) Provision for impairment of inventories

Items	Year-beginning balance	Increase in the current period	Decrease in the current period		Exchange rate changes	Year-end balance
			Transferred back	Reselling		
Raw materials	1,761,000	-	-	-	-59,200	1,701,800
Stock goods	190,689	460,344	-	-	-6,411	644,622
<b>Total</b>	<b>1,951,689</b>	<b>460,344</b>	<b>-</b>	<b>-</b>	<b>-65,611</b>	<b>2,346,422</b>

## 8. Financial assets for sale

### (1) Financial assets for sale

Items	Year-beginning balance (Fair value)	Year-end balance (Fair value)
Equity tools for sale.	874,427	309,399
<b>Total</b>	<b>874,427</b>	<b>309,399</b>

The equity tools for sale are the shares held by the subsidiary of the company Hong Kong Victor Onward, because they are not to be cashed in a short term, so they are classified in this item, the change of fair value in the current period RMB 575,430 has been included in the public capital reserve.

## 9. Long-term equity investment

### (1) Long-term equity investment

Items	Year-end balance	Year-beginning balance
The cost of long-term equity investment accounting		-
The equity method long-term	77,199,476	68,427,751

<b>Items</b>	<b>Year-end balance</b>	<b>Year-beginning balance</b>
equity investment		
Total of long-term equity investment	77,199,476	68,427,751
Less : Long-term equity investments for impairment		
<b>Net value long-term equity investment</b>	<b>77,199,476</b>	<b>68,427,751</b>



(2)The equity method long-term equity investment

Name	Holdings Proportion (%)	Vote proportion (%)	Investment Cost	Amount of year-beginning	change	Exchange rate change	Year-end balance	Cash dividend at this year
1.Zhejiang Union Hangzhou Bay Chuangye Co., Ltd.	25%	25%	58,588,403	68,427,751	11,264,659	-2,492,934	77,199,476	-
2. Shenzhen Lianchang Printing & dyeing Co., Ltd.	37.5%	37.5%	1,403,456	-	-	-	-	-
<b>Total</b>			<b>59,991,859</b>	<b>68,427,751</b>	<b>11,264,659</b>	<b>-2,492,934</b>	<b>77,199,476</b>	<b>-</b>

Zhejiang Union Hangzhou bay chuangye Co., Ltd. (hereinafter named“Hangzhoubay”) current change including current profit confirmed by equity method is RMB11,264,659.

Shenzhen Lianchang Printing & Dyeing Co. Ltd. was in loss for many years, its net assets were negative, the operation of the company has stopped, the balance of long-term equity investment has been adjusted to zero.

## (3) The investment in the Enterprise

Name	Holdings Proportion (%)	Vote proportion (%)	Total assets at the end year	Total Liabilities at the end year	Net asset total at the end year	Total Business income tat this year	Net profit at this year
Zhejiang Union Hangzhou Bay Chuangye Co., Ltd.	25%	25%	1,245,881,632	911,455,849	334,425,783	398,235,214	45,058,637

## 10. Property investment

## The investment in real estate companies use the cost model measures

Items	Amount of year-beginning	Increase in current period	Decrease in current period	Exchange rate changed	Year-end balance
Original Value	104,963,930	282,227	-	-3,528,600	101,717,557
House, Building	104,963,930	282,227	-	-3,528,600	101,717,557
Accumulated amortisation	60,518,745	3,554,283	-	-2,034,475	62,038,553
House, Building	60,518,745	3,554,283	-	-2,034,475	62,038,553
Book Net value	44,445,185	-3,272,056	-	-1,494,125	39,679,004
House, Building	44,445,185	-3,272,056	-	-1,494,125	39,679,004
Impairment Provision	-	-	-	-	-
House, Building	-	-	-	-	-
Book value	44,445,185	-3,272,056	-	-1,494,125	39,679,004
House, Building	44,445,185	-3,272,056	-	-1,494,125	39,679,004

## 11. Fixed assets

## (1) Breakdown of Fixed assets

Items	Amount of year-beginning	Increase in current period	Decrease in current period	Exchange rate changed	Year-end balance
Original Value.	175,761,050	26,943	772,975	-5,896,980	169,118,038
House and building	52,395,040	-	282,227	-1,761,377	50,351,436
Machine and Equipment	107,859,002	-	-	-3,625,925	104,233,077
Transportation Equipment	5,076,849	-	-	-161,727	4,915,122
Office equipment and other	10,430,159	26,943	490,748	-347,951	9,618,403
Accumulated amortisation	121,008,010	288,271	413,296	-4,061,940	116,821,045
House and building	28,385,708	106,302	-	-954,250	27,537,760
Machine and Equipment	81,466,110	-	-	-2,738,668	78,727,442
Transportation Equipment	4,231,260	149,952	-	-137,614	4,243,598
Office equipment and other	6,924,932	32,017	413,296	-231,408	6,312,245
Impairment Provision	35,980,295	62,902	28,777	-1,209,559	34,804,861
House and building	16,797,603	-	-	-564,689	16,232,914
Machine and Equipment	16,243,493	-	-	-546,062	15,697,431
Transportation Equipment	2,053	48,385	-	-69	50,369
Office equipment and other	2,937,146	14,517	28,777	-98,739	2,824,147
Book value	18,772,745	-324,230	330,902	-625,481	17,492,132
House and building	7,211,729	-106,302	282,227	-242,437	6,580,763
Machine and Equipment	10,149,399	-	-	-341,195	9,808,204
Transportation Equipment	843,536	-198,337	-	-24,045	621,154
Office equipment and other	568,081	-19,591	48,675	-17,804	482,011

(2)Details of temporary idle fixed assets are as follows:

Items	Book Original value	Accumulated depreciation	Impairment provision	Book Net value
House and building	46,750,666	26,421,837	16,232,914	4,095,915
Machine and Equipment	103,907,781	78,570,651	14,946,352	10,390,778

Transportation Equipment	3,127,179	2,814,427	-	312,752
Office equipment and other	7,917,664	5,079,866	2,628,473	209,325
<b>Total</b>	161,703,290	112,886,781	33,807,739	15,008,770

\* The original value of the temporarily idle machinery and equipments to be invested in Nanjing Textile Printing & dyeing Co., Ltd. was RMB 79,993,926, Accumulated amortisation was RMB58,151,735, Impairment Provision was 13,842,798, Book value was RMB 7,999,393.

## 12.Intangible assets

Items	Amount of year-beginning	Increase in current period	Decrease in current period	Exchange rate changed	Year-end balance
Original Value	14,087,145	54,835	-	-472,455	13,669,525
<b>Land use right</b>	13,362,084	54,835	-	-448,080	12,968,839
software	725,061	-	-	-24,375	700,686
Accumulated amortisation	11,722,468	53,686	-	-394,077	11,382,077
<b>Land use right</b>	11,244,126	53,686	-	-377,997	10,919,815
software	478,342	-	-	-16,080	462,262
Book Net value	2,364,677	1,149	-	-78,378	2,287,448
<b>Land use right</b>	2,117,958	1,149	-	-70,084	2,049,023
software	246,719	-	-	-8,294	238,425
Impairment Provision	246,719	-	-	-8,294	238,425
<b>Land use right</b>	-	-	-	-	-
software	246,719	-	-	-8,294	238,425
Book value	2,117,958	-	-	-70,084	2,049,023
<b>Land use right</b>	2,117,958	-	-	-70,084	2,049,023
software	-	-	-	-	-

The real estate title certificate issued by Shenzhen Land Resource and House Property Administration for part of the land for the factory building and office building of the Company located at 26 Kuipeng Road, Baishigang, Kuiyong Town, Longgang District, Shenzhen was obtained on January 18, 2010. The valid term is from March 5, 1999 to March 4, 2049.

Increase in accumulated amortization, Amortization RMB53,686 in this year.

### 13. Goodwill

Items	Year-beginning balance	Increase in current period	Decrease in current period	Exchange rate changed	Year-end balance	Impairment in year end
For the goodwill formed from holding shares of Nanhua Company,	5,538,694	-	-	-186,196	5,352,498	
<b>Total</b>	<b>5,538,694</b>	<b>-</b>	<b>-</b>	<b>-186,196</b>	<b>5,352,498</b>	

Nanhua Printing and Dyeing Company has also been discontinued, whose daily operations maintained rely on the rental housing. Although South China Company has a negative net asset, the company has a vast piece of land and property in Shenzhen city. And the historical cost of assets recorded into account basis will changed, which will be appreciated in value greatly once assessed, we believe that there is no value-reduced of the investment, so the goodwill is not impaired.

### 14. Impairment of assets schedule

Items	Amount of year-beginning	Accrual amount	Decrease in the current period Switch back	Exchange rate change	Amount of year-end
Provision for bad debts	16,440,675	2,469,152	-	-455,168	18,454,659
Stock Impairment Provision	1,951,689	460,344	-	-65,611	2,346,422
Impairment of fixed assets	35,980,295	62,902	28,777	-1,209,559	34,804,861
Impairment of Intangible assets	246,719	-	-	-8,294	238,425
<b>Total</b>	<b>54,619,378</b>	<b>2,992,398</b>	<b>28,777</b>	<b>-1,738,632</b>	<b>55,844,367</b>

Provision for impairment of fixed assets was transferred out because Digital Printing Company, a subsidiary of the Company, was deregistered and all its fixed assets were disposed in the report

year.

#### 15.Account payable

##### (1)Account payable

Items	Year-end balance	Year-beginning balance
Total	3, 353, 297	4, 101, 084
Including: over 1 year	332, 468	1, 666, 895

Accounts payable with age over one year included a number of accounts, without single significant amount of accounts payable.

(2)Of the account payable at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

(3)Accounts payable include the following foreign currency balances.

Name of Foreign Currency	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	324, 942	0. 8509	276, 493	381, 108	0. 8805	335, 565
<b>Total</b>			<b>276, 493</b>			<b>335, 565</b>

#### 16. Advanced account

##### (1)Advanced account

Items	Year-end balance	Year-beginning balance
<b>Total</b>	<b>2, 718, 175</b>	<b>4, 555, 433</b>
Including: over 1 year	2, 718, 175	2, 008, 639

Advanced account more than 1 year was mainly the sale fund for the wasted materials from the relocation of the company, and due to delays in the overall relocation plan, the money paid in advance was temporarily suspended.

(2) Of the prepayments at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

(3) Advanced Accounts include the following foreign currency balances.

Name of Foreign Currency	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent

HKD	2,339,945	0.8509	1,991,059	2,082,474	0.8805	1,833,618
USD	101,903	6.6227	674,873	101,072	6.8282	690,140
<b>Total</b>			<b>2,665,932</b>			<b>2,523,758</b>

#### 17. Wage payables to employees

Items	Year-begin ning balance	Increase in current period	Decrease in current period	Exchange rate changed	Year-end balance
Wage (Including reward , allowance and subsidy)	475,806	2,001,280	1,959,859	-15,996	501,231
Welfarism For employees	-	-	-	-	-
Social insurance premiums	-	333,611	333,611	-	-
Including :					
Medical insurance premiums	-	57,808	57,808	-	-
Basic old-age insurance premiums	-	261,844	261,844	-	-
Unemployment insurance expenses	-	5,891	5,891	-	-
Industrial injury insurance premiums	-	2,561	2,561	-	-
Childbirth insurance premiums	-	5,507	5,507	-	-
Housing accumulation fund	-	-	-	-	-
Trade union outlays and employee education outlays	84,161	34,607	-3,193	-2,829	119,132
Other	-	-	-	-	-
<b>Total</b>	<b>559,967</b>	<b>2,369,498</b>	<b>2,290,277</b>	<b>-18,825</b>	<b>620,363</b>

At the period end, the company had no wages payable that belong to arrears., The compensation balance payable of employee at the end of year will be expected to be paid in May 2011.

#### 18. Fees and taxes payables

Items	Year-end balance	Year-beginning balance
VAT	821,067	230,032
Business tax	237,054	315,712
Enterprise income tax	1,273,207	1,435,616
Tax on city maintenance and construction	1,224	1,557
Property tax	283,975	293,854
Individual income tax	98	464
Stamp tax	233,699	241,828

Items	Year-end balance	Year-beginning balance
Educational surcharge	200	-
<b>Total</b>	<b>2,914,867</b>	<b>2,519,063</b>

#### 19.Dividend payable

Items	Year-end balance	Year-beginning balance	Reasons of arrears
State Development & Investment Co., Ltd*2	255,248	264,127	Capital tense*1
CITIC Group *2	255,248	264,127	
Shenzhen Nanyou (Group) Company*2	127,624	132,064	
Shenye Union(Hongkong)Co., Ltd.	127,624	132,064	
Changzhou Dongfeng Printing and dyeing plant *2	510,497	528,255	
<b>Total</b>	<b>1,276,241</b>	<b>1,320,637</b>	

\*1 The above payable dividends were the payable dividends of Nanhua Company, a subsidiary of the company, the change in balance mainly due to the change of exchange rate. Because Nanhuan Company's capital was more tension and the shareholders did not ask for the fund, the payable dividends have not been paid. The payable dividends reduced at the end of the period mainly due to the change of exchange rate.

\*2 The above four companies are the former shareholders of Nanhuan Company, the subsidiary of the company.

#### 20.Other accounts payable

##### (1)Other accounts payable

Items	Year-end balance	Year-beginning balance
<b>Total</b>	<b>29,974,945</b>	<b>30,926,067</b>
Including: Over 1 year	29,626,008	24,607,655

Other payables which are longer than one year mainly were the loans borrowed by Nanhuan Company the subsidiary of the company from related companies, which have not been paid because of capital tension.

(2) Of the Other payables at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

##### (3)Other payable payable by large in year end year

Items	Amount	Age	Nature or content
Gao Mingping	153,995	1-2 years	Deposit
Room 760 Cargo Floor (#HKS PINNERS-760)	255,270	Within 1 year	Deposit



Items	Amount	Age	Nature or content
State Development & Investment Co., Ltd	2,999,894	Over 3 years	Loans
Union Group	22,564,462	Over 3 years	Loans
Jinrongyuan Company-Deposit	1,019,964	2-3 years	Deposit
<b>Total</b>	<b>26,993,585</b>		

(4)Other payable Accounts include the following foreign currency balances.

Name of Foreign currency	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	923,050	0.8509	785,423	914,342	0.8805	805,078
<b>Total</b>			<b>785,423</b>			<b>805,078</b>

## 21.Other current liabilities

Items	Year-end balance	Year-beginning balance
Sewage charges	62,598	62,601
Audit fees	1,076,785	987,963
Land use fees	87,997	88,002
Securities management Fees	783	810
<b>Total</b>	<b>1,228,163</b>	<b>1,139,376</b>

## 22.Long-term borrowing

(1)Classification of long-term borrowing

Type	Year-end balance	Year-beginning balance
Impawn borrowing	1,350,126	1,534,300
<b>Total</b>	<b>1,350,126</b>	<b>1,534,300</b>

- The borrowing was the installment payment for the housing in Hong Kong bought by the subsidiary of the company Xingye Company, the mortgage article was the house purchased. The installment payment was HKD 2,366,000, which paid in 240 month, As of December 31, 2010, Principal amount of HKD 1,586,703.88 (RMB1,350,126)

## 23.Long-term payable

Unit	Time	Year-beginning balance	Interest rate (%)	Interest	Year-end balance	Borrowing condition
Assess the value of assets	Non-time	9,217,564	-	-	8,907,695	-
<b>Total</b>		<b>9,217,564</b>	-	-	<b>8,907,695</b>	-

\* The company was authorized by People's Bank of China when it was reorganized into joint-stock company, the revaluation of the assets of the revaluation gain attributable to the restructuring of the Company before the shareholder. The asset was re-assessed on January 31, 1992, which generated about 14,754,000 HKD revaluation gain, recorded on account as long-term payable subject, part of them have been used to offset the bad debts prior to listing (about 4,285,000 HKD ). The shareholders before the reorganization have agreed not to require the company to pay such amounts with cash, to offset each other when purchase stocks of the company in the future, the decrease of long-term payables mainly due to the change of exchange rate.

#### 24. Deferred income tax liabilities

##### (1) The confirmed Deferred income tax liabilities

Items	Year-end balance	Year-beginning balance
The income tax of taxable temporary difference.	892,357	968,868
<b>Total</b>	<b>892,357</b>	<b>968,868</b>

##### (2) The temporary difference

Item of the taxable temporary	Year-end balance	Year-beginning balance
Assets assessment appreciation	5,408,224	5,871,927
<b>Total</b>	<b>5,408,224</b>	<b>5,871,927</b>
Tax rate	16.5%	16.5%
Confirmation of the Deferred income tax liabilities.	892,357	968,868

\* When the company was reorganized into joint-stock company, the company was approved by the People's Bank of China, the added value of the assets of the subsidiary of the company Hong Kong Victor Onward Company, according to Hong Kong Standards, can not be adjusted, and was not to be deducted when accounting the income tax, resulting in the differences in net value of fixed assets and accounting basis.

#### 25. Other non-current liabilities

Items	Year-end balance	Year-beginning balance
ERP Information construction	239,532	247,865
Technology subsidies	638,754	660,974
<b>Total</b>	<b>878,286</b>	<b>908,839</b>

(1) The above funds were the special subsidies received from Shenzhen Department of Finance in 2004 for the digital jet printing projects and for the construction of enterprise

information. The deal must be accepted by the Financial Bureau before accounting, so it was suspended. The reduction was due to the change in exchange rates.

#### 26.Share capital

Name/Type	Year-beginning balance		Change Amount	Year-end balance	
	Amount	Proportion%		Amount	Proportion%
<b>Restricted shares</b>					
Common shares in RMB	99,720,453	58.96	-	99,720,453	58.96
Foreign shares in domestic market	69,421,903	41.04	-	69,421,903	41.04
<b>Total restricted shares</b>	<b>169,142,356</b>	<b>100.00</b>	-	<b>169,142,356</b>	<b>100.00</b>
Total of capital shares	<b>169,142,356</b>	<b>100.00</b>	-	<b>169,142,356</b>	<b>100.00</b>

#### 27.Capital common reserve

Items	Year-beginning balance	Increase in current period	Decrease in current period	Year-end balance
Share capital Premium	29,718,829	-	-	29,718,829
Other Capital common reserve	9,578,275	575,430	-	10,153,705
<b>Total</b>	<b>39,297,104</b>	<b>575,430</b>	-	<b>39,872,534</b>

Current increment in capital surplus came from current fair value gain of finance assets available for sale.

#### 28.Surplus common reserve

Items	Year-beginning balance	Increase in current period	Decrease in current period	Year-end balance
Statutory Surplus common reserve	26,704,791			26,704,791
<b>Total</b>	<b>26,704,791</b>			<b>26,704,791</b>

#### 29.Retained profit

Items	Amount	Proportion (%)
Balance at the end of last period	-102,767,941	
Add: The beginning of the undistributed profits adjustments		

Items	Amount	Proportion (%)
Including: Change of accounting policy		
Correcting previous errors		
Change of consolidated scope		
Other adjustments		
Balance at the beginning of current year	-102,767,941	
Add : The net profit due to the shareholders of the parent company in the year	4,102,924	
Less : Withdrawing statutory surplus public reserve		
Withdrawing discretionary surplus reserve		
Withdrawing Ordinary risk allowance		
Common stocks dividends payable		
Stock dividend transferred in stock capital		
<b>Balance at the end of current year</b>	<b>-98,665,017</b>	

### 30.Minority shareholders equity

Name of Subsidiary	Proportion%	Year-end amount	Year-beginning balance
Nanhua Company*	30.56		
Shenzhen East Asia Company	49.00	-1,311,595	508,088
<b>Total</b>		<b>-1,311,595</b>	<b>508,088</b>

Nanhua Company and Shenzhen East Asia, two subsidiaries of the Company, suffered excess loss. According to No. 4 Interpretation of Accounting Standards for Business Enterprises, where the loss for current period shared by minority shareholders of a subsidiary exceeds the owner's equity enjoyed by them in this subsidiary at the beginning of period in consolidated financial statements, the difference shall write off minority interests. Whether the Articles of Association of the Company or an agreement defines the obligation of minority shareholders for excess loss or not, excess loss shall write off minority interests, i.e., minority interests will be negative when the subsidiary suffering excess loss is included for statement consolidation. However, the minority shareholders of Nanhua Company were declared bankrupt and suffered compulsory liquidation in 2000. No retroaction can be conducted. Therefore, the minority shareholders of Nanhua Company shall no longer bear losses.

31. Business income, Business cost

Items	Amount of current period	Amount of Previous period
Key business income	961,014	18,950,518
Other business income	8,390,096	8,567,241
<b>Total</b>	<b>9,351,110</b>	<b>27,517,759</b>
Key business cost	317,033	17,570,851
Other business cost	4,006,056	5,054,135
<b>Total</b>	<b>4,323,089</b>	<b>22,624,986</b>

(1) Key business—Product

Name	Amount of current period		Amount of Previous period	
	Business income	Business cost	Business income	Business cost
Cloth bleaching, printing and dyeing	961,014	317,033	18,950,518	17,570,851
Rent	8,390,096	4,006,056	8,567,241	5,054,135
<b>Total</b>	<b>9,351,110</b>	<b>4,323,089</b>	<b>27,517,759</b>	<b>22,624,986</b>

The total sale incomes of the top five customers was RMB7,510,296.65, representing 80.31% of the main business income in this year.

The operating income and operating cost in this year, reduced RMB 18,166,649 and RMB 18,578,870 over the previous year, respectively 66.02% and 82.12%, mainly due to the Nanhuan Company continues to halt the operation of business, so the business further declined. the parent company has no longer distributed the import and export business in 2010, and the revenues and costs have fallen sharply.

a) Revenue from main business status of top five clients

Name of customer	Business Revenues	Proportion to revenue from main business (%)
Shenzhen Finance sources Development Co., Ltd.	4,882,548.00	52.21
SCS EXPRESS	952,270.00	10.18
Nanjing Qingtian Xinxin Clothing	672,478.63	7.19
CVA holdings	566,687.22	6.06
Shenzhen Nanshan Saint Laurent Wedding Photography	436,312.80	4.67
<b>Total</b>	<b>7,510,296.65</b>	<b>80.31</b>

32. Business tax and supertax

Items	Amount of current period	Amount of Previous period	Calculation and payment criteria
Education surcharge	-	540	3%

Items	Amount of current period	Amount of Previous period	Calculation and payment criteria
<b>Total</b>	-	<b>540</b>	

### 33. Sale expenses

Items	Amount of current period	Amount of Previous period
Office fees	37,934	76,156
Travel fees	26,682	161,348
Telephone and fax fees	18,743	43,192
Welfare	11,882	62,570
Miscellaneous	750	35,069
Wage	372,116	838,989
Society fees	2,510	89,146
Transportation fees	5,000	25,900
Other	5,027	100,064
Car costs	8,777	64,170
Staff insurance	6,860	81,474
Dormitory fees	5,000	29,000
Sample fees	-	51,676
Business insurance	-	18,297
Transportation costs	15,752	88,988
Depreciation	69,300	69,300
Rental fee	20,929	401,398
Pay commission	80,510	31,123
<b>Total</b>	<b>687,772</b>	<b>2,267,860</b>

### 34. Management expenses

Items	Amount of current period	Amount of Previous period
Telephone fees	69,300	61,204
Taxes paid	1,510,239	817,311
Insurance premium	336,928	347,144
Travel fees	114,479	98,643
Vehicle fuel	250,008	245,378
Property management fees	52,307	57,902
Board fees	260,786	410,694
Welfare	145,142	121,577
Union funds	35,209	35,094

<b>Items</b>	<b>Amount of current period</b>	<b>Amount of Previous period</b>
Wage	2, 416, 195	2, 455, 433
Society fees	477, 292	549, 425
Tolls	11, 349	12, 679
Lawyer fees	87, 322	56, 419
Social insurance	252, 371	171, 257
Audit fees	393, 303	303, 448
Water and electricity fees	919, 151	740, 678
Parking fees	16, 814	20, 491
Amortization of intangible assets	54, 620	18, 507
Repair fees	108, 996	99, 010
Transportation fees	1,346	1,909
Depreciation	223,396	273,643
Securities management expenses	439,111	150,708
Rental fee	226,397	228,661
Dormitory fees	46,779	97,938
Office fees	185,312	207,296
Staff training fees	-	7,191
Other	234,640	387,781
<b>Total</b>	<b>8,868,792</b>	<b>7,977,421</b>

35.Financial expenses

<b>Items</b>	<b>Amount of current period</b>	<b>Amount of Previous period</b>
Interest expenses	808,011	1,255,262
Less: Interest income	243,326	509,684
Add: Exchange rate loss	74,237	31,294
Add: Other expenses	13,505	25,734
<b>Total</b>	<b>652,427</b>	<b>802,606</b>

36.Asset impairment losses

<b>Items</b>	<b>Amount of current period</b>	<b>Amount of Previous period</b>
Bad debt losses	3,491,123	116,902
Inventory devaluation losses	460,344	-
Fixed asset impairment losses	62,902	3,502,905

Items	Amount of current period	Amount of Previous period
<b>Total</b>	<b>4,014,369</b>	<b>3,619,807</b>

37.Changes income in fair value /loss

Items	Amount of current period	Amount of Previous period
Trading financial assets-		48,912
<b>Total</b>		<b>48,912</b>

38.Investment income

(1) Investment income generated by the sources listed

Items	Amount of current period	Amount of Previous period
Disposal trading financial assets to achieve return investment	11,264,659	21,337,265
Income from transfer of equity investment	258,861	294,353
<b>Total</b>	<b>11,523,520</b>	<b>21,631,618</b>

There were no major restrictions in the investment income at the period end.

(2)Equity method

Items	Amount of current period	Amount of Previous period	reason
<b>Total</b>	<b>11,264,659</b>	<b>21,337,265</b>	
Including: Hangzhou Bay Company	11,264,659	21,337,265	Affiliated company Hangzhou Bay has less profit of RMB 40,290,422 than last year

39.Non-operating income

(1)Non-operating income

Items	Amount of current period	Amount of Previous period	Amount of non-current gains & loss in this year
Net income disposition fixed assets		107,013	
Including : Income disposition fixed assets		107,013	
<b>Other</b>	<b>38,382</b>	<b>445,927</b>	<b>38,382</b>



Items	Amount of current period	Amount of Previous period	Amount of non-current gains & loss in this year
Totla	38,382	552,940	38,382

\* The accounts payable are paid less which is consulted by the other subsidiary company of Shenzhen East Asia and the creditors, the balance that deducted the court trial costs will be recorded the non-operating income.

#### 40.Non-operating expense

Items	Amount of current period	Amount of Previous period	Amount of non-current gains & loss in this year
Loss disposition Non-current assets	39,237	13,693	39,237
Including: loss on disposal of fixed assets	39,237	13,693	39,237
Other	1,095	776,495	1,095
Total	40,332	790,188	40,332

\* The penalty of custom and the fines of personal income tax delayed to repay by the other subsidiary company of Shenzhen East Asia South China Company.

#### 41. Income tax expenses

##### (1)Income tax expenses

Items	Amount of current period	Amount of Previous period
The current income tax expense		
Deferred income tax expense	-44,704	-45,510
Total	-44,704	-45,510

#### 42.Calculation process for Basic gains per share and Diluted gains per shares

Items	No	Amount of current period	Amount of Previous period
Net profit attributable to shareholder of the Parent Company	1	4,102,924	12,090,678
Non-recurring	2	238,500	280,556

Items	No	Amount of current period	Amount of Previous period
gain/loss attributable to the shareholders of the Parent Company			
Attributable to the shareholders of the Parent Company, Net profit after deducting of non-recurring gain/loss	3=1-2	3,864,424	11,810,122
Total of shares at year-beginning	4	169,142,356	169,142,356
Public reserve was transferred as capital and share increase from dividend distribution ( I )	5	-	-
The issuance of new shares or increase the number of shares and other debt-equity swap ( II )	6	-	-
increase in the shares ( II)from the next month to the end month of the reporting period	7	-	-
Shares decreased in the reporting period due to repurchase.	8	-	-
Decrease in the shares from the next month to the end month of the reporting period	9	-	-

Items	No	Amount of current period	Amount of Previous period
Share number decrease for shares deduction	10	-	-
Number of months of the reporting period	11	-	-
The weighted average number of ordinary shares issued out.	$12=4+5+6 \times 7 \div 11 - 8 \times 9 \div 11 - 10$	169, 142, 356	169, 142, 356
Basic gains per share ( I )	$13=1 \div 12$	0. 02	0. 07
Diluted gains per share ( II )	$14=3 \div 12$	0. 02	0. 07
The interest of ordinary shares which was confirmed as costs	15	-	-
Conversion costs	16	-	-
Income tax rate	17	22%	20%
Warrants, shares with equity right increase	18	-	-
Diluted gains per share ( I )	$19=[1+(15-16) \times (1-17)] \div (12+18)$	0. 02	0. 07
Diluted gains per share ( II )	$19=[3+(15-16) \times (1-17)] \div (12+18)$	0. 02	0. 07

#### 43.Other comprehensive income

Items	Amount of current period	Amount of Previous period
1. Loss amount produced by sellable financial assets	575, 430	102, 473
Less: Income tax infection produced by sellable financial assets		
Net amount transferred into profit and loss at current priod that reckoned into other comprehensive income at former period		
Subtotal	575, 430	102, 473
2. The enjoyed share in other comprehensive income of other		-

Items	Amount of current period	Amount of Previous period
invested unit according to equity method		
Less: Income tax infection produced from the enjoyed share in other comprehensive income of other invested unit according to equity method		-
Net amount transferred into profit and loss at current period that reckoned into other comprehensive income at former period		-
Subtotal		-
3. Benefit (Or loss) amount produced from cash flow		-
Less: Income tax infection produced from cash flow hedging instruments		-
Net amount transferred into profit and loss at current period that reckoned into other comprehensive income at former period		-
Transferred to the adjustment of initial confirmation amount of items at hedged period		-
Subtotal		-
4. Translating difference in foreign currency financial reports	-4,895,497	-553,958
Less: Net amount that transferred into profit and loss at current period in disposed overseas business		
Subtotal	-4,895,497	-553,958
5. Other		-
Less: Taxation infection arising from reckoning other comprehensive income		-
Net amount transferred into profit and loss at current period that reckoned into other comprehensive income at former period.		-
Subtotal		-
<b>Total</b>	<b>-4,320,067</b>	<b>-451,485</b>

#### 44. Cash flow statement

##### (1) Other cash received relating to financing activities

##### a. Other cash received relating to financing activities

Items	Amount of current period
Rental income	1,144,777
Between units and individuals	1,105,957
Interest income	1,212,088
Deposit and Water and electricity fees	1,390,704

Items	Amount of current period
Profits tax paid in advance will have prepaid tax returned	157,459
Other	5,010,985
<b>Total</b>	

b. Other cash paid relating to operating activities

Items	Amount of current period
Rental fee	384,984
Society fees	425,242
Between units	982,700
Transportation fees	146,239
Audit fees	409,662
Office fees	608,440
Insurance premium	37,467
Travel fees	290,533
Telephone fees	54,784
Securities management expenses	439,111
Water and electricity fees	1,878,640
Parking fees	50,960
Tariffs on trial charge	7,116
Lawyer fees	52,137
Property management fees	235,936
Repair fees	102,680
Deposit	29,661
Board fees	8,393
Other	116,415
<b>Total</b>	<b>6,261,100</b>

b) Supplement information of Consolidated Flow Statement

Items	Amount of current period	Amount of Previous period
1. Adjusting net profit to net cash flow in operating activities:		
Net profit	2,370,935	11,713,331
Add: Provision for impairment of assets	4,014,369	-1,466,672
Fixed assets depreciation	3,842,554	4,000,658
Amortization of intangible assets	53,686	
Amortization of long-term expenses to be amortize		

Items	Amount of current period	Amount of Previous period
The losses on the disposal of fixed assets, intangible assets and other long-term assets	39, 237	93, 320
Loss on retirement of fixed assets		
Loss on changes of Fair value		-48, 912
Financial expenses	1, 740, 856	90, 090
Investment losses	-11, 523, 520	-21, 337, 265
Decrease of deferred income tax asset		
Increase of deferred income tax liability	-76, 511	-47, 082
Decrease in inventory	426, 940	7, 747, 240
Decrease in operating receivable	2, 228, 442	1, 544, 650
Increase in operating payables	-2, 527, 146	-3, 155, 798
Other	-352, 260	
Net cash flows from operating activities	237, 582	-866, 440
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under financial lease		
3. Net increase in cash and cash equivalents		
Cash at the end of the period	51, 786, 613	56, 105, 626
Less: Cash at the beginning of the period	56, 105, 626	61, 368, 428
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-4, 319, 013	-5, 262, 802

The financial cost due to change in exchange rate and the impact on cash and cash equivalents RMB 1, 740, 856, the financial cost of interest payments was the loan interest of the related parties, reflected in business activities.

(3) Cash and cash equivalents

Items	Amount of current period	Amount of Previous period
I. Cash	51, 786, 613	56, 105, 626
Of which: Cash in stock	91, 999	182, 181
Bank savings could be used at any time	46, 026, 397	45, 493, 122

Items	Amount of current period	Amount of Previous period
Other monetary capital could be used at any time	5,668,217	10,430,323
Usable money in Central Bank	-	-
Money saved in associated financial bodies	-	-
Money from associated financial bodies	-	-
II. Cash equivalents	-	-
Of which: bond investment which will due in three months	-	-
III. Balance of cash and cash equivalents at the period end	51,786,613	56,105,626
Of which: Parent company or subsidiary of the Group using restricted cash and cash equivalents	-	-

## IX. Related party relationship and related transactions

### (I) Related party relationship

#### 1. The related parties with controlling relationship

##### (1) The related parties with controlling relationship

Parent company	Type	Registered address	Nature	Legal representative	Organization Code
Union Holdings	Issue company	11/F, Union Bulding, Shennan Zhong Road, Shenzhen	Production and sale of clothing and textiles, and real estate developin	Dong Binggen	192471500
Union Group	Limited liability Company	Union Bulding, Shennan Zhong Road, Shenzhen	Import & export business “processing with materials” and processing with imported materials	Dong Binggen	190337957

(2) The registered capital of the related parties with controlling relationship and the change thereof.

Parent company	Balance in year	Increase of this	Decrease of	Balance in year
Union Group	90,606,000	-	-	90,606,000
Union	1,123,887,712	-	-	1,123,887,712

(3)The related parties without controlling relationship

Parent company	Shares amount		Holding proportion%	
	Amount in year end	Amount in year beginning	Amount in year end	Amount in year beginning
Union Group*	5,821,089	5,821,089	3.44%	3.44%
Union	43,141,032	43,141,032	25.51%	25.51%

\* Union Group holds 31.32% of equity capital of Union Holdings, it controls Union Holdings, and Union Holdings is a controlling shareholder of the company, thus Union Group is the actual controller of the company

**2.Subsidiary**

The subsidiaries of the Company as described in Note VII

**3.Joint venture and affiliated company.**

Joint venture and affiliated company ,see Notes VIII,9

**4. Other Related party**

Type	Name	Related transactions	Organization Code
The related parties controlled the same Actual controller	Shenye Union (HK) Co., Ltd.	Current balance	-
The related parties controlled the same Actual controller	Shenzhen Union Property Group Co., Ltd.	Current balance	192199105

(2) Lease assets to the related parties

In the report year, the Company leased Room 1307 and 1308 of Union Building owned by Union Group. The term of tenancy is from January 1, 2009 to May 31, 2009. The monthly rent is RMB 6800. The rent was determined according to market price. \* The original lease contract agreement still continues down to the expiration of the contract , without signing a new lease contract.



(3) Balance current related parties

Related parties	Year-end balance	Year-beginning balance
Account receivable		
Shenye Union (HK) Co., Ltd.	314,198	325,127
Other payable		
Union Group	22,564,462	21,566,542
Shenzhen Union Property Group Co., Ltd.	699,258	3,671,008

X.Subsequent events

As of December 31, 2010, The company has no formed form other Importance events.

XI.Commitment events

1. The external investment contracts and the related financial expenditures which have signed or not yet completely fulfilled.

By December 31, 2010,The Group still has the major external investments RMB 30 million which have signed but still not paid, as follows:

Name of investment projects	Contractual investment amount	Prepaid investment amount	Unpaid investment amount	Expected investment period	Remarks
Invest Nanjing East Asia Textile Co., Ltd with machinery and equipments	30 million	-	30 million	Unsureness	Can not be relocated because the fields uncompleted

4) The big contract which has been signed or is ready to be carried out

By December 31, 2010, The Group still has big contract which has been signed but not paid, a total of 1.71 million yuan, as follows:

Name of investment projects	Contractual investment amount	Prepaid investment amount	Unpaid investment amount	Expected investment period	Remarks
Elocation of production equipments as a whole	1,710,000	855,000	855,000	Unsureness	Can not be relocated because the fields uncompleted

4. Except for the events described above, By December 31, 2010,the Group has no other significant commitment events.

XII . Events after balance sheet date

The Group had no other significant matters after the balance sheet date.

### XIII. Other Significant Events

#### 1. Lease

##### (1) Business in leasing assets (The lessor under operating leases)

Type	Year-end balance	Year-beginning balance
<b>Cost</b>	<b>101,717,557</b>	<b>104,963,930</b>
House, Building	101,717,557	104,963,930
<b>Accumulated amortisation</b>	<b>62,038,553</b>	<b>60,518,745</b>
House, Building	62,038,553	60,518,745
<b>Impairment provision</b>	<b>-</b>	<b>-</b>
House, Building	-	-
<b>The book value</b>	<b>39,679,004</b>	<b>44,445,185</b>
House, Building	39,679,004	44,445,185

##### 2.Items related to measurement of fair value.

Item	Amount at the beginning of period	Gains and losses from change of fair value in current period	Accumulative change of fair value accounted for as rights and interests	Provision for impairment made in current period	Amount at the end of period
Financial assets					
1. Financial assets calculated according to fair value whose change is accounted for as profits or losses for current period	171,221				77,235
Trading financial assets	309,399		575,430		874,427
Subtotal of financial assets	480,620		575,430		951,662

##### 3.Foreign financial assets and foreign financial liability

Item	Amount at the beginning of period	Gains and losses from change of fair value in current period	Accumulative change of fair value accounted for as rights and interests	Provision for impairment made in current period	Amount at the end of period
Financial assets					
1. Financial assets calculated according to fair value whose change is accounted for as profits or losses for current period	171, 221				
Trading financial assets	309, 399		575, 430		874, 427
Subtotal of financial assets	480,620		575,430		874,427

#### 4. Other Significant Events

Since March 2007, Shenzhen Victor Onward Textile Industrial Co., Ltd. stopped production and dismissed most of workers. The company currently only had some house leasing business.

5 subsidiaries controlled by the company had stopped the operation and were depending on house lease to maintain. In 2007 the company intended to invest part of machineries and equipments to Nanjing East Asia Textile Printing & Dyeing Co., Ltd. But due to the reasons of the joint venture party and the prospect change in the industry, the investment plan was delayed.

The company mainly made efforts to promote the transfer of printing and dyeing mill project, the company will strengthen construction direction coordination work, in order to carry out the transfer project as soon as possible.

## XIV. Notes of main items of parent company's financial statements

### 1. Account receivable

(1) Categories of account receivable

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Account receivable with significant specific amount that were provisioned had debt preparation separately	3,872,632	31.60	3,872,632	100	3,998,082	30.54	3,998,082	100.00
Aging group	-	-	-	-	4,252,089	32.49	3,763,561	88.51
account receivable that were not significant but have been provisioned bad debt preparation separately	8,384,444	68.40	8,384,444	100	4,839,106	36.97	4,839,106	100.00
<b>Total</b>	<b>12,257,076</b>	<b>100</b>	<b>12,257,076</b>	<b>100</b>	<b>13,089,277</b>	<b>100</b>	<b>12,600,749</b>	<b>96.27</b>

- 1) Account receivable with significant specific amount that were provisioned had debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Carnival Index International Ltd	1, 153, 023	1, 153, 023	100.00	Aging long
TAI YANG ENTERPRISE CO.,LTD.	1, 060, 131	1, 060, 131	100.00	Aging long
Shenzhong Enterprise Co.,Ltd.	1,659,478	1,659,478	100.00	The company insolvent, to be canceled
<b>Total</b>	<b>3,872,632</b>	<b>3,872,632</b>	<b>100.00</b>	-

- 2) As of December 31, 2010, account receivable that were not significant but have been provisioned bad debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Fly Dragon International	601,975	601,975	100.00	Aging long
Grateful Textiles Co.,Ltd	594,760	594,760	100.00	Aging long
World Fabrica (Int'l) Ltd	488,190	488,190	100.00	Aging long
Shenzhen Fangzhou Textile Co., Ltd.	468,486	468,486	100.00	Aging long
Ezhou Xiangya Garments Co., Ltd.	368,929	368,929	100.00	Aging long
Tak Shing Buying Office Led	350,039	350,039	100.00	Aging long
Starline Textile CO.Ltd.	348,708	348,708	100.00	Aging long
U.D.C. (H.K.) Co.,Ltd	314,198	314,198	100.00	Aging long
Panther Fabric Ltd.	309,721	309,721	100.00	Aging long
Changshu Jiangsu Garments Import & Export Co., Ltd.	283,529	283,529	100.00	Aging long
Other (Total 109)	4,255,909	4,255,909	100.00	Aging long
<b>Other</b>	<b>8,384,444</b>	<b>8,384,444</b>	<b>100.00</b>	

- (2) Of the prepayments at the end of period, there were none owed by corporate shareholders of the Company holding over 5% (including 5%) of its total shares with voting rights.

- (3)The front 5 units' information of account receivable

Unit name	Relation with the company	Amount	Fixed year	Percentage of account receivable
Shenzhong Enterprise Co., Ltd.	Subsidiary	1, 659, 478	Over 3 years	13. 54
Carnival Index International Ltd	Non-Related parties	1, 153, 023	Over 3 years	9. 41
TAIYANGENTERPRISECO., LTD.	Non-Related parties	1, 060, 131	Over 3 years	8. 65

Unit name	Relation with the company	Amount	Fixed year	Percentage of account receivable
Fly Dragon International	Non-Related parties	601,975	Over 3 years	4.91
Grateful Textiles Co.,Ltd	Non-Related parties	594,760	Over 3 years	4.85
<b>Total</b>		<b>5,069,367</b>		<b>41.36</b>

(4)About the account receivable from the related parties

Name	Relation with this company	Amount	Proportion(%)
Shenzhong Enterprise Co.,Ltd.	Subsidiary	1,659,478	13.54
Shenzhen East Asia Victor Onward Textile Printing & dyeing	Subsidiary	64,021	0.52
	The related parties controlled the same Actual controller		
Shenye Union (HK) Co., Ltd.		314,198	2.56
<b>Total</b>		<b>2,037,697</b>	<b>16.62</b>

(5)Balance of foreign currency in account receivable

Foreign currency	Year-end balance			Year-beginning balance		
	Original currency	Exchange rate	Amount in RMB	Original currency	Exchange rate	Amount in RMB
HKD	11,038,875	0.8509	9,392,979	12,929,509	0.8805	11,384,433
<b>Total</b>			<b>9,392,979</b>			<b>11,384,433</b>

2. Other receivables

(1)Categories of other receivable

Type	Year-end balance				Year-beginning balance			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%	Amount	Proportion%
Other receivable with significant specific amount that were provisioned bad debt preparation separately	78,976,883	98.09	3,376,237	4.27	83,970,412	98.72	3,382,210	4.03
Other accounts that were provisioned bad debt preparation in accordance with agin Group	-	-	-	-	1,071,219	1.26	256,083	23.91
Deposit Group	37,782	0.05	-	-				
Other receivable that were not significant but have been provisioned had debt preparation separately	1,497,823	1.86	1,497,823	100.00	13,374	0.02	-	-
Totla	80,512,488	100	4,874,060	6.05	85,055,005	100	3,638,293	4.28

1) Other ts receivable with significant specific amount that were provisioned had debt preparation separately

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
HongKong Victor Onward	62,601,105	-	-	
Shenzhen East Asia Victor Onward Textile Printing & dyeing	12,999,541	-	-	
Nanjing East Asia	1,321,309	1,321,309	100.00	Aging long
CCB.Guangdong Shunde Branch	1,079,962	1,079,962	100.00	Aging long
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	974,966	974,966	100.00	Aging long
<b>Total</b>	<b>78,976,883</b>	<b>3,376,237</b>	<b>4.27</b>	<b>—</b>

2) Group - Deposit Group

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Dang Zewen	5,000	-	-	Deposit, No provision for bad debts
Jiang Guangbin	2,000	-	-	
Huanggang Endorsement of deposit	1,481	-	-	
Shenzhen Port Administration Service Centre	1,361	-	-	
Other	27,940	-	-	
<b>Total</b>	<b>37,782</b>	<b>-</b>	<b>-</b>	

3) As of December 31, 2010, Other receivable that were not significant but have been provisioned bad debt preparation separately

Name	Book balance	Amount	Proportion %	Reason
HongKong Victor Onward	728,362	728,362	100.00	Aging long
Shenzhen East Asia Victor Onward Textile Printing & dyeing	513,480	513,480	100.00	Aging long
Shanghai Huayinke Trade Industry Co., Ltd.	179,994	179,994	100.00	Aging long
Shenzhen Environmental Management System	34,999	34,999	100.00	Aging long



Name	Book balance	Amount	Proportion %	Reason
Certification Center				
Shenzhen Design Institute of Ministry of Machinery Industry Shanghai Branch	29,999	29,999	100.00	Aging long
Other	10,989	10,989	100.00	Aging long
<b>Total</b>	<b>1,497,823</b>	<b>1,497,823</b>	<b>100</b>	<b>-</b>

(2) As of December 31, 2010, In the balance of accounts payable, there were no payables to shareholders holding 5.00% (including 5.00%) or more of the voting right of the Company;

(3) The front 5 units' information of Other account receivable

Unit name	Relation with the company	Amount	Account Age	Proportion(%)	Content
HongKong Victor Onward	Subsidiary	62,601,105	Over 3 years	77.75	Business
Shenzhen Nanhua Printing & dyeing Co., Ltd.	Subsidiary	12,999,542	1-2 years	16.15	Business
Nanjing East Asia	Non-Related parties	1,321,309	Over 3 years	1.64	Payment for goods
CCB. Guangdong Shunde Branch	Non-Related parties	1,079,962	Over 3 years	1.34	Payment for goods
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	Non-Related parties	974,966	Over 3 years	1.21	Payment for goods
<b>Total</b>		<b>78,976,884</b>		<b>98.09</b>	

(4) Account receivable from Related affiliated parties

Name	Relation with the company	Amount	Proportion(%)
HongKong Victor Onward	Subsidiary	62,601,105	77.75
Shenzhen East Asia Victor Onward Textile Printing & dyeing Company	Subsidiary	513,480	0.64
Shenzhen Nanhua Printing & dyeing Company	Subsidiary	12,999,542	16.15
<b>Total</b>		<b>76,114,127</b>	<b>94.54</b>

(5) Other receivable include the following foreign currency balances

Foreign	Year-end balance	Year-beginning balance

Currency of Name	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	79,822,967	0.8509	67,921,362	75,915,125	0.8805	66,843,268
Total			67,921,362			66,843,268

### 3. Long-term equity investment

#### (1) Long-term equity investment

Items	Year-end balance	Year-beginning balance
The cost of long-term equity investment accounting	39,928,226.	41,317,197
Total of long-term equity investment	39,928,226	41,317,197
Less : Long-term equity investments for impairment	1,315,027	
Net value long-term equity investment	38,613,199	41,317,197

#### (2)The cost method and equity method long-term equity investment

Name	Proportion %	Vote proportion %	Initial amount	Year-beginning balance	change	Exchange rate change	Year-end balance	Cash dividend of the current period
The cost method								
HongKong Victor Onward	100	100	2,411,282	23,040,722		-774,565	22,266,157	
Nanhua Printing & dyeing	54.82	54.82	23,082,831	16,915,702		-568,660	16,347,042	
Shenzhen East Asia	51	51	1,470,000	1,360,773		-45,746	1,315,027	
Total			26,964,113	41,317,197		-1,388,971	39,928,226	

#### (3)Provision for impairment on long-term equity investment

Name of invested company	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Shenzhen East Asia		1,315,027		1,315,027

#### 4. Business income, Business cost

Items	Amount of current period	Amount of Previous period
Key business income	70,200	11,281,450
Other business income	1,245,650	880,293
Total	1,315,850	12,161,743
Key business cost	-519,626	11,074,256
Other business cost	473,887	440,033
Total	-45,739	11,514,289

##### (1) Key business-product

Name of product	Amount of current period		Amount of Previous period	
	Revenue	Cost	Revenue	Cost
Cloth bleaching, printing and dyeing	70,200	-519,626	11,281,450	11,074,256
House lease	1,245,650	473,887	880,293	440,033
Total	1,315,850	-45,739	12,161,743	11,514,289

##### (2) Top five customers

Name	Revenue	Percentage of total business income (%)
Shenzhen Nanshan Saint Laurent Wedding Photography	436,313	33.16
Lin Daozheng	93,496	7.11
Shenzhen Xiasheng Transport Co., Ltd.	77,913	5.92
Shenzhen Taihe Mechanical & electrical equipment Co., ltd.	51,942	3.95
Chen Shen	25,971	1.97
Total	685,635	52.11

#### 5. Investment revenue

##### (1) Investment revenue Source

Items	Amount of current period	Amount of Previous period
Disposal trading financial assets to achieve return investment	257,537	290,960
Total	257,537	290,960

The was no severs constrict on the collection of the investment earnings.

## 6. Cash flow statement Supplementary Information of the parent company

Items	Amount of current period	Amount of Previous period
<b>I. Adjusting net profit to cash flow from operating activities</b>		
Net profit	-3,610,120	-8,109,036
Add : Impairment loss provision of assets	2,682,662	3,606,721
Depreciation of fixed assets, oil and gas assets and consumablebiological assets	366,046	372,642
Amortization of intangible assets	54,620	-
Amortization of long-term deferred expenses	-	-
Loss on disposal of non-current assets	39,237	-23,818
Loss from fixed assets discard	-	-
Loss of fair value fluctuation on assets	-	-
Financial cost	829,638	43,600
Loss on investment	-257,537	-290,960
Decrease of deferred income tax assets	-	-
Increase of deferred income tax assets	-82,685	775,250
Decrease of inventories	14,945	2,181,128
Decrease of operating receivable	4,374,718	1,045,527
Increase of operating receivables	-3,669,313	-1,830,423
Other	-1,507,307	578,147
Net cash flows arising from operating activities	-765,096	-1,651,222
<b>II. Significant investment and financing activities that withoutcash flows</b>		
Liability transfer to capital		
Convertible corporate bond due within 1 year		
Finance leased fixed assets		
<b>III. Net increase of cash and cash equivalents</b>		
Ending balance of cash	23,577,186	24,960,502
Less: Beginning balance of cash	24,960,502	30,750,018

Items	Amount of current period	Amount of Previous period
Add: Ending balance of cash		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-1,383,316	-5,789,516

## XV. Supplementary Information

### 1. Non–operating gain and loss statement of this year

Items	Amount of current period	Amount of Previous period	Notes
Gain/loss form disposal of non-current assets	-39,237	93,320	
Tax rebate or derate approved by going beyond the authority . Tax rebate or derate without official approval document. Incidental tax rebate or derate.			
Government Grants accrued into current profit & loss			
List into “ the fund occupation expense charged on non-financial enterprise”, subordinate to the accounting items “ Current profit & loss”			
Earning arising from identifiable fairvalue of net assets of investees, which should be enjoyed when costs (which are obtained by the enterprise) invested in subsidiary companies, pool companies and joint ventures, is less than the obtained investment			
Non-currency asset exchange profit & loss			
Profit & loss arising from entrusting the third party to invest or manage assets			
Provision for asset impairment withdrawn due to force majeure (e.g.natural disaster)			
Profit & loss arising from debt recombination			
Expenses for enterprise recombination			

Items	Amount of current period	Amount of Previous period	Notes
Profit & loss that exceed the fair value, arising from transaction with unfair transaction price			
Net profit & loss during term beginning to merger date of the subsidiaries arising from business merger under same control			
Profit & loss arising from the probable events irrelevant to normal operating business of the company			
Except the effective hedge business related to the normal operation business of the Company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets	257,537	343,265	
Single impairment test for impairment of receivables transferred back to preparation		172,943	
Profit & loss obtained from loan for outwards entrust			
Profit & loss arising from change of fair value of investment-based real estate where subsequent Measurement is conducted by using the fair value mode			
Impact on the current profit & loss caused by one-off adjustment conducted on the current profit & loss according to requirements stipulated by taxation /accounting laws and regulations			
Entrusting earning arising from the entrusted operation.			

Items	Amount of current period	Amount of Previous period	Notes
Except the above items, other non-operating eqarning and expenditure	38,860	-330,568	
Other profit & loss items confirming tothedefinition of nonrecurring profit & loss			
Subtotal	257,160	278,960	
Amount of influence of income tax			
Amount of influence of minority interests	-18,660	-1,596	
Total	238,500	280,556	

## 2.Return on net assets and earnings per share

Profit of the report period	Return on net assets . Weighted ( % )	Earnings per share ( RMB )	
		Basic earnings per share	Diluted gains per share
Net profit attributable to shareholder of parent company	0.03	0.02	0.02
Net profit attributable to the parent company shareholders after deducting of non-recurring gain/loss.	0.03	0.02	0.02

## XVI. The approval of financial reports

The report of the financial statements was approved by all directors of the board of directors of the Company on April 27,2011.