



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

**The Semi-annual Report 2014**

**August 2014**

## I. Important Notice, Table of Contents and Definitions

The Board of Directors ,Supervisory Committee, all directors, supervisors and senior executives 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.

All the directors attended the board meeting for reviewing this report.

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either. Mr.Hu Yongfeng, The Company leader, Mr. Zhang Jinliang, Chief financial officer and the Mr..Ren Changzheng, the person in charge of the accounting department (the person in charge of the accounting )hereby confirm the authenticity and completeness of the financial report enclosed in this semi-annual report.

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## Definition

Terms to be defined	Refers to	Definition
Company/The Company/	Refers to	Shenzhen Victor Onward Textile Industrial Co., Ltd.
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
“CSRC”	Refers to	China Securities Regulatory Commission
Yuan	Refers to	RMB yuan

## II. Basic Information of the Company

### 1. Company Information

Stock abbreviation	Victor Onward A, Victor Onward B	Stock code:	000018、200018
Short form of the Stock after changed (if applicable)	Victor Onward A, Victor Onward B		
Stock exchange for listing:	Shenzhen Stock Exchange		
Name in Chinese	深圳中冠纺织印染股份有限公司		
Chinese Abbreviation (If any)	中冠		
English name (If any)	Shenzhen Victor Onward Textile Industrial Co., Ltd		
English abbreviation (If any)	VICTOR ONWARD		
Legal Representative	Hu Yongfeng		

### 2. Contact person and contact manner

	Board secretary	Securities affairs Representative
Name	Zhang Jinliang	Wu Xia
Contact address	Room 1308, Hualiang Building, No.2008 Shennan Zhong Road, Shenzhen	Room 1308, Hualiang Building, No.2008 Shennan Zhong Road, Shenzhen
Tel	(755) 83668425	(755) 83667895
Fax	(755) 83668427	(755) 83668427
E-mail	zhangjl@udcgroup.com	wux@udcgroup.com

### 3. Other

#### (1) Way to contact the Company

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable  Not Applicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the reporting period. The said information can be found in the 2013 Annual Report.

(2) About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the reporting period?

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the website designated by CSRC for disclosing this report and the location where this report is placed did not change during the reporting period. The said information can be found in the 2013 Annual Report.

(3) Registration changes of the Company

Whether registration has changed in reporting period or not

Applicable  Not applicable

Date/place for registration of the Company, registration number for enterprise legal license number of taxation registration and organization code have no change in reporting period, found more details in annual report 2013.

### III. Summary of Accounting Data and Financial Indicators

#### 1.Summary of accounting /Financial Data

May the Company make retroactive adjustment or restatement of the accounting data of the previous years due to change of the accounting policy and correction of accounting errors.

Yes No

	Reporting period	Same period of last year	YoY+/- (%)
Operating income (RMB)	5,077,451.00	4,990,626.00	1.74%
Net profit attributable to the shareholders of the listed company (RMB)	738,330.00	-4,123,606.00	-117.90%
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	740,248.00	-1,708,492.00	-143.33%
Cash flow generated by business operation, net (RMB)	2,708,214.00	1,949,440.00	38.92%
Basic earning per share(RMB/Share)	0.004	-0.02	-120.00%
Diluted gains per share(RMB/Share)(RMB/Share)	0.004	-0.02	-120.00%
Weighted average ROE(%)	0.58%	-3.53%	4.11%
	As at the end of the reporting period	As at the end of last year	YoY+/- (%)
Gross assets (RMB)	195,275,060.00	170,502,789.00	14.53%
Net assets attributable to shareholders of the Company(RMB)	127,320,991.00	126,320,072.00	0.79%

#### 2.Items and amount of non-current gains and losses

Applicable Not applicable

In RMB

Items	Amount	Notes
Gain/loss from disposal of non-current assets, including the part offset with the provision for impairment of assets	-1,918.00	
Total	-1,918.00	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable  Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*.



## IV. Report of the Board of Directors

### I. General

#### 1. Business highlights

In the report period, the printing and dyeing mill of the Company in Shenzhen continued production suspense while the parent company and five subsidiaries continued the suspension of printing and dyeing business due to the production suspense of the printing and dyeing mill. The parent company, Nanhua Company and Hong Kong Company maintained daily operation through property lease. The other three subsidiaries had suspended business. The Company planned to invest in the joint venture project of Nanjing East Asia Textile Printing and Dyeing Co., Ltd. with partial machinery and equipment. Due to change of foundation of joint venture and prospect of the industry, the capital increase was not completed. the income from house rent was the main part of net inflow of cash and the source of income from main operation.

#### 2. The risks that the Company is facing and countermeasures

Production suspense brought significant influence on the production and operating activities and continuous development of the Company. The controlling shareholders and management of the company attached great importance to the company's continued operational problems, intended to adopt a variety of ways, including selling the assets and business of the company or its subsidiaries, joint venture and expand and existing business, in order to improve the company's assets quality, profitability and the capacity for sustainable development.

In reporting period, on June 16, 2014, the company began planning a major asset reorganization, the company and related parties are actively promoting the work.

### II. Analysis on principal Business

Year-on-year changes in major financial statistics

In RMB

	This report period	Same period last year	YOY change (%)	Cause change
Operating income	5,077,451.00	4,990,626.00	1.74%	
Operating cost	1,446,029.00	2,073,313.00	-30.26%	Reduction of rental pr operty depreciation
Administrative expenses	3,550,910.00	4,050,058.00	-12.32%	Reduced expenses
Financial expenses	-58,719.00	273,998.00	-121.43%	Interest on debt reduced
Net cash flows from	2,708,214.00	1,949,440.00	38.92%	Rent increase

operating activities				
Net cash flows from investing activities	-64,702.00	5,024,937.00	-101.29%	Disposal of machinery and equipment of last year
Net cash flows from financing activities	-6,291,275.00	-10,000,000.00	-37.09%	Payment of loan principal to Union Group
Net increase in cash and cash equivalents	-3,253,848.00	-3,458,795.00	-5.93%	

Major changes in profit composition or courses during the report period

Applicable  Not applicable

The profit composition or sources of the Company have remained largely unchanged during the report period.

Delay of future development and plan disclosed in Company's IPO prospectus, fund raising prospectus and capital reorganization report into this report period.\

Applicable  Not applicable

No future development and plan disclosed in Company's IPO prospectus, fund raising prospectus and capital reorganization report into this report period.\

Implementation of business plans disclosed in previous periods in this period.

Not applicable

### III. Business composition

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of rincipal business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
Classification of Industry						
Leasing Industry	5,077,451.00	1,446,029.00	71.52%	1.74%	-30.26%	13.06%
Classification of products						
Lease	5,077,451.00	1,446,029.00	71.52%	1.74%	-30.26%	13.06%
Classification of Area						
China	4,334,045.00	1,225,313.76	71.73%	5.22%	-18.20%	8.10%
Hong Kong	743,406.00	220,715.00	70.31%	-14.71%	-61.64%	36.32%

## IV. Analysis on investment Status

## 1. Foreign Equity investment

## (1) External investment

√ Applicable □ Not applicable

External investment		
Investment amount (January-June 2014)(RMB)	Investment Amount (January-June 2013)(RMB)	Change rate (%)
0.00	0.00	0.00%
Particulars of investees		
Name	Principal business	Proportion in the investees' equity (%)
Zhejiang Union Hangzhou Bay Chuangye Co., Ltd.	Real estate	25.00%

## 2. Information of trust management, derivative investment and entrusted loan

## (1) Trust management

√ Applicable □ Not applicable

In RMB

Title of trustee	Relationship	Related transaction or not	Type of product	Amount entrusted	Started on	Expired on	Mean of reward	Principal retrieved this period	Impairment provision provided (If any)	Predicted income	Actual gain/loss of the period
Bank of China	Not Related party	No	Zhongyin Stationary AMZYP WHQ14166	100	April 17, 2014	October 13, 2014	4.90% fixed income			2.36	
Bank of China	Not Related party	No	Zhongyin Stationary AMZYP WHQ14165	100	April 17, 2014	July 14, 2014	4.80% fixed income			1.16	
Bank of China	Not Related party	No	Zhongyin Jizhitong AMZYJZ T-LPA140	100	April 18, 2014	June 6, 2014	4.70% fixed income	100			0.6

			94								
Bank of China	Not Related party	No	Zhongyin Jizhitong AMZYJZ T-LPA14096	150	April 18, 2014	August 8, 2014	5% fixed income			2.26	
Bank of China	Not Related party	No	Zhongyin Stationary AMZYYP WHQ14241	150	June 9, 2014	September 9, 2014	4.90% fixed income			1.83	
Total				600	--	--	--	100	0	7.61	0.6
Resource of capital trusted				Self fnds							
Accumulated principal and gains overdue				0							
Date of announcement made by the board about approval of trusted financial service											
Date of announcement made by the Shareholders' Meeting about approve of trusted financial service											

### 3. Analysis to main subsidiaries and shareholding companies

√ Applicable □ Not applicable

Particulars about main subsidiaries and shareholding companies

In RMB

Company Name	Company type	Sectors engaged in	Leading products and services	Registered capital	Total assets(RMB)	Net assets (RMB)	Turnover (RMB)	Operating profit (RMB)	Net Profit (RMB)
Hong Kong Victor Onward Co.Ltd	Subsidiary	Textile industry	Textile trade	2,400,002 (HKD)	123,836,445.00	52,262,552.00	743,406.00	1,022,102.00	1,022,102.00
Nanhua Company	Subsidiary	Textile industry	Textile Printing and dyeing	85,494,700 (HKD)	23,908,176.00	-16,787,251.00	3,292,600.00	474,187.00	472,269.00
Zhejiang Union Hangzhou Bay Chuangye	Shareholding companies	Real estate Industry	Real estate Development	247,476,832.6	1,385,349,951.00	309,092,000.00	30,638,800.00	3,424,787.00	3,428,626.00

Co., Ltd.									
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## V. Prediction of business performance for Jan-Sept 2014.

Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason.

Applicable  Not applicable

Forenotice of earning : Make up the deficits

Type of date filled for the prediction:Interval figures

	Year beginning to end of next report period		Same period of the previous year	Increase or decrease%				
Estimated amount of accumulative net profit(RMB'0000)	0	--	100	-53	--	-288.68%	--	-100.00%
Basic earnings per shares (Yuan/share)	0	--	0.006	-0.003	--	-300.00%	--	-100.00%
Notes to forenotice of earnings	Due to the effect of the performance of Zhejiang Union Hangzhou Bay Ventures Co., Ltd. accounted for on equity basis, the accumulative net profit for the period from January to September 2014 is estimated to be profitable and about RMB 0 to RMB 1 million.							

VI. Explanation by the Board of Directors and the Supervisory Committee about the “ non-standard audit report” issued by the CPAs firm for the reporting period.

Applicable  Not applicable

VII. Explanation by the Board of Directors about the “ non-standard audit report “ for last year.

Applicable  Not applicable

### 1. Basic information

Da Hua Certified Public Accountants(Special General Partnership) issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial statements for 2013 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 11 of Financial Statement, but its sustainable operation ability is still uncertain.

### 2. Basic opinions of certified public accountants on such matter:

Da Hua Certified Public Accountants(Special General Partnership) accepted entrustment, completed the audit of the financial statements of the Company for 2013 and issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial statements for 2013. 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, The investment plan has not been implemented, the proposed investment has been idle equipment stored in the Victor Onward Company. On June 4, 2012, The Victor Onward Company has instituted court action at Jiangsu Province Higher People's Court, and asked to terminate the contracts and agreement on investment on Nanjing project. 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.

### 3.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. .It plans to invest in Nanjing East Asia Textile Printing and Dyeing Co., Ltd. with part of machinery and equipment, Due to the reason on the side of the other party of joint venture and change of industry prospect.. Partners disagree with our views in the replenishment of the things, thus cooperation is difficult to continue. Although we sent our staff to Nanjing many times for negotiation, but failed to reach a consensus. Therefore, we decided the proceedings in the People's Court.

### 4. Extent of influence of this matter on the Company:

This event greatly impacted the production & operation activities and sustainable development of company.

### 5.The concrete measures of eliminating this matter and its influence

The controlling shareholders and management of the company attached great importance to the company's continued operational problems, intended to adopt a variety of ways, including selling the assets and business of the company or its subsidiaries, joint venture and expand an existing business, in order to improve the company's assets quality, profitability and the capacity for sustainable development.

## VIII. Profit distribution carried out in the report period

Execution or adjustment of profit distribution, especially cash dividend, and capitalizing of reserves in the report period.

Applicable  Not applicable

Previous year's profit distribution plan was no profit distribution and shares converted from capital reserve either

## IX. Preplan for profit distribution and turning capital reserve into share capital in the reporting period

Applicable  Not applicable

The Company planed that no to distribute cash dividend, bonus shares and there was no turning of capital reserve

into share capital.

#### IX. Statement of such activities as reception, research, communication, interview in the reporting period

Applicable  Not applicable

Reception time	Reception place	Way of reception	Types of visitors	Visitors received	Discussion topics and provision of materials
April 3, 2014	BOD office of the Company	By phone	Individual	Investor	Enquiry the company situation
June 9, 2014	BOD office of the Company	By phone	Individual	Investor	Inquire the reasons for the suspension of company
June 30, 2014	BOD office of the Company	By phone	Individual	Investor	Inquire the corporate restructuring matters

### V. Important Events

#### 1. Governance of the Company

There is no difference between the actual corporate governance and the requirements of Company Law and the relevant provisions of China Securities Regulatory Commission.

#### II. Major lawsuits and Arbitration affairs

Applicable  Not applicable

Basic information of lawsuits(Arbitration)	Amount involved (RMB'0000)	Whether comes to accrual liability or not	Progress of lawsuits(arbitration)	Trial results and influence	Judgment enforcement situation	Disclosure date	Index of disclosure
On June 4, 2012, The company has instituted court action against below three companies at Jiangsu Province Higher People's Court, and asked to terminate the contracts and agreements signed with Nanjing East	4,792	No	The case hasn't yet been tried			June 16, 2012	Announcement No. 2012-0614) Securities Times , Hong Kong Commercial Daily and <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

<p>Asia Textile Printing &amp; Dyeing Co., Ltd., Nanjing East Asia Investment &amp; Development Group Co., Ltd. and Hong Kong Yaojunxing Co., Ltd., who shall pay RMB47,922,902.92 to the company for the pecuniary loss of implicative compensation and undertake the costs of litigation. The company has received the Su-Shang-Wai-Chu-Zi No.0002 (2012) of "Notice on Indictment Acceptance and Collegial Panel Announcement" issued by Jiangsu Province Higher People's Court on June 14, 2012. The Defendant Nanjing East Asia Textile Printing and Dyeing Co., Ltd. made objection to the jurisdiction of this case during the period of defence submission. The court formed a collegial bench and conducted examination according to law.</p>							
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On December 24, 2013, Jiangsu Higher People's Court issued Civil Ruling Paper to reject the objection made by Nanjing East Asia Textile Printing and Dyeing Co., Ltd. about the jurisdiction. ((2013) SSWXCZ No. 0001 Civil Ruling Paper of Jiangsu Higher People's Court Civil Ruling Paper)							
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### III. Query form media

Applicable  Not applicable

In the reporting year, the Company had no query from media

### IV. Bankruptcy or Reorganization Events

Applicable  Not applicable

There Company was not involved in any bankruptcy or reorganization events in the reporting period.

### V. Transaction in Assets

#### 1. Purchase of assets

Applicable  Not applicable

There is no purchase of assets in the Company during the reporting period.

#### 2. Sale of assets

Applicable  Not applicable

There is no sale of assets in the Company during the reporting period

#### 3. Business combination

Applicable  Not applicable

There is no business combination in the Company during the reporting period.

### VI. Implementation and Influence of Equity Incentive Plan of the Company

Applicable  Not applicable

There is no equity incentive plan and its implementation in the Company during the reporting period.

### VII. Significant related-party transactions

1. Related transactions in connection with daily operation

Applicable  Not applicable

There is no any related party transaction concerning daily operation of the Company of the reporting period.

2. Related-party transactions arising from asset acquisition or sale

Applicable  Not applicable

The Company was not involved in any related-party transactions arising from asset acquisition or sale during the reporting period.

3. Related-party transitions with joint investments

Applicable  Not applicable

The Company was not involved in any related-party transaction with joint investments during the reporting period.

4. Credits and liabilities with related parties

Applicable  Not applicable

There is no any credit and liability with related parties of the Company of the reporting period.

5. Other significant related-party transactions

Applicable  Not applicable

The Company was not Other significant related-party transactions during the reporting period.

VIII. Particulars about the non-operating occupation of funds by the controlling shareholder and other related parties of the Company

Applicable  Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the reporting period..

IX. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

Applicable  Not applicable

There was no any trusteeship of the Company in the reporting period.

(2) Contract

Applicable  Not applicable

There was no any contract of the Company in the reporting period.

(3) Lease

Applicable  Not applicable

There was not involved in ant lease of the Company in the reporting period.

## 2. Guarantees provided by the company

Applicable  Not applicable

There was not involved in any Guarantees provided by the company in the reporting period.

## (1) Particulars about illegal external guarantee

Applicable  Not applicable

There was no particular about illegal external guarantee of the Company in the reporting period.

## 3. Other significant contracts

Applicable  Not applicable

There was no other significant contract of the Company in the reporting period.

## 4. Other significant transactions

Applicable  Not applicable

There was no other significant transaction of the Company in the reporting period.

## X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

Applicable  Not applicable

Commitment	Commitment maker	Contents	Time of making commitment	Peiod of commitment	Fulfillment
Commitment on share reform	Union Holdings Co., Ltd	Committed when the restricted-for-sale shares from the shares restructuring were listed for circulation in the market: i. if they plan to sell the shares through the securities exchange system in the future, and the decrease of the shares they hold reaches 5% within 6 months after	June 3, 2009	In effect	Under Fulfillment

		the first decrease, they will disclose an announcement indicating the sale through the company within two trading days before the first decrease; ii. They shall strictly observe the “Guidelines on Transfer of Restricted-for-sale Original Shares of Listed Companies” and the provisions of the relevant business principles of Shenzhen Stock Exchange.			
Commitment in the acquisition report or the report on equity changes	Not Applicable				
Commitment made upon the assets replacement	Not Applicable				
Commitments made upon issuance	Not Applicable				
Other commitments made to minority shareholders	Not Applicable				
Executed timely or not?	Yes				
Detailed person for failing to execute and the next plan( If any)	Not Applicable				

## XI. Particulars about engagement and disengagement of CPAs firm

Whether the semi-annual financial report had been audited?

Yes  No

## XII. Punishment and Rectification

Applicable  Not applicable

There was no any punishment and rectification of the Company in the reporting period.

## XIII. Reveal of the delisting risks of illegal or violation

Applicable  Not applicable

There was no any delisting risk of illegal or violation of the Company in the reporting period.

## XIV. Explanation about other significant matters

Applicable  Not applicable

1. Announcement on lawsuits of Shenzhen Victor Onward Textile Industrial Co., Ltd. Announcement No.: 2012-0614, Announcement Date: June 16, 2012, Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn).

2. The company's annual financial report for 2013 was audited by Dahua Accounting Firm (special general partnership). The audit report showed that the company's net profits in 2013 was RMB7,849,904, the net profits which belong to the shareholders of quoted company was RMB8,214,810. According to the related regulations of "Listing Rules of The Shenzhen Stock Exchange", the situation in which the company's A, B stocks would be warned to retrieve the market has been removed, and there is no situation of other risk warnings. With the approval of Shenzhen Stock Exchange, from March 13, 2014, the risk warning of retrieving from the market and other risk warnings for the company's stock exchange would be removed. The matters mentioned above were announced in Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) on March 12, 2014, the Announcement No.: 2014-0659.

3. "The Announcement on a part of Shenzhen Victor Onward Textile Industrial Co., Ltd. Factory Buildings Collected by the Government", the Management Committee of Shenzhen Dapeng District released "The Decision Announcement on the Management Committee of Shenzhen Dapeng New District Collecting Houses" which says, the committee decided to collect the related housing estates located in Kuixin community for the need to build a people's hospital in Dapeng new district. The housing estates which would be collected this time include Kuichong Company's part of the buildings which haven't got estate right certificate, and the area of these buildings is 18,000 square meters. The matters mentioned above were announced in Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) on June 24, 2014, the Announcement No.: 2014-0673.

4. During the period of report, On June 16, 2014, the company started planning the reorganization of the major assets. At present the company and the other parties are promoting all the work actively. For relevant matters, please refer to "The Announcement on the Reorganization and Suspension of Major Assets in Shenzhen Victor Onward Textile Industrial Co., Ltd.", "The Announcement on the Progress of Major Assets' Reorganization in Shenzhen Victor Onward Textile Industrial Co., Ltd." and "The Announcement on the Application for Continuous Suspension of Major Assets after the Expiration of Last Suspension in Shenzhen Victor Onward Textile Industrial Co., Ltd.", which were released in Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) on June 16 2014, June 23, 2014, June 30, 2014, July 7, 2014, July 14, 2014, July 21, 2014, July 28, 2014, August 4, 2014,

August 11 ,2014 and August 15,2014.

## VI. Change of share capital and shareholding of Principal Shareholders

## 1.Changes in share capital

In shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Share with conditional subscription	0	0.00%	0	0	0	0	0	0	0.00%
1.State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2..Staae-owned legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3.Other domestic shares	0	0.00%	0	0	0	0	0	0	0.00%
Of which:									
Domestic legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
Domestic natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
4.Share held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Of which: Foreign legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares with unconditional subscription	169,142,356	100.00%	0	0	0	0	0	169,142,356	100.00%
1.Common shares in RMB	99,720,453	58.96%	0	0	0	0	0	99,720,453	58.96%
2.Foreign shares in domestic market	69,421,903	41.04%	0	0	0	0	0	69,421,903	41.04%
3.Foregin shares in	0	0.00%	0	0	0	0	0	0	0.00%

overseas market									
4.Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total of capital shares	169,142,356	100.00%	0	0	0	0	0	169,142,356	100.00%

Reasons for share changed:

Applicable  Not applicable

Approval of Change of Shares

Applicable  Not applicable

Ownership transfer of share changes

Applicable  Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable  Not applicable

Other information necessary to disclose for the company or need to disclosed under requirement from security regulators

Applicable  Not applicable

Explanation on changes in aspect of total shares, shareholders structures as well as structure of assets and liability of the Company

## II. Shareholders and actual controlling shareholder

In Shares

Total number of common shareholders at the end of the reporting period		9,948	Total number of preferred shareholders that had restored the voting right at the end of the reporting period (if any) (note 8)	0				
Shareholding of shareholders holding more than 5% shares								
Shareholders	Nuture of shareholder	Proportion of shares held (%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number os share pledged/frozen	
							State of share	Amount
Union Holdings Co., Ltd.	Domestic Non-State-owned legal person	25.51%	43,141,032	0	0	43,141,032		
STYLE-SUCCESS LIMITED	Foreign legal person	14.46%	24,466,029	0	0	24,466,029		



Rich Crown Investment Co., Ltd.	Foreign legal person	3.62%	6,114,556	0	0	6,114,556		
Union Development Group Co., Ltd.	Domestic Non-State-owned legal person	3.36%	5,681,089	0	0	5,681,089		
Liuzhou Jiali Real estate Development Co., Ltd.	Domestic Non- legal person State-owned legal person	2.89%	4,890,000	0	0	4,890,000		
Zeng Ying	Domestic Natural person	1.22%	2,070,600	0	0	2,070,600		
Shenzhen Textile (Group)Holdings Ltd	State-owned Legal person	1.02%	1,722,794	0	0	1,722,794		
Liuzhou Ruiheng Mechatronics Co., Ltd.	Domestic Non-State-owned legal person	1.02%	1,720,100	0	0	1,720,100		
Jiang Jiayuan	Domestic Natural person	0.58%	978,057	0	0	978,057		
KGI ASIA LIMITED	Foreign legal person	0.55%	927,450	0	0	927,450		
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable)See Notes 3 )	N/A							
Explanation on associated relationship among the aforesaid shareholders	The controlling shareholder of the above-mentioned largest shareholder Shenzhen Union Holdings Ltd.and third shareholder Rich Crown Investment Co., Ltd.. Is Union Development Group Ltd.							
Shareholding of top 10 shareholders of unrestricted shares								
Name of the shareholder	Quantity of unrestricted shares held at the end of the reporting period	Share type						
		Share type	Quantity					
Union Holdings Co., Ltd.	43,141,032	RMB Common shares	43,141,032					
STYLE-SUCCESS LIMITED	24,466,029	Foreign shares placed in domestic exchange	24,466,029					
Rich Crown Investment Co., Ltd.	6,114,556	Foreign shares	6,114,556					

		placed in domestic exchange	
Union Development Group Co., Ltd.	5,681,089	RMB Common shares	5,681,089
Liuzhou Jiali Real estate Development Co., Ltd.	4,890,000	RMB Common shares	4,890,000
Zeng Ying	2,070,600	Foreign shares placed in domestic exchange	2,070,600
Shenzhen Textile (Group) Holdings Ltd	1,722,794	RMB Common shares	1,722,794
Liuzhou Ruiheng Mechatronics Co., Ltd.	1,720,100	RMB Common shares	1,720,100
Jiang Jiayuan	978,057	RMB Common shares	978,057
KGI ASIA LIMITED	927,450	Foreign shares placed in domestic exchange	927,450
Explanation on associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders	The controlling shareholder of the above-mentioned largest shareholder Shenzhen Union Holdings Ltd. and third shareholder Rich Crown Investment Co., Ltd. is Union Development Group Ltd.		
Notes to the shareholders involved in financing securities (if any) (See Notes 4)	Among the shareholders above, Liuzhou Jiali Real estate Development Co., Ltd. holds 2,668,900 shares of the Company through stock account with credit transaction and guarantee of Guohai Securities Co., Ltd. It holds 2,221,100 shares through ordinary stock account. Liuzhou Ruiheng Mechatronics Co., Ltd. holds 1,720,100 shares of the Company through stock account with credit transaction and guarantee of Guohai Securities Co., Ltd.		

Did any shareholder of the Company carry out an agreed buy-back in the reporting period?

Yes  No

Shareholders of the Company had not carried out any agreed buy-back in the reporting period.

### III. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

Applicable  Not Applicable

There was no any change of the controlling shareholder of the Company in the reporting period.

Change of the actual controller in the reporting period

Applicable  Not applicable

There was no any change of the actual controller of the Company in the reporting period.

IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

Applicable  Not applicable

Within the scope known to the Company, there was no any shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons.

## Section VII. Situation of the Preferred Shares

### I.Situation of preferred stock issuance and listing during the reporting period

Applicable  Not Applicable

### II.Situation of number of preference shareholders and shareholding

Applicable  Not Applicable

### III.Situation of repurchase or conversion of preferred shares

#### 1.situation of repurchase of preferred shares

Applicable  Not Applicable

#### 2.situation of conversion of preferred shares

Applicable  Not Applicable

### IV.Situation of restoration and usage of voting preference shares

Applicable  Not Applicable

### V.Accounting policies and reasons adopted by preferred shares

Applicable  Not Applicable

## VIII. Information about Directors, Supervisors and Senior Executives

### I. Change in shares held by directors, supervisors and senior executives

Applicable  Not Applicable

Shareholdings of directors, supervisors and senior management staff did not change in the reporting period. For details, see the 2013 annual report.

### II. Changes in directors, supervisors and senior management staffs

Applicable  Not Applicable

Names	Titles	Types	Date	Causes
Chen Jinmei	Independent director	Dismissal	January 21, 2014	Mrs. Chen Jinmei resigned for personal reasons to the Board. The application will take effect after the election of new independent directors to fill the vacancy in the Company Shareholders' Meeting.

## IX. Financial Report

## 1. Audit report

Has this semi-annual report been audited?

Yes  No

The semi-annual financial report has not been audited.

## II. Financial statements

Currency unit for the statements in the notes to these financial statements:RMB

## 1.Consolidated Balance sheet

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Year-end balance	Year-beginning balance
Current asset:		
Monetary fund	90,249,062.00	63,502,910.00
Settlement provision		
Outgoing call loan		
Trading financial assets		
Bill receivable		1,500,000.00
Account receivable		
Prepayments	13,230.00	25,192.00
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		
Interest receivable		79,340.00
Dividend receivable		
Other account receivable	54,318.00	311,279.00
Repurchasing of financial assets		
Inventories		
Non-current asset due in 1 year		
Other current asset		

Total of current assets	90,316,610.00	65,418,721.00
Non-current assets:		
Loans and payment on other's behalf disbursed		
Disposable financial asset	604,282.00	582,942.00
Expired investment in possess		
Long-term receivable		
Long term share equity investment	68,230,192.00	66,931,685.00
Property investment	22,195,871.00	23,458,153.00
Fixed assets	7,028,175.00	7,191,205.00
Construction in progress		
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	1,800,306.00	1,820,459.00
R & D petrol		
Goodwill	5,099,624.00	5,099,624.00
Long-germ expenses to be amortized		
Differed income tax asset		
Other non-current asset		
Total of non-current assets	104,958,450.00	105,084,068.00
Total of assets	195,275,060.00	170,502,789.00
Current liabilities		
Short-term loans		
Loan from Central Bank		
Deposit received and hold for others		
Call loan received		
Trade off financial liabilities		
Bill payable		
Account payable	3,199,529.00	3,186,939.00
Advance payment	1,076,979.00	1,076,531.00

Selling of repurchased financial assets		
Fees and commissions receivable		
Employees' wage payable	1,021,045.00	1,109,352.00
Tax payable	4,209,279.00	4,250,191.00
Interest payable		
Dividend payable	1,215,946.00	1,215,946.00
Other account payable	46,781,726.00	22,663,345.00
Reinsurance fee payable		
Insurance contract provision		
Entrusted trading of securities		
Entrusted selling of securities		
Non-current liability due in 1 year		
Other current liability	1,322,263.00	1,547,263.00
Total of current liability	58,826,767.00	35,049,567.00
Non-current liabilities:		
Long-term loan	1,050,038.00	1,101,349.00
Bond payable		
Long-term payable	8,309,417.00	8,230,694.00
Special payable		
Expected liabilities		
Differed income tax liability	669,475.00	702,735.00
Other non-current liabilities	836,792.00	836,792.00
Total of non-current liabilities	10,865,722.00	10,871,570.00
Total of liability	69,692,489.00	45,921,137.00
Owners' equity		
Share capital	169,142,356.00	169,142,356.00
Capital reserves	39,660,812.00	39,645,048.00
Less: Shares in stock		
Special reserves		
Surplus reserves	26,704,791.00	26,704,791.00
Common risk provision		
Undistributed profit	-107,320,801.00	-108,059,131.00
Different of foreign currency translation	-866,167.00	-1,112,992.00



Total of owner's equity belong to the parent company	127,320,991.00	126,320,072.00
Minority shareholders' equity	-1,738,420.00	-1,738,420.00
Total of owners' equity	125,582,571.00	124,581,652.00
Total of liabilities and owners' equity	195,275,060.00	170,502,789.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

## 2. Balance sheet of Parent Company

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Year-end balance	Year-beginning balance
Current asset:		
Monetary fund	40,923,537.00	10,557,501.00
Trading financial assets		
Bill receivable		1,500,000.00
Account receivable		
Prepayments		
Interest receivable		
Dividend receivable		
Other account receivable	81,520,540.00	80,967,376.00
Inventories		
Non-current asset due in 1 year		
Other current asset		
Total of current assets	122,444,077.00	93,024,877.00
Non-current assets:		
Disposable financial asset		
Expired investment in possess		
Long-term receivable		
Long term share equity investment	36,788,953.00	36,788,953.00

Property investment	4,554,989.00	4,723,575.00
Fixed assets	4,384,712.00	4,384,712.00
Construction in progress		
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	1,800,306.00	1,820,459.00
R & D petrol		
Goodwill		
Long-germ expenses to be amortized		
Differed income tax asset		
Other non-current asset		
Total of non-current assets	47,528,960.00	47,717,699.00
Total of assets	169,973,037.00	140,742,576.00
Current liabilities		
Short-term loans		
Trade off financial liabilities		
Bill payable		
Account payable	113,344.00	113,344.00
Advance payment	302,540.00	302,540.00
Employees' wage payable	602,181.00	677,181.00
Tax payable	719,773.00	767,076.00
Interest payable		
Dividend payable		
Other account payable	31,254,614.00	1,158,902.00
Non-current liability due in 1 year		
Other current liability	1,322,263.00	1,547,263.00
Total of current liability	34,314,715.00	4,566,306.00
Non-current liabilities:		
Long-term loan		
Bond payable		
Long-term payable		

Special payable		
Expected liabilities		
Differed income tax liability	4,180,138.00	4,180,138.00
Other non-current liabilities	836,792.00	836,792.00
Total of Non-current liabilities	5,016,930.00	5,016,930.00
Total of liability	39,331,645.00	9,583,236.00
Owners' equity		
Share capital	169,142,356.00	169,142,356.00
Capital reserves	31,606,598.00	31,606,598.00
Less: Shares in stock		
Special reserves		
Surplus reserves	26,309,287.00	26,309,287.00
Provision of general risk		
Undistributed profit	-92,018,615.00	-91,500,667.00
Different of foreign currency translation	-4,398,234.00	-4,398,234.00
Total of owners' equity	130,641,392.00	131,159,340.00
Total of liabilities and owners' equity	169,973,037.00	140,742,576.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

### 3.Consolidated Profit Statement

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Amount in this period	Amount in last period
I. Income from the key business	5,077,451.00	4,990,626.00
Incl: Business income	5,077,451.00	4,990,626.00
Interest income		
Insurance fee earned		
Fee and commission received		
II. Total business cost	5,194,360.00	6,628,035.00

Incl: Business cost	1,446,029.00	2,073,313.00
Interest expense		
Fee and commission paid		
Insurance discharge payment		
Net claim amount paid		
Insurance policy dividend paid		
Insurance policy dividend paid		
Reinsurance expenses		
Business tax and surcharge	256,140.00	230,666.00
Sales expense		
Administrative expense	3,550,910.00	4,050,058.00
Financial expenses	-58,719.00	273,998.00
Asset impairment loss		
Add: Gains from change of fair value (“-”for loss)		
Investment gain (“-”for loss)	857,157.00	-71,083.00
Incl: investment gains from affiliates	857,157.00	-71,083.00
Gains from currency exchange (“-”for loss)		
III. Operational profit (“-”for loss)	740,248.00	-1,708,492.00
Add: Non-business income		3,929.00
Less: Non business expenses	1,918.00	2,419,043.00
Incl : Loss from disposal of non-current assets	1,918.00	19,043.00
IV.Total profit(“-”for loss)	738,330.00	-4,123,606.00
Less: Income tax expenses		
V. Net profit (“-”for net loss)	738,330.00	-4,123,606.00
Including: Net profit realized by the entity taken over before the takeover		
Net profit attributable to the owners of parent company	738,330.00	-4,123,606.00
Minority shareholders' equity		
VI. Earnings per share:	--	--
( I ) Basic earnings per share	0.004	-0.02

(II)Diluted earnings per share	0.004	-0.02
VII. Other comprehensive income	262,589.00	-609,251.00
VIII. Total comprehensive income	1,000,919.00	-4,732,857.00
Total comprehensive income attributable to the owner of the parent company	1,000,919.00	-4,732,857.00
Total comprehensive income attributable minority shareholders		

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

#### 4. Profit statement of the Parent Company

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Amount in this period	Amount in last period
I. Income from the key business	1,041,445.00	908,470.00
Less: Business cost	168,586.00	168,586.00
Business tax and surcharge	71,755.00	76,269.00
Sales expense		
Administrative expense	2,180,252.00	2,688,880.00
Financial expenses	-861,200.00	-770,606.00
Asset impairment loss		
Add: Gains from change of for value (“-”for loss )		
Investment gain (“-”for loss )		
Incl: investment gains from affiliates		
II. Operational profit (“-”for loss )	-517,948.00	-1,254,659.00
Add: Non-business income		2,000.00
Less: Non- business expenses		2,406,927.00
Incl: Loss from disposal of non-current assets		
III.Total profit(“-”for loss)	-517,948.00	-3,659,586.00

Less: Income tax expenses		
IV. Net profit ( “-”for net loss )	-517,948.00	-3,659,586.00
V. Earnings per share:	--	--
( I ) Basic earnings per share		
(II)Diluted earnings per share		
VI. Other comprehensive income		
VII. Total comprehensive income	-517,948.00	-3,659,586.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

## 5. Consolidated Cash flow statement

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Amount in this period	Amount in last period
I.Cash flows from operating activities		
Cash received from sales of goods or rendering of services	6,501,169.00	6,412,358.00
Net increase of customer deposits and capital kept for brother company		
Net increase of loans from central bank		
Net increase of inter-bank loans from other financial bodies		
Cash received against original insurance contract		
Net cash received from reinsurance business		
Net increase of client deposit and investment		
Net increase of trade financial asset disposal		
Cash received as interest,		

processing fee and commission		
Net increase of inter-bank fund received		
Net increase of repurchasing business		
Tax returned		
Other cash received from business operation	1,117,687.00	598,048.00
Sub-total of cash inflow	7,618,856.00	7,010,406.00
Cash paid for purchasing of merchandise and services		
Net increase of client trade and advance		
Net increase of savings in central bank and brother company		
Cash paid for original contract claim		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Cash paid to staffs or paid for staffs	1,379,093.00	1,414,058.00
Taxes paid	1,094,357.00	1,058,641.00
Other cash paid for business activities	2,437,192.00	2,588,267.00
Sub-total of cash outflow from business activities	4,910,642.00	5,060,966.00
Cash flow generated by business operation, net	2,708,214.00	1,949,440.00
II.Cash flow generated by investing		
Cash received from investment retrieving		
Cash received as investment gains		
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		5,087,000.00
Net cash received from disposal		

of subsidiaries or other operational units		
Net cash received from disposal of subsidiaries or other operational units		
Sub-total of cash inflow due to investment activities		5,087,000.00
Cash paid for construction of fixed assets, intangible assets and other long-term assets	64,702.00	62,063.00
Cash paid as investment		
Net increase of loan against pledge		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities		
Sub-total of cash outflow due to investment activities	64,702.00	62,063.00
Net cash flow generated by investment	-64,702.00	5,024,937.00
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 ash received		
Sub-total of cash inflow from financing activities		
Cash to repay debts	6,291,275.00	10,000,000.00
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	6,291,275.00	10,000,000.00
Net cash flow generated by financing	-6,291,275.00	-10,000,000.00
IV. Influence of exchange rate alternation on cash and cash equivalents	393,915.00	-433,172.00
V.Net increase of cash and cash equivalents	-3,253,848.00	-3,458,795.00
Add: balance of cash and cash equivalents at the beginning of term	63,502,910.00	52,227,262.00
VI.Balance of cash and cash equivalents at the end of term	60,249,062.00	48,768,467.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

#### 6. Cash flow statement of the Parent Company

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

In RMB

Items	Amount in this period	Amount in last period
I.Cash flows from operating activities		
Cash received from sales of goods or rendering of services	2,465,163.00	2,408,470.00
Tax returned		
Other cash received from business operation	875,492.00	1,009,229.00
Sub-total of cash inflow	3,340,655.00	3,417,699.00
Cash paid for purchasing of merchandise and services		
Cash paid to staffs or paid for staffs	804,933.00	990,236.00

Taxes paid	511,942.00	466,148.00
Other cash paid for business activities	1,657,744.00	1,619,943.00
Sub-total of cash outflow from business activities	2,974,619.00	3,076,327.00
Cash flow generated by business operation, net	366,036.00	341,372.00
II.Cash flow generated by investing		
Cash received from investment retrieving		
Cash received as investment gains		
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		5,072,000.00
Net cash received from disposal of subsidiaries or other operational units		
Other cash receivable for investment activities		
Sub-total of cash inflow due to investment activities		5,072,000.00
Cash paid for construction of fixed assets, intangible assets and other long-term assets		
Cash paid as investment		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities		
Sub-total of cash outflow due to investment activities		
Net cash flow generated by investment		5,072,000.00
III.Cash flow generated by financing		
Cash received from absorbing investment		

Cash received as loans		
Cash received from bond placing		
Other financing –related ash received		
Sub-total of cash inflow from financing activities		
Cash to repay debts		10,000,000.00
Cash paid as dividend, profit, or interests		
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities		10,000,000.00
Net cash flow generated by financing		-10,000,000.00
IV. Influence of exchange rate alternation on cash and cash equivalents		
V.Net increase of cash and cash equivalents	366,036.00	-4,586,628.00
Add: balance of cash and cash equivalents at the beginning of term	10,557,501.00	17,293,509.00
VI.Balance of cash and cash equivalents at the end of term	10,923,537.00	12,706,881.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

#### 7. Consolidated Statement on Change in Owners' Equity

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

Amount in this period

In RMB

Item	Amount in this period									
	Owner's equity Attributable to the Parent Company								Minor shareholders'	Total of owners' equity
	Share Capital	Capital reserve	Less: Shares	Special ized	Surplu s	Comm on risk	Attribu table	Other		

		s	in stock	reserve	reserve s	provisi on	profit		equity	
I.Balance at the end of last year	169,142,356.00	39,645,048.00			26,704,791.00		-108,059,131.00	-1,112,992.00	-1,738,420.00	124,581,652.00
Add: Change of accounting policy										
Correcting of previous errors										
Other										
II.Balance at the beginning of current year	169,142,356.00	39,645,048.00			26,704,791.00		-108,059,131.00	-1,112,992.00	-1,738,420.00	124,581,652.00
III.Changed in the current year		15,764.00					738,330.00	246,825.00		1,000,919.00
( I ) Net profit							738,330.00			738,330.00
( II ) Other misc.income		15,764.00						246,825.00		262,589.00
Total of (I) and (II)		15,764.00					738,330.00	246,825.00		1,000,919.00
(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.Providing of common risk provisions										
3. Allotment to the owners (or shareholders)										
4. Other										
(V) Internal transferring of owners' equity										
1. Capitalizing of capital reserves (or to capital shares)										
2. 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										
(VII) Other										
IV. Balance at the end of this term	169,142,356.00	39,660,812.00			26,704,791.00		-107,320,801.00	-866,167.00	-1,738,420.00	125,582,571.00

Amount in last year

In RMB

Items	Amount in last year									
	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	Surplu s reserves	Comm on risk provisi on	Attribu table profit	Other		
I. Balance at the end of last year	169,142,356.00	39,790,784.00			26,704,791.00		-116,273,941.00	-511,599.00	-1,373,514.00	117,478,877.00
Add: Retrospective adjustment caused by merger of entities under common control										
Add: Change of accounting policy										
Correcting of previous errors										
Other										
II. Balance at the beginning of current year	169,142,356.00	39,790,784.00			26,704,791.00		-116,273,941.00	-511,599.00	-1,373,514.00	117,478,877.00
\ III. Changed in the current year		-145,736.00					8,214,810.00	-601,393.00	-364,906.00	7,102,775.00
( I ) Net profit							8,214,810.00		-364,906.00	7,849,904.00
( II ) Other misc.income		-145,736.00						-601,393.00		-747,129.00
Total of (I) and (II)		-145,736.00					8,214,810.00	-601,393.00	-364,906.00	7,102,775.00
(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. Providing of common risk provisions										
3. Allotment to the owners (or shareholders)										
4. Other										
(V) Internal transferring of owners' equity										
1. Capitalizing of capital reserves (or to capital shares)										
2. 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										
(VII) Other										
IV. Balance at the end of this term	169,142,356.00	39,645,048.00			26,704,791.00		-108,059,131.00	-1,112,992.00	-1,738,420.00	124,581,652.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

8. Statement of change in owner's Equity of the Parent Company

Prepared by: Shenzhen Victor Onward Textile Industrial Co., Ltd.

Amount in this period

In RMB

Items	Amount in this period
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	Share Capital	Capital reserves	Less: Shares in stock	Specializ ed reserves	Surplus reserves	Common risk provision	Attributa ble profit	Total of owners' equity
I.Balance at the end of last year	169,142,35 6.00	31,606,598 .00			26,309,287 .00		-95,898,90 1.00	131,159,34 0.00
Add: Change of accounting policy								
Correcting of previous errors								
Other								
II.Balance at the beginning of current year	169,142,35 6.00	31,606,598 .00			26,309,287 .00		-95,898,90 1.00	131,159,34 0.00
III.Changed in the current year							-517,948.0 0	-517,948.0 0
( I ) Net profit							-517,948.0 0	-517,948.0 0
( II ) Other misc.income								
Subtotal of (I) and (II)							-517,948.0 0	-517,948.0 0
(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.Providing of common risk provisions								
3. Allotment to the owners (or shareholders)								
4. Other								
(V) Internal transferring of owners' equity								
1. Capitalizing of capital reserves (or to capital shares)								
2. 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								
(VII) Other								
IV. Balance at the end of this term	169,142,356.00	31,606,598.00			26,309,287.00		-96,416,849.00	130,641,392.00

Amount in last year

In RMB

Items	Amount in last year							
	Share Capital	Capital reserves	Less: Shares in stock	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Total of owners' equity
I. Balance at the end of last year	169,142,356.00	31,606,598.00			26,309,287.00		-93,361,497.00	133,696,744.00
Add: Change of accounting policy								
Correcting of previous errors								
Other								
II. Balance at the beginning of current year	169,142,356.00	31,606,598.00			26,309,287.00		-93,361,497.00	133,696,744.00
III. Changed in the current year							-2,537,404.00	-2,537,404.00
(I) Net profit							-2,537,404.00	-2,537,404.00
(II) Other misc. income								
Subtotal of (I) and (II)							-2,537,404.00	-2,537,404.00
(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.Providing of common risk provisions								
3. Allotment to the owners (or shareholders)								
4. Other								
(V) Internal transferring of owners' equity								
1. Capitalizing of capital reserves (or to capital shares)								
2. 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								
(VII) Other								
IV. Balance at the end of this term	169,142,356.00	31,606,598.00			26,309,287.00		-95,898,901.00	131,159,340.00

Legal representative : Hu Yongfeng

Person-in-charge of the accounting work: Zhang Jinliang

Person-in -charge of the accounting organ: Ren Changzheng

### III.Basic Information of the Company

#### 1. History

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 June 30, 2014, 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 43,141,032 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 5,681,089 shares, accounting for 3.36% of the total equity, Union Group holds 31.32% of equity of Union Holdings and has the right to control Union Holdings, thus Union Group is the actual controller of the Company.

By June 30, 2014, Victor Onward printing and dyeing (Hong Kong) Co., Ltd. (hereinafter referred to as "Hong Kong Victor Onward"), Shengzhong Industrial Co., Ltd. (hereinafter referred to as "Shengzhong") ,Shenzhen East Asia Victor onward Holding (hereinafter referred to as "East Asia Company), Shenzhen Nanhua Printing and Dyeing (hereinafter referred to as "Nanhua Company") as well as its wholly-funded subsidiary Nanhua Xingye Co., Ltd (hereinafter referred to as "Nanhua Xingye") are all subsidiaries of the Company.

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

Legal Representative: Hu Yongfeng

#### 2. Business nature

The Company engages in textile printing & Dyeing industry .

#### 3. Business scope:

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.

### IV. Principal accounting policies, accounting estimates and early errors

#### 1. Basis for the preparation of financial statements

The preparation of financial statements of the company based on continuous operation. Base on actual transactions and events occurring, according to the ministry of finance issued "Accounting Standards for Enterprises - Basic Standards" on 15<sup>th</sup> February 2006 and 38 items of specific accounting standards, application guidelines of accounting standards which was promulgated after, accounting standards interpretation and other requirements (hereafter named "Enterprise Accounting Standard"), General Provisions of Financial Statements, No.15 rules of the editing and reporting regarding information disclosure for companies publicly issuing securities by China Securities Regulatory Commission (2010 revised) has confirmed, the financial report was based on it.

#### 2. Statement on the Accounting Standard Followed by the Company

The financial statements prepared by the Company comply with the requirements of corporate accounting standards. They truly and completely reflect the financial situations, operating results, equity changes and cash flow, and other relevant information of the company.

#### 3. Fiscal Year

The Company adopts the Gregorian calendar year commencing on January 1 and ending on December 31 as the fiscal year.

#### 4. Standard currency for bookkeeping

The Company takes RMB as the standard currency for bookkeeping.

Its overseas subsidiaries choose the currency of the primary economic environment in which the subsidiary operates as the functional currency. However, the financial statements should be translated into RMB.

#### 5.The accounting solution of business combinations under the same and different control

##### (1)Corporate merger under same control

1. Realize all the terms and conditions of transactions in the process of enterprise acquisition step by step, and adopt the accounting method to conduct a package deal for the multiple transactions if the following items appear for the economic impact:
2. These deals are simultaneously entered into effect or under the consideration of mutual influence;
3. These transactions must be as a whole to achieve a complete business performance;
4. The occurrence of one deal is depended on that of other transactions;
5. Single transaction maybe is uneconomical, but it is economical when it is considered together with other transactions.

##### Corporate merger under same control

###### 1) The Individual Financial Statements

If the consideration of the merging enterprise is that the company makes payment in cash, transfers non-cash assets or bears its debts, and issues equity bonds, it shall, at the date of merger, regard the share of the book value of the owner's equity of the merged party as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve.

All the direct costs paid by the company for the conduct of business combination, including audit fees, appraisal fees, legal services fee, etc., should be accounted into current profit and loss at the time incurred. If there is the consolidated financial statements for the merged party, the initial cost of the long-term equity investment is determined based on the owner's equity of the merged party at the date of merger.

###### 2) The Consolidated Financial Statements

The acquired assets and liabilities by the merged parties through business combination are measured at their book value with the merged parties on the date of merger. If the accounting policies adopted by the merged parties are inconsistent with those of the company, the company can make adjustment in accordance with its accounting policies on the date of combination, and confirm them in accordance with the provisions of the Accounting Standards for Enterprises.

##### (2). Corporate merger under different controls

With the merger under the different control, the merger cost is the assets to pay, liabilities incurred or taken and the fair value of the issued equity securities which a buyer gains the control from the acquiree on the purchase date. In case of any future events defined in merger contract whose predictable occurrence could influence the merger cost and the related amount could be reliably calculated at merger date, such amount should also be included in merger cost.

All the intermediary fees, such as audit fees, legal services fees, appraisal and consultation fees, and other related management expenses paid by the company for the conduct of business combination should be accounted into current profit and loss at the time incurred; the transaction charge of equity or debt bonds issued by the company for the consideration of the merging enterprise are accounted into initial recognized value of the equity or debt bonds.

The company recognizes as goodwill for the difference of the combination costs more than the fair value of the identifiable net assets obtained from the merged parties, and accounts into current profit and loss for the difference of the combination costs less than the fair value of the identifiable net assets obtained from the merged parties after checked.

If the enterprise achieves the business merger not under same control through multi-step implementation of transactions, it shall distinguish the individual financial statements and the incorporated financial statements to conduct the related process of accounting treatment:

1. In the individual financial statements, the sum of the book value of equity investment of acquiree held before the date of purchase and the new investment cost added at the date of acquisition shall be made as the initial investment cost of this investment project; If the holding acquiree's equity before the date of purchase is involved with other composite income, the other related composite incomes shall be transferred into the investment income of current period in the disposal of the investment project (such as, the change of fair value of the salable financial asset shall be attributed to capital reserves, hereinafter the same).
2. In the consolidation financial statements, the holding acquiree's equity prior to the date of purchase shall be measured again with the fair value of equity at the date of acquisition, and the difference between the fair value and the book value is attributed to the investment income of current period; If the holding acquiree's equity prior to the date of purchase involved with other composite income, the other related composite incomes shall be transferred into the investment income of current period at the date of purchase.

#### 6, The method of drawing up the Consolidation financial statements

##### (1) The method of drawing up the Consolidation financial statements

The company has real control to the subsidiary and special purpose entity which are included in the scope of Consolidation financial statements.

The accounting policies & accounting periods adopted by all the subsidiaries that have been included into the scope of the consolidated financial statements should be consistent with those adopted by the company. If the accounting policies & accounting periods adopted by the subsidiaries are different from those adopted by the company, the company shall make necessary adjustments according to the accounting policies & accounting periods it adopts when preparing the consolidated financial statements.

After adjusting the long-term equity investments on its subsidiaries according to the equity method, the company shall prepare the consolidated financial statements based on the financial statements of the company & its subsidiaries, and other related documents.

The influences of the internal transactions between the company & its subsidiaries, and its subsidiaries themselves on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement & consolidated statement of changes in owner's equity will be counteracted at the preparation of the consolidated financial statements.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount should be still allocated against minority interest.

In the report period, If the subsidiary is added through the business combination under the same control, the beginning balance of the consolidated balance sheet shall be adjusted. The incomes, expenses & profits of the subsidiary incurred from the beginning of the current period to the end of the reporting period shall be included into the consolidated profit statement. The cash flow from the beginning of the current period to the end of the reporting period shall be included into the consolidated cash flow statement.

In the report period, If the subsidiary is added through the business combination not under the same control, the beginning balance of the consolidated balance sheet shall not be adjusted. The incomes, expenses & profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated profit statement. The cash flow from the acquisition date to the end of the reporting period shall be included into the consolidated cash flow statement.

In the report period, If the company disposes its subsidiary, the incomes, expenses & profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated profit statement. The cash flow from the beginning of the subsidiary to the disposal date shall be included into the consolidated cash flow statement.

If an enterprise loses control over a subsidiary company it originally services due to the disposal of some equity investment or for any other reasons, in consolidated financial statements, the remaining equity shall be re-measured as per the fair value at the date of the control lost. The difference between the sum of the consideration received on the disposal of equities and the fair value of remaining equities, and the net assets share continually calculated by the original subsidiary company since the merger date on the basis of the original stock proportion shall be accounted for as investment income for the period in which control was lost. Other comprehensive income related to the equity investment that the subsidiary company originally owned shall be included in current investment income at the date of the control lost.

(2) Accounting treatment when the share equity of the same subsidiary is purchased and sold, or sold and purchased successively two years.

#### 7. Recognition Standard of Cash & Cash Equivalents

The company recognizes its cash in vault & the deposits that are ready for payment at any time as cash when preparing the cash flow statement, which are featured with short term (expire within 3 months since purchased), high liquidity, easy to convert to know cash, low in risk of value change, could be recognized as cash equivalents.

#### 8. Foreign Currency Transaction

(1) The foreign currency translation services

The foreign currency transaction uses the spot rate at the time of the transaction as the exchange rate to convert the currency into CNY for keeping account.

The balances of the foreign currency monetary items shall be converted according to the spot rate on the balance sheet date. Except that the exchange balances on the foreign currency borrowings for expenses on the assets eligible for capitalization shall be dealt according to the principle of loan expense capitalization, all the other exchange balances shall be included into the profits & losses at the current period. The foreign currency non-monetary items measured in historical costs shall still be converted according to the spot rate at the time of the transaction. Their account standard money amounts shall not be changed. The foreign currency non-monetary items measured in fair values shall be converted according to the spot rate on the recognition date of the fair values. The exchange balances incurred accordingly shall be recorded into the profits & losses at the current period or the additional paid-in capital.

(2) The foreign currency financial statements

The assets in the balance sheet and liabilities items, by using the spot exchange rate on the balance sheet date, all equity projects except the item of "Undistributed Profits", other items were calculated by the spot exchange rate. With the income and expense items, it was determined by a systematic and rational approach, and calculated by the approximate exchange rate of the spot exchange rate to convert on the transaction date. The converting differences generated by the foreign currency financial statements, and all equity items in the balance sheet are listed separately.

On disposal of overseas operations, the corresponding difference of foreign currency translation related to the overseas operations and listed in the owner's equity in Balance Sheet should be moved from owners' equity to current profits and losses. On partial disposal of overseas operations, the partial proportion of difference should also be converted into current profits and losses. Partial disposal of a foreign operation, is calculated portion of the foreign currency earnings disposal.

#### 9. Financial Instruments

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

(1) Classification of financial tools

The Company divides the financial assets into four categories: financial assets measured at fair value and their variations are recognized as current gain/loss, including trade financial assets or financial liabilities and recognized directly as financial assets measured at fair value and their variations are recognized as current gain/loss; Investment hold till expiration; loans and account receivable; saleable financial assets. The company

divides the financial liabilities into two categories: financial liabilities measured at fair value and their variations are recognized as current gain/loss; other financial liabilities.

## (2) Recognition and measurement of financial tools

(1) Financial assets and liabilities measured at fair value and their variations are recognized as current gain/loss

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) is recognized as initial amount when obtained.

Interests or cash dividends during the period of holding are recognized as investment gains. The fair value will be adjusted and accounted as current gain/loss.

When disposed, the differences between fair value and initial amount are recognized as investment gains, and thus adjust the gain/loss of fair value.

## (2) Investment hold till expiration

The fair value (after deducting of due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest gains will be calculated at amortizing of costs and actual interest rate (the face rate is adopted when the difference between the actual rate and face rate is minor) during the period of holding, and accounted as investment gains. Actual rate is recognized when obtained, and is not changed in the predictable holding period or applicable shorter period.

When disposed, the difference between the obtained price and book value is accounted as investment gains.

## (3) Account receivable

The receivable debts of selling goods or providing services, and the credits of other company hold by the company not including the debt which has price in active market, including accounts receivable, notes receivable, prepaid accounts, other receivables, long-term receivables, etc. The contract or agreement price charging from purchaser should be taken as the initial confirmation amount; if it has the nature of financing, it should be confirmed according its current value.

When retrieved or disposed of, the difference between the actual received amount and the book value is accounted as current gain/loss.

## (4) Saleable financial assets

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest or cash dividend occurred during the period of holding is recognized as investment gains. Change of fair value is accounted as capital reserves (other capital reserves) at the end of term.

When disposed, the difference between the obtained price and book value is accounted as investment gains. Meanwhile, the corresponding part of accumulated change of fair value accounted as owners' equity is transferred into investment gain/loss.

## (5) Other financial liabilities

Other financial liabilities are recognized initially at the sum of fair value and related trade expenses. Successive measurement will be on the basis of amortized costs.

## (3). Recognition and measurement basis of financial asset transposition

When financial asset transposition occurred, the recognition of this particular financial asset is terminated if almost all risks and rewards attached to the asset have been transferred to the acceptor. If retain all the risks and rewards of ownership of financial assets, the financial assets can be confirmed.

When determine whether the transfer of financial assets meet the conditions of confirmation of the above financial assets, the principle of substance being more important than form should be adopted. The transfer of financial assets can be divided into overall transfer and part transfer of financial assets. If the transfer of financial assets meet the conditions of terminating confirmation, the following the difference of the two amounts will be included in the current profit and loss:

(1) Book value of the financial asset to be transposed;

(2) The sum of price received due to the transposition, and the accumulation of change in fair value originally accounted as owners' equity (when the asset to be transposed is saleable financial asset).

If part transfer of financial assets meet the conditions of terminating confirmation, the book value of the transferred financial assets, the difference between the confirmed part and the unconfirmed part (in this case, the

service assets retained should be deemed as the part of unconfirmed financial assets), should be amortized in accordance with their relative fair value, and the difference between the following two amount should be included current profit and loss:

① Book value of the confirmed part;

② All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market.

If the transfer of financial assets does not meet the conditions of terminating confirmation, the financial assets should be confirmed again, the prices received will recognized as financial liabilities.

(4).The conditions to stopping the financial liabilities

The obligation of financial liabilities are already cancelled which should be stopped confirming the financial liability or the part of it. Our company could stop confirming the currently financial liability and begin to confirm the newly financial liability if the loaner made an agreement that they would assume the new way of financial liability which replace the current one, and make sure the newly financial liability is totally different from the old one in contract with our company.

Stop admitting the financial liability or a part of it, and at mean time we could admit the newly financial liability which is in new insertions of contract as the newly financial liability if the current financial liability has been revised.

Stop admitting the balance of value of financial liability and consideration (Including the roll-out of non-cash assets or financial liabilities) which could be consider as current profits and losses.

Stop and continue admitting a part of value, and distribute the value of financial liability, if our company repurchased the part of financial liability. And the balance of value of which distributed to the part of stopping admitting and paid (Including the roll-out of non-cash assets or financial liabilities) which could be consider as current profits and losses.

(5).Recognition basis of financial assets and financial liabilities

The company has adopted financial assets and financial liabilities measured with the fair value to activate financial assets or financial liabilities of the market, and determined its fair value based on the quotation in an active market; if there no exists financial assets or financial liabilities to activate the market, the valuation techniques (including the price made in the market transactions which is recently conducted by each party with willing action and acquaintance of situation, the current fair value, discounted cash flow analysis and equity option pricing models, etc. of other financial instruments which is substantially similar with the reference) shall be used to determine its fair value; for the initial or original financial assets or the liabilities assumed, its fair value shall be determined on the basis of the transaction price of market.

**(6) Providing of impairment provision on financial assets (exclude receivable accounts)**

On the balance sheet date, the company performs inspection on the book value of financial assets apart from those which are calculated at fair value and the changes of which are taken into the current profit and loss account. Depreciation provision is required for the circumstance where objective evidences indicate that depreciation occurs to the financial assets.

Objective evidences for depreciation include (but not limited to) the following:

1. the issuer or the debtor suffers serious financial difficulty;
2. the debtor has breached the contract, such as failure or delay thereof in repayment of interests or the principal;
3. the debtee compromises to the debtor in consideration of the economic or legal aspect;
4. the debtor is very likely to be in bankruptcy or other financial reorganization;
5. the issuer suffers serious financial difficulty, which results in failure of financial assets to trade in the active market;

6. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including: adverse changes in the payment status of borrowers in the group; an increase in the unemployment which appears in the debtor's country or region; a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;
7. any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer of equity instruments operates, and indicates that the cost of investments in equity instruments may not be recovered; or
8. the fair value of the equity instrument investment suffers serious or non-temporary drop.

The special depreciation method of financial assets is as follows:

#### (1) Depreciation Provision of Financial Assets Available for Sale:

The individual identification method is adopted to evaluate the depreciation losses for the financial assets available for sale. Of which, the objective evidence that indicates the depreciation of equity instrument investment available for sale includes the fair value of the equity instrument investment suffering serious or non-temporary drop, and the specific quantitative criteria:

The company shall conduct a separate check to all equity instrument investment available for sale at the balance sheet date, if fair value of the equity instrument investment at the balance sheet date is less than its initial investment cost beyond 50% (including 50%) or over one year of duration (including one year), the depreciation occurs; if fair value of the equity instrument investment at the balance sheet date is less than its initial investment cost beyond 20% (including 20%) but not up to 50%, the company shall take into account of other relevant factors, such as price fluctuation rate, etc., to judge if there is depreciation of the equity instrument investment.

When the financial assets available for sale (namely, AFS financial assets) are impaired, the company shall reverse and charge the accumulated losses due to decreases in fair value previously recognized directly in capital to profit or loss for the current period, even if the financial assets are not derecognized. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

If, in a subsequent period, the carrying amount of AFS debt instruments investment increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed. The reversal shall be recognized in profit or loss for the current period. The reversal of impairment losses of AFS equity instruments is recognized in capital reserve. But, impairment losses incurred by investments in an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of investments in equity instruments are not reversed.

#### (2) Depreciation Reserves of Held-to-Maturity Investments

If there is objective evidence of depreciation for held-to-maturity investments, the difference between the carrying amount and the present value of estimated future cash flows is recognized as impairment loss. If there is evidence that its value has recovered after accrued, the previously recognized impairment loss shall be reversed. The amount of the reversal shall be recognized in profit or loss for the current period. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

All Recognition Standards of Depreciation of Financial Assets Available for Sale



Notes: The company should clearly disclose the identified criteria of all kinds of financial assets available for sale impairment. For investments in equity instruments, it should clearly disclose specific quantitative criteria to determine whether the fair value has serious or non-temporary decline, cost calculation method and fair value calculation method by the end and evidence of continuous decrease.

#### All Recognition Standards of Depreciation of Financial Assets Available for Sale

(7) If investment held to mature is reclassified to sellable financial assets, please state the intention or evidence of change incapability .

#### 10. Recognition standard and providing basis of bad debt provision on receivable accounts

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

Judgment criteria or amount standard of material specific amount or amount criteria	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	Conduct the devalue test separately. Set up the bad debt reserve according to the shortfall of the present value of expected future cash flows against its carrying amount and record it into the profits & losses at the current period. Allot those assessed individually but no impairment for receivables into the bad debt reserves on a collective basis.

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

Name	Method for recognition of impairment allowances by group	Basis of determination of groups
Group of account age	The age analysis	The group is classified by the credit risk features based on the account age of receivables
Group of Related party	Other	The Group is classified by the credit risk features based on the relations of account receivables and transaction objects
Deposit group	Other	The Group is classified by the credit risk features based on the account age of receivables .

Accounts on age basis in the portfolio:

applicable  not applicable

Age	Rate for receivables(%)	Rate for other receivables(%)
Within 1 year (Included 1 year)	3.00%	3.00%
1—2 years	10.00%	10.00%
2—3 years	50.00%	50.00%

Over 3 years	100.00%	100.00%
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Accounts on percentage basis in group:

applicable  not applicable

Accounts on other basis in group:

applicable  not applicable

Name	Notes
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.

## 11.Inventory

### (1) Inventory classification

Inventory refers to various assets that are held for sale, the work in process or consumptions during the process of the production for the company in the daily of business, mainly including raw materials, packaging material, low value consumables, in-process products, inventory, etc.

### (2) Pricing method of stock delivered

Stock delivered is measured according to weighted average method.

The inventories are initially calculated and accounted in accordance with the actual cost, and the inventory cost includes the purchase cost, processing cost and the other cost.

### (3) Confirmation basis of stock net realizable value and withdrawal method of inventory falling price reserves.

Recognition Basis of Inventories' Net Realizable Values and Counting & Drawing Method of Obsolete Inventory Reserves: After taking stock at the end of the period,

In the process of normal operation, the realizable value of goods inventories such as completed products, commodities and tradable materials etc. is recognized by its estimated selling pricing deducting estimated selling expenses and related taxes and expenses. The realizable net value of material inventories for processing is recognized by the estimated selling price of the finished products deducting estimated cost and selling price and related taxes. The realizable net value of inventories held for execution of sales contracts or labor contracts is

calculated on the basis of contract price. In case inventories exceed contracted amount, the exceeded part is based on the general selling price.

At end of period, depreciation reserve is made for every individual inventory item. For inventories in large variety with low unit price, depreciation reserve is made by categories. For inventories related to products series produced and sold within the same region, having the same or similar end-use purpose, and hard to be differentiated from other items, combined depreciation reserve is made.

When factors that caused deduction of prior inventory value disappear, the deducted amount shall be resumed, and originally accrued depreciation provision shall be returned. The amount returned is booked into current income statement.

#### (4) Inventory system

Inventory system adopts the perpetual inventory method.

#### (5) Amortization method of consumption goods with low value and wrap page

Consumption goods with low value: Consumption goods with low value adopt one time amortization method when used. Packing:

Wrap page: Wrap page adopts one time amortization when used.

### 12. Long-term equity investment

#### (1) Investment cost confirmation

(1) For the long term equity investment from enterprise merger, the detailed accounting policy, please refer to the accounting method of merger of enterprises under or not under the same controller in Note II / (V). While, the long term equity investment acquired through liability reorganization is booked on the basis of fair value. (2) Long-term equity investment obtained by other ways. Long-term equity investment obtained by cash payment is recognized for initial investment cost according to the price practically paid. Long-term equity investment obtained by placing of equity stocks is recognized for initial investment cost at the fair value of the stock. Long-term equity investment input by investors is recognized for initial investment cost according to the investment contract or agreement (less the cash dividend or profit announced but not distributed). However when the value in the contract or agreement is not fair value is not adopted. The non-monetary asset exchange for a commercial real income and assets or the fair value other assets can be reliably measured, the initial investment cost should be determined according to long-term equity investment exchanged through the non-monetary asset exchange, unless there is evidence showing that for the fair value of assets is more reliable; the non-monetary asset exchange which does not meet the above premises, the book value of the exchanged assets to and the relevant fees and taxes to be paid should be the initial investment cost of the long-term equity investment. The initial investment cost of the long-term equity investments obtained through debt restructuring should be determined in accordance with fair value.

#### (2) Follow-up Measurements & Recognitions of Profits or Losses

Cost basis is adopted in accounting of long-term equity investment without joint control or major influence, and with no quotation in an active market, thus the fair value is not able to be reliably measured. Equity basis will be adopted for the long-term equity investment with joint control or major influence. The long-term equity investment that has joint control or significant influences over the invested entity shall be measured by employing the equity

method. If the initial cost is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be recorded into the profits & losses at the current period. The treatment for the other changes of owner's equity besides net loss and profit of the unit being invested: for the other changes of owners' equity besides net profit and loss of the unit being invested, when shareholding ratio remains unchanged, the part shared or undertaken according to share ratio, the book value of long-term equity investment should be adjusted, and at the same time, the capital surplus (other capital surplus).

(2) Recognition of Profits or Losses. Employing the cost method, besides acquiring the actual payment for investing or the dividends / profits which have already been declared but not distributed yet, the company shall recognize its current investment income by enjoying the dividends / profits declared to be distributed by the invested entity. The investment income Recognition by cost method is only limited to distribution of accumulated net profit after the unit being invested receives investment, the part of profit and cash dividends more than the amount will be regarded as initial investment cost recovery. The loss which should be confirmed to the unit being invested under equity method should be treated in accordance with the following orders: First of all, deduct the book value of long-term equity investment. Second, if the book value of long-term equity investment can not be deducted, the long-term equity value of the net value of the unit being invested should be further confirmed as investment loss and used to deduct the book value of long-term receivables. Finally, after the above treatment, the additional liabilities to be undertaken according to investment contract or agreement should be confirmed as expected liability according to the expected liability and be concluded in the current investment loss. If the unit being invested achieves profit in the following period, after deducting the unconfirmed liabilities, it should be treated according to the adverse order as described above, the book value of the confirmed expected liabilities should be deducted, the book value of the long-term equity investment and long-term equity of net assets of the unit being invested should also be resumed, and at the same time, the investment income should be confirmed.

(3) Confirm the basis that has common control and major infection upon invested unit.

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.

(4) Depreciation testing method and depreciation reserve withdrawal method.

On the balance sheet date, if the long-term equity investment shows impairment due to the decreasing market price or the deteriorating business operation of the invested entity, the recoverable amount of the long-term equity investment should be determined on the basis of the net amount from the fair value of the individual long-term equity investment less the disposal expenses, or the present worth of the estimated future cash flow of the long-term equity investment, whichever is higher. When the recoverable amount of the long-term equity investment is less than the book value, the book value of assets should be written down to the recoverable amount, and the amount written down is recognized as the asset impairment loss, which should be included in the current profits and losses; meanwhile, the corresponding asset impairment provision should be counted and drawn. As to a long-term equity investment with no significant influence, if there is no offer in the active market for it and its

fair value cannot be reliably measured, its impairment loss shall be recognized according to the difference between its carrying amount & the current value recognized by discounting the future cash flow according to the current market return similar to the financial asset. Besides the business reputation formed by the business combination, where the measurement results of the removable amounts show that the receivable amount of any other long-term equity investment is lower than its carrying value, the difference shall be recognized as the impairment loss. No matter whether there is any sign of possible assets impairment, the business reputation formed by the business combination shall be subject to impairment test every year. Once any loss of the long-term equity investment impairment is recognized, it shall not be switched back any more.

### 13. Investment real estate

The term “Investment real estates” refers to the real estates held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation & the right to use any building which has already been rented.

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	0%	2%-5%
Real estate in China	20-30	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.

The company shall estimate the recoverable amount for any impairment, and then determine the corresponding impairment loss if the recoverable amount less than its book value.

Once the impairment loss of the real estate investment is recognized, it will not be reversed in the future.

When the investment real estate is disposed of, or permanently terminates its use and no economic benefits are expected from its disposal, terminate the confirmation of the investment real estate. Disposal income of investment property for sale, transfer, disposal of scrap or being destroyed is charged to current profit or loss after deducting its book value and related taxes.

Notes: 1. using the cost model, the disclosure of depreciation or amortization method of investment property and impairment provision basis;

2.using the fair value model, should be disclosed in accordance with the accounting policy choices, including the identification of investment property location has an active real estate market basis; the company can achieve the same or similar from real estate transactions, real estate market prices and other relevant market information to the fair value of investment property were estimated based; also shows the key assumptions and major uncertainties when the fair value of investment property estimation involved.

#### 14.Fixed assets

##### (1) Confirmation conditions of fixed assets

Fixed assets refer to physical assets owned for purpose of production, service providing, leasing or management, and operation with service life of more than one year. Fixed assets are recognized when all of the following conditions are satisfied: Financial benefits attached to the fixed asset is possibly inflowing to the Company;(2) The cost of the fixed asset can be reliable measured.

##### (2) Cognizance evidence and pricing method of financial leasing fixed assets

The fixed assets acquired by the company in line with the following one or several criteria shall be recognized as the fixed assets acquired under finance leases: (1) at the expiration of the lease, the ownership of the leased assets shall be transferred to the company. (2) the company has the option to purchase the leased assets, the purchase price is expected be far lower than the fair value of the leased assets under the implementation of option right, so that it can be reasonably determined that the company shall exercise the option on the acquisition date. (3) the lease term is the majority for the leased assets even if the ownership no transferred. (4) the present value of the minimum lease payments of the company almost is equal to the fair value of the leased assets on the acquisition date. (5) For the special nature of the leased assets, only the company can use if no major modification made. For the fixed assets acquired under finance leases, the company takes less of the fair value of the leased asset on the acquisition date and the present value of the minimum lease payments as recorded value. Also, the minimum lease payments are accounted as the recorded value for the long-term payables, and the difference are as the unconfirmed financing fees. The initial direct expenses, such as commission charge, attorney fees, travel expenses and stamp duty attributable to the lease item occurred in the process of the lease negotiation and the signature of lease contract, shall be recorded into the leased assets value. The unrecognized financing charges in each period during the lease term are amortized by effective interest method. The company shall adopt the depreciation policy in line with its own fixed assets to count and draw the depreciation of fixed assets acquired under finance leases. If the ownership of lease assets acquired at the expiration of lease can be reasonably confirmed, the depreciation will be recognized in the use life of lease assets. If can't be confirmed, the shorter period between the lease term and the use life of lease assets will be recognized as the depreciation.

##### (3) Fixed assets depreciation method

Except for the fixed assets that continually used after the depreciation counted and drawn fully, the depreciation of fixed assets is made by average year method. Rate is based on category, expected years of use and expected net residual ratio.

For the fixed assets acquired under finance leases, if the ownership of lease assets acquired at the expiration of lease will be reasonably confirmed, the depreciation will be recognized in the remaining use life of lease assets. If can't be confirmed, the shorter period between the lease term and the remaining use life of lease assets will be

recognized as the depreciation.

For the fixed assets formed by using the special reserve expenditure, the special reserve is offset against the cost of fixed assets and the same amount of accumulated depreciation is recognized. Also, the depreciation for the fixed assets are no longer counted and drawn in the future period.

The company shall confirm the useful life and estimated residual value rate for the fixed assets according to the nature and the use status of the fixed assets. At the end of the year, the service life, estimated residual value and depreciation method for the fixed assets are reviewed, and the adjustment will be accordingly if there is difference with the previous estimated count.

Classified depreciation years and depreciation rates are as follows:

Type	Expected useful life (Year)	Estimated residual value rate	Annual depreciation rate (%)
House and building	20-50	0%-10%	2%-5%
Machinery and equipment	5-14	10.00%	6%-18%
Electric Equipment	5	10.00%	18%
Transportation equipment	4-5	10.00%	18%-22.5%

#### (4). Test Method for Fixed Asset Impairment and Counting & Drawing Method for Fixed Asset Impairment Reserves

The company shall, at the end of each period, make a judgment on whether there is any sign of possible fixed assets impairment.

Where any evidence shows that there is possible fixed assets impairment, the recoverable amount of the fixed assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the fixed assets minus the disposal expenses & the current value of the expected future cash flow of the fixed assets.

Where a fixed asset's recoverable amount is lower than its carrying value, the carrying value of the fixed asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of the fixed asset impairment and be recorded into the profits & losses at the current period. Simultaneously, the fixed asset impairment reserve shall be made accordingly.

After the loss of the fixed asset impairment has been recognized, the depreciation expense of the impaired fixed asset shall be adjusted accordingly in the future period so as to amortize the post-adjustment carrying value of the fixed asset systematically (deducting the expected net salvage value) within the residual service life of the fixed asset.

When there are signs showing that a fixed asset will devalue, the enterprise estimates its collectable amount based on the individual fixed asset. If it is difficult to make estimation of the collectable amount for the individual fixed asset, the enterprise will recognize its collectable amount on the basis of the asset group that the fixed asset belongs to.

## 15.. Projects under construction

### (1) Categories of projects under construction

The company shall measure the self-constructed constructions in progress at the actual cost, which comprises

those expenditures necessarily incurred for bringing the asset to working condition for its intended use, including materials costs, labor costs, relevant taxes paid, capitalized loans, indirect expense for apportion, etc.. The constructions in progress of the company should be accounted by the project classification.

## (2) Standard and timing for transferring of projects under construction to fixed assets

All the expenditures that bring the construction in process to the expected condition for use shall be the credit value of the fixed asset. If the fixed asset construction in process has already reached the expected condition for use, but hasn't been made the final account; it shall be carried forward to a fixed asset according to its estimated value based on the budget, cost or actual cost of the construction starting from the date when it reaches the expected condition for use, and the fixed asset shall be depreciated according to the company's depreciation policy for fixed assets. After the final account has been made, the original provisional estimated value shall be adjusted according to the actual cost, but the depreciation which has originally been counted & drawn shall not be adjusted.

## (3) Test Method for Construction-in-Process Impairment and Counting & Drawing Method

The company shall, at the end of each period, make a judgment on whether there is any sign of possible constructions-in-process impairment.

Where any evidence shows that there is possible constructions-in-process impairment, the recoverable amount of the constructions-in-process shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the constructions-in-process minus the disposal expenses & the current value of the expected future cash flow of the constructions-in-process.

Where a construction-in-process's recoverable amount is lower than its carrying value, the carrying value of the construction-in-process shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of the construction-in-process impairment and be recorded into the profits & losses at the current period. Simultaneously, the construction-in-process impairment reserve shall be made accordingly.

Once any loss of the construction-in-process impairment is recognized, it shall not be switched back in the future accounting periods.

When there are signs showing that constructions in progress will devaluate, the enterprise estimates its collectable amount based on the individual construction in progress. If it is difficult to make estimation of the collectable amount for the individual construction in progress, the enterprise will recognize its collectable amount on the basis of the asset group that the construction in progress belongs to.

## 16. Borrowing expenses

### 1. Recognition principles for capitalizing of loan expenses

Borrowing expenses occurred to the Company that can be accounted as purchasing or production of asset satisfying the conditions of capitalizing, are capitalized and accounted as cost of related asset. Other borrowing expenses are recognized as expenses according to the occurred amount, and accounted into gain/loss of current term.

The assets meeting capital conditions refer to the fixed assets, investment real estates and inventories which are constructed or produced in a long time to reach the predicted use or sale state.

When a loan expense satisfies all of the following conditions, it is capitalized:



1. Expenditures on assets have taken place, asset expenditures include the assets used to construct or produce the assets which meet the capitalization conditions, and expend by cash or transferring non-cash assets or bearing interest debt;

2. Loan costs have taken place;

3. The construction or production activities to make assets to reach the intended use or sale of state have begun.

2. Duration of capitalization of Loan costs

The capitalization period refers to the period from starting capitalization of loan costs to the stop of capitalization, the period of the break of capitalization of Loan costs is not included.

When the construction or production meets the intended use or sale of state of capitalization conditions, the Loan costs should stop capitalization.

When the construction or production meets the conditions of capitalization and can be used individually, the capitalization of the loan costs of the assets should be stopped.

Where each part of a asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

### .3 Capitalization Suspension Period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recorded into the profits & losses at the current period, till the acquisition and construction or production of the asset restarts.

#### 4. Calculation of the amount of capitalization of Loan costs

Interest expense due to specialized Loan and its auxiliary expenses shall be capitalized before the asset which satisfies the capitalizing conditions reaches its useable or saleable status.

Interest amount of common Loan to be capitalized equals to accumulated asset expense less weighted average of specialized loan part of asset expense multiplies capitalizing rate of common Loan occupied. Capitalizing rate is determined according to weighted average interest of common Loan.

If the Loan has discount or premium, the discount or premium amount should be determined according to actual interests in each accounting period. The interest amount should be adjusted in each period.

### 17.Intangible assets

#### 1. The valuation methods of intangible assets

(1)The initial measurement is conducted according to the actual cost when the intangible assets are acquired

The cost of the purchased intangible assets includes its buying price, relevant tax and the othe expenses that are directly attributed to this assets meeting its predetermined objective and other expenses that occur. The buying price of intangible assets is over the deferred payment under normal credit conditions, which has the nature of financing materially, the cost of intangible assets is determined on the basis of the present value of its buying price.

We acquire the mortgaged intangible assets from debtors through debt restructuring and determine the entry value on the basis of the fair value of the intangible assets,we have the balance between the book value of debt restructuring and the fair value of intangible assets used for mortgage charged to the current profit and loss.

The entry value of the non-monetary assets exchanged into by the non-monetary assets are determined on the basis of the fair value of the assets exchanged out if the exchange of non-monetary assets has commercial nature and the assets exchanged into or out can be reliably measured, unless there is authentic evidence indicating that the fair value of assets exchanged into are more reliable; if the non-monetary assets that cannot meet the above prerequisite use the book value of the assets exchanged out and relevant taxes payable as the cost of the non-monetary assets, the profit and loss is not confirmed.

The entry value of the intangible assets acquired by the absorption merger under the control of one company is determined by the book value of the merged party; the entry value of the intangible assets acquired by the absorption merger that is not under the control of one company is determined by the fair value.

The cost of the intangible assets developed internally includes the materials consumed in developing the assets, cost of service, registration fees, other patent used in developing, amortization of concession and interest charges meeting the capitalization conditions and other direct costs that occur before the intangible assets meeting the predetermined objective.

## (2) Subsequent measurement

The Company analyses and makes judgment of its serviceable life when acquiring the intangible assets.

The intangible assets that have limited serviceable life are amortized by the straight-line method during the period when the assets can bring about economic interests; The intangible assets are deemed as uncertain serviceable life and are not amortized if it is impossible to expect the period when the assets could bring about economic interests.

### 2. Estimation of service life of intangible assets with limited service life

The land use right shall be amortized on average according to the year limit of transfer from the date of transferring; proprietary technology, non-proprietary technology and other intangible assets shall be amortized on average by installment in accordance with the shortest one among the three including estimated durable years, beneficial years specified in contract and valid years stipulated by law. The amortization amount is accounted for as the related asset costs and current profit and loss according to the beneficiaries.

At the end of each period, the review is made for service life and amortization method of the intangible assets which have limited service life.

After review, there is no difference for the service life and amortization method of intangible assets at the end of this period.

Item	Amortisation periods	Basis
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### 3. The judgment basis of the intangible assets with indefinite life

At the end of each period, the review is made for service life of the intangible assets which have unrecognized service life.

After review, if there is evidence indicating the service life of intangible assets is finite, its service life should be estimated.

### 4. Provision for impairment of investment assets

The intangible assets that have certain serviceable life are conducted at the ending with the test of depreciation of value if the assets indicate obviously that those are depreciating

For conducting a test of depreciation of value of the intangible assets, it needs to estimate the recoverable amount of the assets. The recoverable amount is determined by the higher between the net amount obtained through the fair value of intangible assets minus settlement changes and the present value of the future cash flow

expected by the intangible assets.

When the recoverable amount of intangible assets is below their book value, the book value of intangible assets is written down to the recoverable amount and the amount written down is confirmed as the loss of depreciation of value of intangible assets and is charged to the current profit and loss, while the corresponding provision for the depreciation of value of intangible assets is made.

The depletion of the depreciation of value of intangible assets or the amortization charge in the future period will be adjusted accordingly after confirmation of the loss of the depreciation of value of intangible assets so that it can systematically allocate the book value of intangible assets adjusted in the residual serviceable life of intangible assets(deduction of anticipated net value).

Upon confirmation of the loss of the depreciation of value of intangible assets, the loss will not be reversed in the subsequent accounting period any longer.

When there are signs showing one intangible asset will devaluate, the enterprise estimates its collectable amount based on the individual intangible asset. If it is difficult to make estimation of the collectable amount for the individual intangible asset, the enterprise will recognize its collectable amount on the basis of the asset group that the intangible asset belongs to.

#### 18.Long-term amortizable expenses

Long-term deferred charge will be averagely amortized in the benefited period.

#### 19..Predicted liabilities

##### (1) Recognition of Predicted liabilities

The liabilities related to contingencies and meeting the following conditions are reflected as estimated liabilities:

The liabilities that are present liabilities assumed by the company;

The fulfillment of the liabilities may cause outflow of economic interests from the company;

The amount of the liabilities can be reliably measured.

##### (2) Accounting of Predicted liabilities

Predicted liabilities shall be conducted initial measurement according to the best estimates of related existing liabilities,

When the company recognizes the optimum estimation, it shall be in overall consideration of risks, uncertainty and time value of currency and other factors related to contingent matters. When the influence of time value of money is significant, the optimum estimates shall be determined by discounting relevant future cash outflow

The optimum estimates are conducted as follows:

If there is a continuous range (or area) for the necessary expenses and the same result possibility within the range, the optimum estimate is recognized according to the middle value, namely the average of upper limit and lower limit of amount within the range.

If there no exits a continuous range (or area) for the necessary expenses or the different result possibility within the range even if there is a continuous range, and if there are contingent matters related to individual item, the optimum estimate is recognized according to the amount that has most possibility to occur. If there are contingent matters involving multiple items, the optimum estimate is counted and confirmed as per all the possible results and associated probabilities.

#### 20.Revenues

## (1) Recognition time for sales of goods

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.

## (2) Incomes from transferring asset use right

The economic benefits related to the transactions are likely to flow into the enterprise, if the revenue amount can be reliably measured, the revenue amount of transferring assets use right can be recognized as following:

- (1) the interest income amount will be measured according to time and actual interest rates of the currency funds used by others.
- (2) the income amount of usage charges will be measured according to the charge time and method determined in the relevant contract or agreement.

## 21. Governmental subsidy

## (1) Categories

Government Grant refers to monetary or non-monetary assets acquired without consideration from government, except for the capital invested in by the government as business owner. According to relevant grant objects prescribed in the government documents, the government grants are classified as the government grants related to assets and the income-related government grants. The government grants related to assets refer to the grants of long-term assets acquired by the company, used for purchase and construction or formed by other methods, and the income-related government grants refer to all the government grants except for those pertinent to assets.

## (2) Accounting Policy

## 1. Recognition of Government Grant

If the government grant is the monetary asset, it shall be measured in the light of the received or receivable amount. If the government grant is the no-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB 1). The government grants measured at their nominal amounts shall be directly included in the current profits and losses.

## 2. Accounting Method

The government grants pertinent to assets shall be recognized as deferred income, and it will be accounted to as the non-operating income amortized by installment according to the service life of assets constructed or purchased.

If it is necessary to refund any government grant which has been recognized, and there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses. If there is no deferred income concerned to the government grant, it shall be directly included in the current profits and losses.

## 22. Deferred income tax assets/Deferred income tax liability

### 1. References for confirmation of deferred income tax assets

The company is likely to determine the deferred income tax assets produced from deductible temporary differences with the limit of offsetting the taxable income of temporary difference.

### 2.The confirmation basis of deferred income tax liabilities

The Company confirms the temporary differences of the taxable that is not paid in the current and prior periods as the deferred income tax liabilities. However, the goodwill, the transactions formed from non-business merger and those will affect either accounting profit or the temporary differences of the taxable income when the transactions occur are not included in the deferred income tax liabilities.

## 23.Operational leasing and Financing leasing

### (1) Accounting of operational leasing

(1) The leasing fees paid for the leased assets by the company shall be recorded as the current expense according to the straight-line method in the whole lease term not excluding the rent free period. The initially direct expense related to the lease transactions paid by the company shall be recognized as the current expense.

When the assets lessor has assumed the lease-related expenses which should be borne by the company, the company shall deduct these expenses from the total amount of rent, amortize in the lease term according to the rents after deducted and record as the current expenses.

(2) The leasing fees received for the leased assets by the company shall be recognized as the lease income according to the straight-line method in the whole lease term not excluding the rent free period. The initially direct expense related to the lease transactions paid by the company shall be recognized as the current expense. For a large of amount, it will be capitalized and recorded as the current revenue based on the same confirmation of lease income during the whole lease period.

When the company has assumed the lease-related expenses which should be borne by the lessee, the company shall deduct these expenses from the total amount of rent and amortize in the lease term according to the rents after deducted.

### (2) Accounting Method for Financing Leases

(1) The assets acquired under financing leases: the lower value between the fair value of leased assets and the present value of the minimum lease payments is recognized as the recorded value, the minimum lease payments are recognized as the recorded value of long-term payables, and the difference is recognized as unrecognized finance expense at the inception of the lease.

The company shall adopt the effective interest method to amortize and record as the financial costs during the assets lease term.

(2) Finance leased assets: the company inception of the lease, the finance lease receivables, the difference between the present value and the residual value of its unsecured recognized as unrealized financing income recognized in the respective period of future lease rental income received, initial direct costs related to the transaction with the rental companies, and included in the initial measurement of the finance lease receivable and reduce the amount of revenue recognized over the lease term.

## 24. Change of main accounting policies and estimations

Is there any material change of accounting policies occurred in the year

Yes  No

## (1) Change of accounting policies

Is there any change in accounting policies in the report period

Yes  No

## (2) Change of accounting estimations

Is there any change in accounting estimations in the report period

Yes  No.

## 25. Correction of accounting errors in previous period

Is there any accounting error with previous period found in the report period

Yes  No

## (1) Change of accounting policies

Is there any change in accounting policies in the report period

Yes  No

## (2) Change of accounting estimations

Is there any change in accounting estimations in the report period

Yes  No.

## V. Taxation

## 1. Main categories and rates of taxes

Taxes	Tax references	Applicable tax rates
Business tax	Business income	5%
Urban Construction Tax and Educational Surtax	Turnover tax	7%
Enterprise income tax	Amount of income taxable	25%
Education surtax	Turnover tax	3%
Local surcharge for Education	Turnover tax	2%

Income tax rate applicable to branches and factories.

1. Enterprise income tax

The interest rate of corporate income tax of the company and subsidiaries in China mainland is 25%, the interest rate of the income from Hong Kong of the subsidiaries in Hong Kong is 16.5%.

2. VAT.

The output tax ratio of domestic sales revenue and processing income of printing and dyeing products for the company and its subsidiaries established in Mainland China is 17%, and the export sales is subject to the “exemption, compensation and refund” methods. The company’s input tax for purchasing raw materials offsets the output tax with ratio of 17%. Of which, the input tax paid for export products can be applied for refunds. The company’s VAT payable is the balance after offset between current period’s input and output taxes.

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

3. Business tax

Business tax applied to revenues of the company and South China Dyeing and Printing Co., Ltd. from the housing rental, rate being 5%. It’s unnecessary for the subsidiary in Hong Kong to pay the business tax.

(IV) Urban Construction Tax and Educational Surtax

The company’s urban construction tax and education surtax are based on payable VAT and business tax, tax rate being 7% and 3%. Since January 1, 2011, 2% of VAT and business tax actually paid by taxpayer are as the local education surtax. It’s unnecessary for the subsidiary in Hong Kong to pay the urban construction tax and the education surtax.

(V) Property Tax

The tax of property with own use for the company and its subsidiaries established in Mainland China is based on 70% of original value of the property, tax rate being 1.2%, and the tax of leased property is based on the rental income, tax rate being 12%. It’s unnecessary for the subsidiary in Hong Kong to pay the property tax.

VI. Enterprise consolidation and combined financial statements

1. Subsidiary

(1) Subsidiary obtained through establishment or investment

In RMB

Full name of subsidiary	Subsidiary type	Registration place	Business	Registered capital	Business scope	Actual capital amounts of the end	Other projects balance essentially from net investment to subsidiary	Holding proportion (%)	Proportion of voting rights (%)	Whether consolidation of report form	Interest of minority shareholder	Amount used to write down lost minority shareholder interest	After wrote down current period loss of minority shareholders over equity beginning share of minority

													shareholders in the subsidiary from the parent company's share, Balance of Owner's equity
Hong Kong Victor Onward Co.Ltd	Limited Company	Hong Kong	Trade	2,400,002 (HKD)	Purchase of raw materials, marketing of printed and dyed woven fabrics, investment and holding business	2,400,002 (HKD)	0.00	100.00%	100.00%	Yes	0.00	0.00	0.00
Shenzhong Company	Limited Company	Hong Kong	Trade	1,000,000 (HKD)	Sales of Corduroy dyed cloth and printed cloth	1,000,000 (HKD)	0.00	100.00%	100.00%	Yes	0.00	0.00	0.00
Nanhua Company	Limited Company	Shenzhen	Production	85,494,700 (HKD)	Production and sales of printed cloth and dyed cloth	16,874,255(HKD)+4,240,100(RMB)	0.00	69.44%	69.44%	Yes	0.00	0.00	0.00
Xinye Company	Limited Company	Hong Kong	Trade	10,000 (HKD)	Sales of printed cloth and	10,000 (HKD)	0.00	100.00%	100.00%	Yes	0.00	0.00	0.00



					dyed cloth								
Shenzhen East Asia Co	Limited Company	Shenzhen	Trade	3,000,000	Textile, Printing and dyeing industry and Raw material s ,Machinery equipment and other fabrics	1,530,000.00	0.00	51.00%	51.00%	Yes	-1,738,420.00	0.00	0.00

Other statements on Subsidiaries obtained through incorporation or investment:

- 1.The Company invested HKD 2,400,002 in 1984 to establish Hongkong Victor Onward Company In Hongkong.
- 2.Shenghong Company Was established in November 9, 1993, registered capital 1 million HKD, Hongkong Victor Onward Holding 100% equity.
- 3.Nanhua Company was established in July 21 1988, registered capital 85.49 million HKD, By December 31, 2013 the shareholding structure as follows:

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

- 4.Xingye Company invested HKD 10,000 to establish industry Company in Hongkong 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 , Nanjiang East ASIA Textile Co., Ltd. Invested 1.47 million yuan , holding 49% equity.

## 2. Explanation to changes in scope of consolidation

Notes

N/A

Applicable  not applicable

## 3.Exchange rate of main accounts of overseas businesses

Except the company, its subsidiaries Nanhua Company. and Shenzhen East and Asia Company. choose RMB as the functional currency, other subsidiaries choose HK dollar. However, the financial statements should be translated into RMB. For the translation method of the financial statements for foreign currency, please refer to the Note II.9, The spot exchange rate of HKD to RMB WAS 0.78623 at year beginning , and the spot exchange rate at year endwas0.79375 the approximate exchange rate of the sot exchange rate uses the current average exchange rate 0.78999.

## VII. Notes to the major items of consolidated financial statement

## 1.Monetary Capital

In RMB

Items	Year-end balance			Year-beginning balance		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash	--	--	58,423.00	--	--	41,613.00
RMB	--	--	49,188.00	--	--	37,065.00
HKD	11,634.00	0.79375	9,234.00	5,785.00	0.78623	4,548.00
Bank deposit	--	--	84,519,939.00	--	--	62,791,183.00
RMB	--	--	43,299,231.00	--	--	22,172,845.00
HKD	50,581,558.00	0.79375	40,149,112.00	50,311,621.00	0.78623	39,556,478.00
USD	174,164.00	6.1528	1,071,596.00	174,164.00	6.0969	1,061,860.00
Other monetary capital	--	--	5,670,700.00	--	--	670,114.00
RMB	--	--	5,670,700.00	--	--	670,114.00
Total	--	--	90,249,062.00	--	--	63,502,910.00

Notes of Monetary fund has not these conditions such as usage limitation for mortgage, pledge or frozen fund, stored overseas, with potential recovery risk.

RMB 30 million for the deposit of RMB deposits in bank deposits;

## 2.Bill receivable

## (1) Classification bill receivable

In RMB

Classification	Year-end balance	Year-beginning balance
Bank acceptance		1,500,000.00
Total		1,500,000.00

## 3. Interest receivable

## (1) Interest receivable

In RMB

Items	Beginning of term	Increased this term	Decreased this term	End of term
Fixed deposit interest	79,340.00		79,340.00	
Total	79,340.00		79,340.00	

## 4. Account receivable

## (1).Classification account receivables.

In RMB

Classification	Amount in year-end				Amount in year- begin			
	Book Balance		Bad debt provision		Book Balance		Bad debt provision	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Receivables with major individual amount and bad debt provision provided individually	3,960,436.00	31.46%	3,960,436.00	100.00%	3,960,436.00	31.46%	3,960,436.00	100.00%
Receivables provided bad debt provision in groups								
Account receivable with minor individual amount but bad debt provision is provided	8,626,416.00	68.54%	8,626,416.00	100.00%	8,626,416.00	68.54%	8,626,416.00	100.00%
Total	12,586,852.00	--	12,586,852.00	--	12,586,852.00	--	12,586,852.00	--

Category explanation of accounts receivable:

Particulars about the receivable accounts due from shareholders with 5% (5%) or over of the Company's shares

Receivable accounts with large amount individually and bad debt provisions were provided

√ Applicable □ not applicable

In RMB

Description	Book balance	Bad debt provision	Rate(%)	Reason to provide
Hong Kong Victor Onward Co., Ltd.	1,851,841.00	1,851,841.00	100.00%	Aging long

Carnival Index International Ltd.	1,098,549.00	1,098,549.00	100.00%	Aging long
TAI YANG ENTERPRISE CO.,Ltd.	1,010,046.00	1,010,046.00	100.00%	Aging long
Total	3,960,436.00	3,960,436.00	--	--

Account receivable on which bad debt provisions are provided on age basis in the group

Applicable Not applicable

Receivable accounts on which had debt provisions are provided on percentage analyze basis in a portfolio

Applicable Not applicable

Receivable accounts on which had debt provisions are provided by other ways in the portfolio

Applicable Not applicable

Receivable accounts with minor amount but on which had debt provisions are provided individually at end of period

Applicable Not applicable

In RMB

Description Of other receivables	Book balance	Amount of bad debt	Rate	Reason
VEGA CARMENT CO. Ltd	768,189.00	768,189.00	100.00%	Aging long
Fly Dragon International	573,536.00	573,536.00	100.00%	Aging long
Grateful Textiles Co.,Ltd	566,661.00	566,661.00	100.00%	Aging long
Shenzhen Fangzhou Textiles Co., Ltd.	468,502.00	468,502.00	100.00%	Aging long
World Fabrica (Int'l) Ltd	465,126.00	465,126.00	100.00%	Aging long
Ezhou Xiangya Clothing Co., Ltd.	368,943.00	368,943.00	100.00%	Aging long
Tak Shing Buying Office Led	333,502.00	333,502.00	100.00%	Aging long
Shenye Union (HK) Co., Ltd.	299,354.00	299,354.00	100.00%	Aging long
Panther Fabric Ltd.	295,088.00	295,088.00	100.00%	Aging long
Changshu Zhongjiang Clothing Import & Export Co., Ltd.	283,539.00	283,539.00	100.00%	Aging long
Starline Textile CO.Ltd.	282,234.00	282,234.00	100.00%	Aging long
Nissho Iwai HK Corp Ltd.	215,229.00	215,229.00	100.00%	Aging long
Unimix Ltd.	192,891.00	192,891.00	100.00%	Aging long
Tai Hing Linings Co Ltd	191,295.00	191,295.00	100.00%	Aging long

Human Changpuan Garment	185,981.00	185,981.00	100.00%	Aging long
Ningbo Youngor Fuchun Uniforms Co., Ltd.	181,490.00	181,490.00	100.00%	Aging long
Win favour development ltd	146,600.00	146,600.00	100.00%	Aging long
Speedy Textiles Co	146,502.00	146,502.00	100.00%	Aging long
Lin Feng Textile Co.	135,686.00	135,686.00	100.00%	Aging long
Jicheng Cotton Co., Ltd.	131,954.00	131,954.00	100.00%	Aging long
Millionaire(HK)Weaving Ltd.	124,249.00	124,249.00	100.00%	Aging long
Leader Day Ltd.	121,930.00	121,930.00	100.00%	Aging long
Tex Mate Fabrics (HK)	110,024.00	110,024.00	100.00%	Aging long
New Design Textiles Ltd.	109,178.00	109,178.00	100.00%	Aging long
Deep Success Industrial Ltd	102,606.00	102,606.00	100.00%	Aging long
Wynvaye Industrial Co	101,030.00	101,030.00	100.00%	Aging long
ACTSUNLTD.	89,613.00	89,613.00	100.00%	Aging long
Tamurakoma Co Ltd.	77,828.00	77,828.00	100.00%	Aging long
International Textiles Co	65,461.00	65,461.00	100.00%	Aging long
Shenzhen Hongtian Cloth Trade Co., Ltd.	59,380.00	59,380.00	100.00%	Aging long
Ho Cheong Textiles Ltd	54,607.00	54,607.00	100.00%	Aging long
Origin Textiles Co Ltd.	54,156.00	54,156.00	100.00%	Aging long
Wing Fook Piecegoods Co.,Ltd	50,389.00	50,389.00	100.00%	Aging long
Wing Shum Piecesgoods Co Ltd.	49,905.00	49,905.00	100.00%	Aging long
Gold Eagle Textiles Limited	47,588.00	47,588.00	100.00%	Aging long
Tangshan Lifeng Garment Co., Ltd.	45,761.00	45,761.00	100.00%	Aging long
Charman Trading Co	43,852.00	43,852.00	100.00%	Aging long
Atex Trading Co	43,847.00	43,847.00	100.00%	Aging long
Gloden Glory Textiles Ltd	40,322.00	40,322.00	100.00%	Aging long
Yu Fat Piecegoods	39,603.00	39,603.00	100.00%	Aging long

Co.,Ltd				
Fuji Industrial Co	39,152.00	39,152.00	100.00%	Aging long
Other	923,633.00	923,633.00	100.00%	Aging long
Total	8,626,416.00	8,626,416.00	--	--

(2) Particulars about the receivable accounts due from shareholders with 5% or over of the Company's shares in the report period.

In RMB

Name	Year-end balance		Year-beginning balance	
	Book Balance	Amount	Book Balance	Amount
None				

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

In RMB

Name	Relation with the Company	Amount	Ages	Portion in total receivables (%)
Victor Onward Textile(HK)Co., Ltd.	Non- related parties	1,851,841.00	Over 3 years	14.71%
Carnival Index International Ltd	Non- related parties	1,098,549.00	Over 3 years	8.73%
TAI YANG ENTERPRISE CO.,LTD.	Non- related parties	1,010,046.00	Over 3 years	8.02%
VEGA CARMENT CO. Ltd	Non- related parties	768,189.00	Over 3 years	6.10%
Fly Dragon International	Non- related parties	573,536.00	Over 3 years	4.56%
Total	--	5,302,161.00	--	42.12%

(4) Account receivable from Related parties

In RMB

Name	Relation with the company	Amount	Portion in total receivables account(%)
Shenye Union (HK) Co., Ltd.	The related parties controlled the same Actual controller	299,354.00	2.38%
Total	--	299,354.00	2.38%

5.. Other receivable

1.Type analyses:

In RMB

Type	Amount in year-end				Amount in year-begin			
	Book Balance		Bad debt provision		Book Balance		Bad debt provision	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Other receivables with major individual amount and had debt provision provided individually	3,368,370.00	76.36%	3,368,370.00	100.00%	3,368,370.00	72.15%	3,368,370.00	100.00%
Other receivables provided bad debt provision in groups								
Account age group	54,318.00	1.23%			311,279.00	6.67%		
Subtotal of group	54,318.00	1.23%			311,279.00	6.67%		
Other account receivable with minor individual amount but bad debt provision is provided	988,643.00	22.41%	988,643.00	100.00%	988,643.00	21.18%	988,643.00	100.00%
Total	4,411,331.00	--	4,357,013.00	--	4,668,292.00	--	4,357,013.00	--

Category explanation of other accounts receivable:

Other receivable accounts with large amount and were provided had debt provisions individually at end of period.

Applicable  Not applicable

In RMB

Description	Book balance	Amount of bad debts	Rate (%)	Reason
Nanjing East Asia	1,313,370.00	1,313,370.00	100.00%	Aging long
CCB.Guangdong Shunde Branch	1,080,000.00	1,080,000.00	100.00%	Aging long
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	975,000.00	975,000.00	100.00%	Aging long
Total	3,368,370.00	3,368,370.00	--	--

Other receivable accounts in Group on which bad debt provisions were provided on age analyze basis:

Applicable  Not applicable

Other receivable account in Group on which bad debt provisions were provided on percentage basis:

Applicable  Not applicable

Other Receivable accounts on which bad debt provisions are provided by other ways in the portfolio:

Applicable  Not applicable

Other receivable accounts with minor amount but were provided had debt provisions individually at end of period.

Applicable  Not applicable

In RMB

Content	Book balance	Bad debt Provision	Rate (%)	Reason
HongKong Victor Onward	673,005.00	673,005.00	100.00%	Aging long
Shanghai Huayinke Trade Industry Co., Ltd.	180,000.00	180,000.00	100.00%	Aging long
Shenzhen Environmental Management System Certification Center	35,000.00	35,000.00	100.00%	Aging long
Shenzhen Design Institute of Ministry of Machinery Industry Shanghai Branch	30,000.00	30,000.00	100.00%	Aging long
Other	70,638.00	70,638.00	100.00%	Aging long
<b>Total</b>	<b>988,643.00</b>	<b>988,643.00</b>	<b>--</b>	<b>--</b>

(2) Particulars about the other receivable accounts due from shareholders with 5% or over of the Company's shares in the report period.

In RMB

Name	Balance at the period end		Balance in year-begin	
	Book amount	Amount of bad debt provision	Book amount	Amount of bad debt provision
None				

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

In RMB

Name	Relation with the company	Amount	Ages	Portion in total other receivables(%)
CCB.Guangdong Shunde Branch	Non-Related parties	1,080,000.00	Over 3 years	24.48%
Nanjing East Asia	Non-Related parties	1,313,370.00	Over 3 years	29.77%
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	Non-Related parties	975,000.00	Over 3 years	22.10%
HongKong Victor Onward	Non-Related parties	673,005.00	Over 3 years	15.26%
Shanghai Huayinke Trade Industry Co., Ltd.	Non-Related parties	180,000.00	Over 3 years	4.08%



Total	--	4,221,375.00	--	95.69%
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## 6. Prepayments

### (1) Prepayments age :

In RMB

Age	End of term		Beginning of term	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	13,230.00	100.00%	25,192.00	100.00%
Total	13,230.00	--	25,192.00	--

Notes to age of payment in advance:

### (2) The front 5 units' information of Prepayments

In RMB

Unit name	Relation with the company	Amount	Time	Reason of not clearing
Insurance	Non-Related parties	4,734.00	Within 1 year	Not settlement
Vehicle license fees	Non-Related parties	3,303.00	Within 1 year	Not settlement
Repair fee	Non-Related parties	3,581.00	Within 1 year	Not settlement
Registered fees	Non-Related parties	1,612.00	Within 1 year	Not settlement
Total	--	13,230.00	--	--

Notes

(3) Prepayment received by shareholding parties holding 5% or above of the Company's shares in the report period.

In RMB

Name	Amount at period-end		Amount at period-beginning	
	Book balance	Bad debt Provision	Book balance	Bad debt Provision
N/A				

## 7. Inventory

### (1) Inventory types

In RMB

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	460,344.00	460,344.00		460,344.00	460,344.00	
Total	460,344.00	460,344.00		460,344.00	460,344.00	

## (2) Inventory Impairment provision

In RMB

Type	Book balance at year beginning	Amount accounted in current period	Amount Decreased in current period		Book balance at period end
			Transferred back	Reselling	
Raw materials	460,344.00				460,344.00
Total	460,344.00				460,344.00

## 8. Disposable financial asset

## (1) Sellable financial assets

In RMB

Items	Fair value at end of term	Fair value at beginning of term
Available-for-sale equity instruments	604,282.00	582,942.00
Total	604,282.00	582,942.00

The amount of investment held to mature categorized to sellable financial assets was RMB 0 , Account for 0% of total investment held to mature.

Statement on sellable financial assets:

## 9. Long-term equity investment

## (1) Details of long-term equity investment

In RMB

Name	Accounting method	Initial investment cost	Original balance	change	Ending Balance	Shareholding proportion in the investee	Voting right proportion in the investee	Explanation of difference between shareholding proportion and voting	Devalue	Current devalue	Cash bonus
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								right proportio n in investee			
Zhejiang Union Hangzho u Bay Chuangye Co., Ltd.	Equity method	58,588,40 3.00	66,931,68 5.00	1,298,507 .00	68,230,19 2.00	25.00%	25.00%		0.00	0.00	0.00
Total	--	58,588,40 3.00	66,931,68 5.00	1,298,507 .00	68,230,19 2.00	--	--	--	0.00	0.00	0.00

## 10. Investment real estate

## (1) Measured by the cost of investment in real estate

In RMB

Items	Book amount at year beginning	Increase at this period	Decrease at this period	Book balance in year -end
I. Total original price	87,418,909.00	573,002.00	396,597.00	87,595,314.00
1. House, Building	87,418,909.00	573,002.00	396,597.00	87,595,314.00
II. Total accumulated depreciation accumulated amortization	63,960,756.00	1,795,624.00	356,937.00	65,399,443.00
1. House, Building	63,960,756.00	1,795,624.00	356,937.00	65,399,443.00
III. Total book value of investment real estate	23,458,153.00	-1,222,622.00	39,660.00	22,195,871.00
1. House, Building	23,458,153.00	-1,222,622.00	39,660.00	22,195,871.00
V. Total book value of investment real estate	23,458,153.00	-1,222,622.00	39,660.00	22,195,871.00

1.House, Building	23,458,153.00	-1,222,622.00	39,660.00	22,195,871.00
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In RMB

	This period
Current amount of depreciation and amortization	1,795,624.00
Accrual amount of impairment provision for investment properties of the current period	0.00

## 11. Fixed assets

## (1) Fixed assets

In RMB

Items	Book amount at year beginning	Increase at this period		Decrease at this period	Book balance in year -end
1.Total of Original price of fixed assets	60,842,374.00			193,740.00	60,648,634.00
Including : House and building	48,083,878.00				48,083,878.00
Machine equipment	321,521.00				321,521.00
Transpiration Equipment	4,021,537.00			193,740.00	3,827,797.00
Office Equipment and other	8,415,438.00				8,415,438.00
--	Book balance at year beginning	Current term new extra	Current term provision	Decrease at this period	Book balance in year -end
II. Total of Accumulated depreciation	35,443,480.00	132,060.00		162,770.00	35,412,770.00
Including : House and building	26,564,871.00				26,564,871.00
Machine equipment	289,437.00				289,437.00
Transpiration Equipment	3,233,386.00	44,865.00		162,770.00	3,115,481.00
Office Equipment and other	5,355,786.00	87,195.00			5,442,981.00
--	Book balance in year-begin	--			Balance in year-end
III. Total book value of Fixed assets	25,398,894.00	--			25,235,864.00
Including : House and building	21,519,007.00	--			21,519,007.00
Machine equipment	32,084.00	--			32,084.00
Transpiration Equipment	788,151.00	--			712,316.00

Office Equipment and other	3,059,652.00	--	2,972,457.00
IV. Total of Devalued Provision	18,207,689.00	--	18,207,689.00
Including : House and building	15,466,004.00	--	15,466,004.00
Transpiration Equipment	50,276.00	--	50,276.00
Office Equipment and other	2,691,409.00	--	2,691,409.00
V. Total book value of Fixed assets	7,191,205.00	--	7,028,175.00
Including : House and building	6,053,003.00	--	6,053,003.00
Machine equipment	32,084.00	--	32,084.00
Transpiration Equipment	737,875.00	--	662,040.00
Office Equipment and other	368,243.00	--	281,048.00

Current depreciation is RMB 132,060.00 . The issue of fixed assets transferred from construction in progress original price is RMB 0.

## 12. Intangible assets

### (1) Intangible assets

In RMB

Items	Book Balance in year-begin	Increase at this period	Decrease at this period	Book Balance in year-end
I. Total original price	13,023,720.00			13,023,720.00
Land Use right	12,356,137.00			12,356,137.00
Software	667,583.00			667,583.00
II. Total amount of accumulated	10,976,101.00	20,153.00		10,996,254.00
Land Use right	10,535,678.00	20,153.00		10,555,831.00
Software	440,423.00			440,423.00
III. Book value of intangible assets	2,047,619.00	-20,153.00		2,027,466.00
Land Use right	1,820,459.00	-20,153.00		1,800,306.00
Software	227,160.00			227,160.00

IV.Total value of provision for impairment	227,160.00			227,160.00
Land Use right				
Software	227,160.00			227,160.00
V. Total Book value of intangible assets	1,820,459.00	-20,153.00		1,800,306.00
Land Use right	1,860,764.00	-20,153.00		1,800,306.00
Software				

The amortization amount is 20,153.00.

### 13. Goodwill

In RMB

Name of the investee or the matter of forming Goodwill	Balance in year-begin	Increase at this period	Decrease at this period	Balance in year-end	Ending devalue provision
For the goodwill formed from holding shares of Nanhua Company,	5,099,624.00			5,099,624.00	
Total	5,099,624.00			5,099,624.00	

Statement of basis for impairment testing and provision of goodwill:

### 14. Deferred income tax assets and deferred income tax liability

(1) Confirmed the deferred income tax assets and deferred income tax liability

Recognized deferred income tax assets and deferred income tax liabilities

In RMB

Items	Year-end balance	Year-beginning balance
Deferred income tax assets:		
Deferred income tax liability:		
Assessed tax-free periods of time caused by differences in income	669,475.00	702,735.00
Subtotal	669,475.00	702,735.00

Details of the un-recognized deferred income tax assets

In RMB

Items	At end of term	At beginning of term
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Deductible losses of the un-recognized deferred income tax asset will expire in the following years

In RMB

Year	At end of term	At beginning of term	Notes
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## Details of taxable differences and deductible differences

In RMB

Items	Amount of temporary differences	
	At end of term	At beginning of term
Differences in taxable items		
Revaluation of assets	4,057,424.00	4,259,000.00
Subtotal	4,057,424.00	4,259,000.00
Deductible difference project		

(2) Deferred income tax assets and liabilities are presented as net amount after neutralization

## Statement on deferred income tax assets and liabilities:

In RMB

Items	Deferred Income Tax Assets or Liabilities at the End of Report Period	Temporarily Deductible or Taxable Difference at the End of Report Period	Deferred Income Tax Assets or Liabilities at the Beginning of Report Period	Temporarily Deductible or Taxable Difference at the Beginning of Report Period
Deferred income tax liability:	669,475.00		702,735.00	

## Details of taxable differences and deductible differences

In RMB

Items	Offsetting Amounts of This Period
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## Details of taxable differences and deductible differences

## 15. Provision for depreciation of assets

In RMB

Items	Book balance at the beginning of term	Increase in this period	Decreased in this period		Balance in year-end
			Switch back	Switch cancellation	
1.Provision for bad debts	16,943,865.00				16,943,865.00
2 Inventory impairment provision	460,344.00				460,344.00
5. Long-term equity investment impairment provision		0.00			0.00
7.Fixed asset impairment provision	18,207,689.00				18,207,689.00

12. Intangible asset impairment provision	227,160.00				227,160.00
Total	35,839,058.00				35,839,058.00

Notes

## 16. Account payable

## (1) Account payable

In RMB

Items	Balance in year-end	Balance in year-begin
Over 1 year	3,199,529.00	3,186,939.00
Total	3,199,529.00	3,186,939.00

(2) There was account payable due from shareholders with more than 5% (including 5%) of the voting shares of the company

In RMB

Name	Balance in year-end	Balance in year-begin
N/A		

(3) The description of large-sum accounts payable with the age over 1 year:

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

2. Particulars about the receivable accounts due from shareholders with 5% (5%) or over of the Company's shares

## 3. Account payables of foreign currency balances

Name	Amount at period-end			Amount at period-beginning		
	Former currency	Converting rate	RMB	Former currency	Converting rate	RMB
HKD	324,942	0.78623	255,479	324,942	0.81090	263,495
Total			255,479			263,495

## 17. Advance account

## 1. Advance account

In RMB

Items	Balance in year-end	Balance in year-begin
Over 1 year	1,076,979.00	1,076,531.00
Total	1,076,979.00	1,076,531.00

(2) There was Advance account due from shareholders with More than 5% (including 5%) of the voting shares of the company.

In RMB

Items	Balance in year-end	Balance in year-begin



N/A		
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(3) The description of large-sum accounts payable with the age over 1 year:

1. Particulars about the receivable accounts due from shareholders with 5% (5%) or over of the Company's shares

2. Advance account of foreign currency balances

Name	Amount at period-end			Amount at period-beginning		
	Former currency	Converting rate	RMB	Former currency	Converting rate	RMB
USD	96,411	6.1528	593,198	96,411	6.0969	587,808
Total			593,198			587,808

#### 18. Payable Employee wage

In RMB

Items	Balance in year-begin	Increase in this period	Payable in this period	Balance in year-end
1. Wages, bonuses, allowances and subsidies	618,756.00	694,507.00	800,219.00	513,044.00
3. Social insurance premiums	6,392.00	102,136.88	108,528.88	
Basic old-age insurance premiums		102,136.88	102,136.88	
Supplementary pension insurance	6,392.00		6,392.00	
IV. Public reserves for housing		34,115.00	34,115.00	
VI. Other	484,204.00	74,004.00	50,207.00	508,001.00
Union funds and staff education fee	377,093.00	74,004.00		451,097.00
Total	1,109,352.00	904,762.88	993,069.88	1,021,045.00

The amounts of arrears of staff salary and welfare payable are RMB 0.00.

The amounts of trade union funds and staff education expenses are RMB0.00, the amounts of non-monetary benefits are RMB 0.00, and the compensations for the lifting of labor relations is RMB0.00.

The wages payable expected to pay and the amount for payment:

#### 19. Tax Payable

In RMB

Items	At end of term	At beginning of term
VAT	-137,711.00	-137,711.00
Business Tax	147,341.00	205,449.00
Enterprise Income tax	3,620,547.00	3,590,695.00
City Construction tax	10,314.00	17,697.00
Educational surtax	4,420.00	7,584.00
Local education surcharges	2,947.00	5,056.00
House property Tax	187,320.00	187,320.00
Land use tax	144,957.00	144,957.00
Stamp Tax	229,144.00	229,144.00
Total	4,209,279.00	4,250,191.00

Statement on tax payable: Please provide the calculating processes then taxable income is balanced between branch companies or factories as approved by the tax bureau.

## 20.Dividend payable

In RMB

Name	At end of term	At beginning of term	Reason of overdue for one year
State Development & Investment Co., Ltd*2	243,189.00	243,189.00	Capital tense*1
CITIC Group*2	243,189.00	243,189.00	Capital tense*1
Shenzhen Nanyou (Group) Company*2	121,595.00	121,595.00	Capital tense*1
Shenye Union (Hongkong) Co., Ltd.	121,595.00	121,595.00	Capital tense*1
HongKong Victor Onward	486,378.00	486,378.00	Capital tense*1
Total	1,215,946.00	1,215,946.00	--

### Notes

\*1 The above payable dividends were the payable dividends of Nanhua Company, a subsidiary of the company, Because Nanhuan Company's capital was more tension and the shareholders did not ask for the fund, the payable dividends have not been paid.

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

## 21. Other payable

### (1) Other payable

In RMB

Name	Balance in year-end	Balance in year-begin
Thereinto :Over 1 year	16,781,726.00	22,663,345.00

Within 1 year	30,000,000.00	
Total	46,781,726.00	22,663,345.00

## (2) Explanation on other account payable with over one year age

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.

## (3) Statement on large amount other payable accounts

Items	Amount	Age	Content
Deposit	30,000,000	Within 1 year	Deposit
Union Development Group	9,011,866	Over 3 years	Loan and Interest
State Development & Investment Co., Ltd	3,000,000	Over 3 years	Current account
Jinrongyuan Company	1,100,000	Over 3 years	Property Deposit
Shenzhen Union Property Group Co., Ltd.	700,734	Over 3 years	Loan and Interest
Total	43,812,600		

Paid Union Group loan principal RMB 6,291,274.60 in current period.

## 22. Other current liabilities

In RMB

Items	Year-end balance	Year-Beginning balance
Audit fees	1,170,917.00	1,395,917.00
Securities Management	746.00	746.00
Sewage charges	62,600.00	62,600.00
Land use fees	88,000.00	88,000.00
Total	1,322,263.00	1,547,263.00

Statement of other current liabilities:

## 23. Long-term loan

## (1) Long-term loans classifications

In RMB

Items	Year-end balance	Year-Beginning balance
Loan by pledge	1,050,038.00	1,101,349.00
Total	1,050,038.00	1,101,349.00

Statement on long-term borrowings.

The borrowing was the installment payment for the housing in Hongkong 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, from March, 2004. Mortgage rates fall 2.65 percent compared to HK mortgage bank prime rate. As of June 30, 2014, the principal amount of HK \$ 1,322,882 (equivalent to RMB 1,050,038 Yuan) was unpaid.

## 24. Long-term payable

## (1) Top 5 long-term payable

In RMB

Name	Term	Initial amount	Interest rate (%)	Interest payable	End balance	Condition
Assess the value of assets	Unlimited duration	8,230,694.00			8,309,417.00	

## (2) Details of finance leasing payments in long-term payable

In RMB

Name	End of term		Beginning of term	
	Foreign currency	RMB	Foreign currency	RMB

Guarantee provided by the 3<sup>rd</sup> party for the leasing finance is amounted to RMB0.

Statement on long-term payables:

When the Company was reorganized into a joint stock company, it obtained the special approval of People's Bank of China for vesting the appraisal increment from the revaluation of the assets of Hong Kong Victor Onward in the original shareholders of the Company before reorganization. Such assets were appraised on January 31, 1992. increment of around HKD 14,754,000 was generated from the assets appraisal and entered the long-term account payable. Part of it has been used to set off the bad debts of around HKD 4,285,000 incurred before listing. The original shareholders of the Company before the reorganization agreed not to require reimbursement of such increment in cash. It will be used to set off the price at which they will subscribe for shares of the Company in the future. The increase of long-term accounts payable in the report year was caused by change in exchange rate.

## 25. Other Non-current liabilities

In RMB

Items	Year-end balance	Year-beginning balance
ERP Information construction	228,216.00	228,216.00
Technology subsidies	608,576.00	608,576.00
Total	836,792.00	836,792.00

Statement on other non-current liabilities

Liabilities related to government grants

In RMB

Liabilities	Balance at the beginning of period	New grants of amount of this period	The non-operating revenue amount of this period	Other changes	Balance at the end of period	Income related to assets

## 26. Stock capital

In RMB

	Balance Year-beginning	Increase/decrease this time (+, -)					Balance year-end
		Issuing of new share	Bonus shares	Transferred from reserves	Other	Subtotal	
Total of capital shares	169,142,356.00						169,142,356.00

Statement of change in capital shares. Name of CPA and number of verification report shall be provided if capital increasing or decreasing occurred in the report period; as for shareholding limited companies incorporated for less than three years, only net assets is required for the years prior to incorporation; for shareholding limited companies reformed from limited companies shall provide the capital verification at incorporation.

## 27. Capital reserves

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Share premium	29,718,829.00			29,718,829.00
Other	9,926,219.00	15,764.00		9,941,983.00
Total	39,645,048.00	15,764.00		39,660,812.00

Statement on capital reserves:

The capital surplus change this year refers to the change of fair value for the financial assets available to sale

this year.

## 28. Surplus reserve

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Statutory surplus reserve	26,704,791.00			26,704,791.00
Total	26,704,791.00			26,704,791.00

Statement on surplus reserves. Please state the related resolutions of the Board on capitalizing of reserves, making up losses, and dividends:

## 29. Retained profits

In RMB

Items	Amount	Extraction or distribution of the proportion
After adjustments: Retained profits at the period beginning	-108,059,131.00	--
Add: Net profit belonging to the owner of the parent company	738,330.00	--
Retained profits at the period end	-107,320,801.00	--

As regards the details of adjusted the beginning undistributed profits

(1) As the retroactive adjustment on *Enterprise Accounting Standards* and its related new regulations, the affected beginning undistributed profits are RMB 0.00.

(2) As the change of the accounting policy, the affected beginning undistributed profits are RMB 0.00.

(3) As the correction of significant accounting error, the affected beginning undistributed profits are RMB 0.00.

(4) As the change of consolidation scope caused by the same control, the affected beginning undistributed profits are RMB 0.00.

(5) Other adjustment of the total affected beginning undistributed profits are RMB 0.00.

Statement on retained profit: for companies issued their securities for the first time, if the accumulated profit before the issuing is shared by the new and existing shareholders as approved by the shareholders' meeting, shall be described particularly; if the accumulated profit before the issuing is shared only by existing shareholders as approved by the shareholders' meeting, the Company shall provide the details of dividend payable to the existing shareholders as audited by CPA.

## 30. Business income, Business cost

## (1) Business income, Business cost

In RMB

Items	Amount of current period	Amount of previous period
Income from Business income	5,077,451.00	4,990,626.00
Business cost	1,446,029.00	2,073,313.00

## (2) Main business (Industry)

In RMB

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Rent	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00
Total	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00

## (3) Main business (Production)

In RMB

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Rent	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00
Total	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00

## (4) Main Business (Area)

In RMB

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Domestic	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00
Hong Kong				
Total	5,077,451.00	1,446,029.00	4,990,626.00	2,073,313.00

## (5) Total income and the ratio of operating income from top five clients

In RMB

Name	Business Income	Proportion(%)
Shenzhen Jinrongyuan	2,961,000.00	58.32%

Development Co., Ltd.		
SCSExpress International Limited	463,749.00	9.13%
Shenzhen Hebanian Investment Development Co., Ltd.	300,000.00	5.91%
Shenzhen Nanshan Saint Laurent Wedding Photography	264,600.00	5.21%
HIP SENG	236,997.00	4.67%
Total	4,226,346.00	83.24%

Notes

## 31. Business tax and subjoin

In RMB

Items	Report period	Same period of the previous year	Standard
Business tax	228,697.00	205,952.00	5%
Urban construction tax	16,008.00	14,417.00	7%
Education surcharge	6,861.00	6,178.00	3%
Local Education surcharge	4,574.00	4,119.00	2%
Total	256,140.00	230,666.00	--

Notes

## 32. Investment income

## (1) Investment income

In RMB

Items	Amount of current period	Amount of previous period
Incomes from disposal of long-term equity investment	857,157.00	-71,083.00
Total	857,157.00	-71,083.00

## (2) long-term equity investment incomes confirmed by equity method include:

In RMB

Name	Amount of current period	Amount of previous period	Reason to increase or decrease
Hangzhou Bay Company	857,157.00	-71,083.00	Due to the income increased
Total	857,157.00	-71,083.00	--

Statement on investment gains, please state whether or not there are material constrains on retrieving of



investment gains.

### 33. Non-operating income

#### (1) Non-operating income

In RMB

Items	Amount of current period	Amount of previous period	The amount of non-operating gains & loss
Total income from liquidation of non-current assets		3,929.00	
Including: Income from liquidation of fixed asset		3,929.00	
Total		3,929.00	

Notes

### 34. Non-Operation expense

In RMB

Items	Amount of current period	Amount of previous period	The amount of non-operating gains & loss
Total Disposal of loss of non-current assets	1,918.00	19,043.00	
Lawsuit expenses		2,400,000.00	
Total	1,918.00	2,419,043.00	

Notes

### 35. Calculation of Basic earnings per share and Diluted earnings per share

Items	No	Current term	Same period of last term
Net profit attributable to shareholders of parent company	1	738,330	-4,123,606
Non-recurring gain/loss attributable of the parent company	2	-1,918	-2,415,114
Net profit attributable to common share holders of the Company after deducting of non-recurring gain/loss	3=1-2	740,248	-1,708,492
Total shares at the beginning of the year	4	169,142,356	169,142,356
Additional share capital transferred from public reserve or additional shares from shares dividend distribution ( I )	5	—	—
Additional shares from issuing new shares or	6	—	—

debt-converted shares ( II )			
Accumulative months of the additional share commencing from the next moth till the end of the year	7	—	—
Decreased shares due to repurchase	8	—	—
The number of months since the next month of share decreasing to the end of report term	9	—	—
Amount of shares reduced	10	—	—
Number of months in the report term	11	—	—
Weighted average of common shares issued outside	$12=4+5+6\times7\div11-8\times9\div11-10$	169,142,356	169,142,356
Basic earning pershare ( I )	$13=1\div12$	0.004	-0.02
Basic earning pershare ( I ) ( II )	$14=3\div12$	0.004	-0.01
Diluting potential common share interests recognized as expenses	15	—	—
Transformation fees	16	—	—
Income tax rate	17	25%	25%
Amount of shares increased by transforming or exercising of company bond, subscription certificate, or share option	18	—	—
Diluted earning per share ( I )	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.004	-0.02
Diluted earning per share ( II )	$19=[3+(15-16)\times(1-17)]\div(12+18)$	0.004	-0.01

## 36. Other comprehensive income

In RMB

Items	Amount of current period	Amount of previous period
1.Loss amount produced by sellable financial assets	15,764.00	-126,556.00
Subtotal	15,764.00	-126,556.00
4. Translating difference in foreign currency financial reports	246,825.00	-482,695.00
Subtotal	246,825.00	-482,695.00
Total	262,589.00	-609,251.00

Notes

## 37. Supplement Information for cash flow statement

## (1) Supplement Information for cash flow statement

In RMB

Supplement Information	Amount of current period	Amount of previous period
I. Adjusting net profit to cash flow from operating activities	--	--
Net profit	738,330.00	-4,123,606.00
Depreciation of fixed assets, oil and gas assets and consumable biological assets	132,060.00	121,945.00
Amortization of intangible assets	20,153.00	20,153.00
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets	1,918.00	15,114.00
Financial cost	-58,719.00	273,998.00
Loss on investment	-857,157.00	71,083.00
Decease of operating receivables	1,848,263.00	1,619,922.00
Increased of operating Payable	883,366.00	3,950,831.00
Net cash flows arising from operating activities	2,708,214.00	1,949,440.00
II. Significant investment and financing activities that without cash flows:	--	--
III. Net increase of cash and cash equivalents	--	--
Ending balance of cash	60,249,062.00	48,768,467.00
Less: Beginning balance of cash	63,502,910.00	52,227,262.00
Net increase of cash and cash equivalents	-3,253,848.00	-3,458,795.00

## (2) Composition of cash and cash equivalents

In RMB

Items	Amount of current period	Amount of previous period
I. Cash	60,249,062.00	63,502,910.00
Of which: Cash in stock	58,423.00	41,613.00
Bank savings could be used at any time	59,519,939.00	62,791,183.00
Other monetary capital could be used at any time	5,670,700.00	670,114.00

III. Balance of cash and cash equivalents at the period end	60,249,062.00	63,502,910.00
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Notes

## VIII.Related parties and related-party transactions

## 1. Parent company information of the enterprise

Name	Related parties	Type	Registered address	Legal representative	Nature	Registered capital	The parent company of the Company's shareholding ratio	The parent company of the Company's vote ratio	The ultimate controlling party of the Company	Organization Code
Union Holdings	Controlling Shareholder	Issue company	11/F,Union Bulding, Shennan Zhong Road,Shenzhen	Dong Binggen	Production and sale of clothing and textiles and real estate Developin	1,123,887,712	25.51%	25.51%	Union Group	19247150-0
Union Group	Actual controller	Limited liability Company	Union Bulding,Shennan Zhong Road, Shenzhen	Dong Binggen	import & export business processing with materials” and processing with imported materials	90,606,000	3.36%	3.36%	Union Group	19033795-7

Notes

## 1.The registered capital of the parent company and its changes

Parent Company	Amount at year beginning	Increase in the current period	Decrease in the current period	Amount at year end
Union Group	90,606,000	---	---	90,606,000
Union Holding	1,123,887,712	---	---	1,123,887,712

## 2.Shares or equity held by the parent company and changes

Name	Held share amount		Held share proportion (%)	
	Amount at year end	Amount at year beginning	Proportion at year end %	Proportion at year beginning %
Union Group	5,681,089	5,681,089	3.36	3.36
Union Holding	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.Particulars of the subsidiaries

Name	Related parties	Type	Registered address	Legal representative	Nature	Registered capital	The subsidiaries of the Company's shareholding ratio	The subsidiaries of the Company's vote ratio	Organization Code
HongKong Victor Onward	Controlled subsidiaries	Limited Liability Company	HK		Trade	2,400,002 (HKD)	100.00%	100.00%	
Nanhua Company	Controlled subsidiaries	Limited Liability Company	Shenzhen	Hu Yongfeng	Product	85,494,700 (HKD)	69.44%	69.44%	618836600
Shenzhen East Asia Company	Controlled subsidiaries	Limited Liability Company	Shenzhen	Sun Zhiping	Trade	3,000,000	51.00%	51.00%	799228355
Shengzhong Co., Ltd.	Controlled subsidiaries	Limited Liability Company	HK		Trade	1,000,000 (HKD)	100.00%	100.00%	
Xingye Company	Controlled subsidiaries	Limited Liability Company	HK		Trade	10,000 (HKD)	100.00%	100.00%	

## 3. Information of Joint venture and Affiliated company

Name	Type	Registered address	Legal representative	Nature	Registered capital (RMB'00 00)	Held Share proportion(%)	Voting proportion(%)	Related parties	Orgabuzatui b code
I.Joint enterprise									
II. Affiliated enterprise									

Zhejiang Union Hangzhou Bay	Limited Liability Company	Hangzhou	Dong Binggen	Real estate Exploiters, Basis construction Management and Property Management	247,476,832.6	25.00%	25.00%	Affiliated enterprise	757230553
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## 4. Other Related parties information of the enterprise

Other Related parties name	Relation of other Related parties with the company	Organization code
Shenye Union (HK) Co., Ltd.	The related parties controlled the same Actual controller	
Shenzhen Union Property Group Co., Ltd.	The related parties controlled the same Actual controller	192199105

Notes

## 5. Related transactions.

## (1) Related leasing

The Company is the lender

In RMB

Name of the owner	Name of the tenant	Category of asset for rent	Starting date	Stop date	Pricing basis	Rental recognized in the period

The Company is the undertaker

In RMB

Name of the owner	Name of the tenant	Category of asset for rent	Starting date	Stop date	Pricing basis	Rental recognized in the period
Union Group	The Company	House	November 1, 2012	October 31, 2014	Agreement Price	83,520.00

Notes

On November 2012, the Company leased Room 1307 and 1308 of Union Building owned by Union Group. In November 2012, The term of tenancy is from November 1, 2012 to October 31, 2014. The monthly rent is

RMB 6,960. The rent was determined according to market price.

## 6. Payables and receivables of the related party

Listed company related party fund

In RMB

Name	Related party	Amount at year end		Amount at year beginning	
		Balance of Book	Bad debt Provision	Balance of Book	Bad debt Provision
Account receivable	Shenye Union (HK) Co., Ltd.	299,354.00	299,354.00	299,428.00	299,428.00

The listed company Payables of the related party

In RMB

Name	Related party	Amount at year end	Amount at year beginning
Other payable	Union Development Group	9,011,866.00	15,303,141.00
Other payable	Shenzhen Union Property Group Co., Ltd.	700,734.00	700,734.00

## IX Subsequent events

### 1. Liabilities formed from pending lawsuit and mediation and its financial impact

On June 4, 2012, The company has instituted court action against below three companies at Jiangsu Province Higher People's Court, and asked to terminate the contracts and agreements signed with Nanjing East Asia Textile Printing & Dyeing Co., Ltd., Nanjing East Asia Investment & Development Group Limited and Hong Kong Yiuchun Limited, who shall pay RMB47,922,9023 to the company for the pecuniary loss of implicative compensation and undertake the costs of litigation. As of June 30, 2014, Jiangsu Higher People's Court did not give a judgement.

## X. Commitment events.

### 1.Importance commitment events

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

As of June 30, 2014,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	RMB 30 milli on	---	RMB 30 million	Unsureness	Can not be relocated because the fields uncompleted
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## 2.The big contract which has been signed or is ready to be carried out

As of June 30, 2014, The Group still has big contract which has been signed but not paid, a total of RMB 1.71 million, as follows:

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

3.Except for the events described above, As of June 30, 2014, the Group has no other significant commitment events.

## 2. Information guaranteed at the former period.

The company has no commitment information guaranteed at the former period.

## XI. Post-balance-sheet events

### 1. Statement on material post-balance-sheet events

In RMB

Items	Content	Amount of effect on the financial status and operating outcomes	Reasons that the amount of the effect can not be estimated
None			

### 2.Other explanation after balance sheet date.

## XII.Other Important events

### 1. Leasing

#### Operation lease assets

Type	Year-end balance	Year-beginning balance
Cost	87,595,314	87,418,909



House, Building	87,595,314	87,418,909
Accumulated amortization	65,399,443	63,960,756
House, Building	65,399,443	63,960,756
Impairment provision		
House, Building	—	—
Book value	22,195,871	23,458,153
House, Building	22,195,871	23,458,153

## 2.Items related to measurement of fair value

In RMB

Items	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					
3.Trading financial assets	582,942.00		21,340.00		604,282.00
Subtotal	582,942.00		21,340.00		604,282.00
Total	582,942.00		21,340.00		604,282.00
Financial liability	0.00				0.00

## 3.Foreign financial assets and foreign financial liability

In RMB

Items	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 right and interests	Provision for impairment made in current period	Amount at the end of period
Financial assets					
4.Trading financial assets	582,942.00		21,340.00		604,282.00
Subtotal of financial assets	582,942.00		21,340.00		604,282.00
Financial liability	0.00				0.00

## 4.Other

### Description of continuous viability:

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. This investment plan is being discontinued at present. Up to the present, the project has been delayed for 6 years. The difficulties for joint venture projects have constantly increased. To solve the problem of idling of equipment, invigorate relevant assets and facilitate the Company's subsequent development, On June 4, 2012, The company has instituted court action against below three companies at Jiangsu Province Higher People's Court, and asked to terminate the contracts and agreements signed with Nanjing East Asia Textile Printing & Dyeing Co., Ltd., Nanjing East Asia Investment & Development Group Co., Ltd. and Hong Kong Yaojunxing Co., Ltd., who shall pay RMB47,922,902.92 to the company for the pecuniary loss of implicative compensation and undertake the costs of litigation. As of June 30,2014, Jiangsu Higher People's Court did not give a judgement.

The Company developed measures to improve the continuous viability as the following:

Controlling shareholder of the Company and the management of the company attaches great importance to the company's continued operational problems, through a variety of ways, including selling the assets and business of the company or its subsidiaries, joint venture or expand an existing business, aiming to improve the company asset quality, profitability, and enhance capacity for sustainable development .

### XIII. Notes of main items in financial reports of parent company

#### 1. Account receivable

##### (1) Account receivable

In RMB

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	3,461,028.00	30.27 %	3,461,028.00	100.00 %	3,461,028.00	30.27 %	3,461,028.00	100.00 %
Receivables provided bad debt provision in groups								
Account receivable with minor individual amount but bad debt provision is provided	7,974,647.00	69.73 %	7,974,647.00	100.00 %	7,974,647.00	69.73 %	7,974,647.00	100.00 %

Total	11,435,675.00	--	11,435,675.00	--	11,435,675.00	--	11,435,675.00	--
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Remarks on categories of receivable accounts:

Receivable accounts with large amount individually and bad debt provisions were provided

Applicable  Not applicable

In RMB

Description of receivable accounts	Book balance	Bad debt provision	Proportion	Reason
Shengzhong Company	1,352,433.00	1,352,433.00	100.00%	Aging long
Carnival Index International Ltd	1,098,549.00	1,098,549.00	100.00%	Aging long
TAI YANG ENTERPRISE CO.,LTD.	1,010,046.00	1,010,046.00	100.00%	The company insolvent, to be cancelled
Total	3,461,028.00	3,461,028.00	--	--

Using age methods to provision for bad debts of account receivable in group:

Applicable  not Applicable

Using percentage balance method of provision for bad debts of account receivable in group:

Applicable  not Applicable

Using other methods to provision for bad debts of account receivable in group:

Applicable  not Applicable

Receivable accounts with minor amount but on which bad debt provisions are provided individually at end of period

Applicable  not Applicable

In RMB

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Fly Dragon International	573,536.00	573,536.00	100.00%	Aging long
Grateful Textiles Co.,Ltd	566,661.00	566,661.00	100.00%	Aging long
Shenzhen Fangzhou Textiles Co.,Ltd	468,502.00	468,502.00	100.00%	Aging long
World Fabrica (Int'l) Ltd	465,126.00	465,126.00	100.00%	Aging long
Ezhou Xiangya Garments Co., Ltd.	368,943.00	368,943.00	100.00%	Aging long
Tak Shing Buying Office Led	333,502.00	333,502.00	100.00%	Aging long
Shenye Union (HK) Co.,Ltd.	299,354.00	299,354.00	100.00%	Aging long
Panther Fabric Ltd.	295,088.00	295,088.00	100.00%	Aging long
Changshu Zhongjiang Garments Import &	283,539.00	283,539.00	100.00%	Aging long

Export Co., Ltd.				
Starline Textile CO.Ltd.	282,234.00	282,234.00	100.00%	Aging long
Nissho Iwai HK Corp Ltd.	215,229.00	215,229.00	100.00%	Aging long
Unimix Ltd.	192,891.00	192,891.00	100.00%	Aging long
Tai Hing Linings Co Ltd	191,295.00	191,295.00	100.00%	Aging long
Human Changpuan Garment	185,981.00	185,981.00	100.00%	Aging long
Ningbo Youngor Fukurmura Uniforms	181,490.00	181,490.00	100.00%	Aging long
Win favour development ltd	146,600.00	146,600.00	100.00%	Aging long
Speedy Textiles Co	146,502.00	146,502.00	100.00%	Aging long
Lin Feng Textile Co.	135,686.00	135,686.00	100.00%	Aging long
Jicheng General Co., Ltd	131,954.00	131,954.00	100.00%	Aging long
Millionaire(HK)Weaving Ltd.	124,249.00	124,249.00	100.00%	Aging long
Leader Day Ltd.	121,930.00	121,930.00	100.00%	Aging long
Tex Mate Fabrics (HK)	110,024.00	110,024.00	100.00%	Aging long
New Design Textiles Ltd.	109,178.00	109,178.00	100.00%	Aging long
Deep Success Industrial Ltd	102,606.00	102,606.00	100.00%	Aging long
Wynvaye Industrial Co	101,030.00	101,030.00	100.00%	Aging long
Other	1,841,517.00	1,841,517.00	100.00%	Aging long
Total	7,974,647.00	7,974,647.00	--	--

## (2) The front 5 units' information of the account receivable

In RMB

Name	Relation with the Company	Amount	Ages	Portion in total other receivables (%)
Shengzhong Company	Subsidiary	1,352,433.00	Over 3 years	11.83%
Carnival Index International Ltd	Non-related parties	1,098,549.00	Over 3 years	9.61%
TAI YANG ENTERPRISE CO.,LTD.	Non-related parties	1,010,046.00	Over 3 years	8.83%
Fly Dragon International	Non-related parties	573,536.00	Over 3 years	5.02%
Grateful Textiles Co.,Ltd	Non-related parties	566,661.00	Over 3 years	4.96%

Total	--	4,601,225.00	--	40.25%
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## (3) Account receivable from Related parties

In RMB

Unit name	Relation with the company	Amount	Percentage of account receivable
Shengzhong Company	Subsidiary	1,352,433.00	11.83%
Shenzhen East Asia	Subsidiary	63,982.00	0.56%
Shenye Union (HK) Co., Ltd.	The related parties controlled the same Actual controller	299,353.00	2.62%
Total	--	1,715,768.00	15.01%

## 2. Other receivable

## (1) Other receivable

In RMB

Classification	Year-end balance				Year-beginning			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Proportion(%)
Other Receivables with major individual amount and bad debt provision provided individually	85,159,953.00	98.64%	3,881,909.00	4.56%	84,734,453.00	98.78%	3,881,909.00	4.58%
Other Receivables provided bad debt provision in groups								
Deposit group	242,496.00	0.28%			114,832.00	0.13%		
Subtotal of group	242,496.00	0.28%			114,832.00	0.13%		
Other Account receivable with minor individual amount but bad debt provision is provided	928,995.00	1.08%	928,995.00	100.00%	928,995.00	1.08%	928,995.00	100.00%
Total	86,331,444.00	--	4,810,904.00	--	85,778,280.00	--	4,810,904.00	--

Statement on Other receivable:

Other Receivable accounts with large amount individually and bad debt provisions were provided

√ Applicable □ not Applicable

In RMB

Description of other receivable accounts	Book balance	Bad debt provision	Proportion	Reason
Victor Onward Textile (HK) Co., Ltd.	57,901,294.00			---
Nanhua Company	23,376,750.00			---
Shenzhen East Asia	513,539.00	513,539.00	100.00%	The company insolvent, to be canceled
CCB.Guangdong Shunde branch	1,080,000.00	1,080,000.00	100.00%	Aging long
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	975,000.00	975,000.00	100.00%	Aging long
Nanjing East Asia	1,313,370.00	1,313,370.00	100.00%	Aging long
Total	85,159,953.00	3,881,909.00	--	--

Using age methods to provision for bad debts of other account receivable in group:

Applicable  not Applicable

Using percentage balance method of provision for bad debts of account receivable in group:

Applicable  not Applicable

Using other methods to provision for bad debts of account receivable in group:

Applicable  not Applicable

Receivable accounts with minor amount but on which bad debt provisions are provided individually at end of period

Applicable  not Applicable

In RMB

Name	Book balance	Bad debts	Provision proportion%	Reason of provision
Victor Onward Textile (HK) Co., Ltd.	673,005.00	673,005.00	100.00%	Aging long
Shanghai Huayinke Trade Industry Co., Ltd.	180,000.00	180,000.00	100.00%	Aging long
Shenzhen Environmental Management System Certification Center	35,000.00	35,000.00	100.00%	Aging long
Shenzhen Design Institute of Ministry	30,000.00	30,000.00	100.00%	Aging long

of Machinery Industry Shanghai Branch				
Other	10,990.00	10,990.00	100.00%	Aging long
Total	928,995.00	928,995.00	--	--

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

In RMB

Name	Relation with the Company	Amount	Ages	Portion in total other receivables (%)
Victor Onward Textile (HK) Co., Ltd.	Subsidiary	57,901,294.00	Over 3 years	67.07%
Nanhua Company	Subsidiary	23,376,750.00	Over 3 years	27.08%
Nanjing East Asia	Non-Related parties	1,313,370.00	Over 3 years	1.52%
CCB.Guangdong Shunde Branch	Non-Related parties	1,080,000.00	Over 3 years	1.25%
Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd.	Non-Related parties	975,000.00	Over 3 years	1.13%
Total	--	84,646,414.00	--	98.05%

## (3) The Other accounts receivable from the Related parties

In RMB

Name	Relation with the Company	Amount	Proportion(%)
Victor Onward Textile (HK) Co., Ltd.	Subsidiary	57,901,294.00	67.07%
Nanhua Company	Subsidiary	23,376,750.00	27.08%
Shenzhen East Asia	Subsidiary	513,539.00	0.59%
Total	--	81,791,583.00	94.74%

## 3. Long-term stocks equity investment

In RMB

Name	Accounting method	Initial investment cost	Original balance	change	Ending Balance	Shareholding proportion in the investee	Voting right proportion in the investee	Explanation of difference between shareholding proportion and voting	Devalue	Current devalue	Cash bonus

								right proportio n in investee			
Victor Onward Textile (H K) Co. , Ltd.	Cost method	2,411,282 .00	21,214,21 2.00		21,214,21 2.00	100.00%	100.00%		0.00	0.00	0.00
Nanhua Company	Cost method	23,082,83 1.00	15,574,74 1.00		15,574,74 1.00	54.82%	54.82%		0.00	0.00	0.00
Shenzhen East Asia	Cost method	1,530,000 .00	1,252,900 .00		1,252,900 .00	51.00%	51.00%		1,252,900 .00	0.00	0.00
Total	--	27,024,11 3.00	38,041,85 3.00	0.00	38,041,85 3.00	--	--	--	1,252,900 .00	0.00	0.00

Notes

#### 4. Business income and Business cost

##### (1) Business income and business cost

In RMB

Items	Amount of current period	Amount of previous period
Income from Business income	1,041,445.00	908,470.00
Total	1,041,445.00	908,470.00
Business cost	168,586.00	168,586.00

##### (2) Main business (Production)

In RMB

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Rent	1,041,445.00	168,586.00	908,470.00	168,586.00
Total	1,041,445.00	168,586.00	908,470.00	168,586.00

##### (3) Total income and the ratio of operating income from top five clients

In RMB

Name	Business Income	Proportion(%)
Liang Lengcheng	264,600.00	25.41%
Juntaihao Investment Development	190,000.00	18.24%



Shen Victor Onward Technology	72,000.00	6.91%
Zhong Shuixiong	60,000.00	5.76%
Xia Yi	51,000.00	4.90%
Total	637,600.00	61.22%

Notes

## 5. Supplement information of Consolidated Flow Statement

In RMB

Items	Amount of current period	Amount of previous period
1. Adjusting net profit to net cash flow in operating activities:	--	--
Net profit	-517,948.00	-3,659,586.00
Depreciation of fixed assets, oil and gas assets and consumable biological assets	28,098.00	26,927.00
Amortization of intangible assets	20,153.00	20,153.00
The losses on the disposal of fixed assets, intangible assets and other long-term assets		4,927.00
Financial cost	-861,200.00	-770,606.00
Decrease of operating receivable	946,836.00	-293,735.00
Increase of operating receivables	750,097.00	5,013,292.00
Net cash flows arising from operating activities	366,036.00	341,372.00
II. Significant investment and financing activities that without cash flows	--	--
III. Net increase of cash and cash equivalents	--	--
Ending balance of cash	10,923,537.00	12,706,881.00
Less: Beginning balance of cash equivalents	10,557,501.00	17,293,509.00
Net increase of cash and cash equivalents	366,036.00	-4,586,628.00

## XIV. Supplement information

## 1. Particulars about current non-recurring gains and loss

In RMB

Items	Amount	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	-1,918.00	

Total	-1,918.00	--
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The government grants recognized as the current profits and losses are the regular projects of profits and losses, which should be explained and disclosed the identification reasons one by one.

Applicable  Not applicable

## 2 Return on net assets and earnings per share

In RMB

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 the Common stock shareholders of Company.	0.58%	0.004	0.004
Net profit attributable to the Common stock shareholders of Company after deducting of non-recurring gain/loss.	0.58%	0.004	0.004

## 3. Abnormal items of main financial statements and reasons for abnormality

1.The items in year-end consolidated balance sheet which change greatly over the beginning of year are listed as follows:

Items	Amount at the period end	Amount in year-begin	Chaged ( % )	Remark
Monetary funds	90,249,062	63,502,910	42.12%	Received RMB 30 million Restructuring deposit
Bill receivable	-	1,500,000	-100.00%	Retrieve loans
Prepayments	13,230	25,192	-47.48%	Prepaid reduction
Interest receivable		79,340	-100.00%	Interest received
Other receivable	54,318	311,279	-82.55%	Receivables reduced
Other payable	46,781,726	22,663,345	106.42%	Received RMB 30 million Restructuring deposit

2.The items in consolidated profit statement for the report year which change greatly over the previous year are listed as follows:

Items	Amount at the period end	Amount in year-begin	Chaged ( % )	Remark
Operating cost	1,446,029	2,073,313	-30.26%	Rental property depreciation reduction
Financial cost	-58,719	273,998	-121.43%	Reduced loan interest
Investment incom	857,157	-71,083	-1305.85%	Performance changes effect of the associates

Non-operating income		3,929	-100.00%	Occur at the end of period
Non-operating expenses	1,918	2,419,043	-99.92%	Non-operating expenses decreased because the Company officially brought an action against the companies including Nanjing East Asia Textile Printing and Dyeing Co., Ltd. in respect of its investment in Nanjing project and paid relevant legal costs in the previous year while there was no such expenditure of big amount in the report year.

## X. Documents available for inspection

- 1.The Semi-Annual report 2014;
2. The semi-annual financial report with signature and seal of legal representative ,person in charge of accounting works and person in charge of accounting institution in 2014;
- 3.Originals text of all documents of the Company as well as manuscript of the announcement that disclosed on website appointed by CSRC;
4. The articles of Association.

English translation for reference Only Should there be any discrepancy between the two versions, the Chinese version shall prevail.

The Board of Directors Shenzhen Victor Onward Textile Industrial Co., Ltd.

August 26, 2014