# Shenzhen Victor Onward Textile Industrial Co., Ltd.

## The Semi-annual Report 2015

**August 2015**

# 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 |

# II. Basic Information of the Company

## 1. Company Information

| | | | |
|---|---|---|---|
| Stock abbreviation | Victor Onward A, Victor Onward B | Stock code： | 000018、200018 |
| 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 2014 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 2014 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 nmber for enterprise legal license number of taxation registration and organization code have no change in reporting period, found more details in annual report 2014.

## **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） | 5,569,686.00 | 5,077,451.00 | 9.69% |
| Net profit attributable to the shareholders of the listed company（RMB） | -608,576.00 | 738,330.00 | -182.43% |
| Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company（RMB） | -608,576.00 | 740,248.00 | -182.21% |
| Cash flow generated by business operation, net（RMB） | 911,858.00 | 2,708,214.00 | -66.33% |
| Basic earning per share(RMB/Share) | -0.004 | 0.004 | -200.00% |
| Diluted gains per share(RMB/Share)(RMB/Share) | -0.004 | 0.004 | -200.00% |
| Weighted average ROE(%) | -0.46% | 0.58% | -1.04% |
| | As at the end of the reporting period | As at the end of last year | YoY+/-（%） |
| Gross assets (RMB) | 173,233,623.00 | 184,418,905.00 | -6.07% |
| Shareholders' equity attributable to shareholders of the listed company（RMB） | 130,693,937.00 | 131,266,672.00 | -0.44% |

II.The differences between domestic and international accounting standards

1.Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

□ Applicable √Not applicable

No difference .

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

□ Applicable √Not applicable

No difference .

III. Items and amount of non-current gains and losses

□ Applicable √Not applicable

No difference .

# 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 two subsidiaries had suspended business. cancellation of a subsidiary,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 litigation of 2014 has been over. The company's rent income is the major part of the cash inflow, also the major part of the current main business.

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

Production suspense brought significant influence on the production and operating activities and continuous devel opment of the Company. On June 16, 2014, the company began planning a major reorganization of assets. On Oct ober 13, 2014 the 16th meeting of sixth session of the board of directors examined and adopted the " Shenzhen Vi ctor Onward Textile Industrial Co., Ltd. major assets replacement and issue shares to buy assets and related transa ctions and raise matching funds plan" and other related proposals.

On July 27, 2015, the company received "The Reply on Ratifying The Reorganization of Significant Asset of Shenzhen Victor Onward Textile Industrial Co., Ltd.And Issuing Shares to Chen Lue etc. to Buy Assets And Raising Matching Funds" (CSRC Approval No.1774 [2015]) from China Securities Regulatory Commission. The company's boards would soon start the reorganization,the issue of shares to buy assets and raise the matching funds in accordance with the above approvals' requirements and the authorization of the shareholders' meeting.

At present, the company and the related parties are actively promoting the work of the major asset restructuring to make the production and operation of the company smoothly as soon as possible.

## 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 | 5,569,686.00 | 5,077,451.00 | 9.69% | The occupancy rate grew |
| Operating cost | 1,922,683.00 | 1,446,029.00 | 32.96% | The house property reclassified |
| Sale expenses | 0.00 | 0.00 | | |
| Administrative expenses | 4,090,387.00 | 3,550,910.00 | 15.19% | Caused by the reorganization cost |

| | | | | |
|---|---|---|---|---|
| Financial expenses | -193,363.00 | -58,719.00 | 229.30% | The interest income increased |
| Income taqx expenses | 0.00 | 0.00 | | |
| Net cash flows from operating activities | 911,858.00 | 2,708,214.00 | -66.33% | The Curent reorganization cost increased |
| Net cash flows from investing activities | -62,873.00 | -64,702.00 | -2.83% | |
| Net cash flows from financing activities | | -6,291,275.00 | -100.00% | Paid Union Group For the principal a year earlier |
| Net increase in cash and cash equivalents | 670,900.00 | -3,253,848.00 | -120.62% | Ditto |

Major changes in profit composition or cources 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.\

Progress of development strategy and operation plans in this period that are disclosed by the company in the previous annual reports.

This year the company headquarters and its subsidiaries lease unused property.

III. Composition of principal businesses

In RMB

| | Operating revenue | operating costs | Gross profit rate(%) | Increase/decrease of reverse in the same period of the previous year(%) | Increase/decrease of principal business cost over the same period of previous year (%) | Increase/decrease of gross profit rate over the same period of the previous year (%) |
|---|---|---|---|---|---|---|
| Industry | | | | | | |
| Lease Industry | 5,569,686.00 | 1,922,683.00 | 65.48% | 9.69% | 32.96% | -6.04% |
| Product | | | | | | |
| Leasing | 5,569,686.00 | 1,922,683.00 | 65.48% | 9.69% | 32.96% | -6.04% |
| District | | | | | | |
| China | 4,869,285.00 | 1,701,968.00 | 65.05% | 12.35% | 38.90% | -6.68% |
| Hong Kong | 700,401.00 | 220,715.00 | 68.49% | -5.78% | 0.00% | -1.82% |

## IV. Analysis on Assets and Liabiliti

N/A

V. Analysis on investment Status

1. External Equity investment

（1）External investment

√Applicable □Not applicable

| External investment | | |
|---|---|---|
| Investment amount (January-June 2015)(RMB) | Investment Amount (January-June 2014)(RMB) | Change rate（%） |
| Particulars of investees | | |
| Companies | Principal business | Proportion in the investees' equity (%) |
| Zhejiang Union Hangzhou Bay Chuangye Co., Ltd. | Real estate | 25.00% |

（2）Holding of the equity in Financial Enterprises

□ Applicable√ Not applicable

N/A

### （3）Investment in Securities

□ Applicable√ Not applicable

N/A

### （4）Explanation on Holding Equity in Other Listed Companies

□ Applicable√ Not applicable

N/A

### 2.Entrusted Financing, Investment in Derivative Products and Entrusted Loan

### （1）Entrusted Financing

□ Applicable√ Not applicable

N/A

（2）Investment in Derivatives

□ Applicable√ Not applicable

N/A

（3）Entrusted loan

□ Applicable√ Not applicable

N/A

（3）Changes of raised funds projects

☐ Applicable √ Not applicable

N/A

4.Analysis on principal subsidiaries and Mutual Shareholding Companies

√Applicable □Not applicable

Particulars about the principal subsidiaries and Mutual shareholding companies

In RMB

| Company Name | Company type | Sectors engaged in | Leading products and services | Registered capital | Total assets(RMB) | Net assets (RMB) | Tumover (RMB) | Operating profit (RMB) | Net Profit (RMB) |
|---|---|---|---|---|---|---|---|---|---|
| Hong Kong Victor Onward Co.Ltd | Subsidiary | Textile industry | Textile trade | 2,400,002（HKD） | 129,679,338.00 | 58,950,886.00 | 700,401.00 | -229,156.00 | -229,156.00 |
| Nanhua Company | Subsidiary | Textile industry | Textile Printing and dyeing | 85,494,700（HKD） | 24,835,951.00 | -15,647,865.00 | 2,833,200.00 | 246,972.49 | 246,972.49 |
| Zhejiang Union Hangzhou Bay Chuangye Co., Ltd. | Shareholding companies | Real estate Industry | Real estate Development | 247,476,832.6 | 1,974,356,204.00 | 340,235,833.00 | 31,324,402.00 | -200,673.00 | -200,673.00 |

5. Projects invested with Funds not raised through share offering

□ Applicable√ Not applicable

N/A

VI. Prediction of business performance for January -September 2015.

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

VII. 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

VIII. Explanation by the Board of Directors about the " non-standard audit report " for lastyear.

√ 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 2014 Basic information of emphasized matters: Since March 2007, Shenzhen Victor Onward Textile Industrial Co., Ltd. stopped production and dismissed most of workers. And most subsidiaries of the company had stopped production and it maintained daily operation by house leasing., Shenzhen Victor Onward Textile Industrial Co., Ltd. had disclosed its improvement measures in Note 13 of Financial Statement,but its sustainable operation ability is still uncertain.

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

Da Hua Certified Public Accountants(Special General Partnership) accepted entrustment, Da Hua certified Public Accountants[2015] No.000917 issued an unqualified auditor's report with highlighted paragraphs to the Company on February 9, 2015.completed the audit of the financial statements of the Company for 2014 and issued unqualified auditor's report with paragraph of emphasized matters for the Company's financial statements for 2014. 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.

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.

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

The matter of the company temporarily did not have delisting influence.

5.The possibility of eliminating this matter and its influence:

The company stopped textile industry, does not have the printing and dyeing processing capacity, hollow core business problem is serious, sustainable business faces major problems. Company with a positive attitude has been seriously looking for a new business direction, also conducted a wide range of research and exploration. Currently, the company currently steadily carry forward major asset reorganization.

6.The concrete measures of eliminating this matter and its influence

On June 2014 the company began major reorganization of assets, is planned and under progress. If the company can complete major asset restructuring, hollow core business operations and sustainability issues will be solved.

IX. 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

X. 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.

**XI.** 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 |
|---|---|---|---|---|---|
| January 15,2015 | BOD office of the Company | By phone | Individual | Investor | Inquiry of company restructuring |
| June 23,2015 | BOD office of the Company | By phone | Individual | Investor | Inquiry of progress in restructuring |
| June 29,2015 | BOD office of the Company | By phone | Individual | Investor | Inquire whether have received the official approvals from CSRC |

# V. Important Events

1.Governance of the Company

In the report period, The company has strictly abided by the “Corporate Law”, “Securities Law”, “Governance Rules of Listed Companies”, “Articles of Association” and the provisions and requirements of The China Securities Regulatory Commission (CSRC) and The Shenzhen Stock Exchange (SZSE) to continuously improve the corporate governance structure, The company is committed to establish a perfect internal control system for management, continue to implement governance activities, specify the operation further and raise the management level. The company’s governance conforms to the basic requirements of the normative documents on governing listed companies publish by CSRC.There isn’t difference between the management prac tise and the regulations of the Company Law and CSRC.

II. Lawsuits affairs

Major lawsuits and Arbitration affairs

□ Applicable √ Not applicable

The Company has no major lawsuit or arbitration in the report period.

Other Lawsuits affairs

□ Applicable √ Not applicable

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 Bubiness 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-party transactions concerning routine operation

□ Applicable √ Not applicable

The company has no transactions related to daily operations in 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.

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

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

There was no 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.

XI. Particulars about engagement and disengagement of CPAs firm

Whether the semi-annual financial report had been audited?

□ Yes √ No

The semi-annual financial report has not been audited.

## 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. "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. on June 24, 2014, the Announcement No.: 2014-0673. No compensation scheme or arrangement for this item has been issued yet.

2. 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 ", "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", "The Proposal of the Major Assets' Reorganization and issued shares to buy assets and raise matching funds in Shenzhen Victor Onward Textile Industrial Co., Ltd ","The Proposal of the Major Assets' Reorganization and issued shares to buy assets and raise matching funds in Shenzhen Victor Onward Textile Industrial Co., Ltd ""The Proposal of the Major Assets' Reorganization and issued shares to buy assets and raise matching funds in Shenzhen Victor Onward Textile Industrial Co., Ltd."（draft）","The Announcement of CSRC's Administrative Permissive Application and Acceptance of Shenzhen Victor Onward Textile Industrial Co., Ltd. on Significant Asset Replacement And Issuing Shares to Buy Assets And The Related Transaction And Raising Matching Funds", "The Announcement of Resolutions of the First provisional shareholders' general meeting of Shenzhen Victor Onward Textile Industrial Co., Ltd."

"The Announcement of The Scenario of East Asia Co.,Ltd on Changing Significant Asset Replacement And Issuing Shares to Buy Assets And Raising Matching Funds", "The Reply of Shenzhen Victor Onward Textile Industrial Co., Ltd. on A Feedback Notice(No.150551) of CSRC's Administrative Permissive Projects Audits", "The Announcement of Shenzhen Victor Onward Textile Industrial Co., Ltd. on Significant Asset Replacement And Issuing Shares to Buy Assets And The Related Transaction And Raising Matching Funds conditionally passing the audits of The Merger And Reorganization Audit Committee for Listed Companies of CRSC And The Resumption of Trade for The Corporate Stock", "The Announcement of Shenzhen Victor Onward Textile Industrial Co., Ltd. on Significant Asset Replacement And Issuing Shares to Buy Assets And The Related Transaction approved by CRSC", "The Revised Announcement of The Report of Shenzhen Victor Onward Textile Industrial Co., Ltd. on Significant Asset Replacement And Issuing Shares to Buy Assets And The Related Transaction And Raising Matching Funds","The Announcement of The Delivered Transfer with Placing Asset of Shenzhen Victor Onward Textile Industrial Co., Ltd. on Significant Asset Replacement And Issuing Shares to Buy Assets And The Related Transaction And Raising Matching Funds". which were released in Securities Times,Hong Kong Commercial Daily and www.cninfo.com.cn on June 16, 2014, June 23,2014, June 30, 2014, July7, 2014, July 14, 2014, July 21,2014, July 28, 2014, August 4, 2014, August 11, 2014, August 15, 2014, August 22, 2014,August 29, 2014, September 5,2014, September 12, 2014, September 19, 2014, September 26, 2014, October 10, 2014, October 15, 2014, November 14, 2014, December 15, 2014, January 14, 2015, February 13, 2015, March 27, 2015, April 25, 2015, May 12, 2015, May 28, 2015, June 4, 2015, June 26, 2015, July 28, 2015 and August 4,2015 . The above asset reorganizations and related work have been underway.

# 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..Staee-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 overseas market | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 4.Other | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| III. Total of capital shares | 169,142,3 | 100.00% | 0 | 0 | 0 | 0 | 0 | 169,142,3 | 100.00% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 56 | | | | | | | 56 | |

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 | | | 9,947 | | 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 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| National social security fund 112 | Other | 2.79% | 4,712,873 | +214,099 | 0 | 4,712,873 | | |
| Liuzhou Jiali Real estate Development Co., ltd. | Domestic Non-legal person State-owned legal person | 2.15% | 3,630,000 | -690,000 | 0 | 3,630,000 | | |
| National social security fund 413 | Other | 1.77% | 3,000,053 | +3,000,053 | 0 | 3,000,053 | | |
| Zeng Ying | Domestic Natural person | 1.22% | 2,070,600 | 0 | 0 | 2,070,600 | | |
| KGI ASIA LIMITED | Foreign legal person | 1.03% | 1,738,060 | +260,000 | 0 | 1,738,060 | | |
| China Galaxy International Securities (Hongkong) Co., Ltd. | Foreign legal person | 0.85% | 1,437,080 | +1,437,080 | 0 | 1,437,080 | | |
| 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 placed in domestic exchange | 6,114,556 |
| Union Development Group Co., | 5,681,089 | RMB Common | 5,681,089 |

| | | | |
|---|---|---|---|
| Ltd. | | shares | |
| National social security fund 112 | 4,712,873 | RMB Common shares | 4,712,873 |
| Liuzhou Jiali Real estate Development Co., ltd. | 3,630,000 | RMB Common shares | 3,630,000 |
| National social security fund 413 | 3,000,053 | RMB Common shares | 3,000,053 |
| Zeng Ying | 2,070,600 | Foreign shares placed in domestic exchange | 2,070,600 |
| KGI ASIA LIMITED | 1,738,060 | Foreign shares placed in domestic exchange | 1,738,060 |
| China Galaxy International Securities (Hongkong) Co., Ltd. | 1,437,080 | Foreign shares placed in domestic exchange | 1,437,080 |
| 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 3,630,000 shares of the Company through stock account with credit transaction and guarantee of Guohai Securities Co., Ltd. | | |

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period.

□ Yes √ No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy –back agreement dealing in 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

□ Applicable √ Not Applicable

The Company had no preferred shares in the reporting period

## 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 2014 annual report.

II. Changes in directors, supervisors and senior management staffs

□ Applicable √ Not Applicable

Directors, supervisors and senior management staff did not change in the reporting period. For details, see the 2014 annual report.

# 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.

June 30,2015

In RMB

| Items | Year-end balance | Year-beginning balance |
|---|---|---|
| Current asset： | | |
| Monetary fund | 64,285,104.00 | 73,614,204.00 |
| Settlement provision | | |
| Outgoing call loan | | |
| Financial assets measured at fair value with variations accounted into | | |

| | | |
|---|---|---|
| current income account | | |
| Derivative financial assets | | |
| Bill receivable | | |
| Account receivable | 0.00 | 0.00 |
| Prepayments | 18,695.00 | 4,922.00 |
| Insurance receivable | | |
| Reinsurance receivable | | |
| Provisions of Reinsurance contracts receivable | | |
| Interest receivable | 0.00 | 112,685.00 |
| Dividend receivable | | |
| Other account receivable | 147,878.00 | 135,178.00 |
| Repurchasing of financial assets | | |
| Inventories | | |
| Assets held for sales | | |
| Non-current asset due in 1 year | | |
| Other current asset | | |
| Total of current assets | 64,451,677.00 | 73,866,989.00 |
| Non-current assets： | | |
| Loans and payment on other’s behalf disbursed | | |
| Disposable financial asset | 584,707.00 | 584,900.00 |
| Expired investment in possess | | |
| Long-term receivable | | |
| Long term share equity investment | 75,753,592.00 | 75,816,615.00 |
| Property investment | 24,438,734.00 | 25,943,393.00 |
| Fixed assets | 1,145,288.00 | 1,327,230.00 |
| Construction in progress | | |
| Engineering material | | |
| Fixed asset disposal | | |
| Production physical assets | | |
| Gas & petrol | | |
| Intangible assets | 1,760,001.00 | 1,780,154.00 |
| 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 | 108,781,946.00 | 110,551,916.00 |
| Total of assets | 173,233,623.00 | 184,418,905.00 |
| Current liabilities | | |
| Short-term loans | | |
| Loan from Central Bank | | |
| Deposit received and hold for others | | |
| Call loan received | | |
| Financial liabilities measured at fair value with variations accounted into current income account | | |
| Derivative financial liabilities | | |
| Bill payable | | |
| Account payable | 3,189,756.00 | 3,190,199.00 |
| Advance payment | 1,029,656.00 | 1,029,656.00 |
| Selling of repurchased financial assets | | |
| Fees and commissions receivable | | |
| Employees' wage payable | 974,947.00 | 1,020,718.00 |
| Tax payable | 4,221,313.00 | 4,108,302.00 |
| Interest payable | | |
| Dividend payable | 1,215,946.00 | 1,215,946.00 |
| Other account payable | 21,876,466.00 | 31,491,092.00 |
| Reinsurance fee payable | | |
| Insurance contract provision | | |
| Entrusted trading of securities | | |
| Entrusted selling of securities | | |
| Liabilities held for sales | | |
| Non-current liability due in 1 year | | |
| Other current liability | 1,069,249.00 | 2,069,249.00 |
| Total of current liability | 33,577,333.00 | 44,125,162.00 |
| Non-current liabilities： | | |
| Long-term loan | 947,942.00 | 1,009,719.00 |
| Bond payable | | |

| | | |
|---|---|---|
| Including：preferred stock | | |
| Sustainable debt | | |
| Long-term payable | 8,255,609.00 | 8,258,331.00 |
| Long=term payable employees's remuneration | | |
| Special payable | | |
| Expected liabilities | | |
| Differed income | 836,792.00 | 836,792.00 |
| Differed income tax liability | 664,139.00 | 664,358.00 |
| Other non-current liabilities | | |
| Total non-current liabilities | 10,704,482.00 | 10,769,200.00 |
| Total of liability | 44,281,815.00 | 54,894,362.00 |
| Owners' equity | | |
| Share capital | 169,142,356.00 | 169,142,356.00 |
| Other equity instruments | | |
| Including：preferred stock | | |
| Sustainable debt | | |
| Capital reserves | 39,391,650.00 | 39,391,650.00 |
| Less：Shares in stock | | |
| Other comprehensive income | -168,058.00 | -203,899.00 |
| Special reserves | | |
| Surplus reserves | 26,704,791.00 | 26,704,791.00 |
| Common risk provision | | |
| Undistributed profit | -104,376,802.00 | -103,768,226.00 |
| Total of owner's equity belong to the parent company | 130,693,937.00 | 131,266,672.00 |
| Minority shareholders' equity | -1,742,129.00 | -1,742,129.00 |
| Total of owners' equity | 128,951,808.00 | 129,524,543.00 |
| Total of liabilities and owners' equity | 173,233,623.00 | 184,418,905.00 |

Legal representative ：Hu Yongfengn

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

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

2. Balance sheet of Parent Company

In RMB

| Items | Year-end balance | Year-beginning balance |
|---|---|---|
| Current asset： | | |
| Monetary fund | 12,298,636.00 | 23,480,977.00 |
| Financial assets measured at fair value with variations accounted into current income account | | |
| Derivative financial assets | | |
| Bill receivable | | |
| Account receivable | | |
| Prepayments | | |
| Interest receivable | | |
| Dividend receivable | 0.00 | 0.00 |
| Other account receivable | 81,139,522.00 | 81,098,215.00 |
| Inventories | | |
| Assets held for sales | | |
| Non-current asset due in 1 year | | |
| Other current asset | | |
| Total of current assets | 93,438,158.00 | 104,579,192.00 |
| 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 | 7,569,501.00 | 7,738,085.00 |
| Fixed assets | 818,770.00 | 818,770.00 |
| Construction in progress | | |
| Engineering material | | |
| Fixed asset disposal | | |
| Production physical assets | | |
| Gas & petrol | | |
| Intangible assets | 1,760,001.00 | 1,780,153.00 |

| | | |
|---|---|---|
| R & D petrol | | |
| Goodwill | | |
| Long-germ expenses to be amortized | | |
| Differed income tax asset | | |
| Other non-current asset | | |
| Total of non-current assets | 46,937,225.00 | 47,125,961.00 |
| Total of assets | 140,375,383.00 | 151,705,153.00 |
| Current liabilities | | |
| Short-term loans | | |
| Financial liabilities measured at fair value with variations accounted into current income account | | |
| Derivative financial liabilities | | |
| Bill payable | | |
| Account payable | 113,337.00 | 113,337.00 |
| Advance payment | 302,540.00 | 302,540.00 |
| Employees' wage payable | 582,182.00 | 627,181.00 |
| Tax payable | 794,637.00 | 844,600.00 |
| Interest payable | | |
| Dividend payable | | |
| Other account payable | 6,630,984.00 | 16,235,868.00 |
| Liabilities held for sales | | |
| Non-current liability due in 1 year | | |
| Other current liability | 1,069,249.00 | 2,069,247.00 |
| Total of current liability | 9,492,929.00 | 20,192,773.00 |
| Non-current liabilities： | | |
| Long-term loan | | |
| Bond payable | | |
| Including：preferred stock | | |
| Sustainable debt | | |
| Long-term payable | | |
| Employees' wage payable | | |
| Special payable | | |
| Expected liabilities | | |
| Differed income | 836,792.00 | 836,792.00 |

| | | |
|---|---|---|
| Differed income tax liability | 4,180,138.00 | 4,180,138.00 |
| Other non-current liabilities | | |
| Total of Non-current liabilities | 5,016,930.00 | 5,016,930.00 |
| Total of liability | 14,509,859.00 | 25,209,703.00 |
| Owners' equity | | |
| Share capital | 169,142,356.00 | 169,142,356.00 |
| Other equity instrument | | |
| Including：preferred stock | | |
| Sustainable debt | | |
| Capital reserves | 31,606,598.00 | 31,606,598.00 |
| Less：Shares in stock | | |
| Other comprehensive income | -4,358,150.00 | -4,398,234.00 |
| Special reserves | | |
| Surplus reserves | 26,309,287.00 | 26,309,287.00 |
| Undistributed profit | -96,834,567.00 | -96,164,557.00 |
| Total of owners' equity | 125,865,524.00 | 126,495,450.00 |
| Total of liabilities and owners' equity | 140,375,383.00 | 151,705,153.00 |

3.Consolidated Profit statement

In RMB

| Item | Report period | Same period of the previous year |
|---|---|---|
| I. Income from the key business | 5,569,686.00 | 5,077,451.00 |
| Incl：Business income | 5,569,686.00 | 5,077,451.00 |
| Interest income | 0.00 | 0.00 |
| Insurance fee earned | 0.00 | 0.00 |
| Fee and commission received | 0.00 | 0.00 |
| II. Total business cost | 6,128,094.00 | 5,194,360.00 |
| Incl：Business cost | 1,922,683.00 | 1,446,029.00 |
| Interest expense | 0.00 | 0.00 |
| Fee and commission paid | 0.00 | 0.00 |
| Insurance discharge payment | 0.00 | 0.00 |
| Net claim amount paid | 0.00 | 0.00 |
| Insurance policy dividend paid | 0.00 | 0.00 |

| | | |
|---|---|---|
| Insurance policy dividend paid | 0.00 | 0.00 |
| Reinsurance expenses | 0.00 | 0.00 |
| Business tax and surcharge | 308,387.00 | 256,140.00 |
| Sales expense | 0.00 | 0.00 |
| Administrative expense | 4,090,387.00 | 3,550,910.00 |
| Financial expenses | -193,363.00 | -58,719.00 |
| Asset impairment loss | 0.00 | 0.00 |
| Add：Gains from change of fir value（“-”for loss） | 0.00 | 0.00 |
| Investment gain（“-”for loss） | -50,168.00 | 857,157.00 |
| Incl: investment gains from affiliates | 0.00 | 857,157.00 |
| Gains from currency exchange（“-”for loss） | 0.00 | 0.00 |
| III. Operational profit（“-”for loss） | -608,576.00 | 740,248.00 |
| Add ：Non-operational income | 0.00 | 0.00 |
| Including：Income from disposal of non-current assets | 0.00 | 0.00 |
| Less：Non business expenses | 0.00 | 1,918.00 |
| Incl：Loss from disposal of non-current assets | 0.00 | 1,918.00 |
| IV.Total profit(“-”for loss) | -608,576.00 | 738,330.00 |
| Less：Income tax expenses | 0.00 | 0.00 |
| V. Net profit | -608,576.00 | 738,330.00 |
| Net profit attributable to the owners of parent company | -608,576.00 | 738,330.00 |
| Minority shareholders’ equity | 0.00 | 0.00 |
| VI. Other comprehensive income | 35,841.00 | 262,589.00 |
| Net of profit of other comprehensive income attributable to owners of the parent company. | 35,841.00 | 262,589.00 |
| （I）Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period | 0.00 | 0.00 |
| 1.Re-measurement of defined benefit plans of changes in net debt or net assets | 0.00 | 0.00 |
| 2.Other comprehensive income under the | 0.00 | 0.00 |

| | | |
|---|---|---|
| equity method investee can not be reclassified into profit or loss. | | |
| （II）<br>Other comprehensive income that will be reclassified into profit or loss. | 35,841.00 | 262,589.00 |
| 1.Other comprehensive income under the equity method investee can be reclassified into profit or loss. | 0.00 | 0.00 |
| 2.Gains and losses from changes in fair value available for sale financial assets | 0.00 | 15,764.00 |
| 3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets | 0.00 | 0.00 |
| 4.The effective portion of cash flow hedges and losses | 0.00 | 0.00 |
| 5.Translation differences in currency financial statements | 35,841.00 | 246,825.00 |
| 6.Other | 0.00 | 0.00 |
| 7.Net of profit of other comprehensive income attributable to Minority shareholders' equity | 0.00 | 0.00 |
| VII. Total comprehensive income | -572,735.00 | 1,000,919.00 |
| Total comprehensive income attributable to the owner of the parent company | -572,735.00 | 1,000,919.00 |
| Total comprehensive income attributable minority shareholders | 0.00 | 0.00 |
| VIII. Earnings per share | | |
| （I）Basic earnings per share | -0.004 | 0.004 |
| (II)Diluted earnings per share | -0.004 | 0.004 |

The current business combination under common control, the net profits of the combined party before achieved net profit of RMB 0, last period the combined party realized RMB 0.

Legal representative ：Hu Yongfengn

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

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

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

In RMB

| Items | Report period | Same period of the previous year |
|---|---|---|
| I. Income from the key business | 1,917,380.00 | 1,041,445.00 |
| Incl：Business cost | 168,586.00 | 168,586.00 |
| Business tax and surcharge | 149,728.00 | 71,755.00 |
| Sales expense | | |
| Administrative expense | 3,135,693.00 | 2,180,252.00 |
| Financial expenses | -866,617.00 | -861,200.00 |
| Asset impairment loss | | |
| Add：Gains from change of fir value（“-”for loss） | | |
| Investment gain（“-”for loss） | | |
| Incl: investment gains from affiliates | | |
| II. Operational profit（“-”for loss） | -670,010.00 | -517,948.00 |
| Add ：Non-operational income | | |
| Including：Income from disposal of non-current assets | | |
| Less：Non business expenses | | |
| Incl：Loss from disposal of non-current assets | | |
| III.Total profit(“-”for loss) | -670,010.00 | -517,948.00 |
| Less：Income tax expenses | | |
| IV. Net profit（“-”for net loss） | -670,010.00 | -517,948.00 |
| V.Net of profit of other comprehensive income | 40,084.00 | |
| （I）Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period | 40,084.00 | |
| 1.Re-measurement of defined benefit plans of changes in net debt or net assets | | |
| 2.Other comprehensive income under the equity method investee can not be reclassified into profit or loss. | | |
| （ II ） | 0.00 | |

| | | |
|---|---|---|
| Other comprehensive income that will be reclassified into profit or loss. | | |
| 1.Other comprehensive income under the equity method investee can be reclassified into profit or loss. | | |
| 2.Gains and losses from changes in fair value available for sale financial assets | | |
| 3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets | | |
| 4.The effective portion of cash flow hedges and losses | | |
| 5.Translation differences in currency financial statements | | |
| 6.Other | | |
| VI. Total comprehensive income | -629,926.00 | -517,948.00 |
| VII. Earnings per share： | | |
| （I）Basic earnings per share | | |
| (II)Diluted earnings per share | | |

**5.** Cash Flow Statement

In RMB

| Items | Amount in this period | Amount in last period |
|---|---|---|
| I.Cash flows from operating activities | | |
| Cash received from sales of goods or rending of services | 5,569,686.00 | 6,501,169.00 |
| 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 | 1,535,143.00 | 1,117,687.00 |
| Sub-total of cash inflow | 7,104,829.00 | 7,618,856.00 |
| Cash paid for purchasing of merchandise and services | | |
| Net increase of client trade and advance | | |
| Net increase of savings n 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 | 1,156,462.00 | 1,379,093.00 |
| Taxes paid | 1,004,606.00 | 1,094,357.00 |
| Other cash paid for business activities | 4,031,903.00 | 2,437,192.00 |
| Sub-total of cash outflow from business activities | 6,192,971.00 | 4,910,642.00 |
| Cash flow generated by business operation, net | 911,858.00 | 2,708,214.00 |
| 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 | | |
| Net cash received from disposal of subsidiaries or other operational units | | |
| Other investment-related cash received | | |
| Sub-total of cash inflow due to | | |

| | | |
|---|---|---|
| investment activities | | |
| Cash paid for construction of fixed assets, intangible assets and other long-term assets | 62,873.00 | 64,702.00 |
| 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 | 62,873.00 | 64,702.00 |
| Net cash flow generated by investment | -62,873.00 | -64,702.00 |
| 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 |
| 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 |
| Net cash flow generated by financing | | -6,291,275.00 |
| IV. Influence of exchange rate alternation on cash and cash equivalents | -178,085.00 | 393,915.00 |
| V.Net increase of cash and cash equivalents | 670,900.00 | -3,253,848.00 |
| Add: balance of cash and cash equivalents at the beginning of term | 58,614,204.00 | 63,502,910.00 |
| VI ..Balance of cash and cash equivalents at the end of term | 59,285,104.00 | 60,249,062.00 |

**6.** Cash Flow Statement of the Parent Company

In RMB

| Items | Amount in this period | Amount in last period |
|---|---|---|
| I.Cash flows from operating activities | | |
| Cash received from sales of goods or rending of services | 1,917,380.00 | 2,465,163.00 |
| Tax returned | | |
| Other cash received from business operation | 2,058,967.00 | 875,492.00 |
| Sub-total of cash inflow | 3,976,347.00 | 3,340,655.00 |
| Cash paid for purchasing of merchandise and services | | |
| Cash paid to staffs or paid for staffs | 781,594.00 | 804,933.00 |
| Taxes paid | 662,064.00 | 511,942.00 |
| Other cash paid for business activities | 3,715,030.00 | 1,657,744.00 |
| Sub-total of cash outflow from business activities | 5,158,688.00 | 2,974,619.00 |
| Cash flow generated by business operation, net | -1,182,341.00 | 366,036.00 |
| 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 | | |
| Net cash received from disposal of subsidiaries or other operational units | | |
| Other investment-related cash received | | |
| Sub-total of cash inflow due to investment activities | | |
| 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 | | |
| III.Cash flow generated by financing | | |
| Cash received as 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 | | |
| Cash paid as dividend, profit, or interests | | |
| Other cash paid for financing activities | | |
| Sub-total of cash outflow due to financing activities | | |
| Net cash flow generated by financing | | |
| IV. Influence of exchange rate alternation on cash and cash equivalents | | |
| V.Net increase of cash and cash equivalents | -1,182,341.00 | 366,036.00 |
| Add: balance of cash and cash equivalents at the beginning of term | 8,480,977.00 | 10,557,501.00 |
| VI ..Balance of cash and cash equivalents at the end of term | 7,298,636.00 | 10,923,537.00 |

7. Consolidated Statement on Change in Owners' Equity

Amount in this period

In RMB

| Items | Amount in this period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owner's equity Attributable to the Parent Company | | | | | | | | | | | Minor shareholders' equity | Total of owners' equity |
| | Share Capital | Other Equity instrument | | | Capital reserves | Less: Shares in stock | Other Comprehensive Income | Specialized reserve | Surplus reserves | Common risk provision | Attributable profit | | |
| | | preferred stock | Sustainable | Other | | | | | | | | | |

| | | | debt | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I.Balance at the end of last year | 169,142,356.00 | | | | 39,391,650.00 | | | | 26,704,791.00 | | -103,972,125.00 | -1,742,129.00 | 129,524,543.00 |
| Add: Change of accounting policy | | | | | | | | | | | | | |
| Correcting of previous errors | | | | | | | | | | | | | |
| Merger of entities under common control | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| II.Balance at the beginning of current year | 169,142,356.00 | | | | 39,391,650.00 | | | | 26,704,791.00 | | -103,972,125.00 | -1,742,129.00 | 129,524,543.00 |
| III.Changed in the current year | | | | | | | | | | | -572,735.00 | | -572,735.00 |
| （1）Total comprehensive income | | | | | | | | | | | -572,735.00 | | -572,735.00 |
| （II）Investment or decreasing of capital by owners | | | | | | | | | | | | | |
| 1．Ordinary Shares invested by hare holders | | | | | | | | | | | | | |
| 2．Holders of other equity instruments invested capital | | | | | | | | | | | | | |
| 3．Amount of shares paid and accounted as owners' equity | | | | | | | | | | | | | |
| 4．Other | | | | | | | | | | | | | |
| （III）Profit allotment | | | | | | | | | | | | | |
| 1.Providing of surplus reserves | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2.Providing of common risk provisions | | | | | | | | | | | | | |
| 3．Allotment to the owners (or shareholders) | | | | | | | | | | | | | |
| 4．Other | | | | | | | | | | | | | |
| (IV) 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 | | | | 39,391,650.00 | | | | 26,704,791.00 | | -104,544,860.00 | -1,742,129.00 | 128,951,808.00 |

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 | Other Equity instrument | | | Capital reserves | Less: Shares in stock | Other Comprehensive Income | Specialized reserve | Surplus reserves | Common risk provision | Attributable profit | | |
| | | preferred stock | Sustainable | Other | | | | | | | | | |

| | | | debt | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I.Balance at the end of last year | 169,142,356.00 | | | | 39,217,623.00 | | | | 26,704,791.00 | | -108,744,698.00 | -1,738,420.00 | 124,581,652.00 |
| Add: Change of accounting policy | | | | | | | | | | | | | |
| Correcting of previous errors | | | | | | | | | | | | | |
| Merger of entities under common control | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| II.Balance at the beginning of current year | 169,142,356.00 | | | | 39,217,623.00 | | | | 26,704,791.00 | | -108,744,698.00 | -1,738,420.00 | 124,581,652.00 |
| III.Changed in the current year | | | | | 174,027.00 | | | | | | 4,772,573.00 | -3,709.00 | 4,942,891.00 |
| （1）Total comprehensive income | | | | | | | | | | | 4,772,573.00 | -3,709.00 | 4,768,864.00 |
| （II）Investment or decreasing of capital by owners | | | | | | | | | | | | | |
| 1．Ordinary Shares invested by hare holders | | | | | | | | | | | | | |
| 2．Holders of other equity instruments invested capital | | | | | | | | | | | | | |
| 3．Allotment to the owners (or shareholders) | | | | | | | | | | | | | |
| 4．Other | | | | | | | | | | | | | |
| (IV) 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 | | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | | |
| 1. Provided this year | | | | | | | | | | | | | |
| 2．Used this term | | | | | | | | | | | | | |
| （VI）Other | | | | | 174,027.00 | | | | | | | | 174,027.00 |
| IV. Balance at the end of this term | 169,142,356.00 | | | | 39,391,650.00 | | | | 26,704,791.00 | | -103,972,125.00 | -1,742,129.00 | 129,524,543.00 |

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

Amount in this period

In RMB

| Items | Amount in this period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Other Equity instrusment | | | Capital reserves | Less: Shares in stock | Other Comprehensive Income | Surplus reserves | Common risk provision | Attributable profit | Total of owners’ equity |
| | | preferred stock | Sustainable debt | Other | | | | | | | |
| I.Balance at the | 169,142, | | | | 31,606,59 | | | | 26,309,28 | -100,56 | 126,495,4 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| end of last year | 356.00 | | | | 8.00 | | | | 7.00 | 2,791.00 | 50.00 |
| 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 | -100,562,791.00 | 126,495,450.00 |
| III.Changed in the current year | | | | | | | | | | -629,926.00 | -629,926.00 |
| （I）Total comprehensive income | | | | | | | | | | -629,926.00 | -629,926.00 |
| (II) Investment or decreasing of capital by owners | | | | | | | | | | | |
| 1．Ordinary Shares invested by hareholders | | | | | | | | | | | |
| 2．Holders of other equity instruments invested capital | | | | | | | | | | | |
| 3.Amount of shares paid and accounted as owners' equity | | | | | | | | | | | |
| 4．Other | | | | | | | | | | | |
| （III）Profit allotment | | | | | | | | | | | |
| 1.Providing of surplus reserves | | | | | | | | | | | |
| 2．Allotment to the owners (or shareholders) | | | | | | | | | | | |
| 3．Other | | | | | | | | | | | |
| (IV)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 | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | |
| 1. Provided this year | | | | | | | | | | | |
| 2．Used this term | | | | | | | | | | | |
| （VI）Other | | | | | | | | | | | |
| IV. Balance at the end of this term | 169,142,356.00 | | | | 31,606,598.00 | | | | 26,309,287.00 | -101,192,717.00 | 125,865,524.00 |

Amount in last year

In RMB

| Items | Amount in last year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Other Equity instrusment | | | Capital reserves | Less: Shares in stock | Other Comprehensive Income | Surplus reserves | Common risk provision | Attributable profit | Total of owners' equity |
| | | preferred stock | Sustainable debt | Other | | | | | | | |
| I.Balance at the end of last year | 169,142,356.00 | | | | 31,606,598.00 | | | | 26,309,287.00 | -95,898,901.00 | 131,159,340.00 |
| 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 | -95,898,901.00 | 131,159,340.00 |
| III.Changed in the current year | | | | | | | | | | -4,663,890.00 | -4,663,890.00 |
| （I）Total comprehensive income | | | | | | | | | | -4,663,890.00 | -4,663,890.00 |
| (II) Investment or decreasing of capital by owners | | | | | | | | | | | |
| 1．Ordinary Shares invested by hareholders | | | | | | | | | | | |
| 2． Holders of other equity instruments invested capital | | | | | | | | | | | |
| 3.Amount of shares paid and accounted as owners' equity | | | | | | | | | | | |
| 4．Other | | | | | | | | | | | |
| （III）Profit allotment | | | | | | | | | | | |
| 1.Providing of surplus reserves | | | | | | | | | | | |
| 2．Allotment to the owners (or shareholders) | | | | | | | | | | | |
| 3．Other | | | | | | | | | | | |
| (IV)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 | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | |
| 1. Provided this year | | | | | | | | | | | |
| 2．Used this term | | | | | | | | | | | |
| （VI）Other | | | | | | | | | | | |
| IV. Balance at the end of this term | 169,142,356.00 | | | | 31,606,598.00 | | | | 26,309,287.00 | -100,562,791.00 | 126,495,450.00 |

## III.Basic Information of the Company

Shenzhen Victor Onward Textile Industrial Co., Ltd. (hereinafter referred to as "the Company"), grew out of the Xingnan Printing Factory Co., Ltd, founded in 1980, was the first wholly foreign-owned enterprise in Shenzhen. In April 1984, Xingnan Printing Factory Co., Ltd was changed into foreign joint venture, and was renamed Shenzhen Victor Onward Textile Industrial Co., Ltd. . On November 19, 1991, the Company was reorganized into a joint stock limited company and renamed Shenzhen Victor Onward Textile Industrial Co., Ltd. pursuant to the approval of Shenzhen Municipal Government. The Company has got the Registration No. of Legal Entity Business License : 440301501131182.

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.

After years of bonus issue, rights issue, share capital and the issuance of new shares,By June 30, 2015, 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. Registered Capital：RMB 169.1424 million. Registration address and headquarter address are 26 Kuipeng Road, Kuiyong Town, Longgang District, Shenzhen. 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.

The Company has got the Registration No. of Legal Entity Business License : 440301501131182.

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

2.Business scope:

General business ：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.

3.Business nature

The nature of the company's business and main business activities

The Company engages in textile printing & Dyeing industry .

There are four entities included in the current consolidated financial statementsthe, including:

| Name | Type | Level | Shareholding ratio （%） | Percentage of voting rights比例（%） |
|---|---|---|---|---|
| Victor Onward (HK) Co., Ltd | Wholly owned subsidiary | II | 100 | 100 |
| Shenzhen Nanhua Printing & dyeing Co.,Ltd. | Wholly owned subsidiary | II | 69.44 | 69.44 |
| Nanhua Xingye Co., Ltd. | Wholly owned subsidiary | II | 100 | 100 |
| Shenzhen East Asia Victor Onward Printing & dyeing Textile Co., Ltd. | Hoding subsidiary | II | 51 | 51 |

There are four entities included in the current consolidated financial statementsthe, including:

| Name | Type | Level | Shareholding ratio （%） | Percentage of voting rights比例（%） |
|---|---|---|---|---|
| Victor Onward (HK) Co., Ltd | Wholly owned subsidiary | II | 100 | 100 |
| Shenzhen Nanhua Printing & dyeing Co.,Ltd. | Wholly owned subsidiary | II | 69.44 | 69.44 |
| Nanhua Xingye Co., Ltd. | Wholly owned subsidiary | II | 100 | 100 |
| Shenzhen East Asia Victor Onward Printing & dyeing Textile Co., Ltd. | Hoding subsidiary | II | 51 | 51 |

There reduced one entity included in the current consolidated financial statementsthe compared to the previous period,specifically
1. The subsidiary no longer consolidated, special purpose entities, the entity that loss control of the operating right by way of commission and rental of business.

| Name | Reasons of change |
|---|---|
| Shengzhong Enterprise Co., Ltd. | On December 12, 2014, the Registrar of Companies in Hong Kong SAR completed deregistration, has been dissolved. |

For specific information detailed in the entity scope of consolidation change, refer to No. 8-Change in the scope of consolidation."

## IV.Basis for the preparation of financial statements

1.Basis for the preparation

The company is based on continuous operation, according to the actual transactions and events, in accordance with "Accounting Standards for Enterprises - Basic Standards" issued by the Ministry of Finance and specific corporate accounting standards, corporate accounting standards application guide, explained Accounting Standards and other regulations (hereinafter referred to as "Enterprise Acc ounting Standards") are recognized and used to measure, on this basis, combined with China Securities Regulatory Commission, "pu blic offering of securities of the Company disclosure Rule No. 15 - financial Reporting general Provisions" (2014 revised) , the finan cial report was based on it.

**2.** Continuous operation.

The Company since 12 months after the reporting period does not exist on the company's continued viability of significant concern e vents or circumstances.

## V. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates tips:

1. 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.

2.Fiscal Year

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

3.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.

4.The accounting solution of business combinations under the same and different 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:

1.These deals are simultaneously entered into effect or under the consideration of mutual influence;

1. These transactions must be as a whole to achieve a complete business performance;
2. The occurrence of one deal is depended on that of other transactions;
3. Single transaction maybe is uneconomical, but it is economical when it is considered together with other transactions.

（2）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.

If there exists contingent consideration and estimated liabilities or assets are needed to confirm, the capital reserves (capital premium or stock premium) shall be adjusted for the difference between the amount of the estimated liabilities or assets and the settlement amount of subsequent contingent consideration, or the retained earnings shall be adjusted when the capital reserves are insufficient.

For the business combination ultimately realized through multiple transactions and the package deal, all the transactions will be conducted the accounting treatment as the deal with acquisition of control. For the non-package deal, the capital reserves shall be adjusted for the difference between the initial investment cost of long-term equity investment and the sum of the book value of long-term equity investment before merging and that of new consideration payment obtained on the merger date, or the retained earnings shall be adjusted if the capital reserves are insufficient to offset. As for the equity investment held before the merger date, the accounting treatment will not be conducted temporarily for other comprehensive income accounted and confirmed by equity method, financial ways and measurement criteria until there is the same basis to directly dispose the relevant assets or liabilities by the invested party in disposal of the investment. Also, the accounting treatment will not be done temporarily for other changes in owner equity of the net assets accounted and confirmed with the equity method from the invested party except for the net profit or loss, other compressive income and the profits distribution until the profits and losses of the current period are transferred in disposal of the investment.

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. For the transaction expenses directly related to the merger consideration by the issued equity instruments, the capital reserves shall be offset, the surplus reserves and the undistributed profits will be successively offset if the capital reserves are not sufficient. At the same time, the transaction expenses will be included into the initially recognized amount of the debt instruments.

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 assets and liabilities acquired in the business combination by the merger party should be measured as per the book value of consolidated financial statement of the ultimate control party for the owner equity of the merged party on the merger date.

For the business combination ultimately realized through multiple transactions and the package deal, all the transactions will be conducted the accounting treatment as the deal with acquisition of control. For the non-package deal, the long-term equity investment held by the merger party before merging will change if the relevant profit and loss, other comprehensive income and other owner equity are confirmed between the ultimate control date and the merger date for the merger party and the merged party on the acquirement date, and shall respectively offset the initial retained incomes or the profits and losses of the current period during the comparative statement.

If there is different for the accounting policy adopted by the merged parties and the company, the company shall make adjustment according to its accounting policy at the merger date. On this basis, the company will recognize as per the provisions of Accounting Standards for Business Enterprises.

(3). 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:

For the non-package deal, the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

(1) For the individual financial statements and the equity investment held before the merger date and accounted by the equity method, the sum of the book value of equity investment from the purchased party held before the purchase date and the new investment cost at the purchase date shall be as the initial investment cost of the investment.

As for the equity investment held before the merger date and confirmed and accounted by the financial ways and measurement criteria, the sum of the fair value of equity investment and the new investment cost at the merger date shall be as the initial investment cost at the merger date. The difference between the original fair value of equity and the book value and the variation in the accumulative fair value originally included into other comprehensive incomes shall recorded into the current investment incomes at the merger date.

（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.

## 5.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.

## 6.Joint venture arrangements classification and Co-operation accounting treatment

1. Joint venture arrangements classification

Under the terms of the structure of the company, the legal form of the joint venture arrangements agreed in the joint venture arrangements, other factors such as the relevant facts and circumstances, the joint venture arrangements include co-operation and joint ventures.

The joint venture arrangement unreached by individual entity is divided into common business; joint venture arrangement reached by individual entity usually classified as a joint venture; but there is conclusive evidence that any of the following conditions are satisfied and the division of joint venture arrangements in line with the relevant laws and regulations for the common business:

（1）The legal form of a joint venture arrangement shows that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.

（2）Contractual terms of the JV agreement arrangements agrees that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.

（3）Other relevant facts and circumstances indicate that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.
If joint venture parties enjoy almost all outputs associated with the joint venture arrangements, and the settle of the liability arrangement continued reliance on joint venture the joint venture party support.

2.The joint operation on Accounting treatment
The Company confirms that the following items share a common interest in the business associated with the Company, and audit in accordance with the provisions of the relevant enterprise accounting standards:

（1）Confirm individual assets and common assets held based on shareholdings;
（2）Confirm individual liabilities and shared liabilities held based on shareholdings;
（3）Confirm the income from the sales revenue of co-operate business output
（4）Confirm the income from the sales of the co-operate business output based on shareholdings;
（5）Confirm the individual expenditure and co-operate business cost based on shareholdings.

The company co-operates to invest or sell assets (excluding the assets constituting the business), before sold to third party, only confirm the part of transaction gains and losses that attributable to other participants. Assets sold in accordance with "Enterprise Accounting Standards No. 8 Impairment of Assets" and other provisions, the Company confirmed all the loss.

The company co-operates to purchase assets (excluding the assets constituting the business), before sold to third party, only confirm the part of transaction gains and losses that attributable to other participants. Assets acquired in accordance with "Enterprise Accounting Standards No. 8 Impairment of Assets" and other provisions, the Company confirmed that part of loss based on shareholdings.

The Company is not entitled to jointly controlled, if the Company co-operate the relevant assets and bear related liabilities, need accounting treatment based upon the above principles.

Otherwise, should be accounted in accordance with the relevant provisions of accounting standards.

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 shot exchange rate on the transaction date is adopted as the translation exchange rate to convert to RMB for bookkeeping when the foreign currency transaction is initially recognized.

On the balance sheet date, the monetary items of foreign currency are translated as per the shot exchange rate on the balance sheet date, the foreign exchange conversion gap arising from which, except for the balance of exchange arising from special foreign currency borrowings for the purchase and construction of qualified assets subject to the principle of borrowing costs, shall be recorded into the profits and losses of the current period. The non-monetary items of foreign currency measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

The non-monetary items of foreign currency measured at the fair value shall be translated at the spot exchange rate on the fair value recognized date, the foreign exchange conversion gap arising from which shall be as the variation in the fair value to be recorded into the profits and losses of the current period. The balance of exchange arising from the non-monetary items of a sellable cash shall be recorded into other comprehensive incomes.

（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 financial assets or financial liabilities which are measured at their fair values and of which the variation is recorded into the current profits and losses, include transactional financial assets or liabilities and the directly designated financial assets or liabilities which are measured at their fair values and of which the variation included in the current profits and losses.

The transactional financial assets or liabilities refer to the financial assets or liabilities meeting any of the following requirements:

1) The purpose to acquire the financial assets or liabilities is for selling, repurchase or repo of them in the short-term.

2) Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the company may manage the combination by way of short-term profit making in the near feature.

3) Being a derivative financial instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments belong to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be reliably measured, and

which shall be settled by the delivery of the equity instruments.

Only the financial assets or liabilities meeting any of the following requirements can be designated when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is recorded into the current profits and losses:

1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

2) The official written documents on risk management or investment strategies have recorded that the combination of the financial assets, the combination of the financial liabilities, or the combination of the financial assets and liabilities will be managed and evaluated on the basis of the fair value and reported to the key management personnel.

3) The mixed instrument including one item or multiple items of the embedded derivative instrument, unless the embedded derivative instrument has not significant change of the cash flow of the mixed instrument or shall not obviously be separated from the relevant mixed instrument.

4) The mixed instrument which includes the embedded derivative instrument which should be separated but can’t be made an independent measurement when obtaining or subsequently on the balance sheet date.

The company recognizes the financial assets or financial liabilities which are measured at their fair values and of which the variation are recorded into the current profits and losses, as the initially recognized amount as per the fair value (deducting the cash dividends declared but not issued yet or the bond interest matured but not withdrawn yet) when acquiring, and the relevant transaction costs are recorded into the current profits and losses. At the same time, the acquired interests or cash dividends are recognized as the investment incomes during the holding period, and the changes in the fair value are recorded into the current profits or losses at the end of period. When disposing, the balance of the fair value and the initial bookkeeping amount is recognized as the investment income, and the profits or losses of the variation of the fair value should be adjusted.

(2) The account receivables

The loan receivables arising from the goods for sale or the services provided by the company, the loans of other enterprises including the receivables held by the company excluding the liability instrument with quotation in the active market, and the contract received with the purchaser or the agreed price should be as the initially recognized amount. The financing receivables will be recognized initially as per the current value.

When drawing back or disposing, the difference of the acquired price and the book value of the account receivables shall be recorded into the current profits or losses.

(3) The investments of held-to-maturity

The held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and the company holds for a definite purpose or is able to hold until its maturity.

The company regards the held-to-maturity investment as the initially recognized amount as per the sum of the fair value (deducting the bond interest matured but not withdrawn yet) and the relevant transaction costs when acquiring. The interest income shall be recognized and recorded into the investment returns measured on the basis of the post-amortization costs and the actual interest rate during the holding period. The actual interest rate is confirmed when acquiring and remains unchanged within the predicted term of existence or within a shorter applicable term. When disposing, the balance of the acquired price and the book value of the investment shall be recorded into the investment returns.

If the amount of the held-to-maturity investment disposed or re-classified as other financial assets is more than that of the sold or re-classified held by the company, the surplus of such investment shall be immediately re-classified as a sellable financial asset after disposed or re-classified. At the re-classification day, the balance between the book value of investment and its fair value shall be computed into other comprehensive incomes, and when the sellable financial asset is impaired or transferred out when it is terminated from recognizing, it shall be recorded into the profits and losses of the current period, with the exception of the following:

1) The date of sale or re-classification is quite near to the maturity date or the repo date of the investment (e.g., with 3 months prior to maturity) that any change of the market interest rate will produce little impact upon the fair value of the investment.

2) The company has drawn back all the initial principal of the investment by way of repayment according to the provisions of the contract.

3) The sale or re-classification is caused by any independent event that the company cannot control, predicted not to occur again and is hard to be reasonably predicted.

(4) The financial assets available for sale

The sellable financial assets refer to the non-derivative financial assets which are designated as sellable when they are initially recognized as well as the financial assets other than other financial assets class.

The company regards the sellable financial assets as the initially recognized amount as per the sum of the fair value (deducting the cash dividends declared but not issued yet or the bond interest matured but not withdrawn yet) and the relevant transaction costs when acquiring. The acquired interest or cash dividends shall be recognized as the investment returns during the holding period. The gains or losses arising from the change in the fair value of a sellable financial asset, with the exception of the impairment losses and the gap arising from foreign exchange conversion of financial cash assets in any foreign currency, shall be directly included in other comprehensive incomes. When the disposal of the sellable financial assets, the balance between the acquired price and the book value of the financial assets shall be recorded into the profits and losses of the investment. Meanwhile, the accumulative amount relevant to the disposed amount arising from the change in the fair value of other comprehensive incomes which are directly included shall be transferred out and recorded into the profits and losses of the investment.

The equity instrument investment which has no quotation in the active market and whose fair value cannot be reliably measured, and the derivative financial assets which are connected with the equity instrument and required to settle by the delivery of the equity instrument shall be measured by costs.

(5) Other financial liabilities

The originally recognized amount shall be regarded as per the sum of fair value and the relevant transaction costs, and the subsequent measurement will be made by adopting the post-amortization 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.

(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.

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 assts, 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;

②All 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 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. The “cost” mentioned above shall be recognized on the basis of the balance of the obtained principals and the amortized amount deducted from the initially obtained costs of the sellable equity instrument investment and the impairment losses originally recorded into the profits and losses. The “fair value” is recognized based on the closing price of stock exchange at the end of period unless there exists the restricted period for the sellable equity instrument investment. The sellable equity instrument investment which shall be recognized according to the compensation amount, which required in the risks due to the equity instrument unable to be sold in the open market undertaken by the market participant during the specified period, deducted from the closing price of stock exchange at the end of period.

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.

(7)Offset of financial asset and financial liability

The financial assets and financial liabilities are respectively shown in the balance sheet and no offset each other. However, the net amount after offset will be displayed in the balance sheet if the following requirements are simultaneously met:

(1) The company has the legal rights to offset the recognized amount, and the legal rights are performable at present.

(2) The company plans to settle with net amount or simultaneously sell off the financial assets and pay off the financial liabilities.

10. Accounts receivable

（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 | Exceeding RMB 1 million (Including) |
| Provision method with material specific amount and provision of | Conduct the devalue test separately. Set up the bad debt reserve |

| | |
|---|---|
| specific bad debt preparation | 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 credit risk Group

| Name | Method for recognition of impairment allowances |
|---|---|
| Group of account age | The age analysis |
| Group of Related party | Other |
| Deposit group | Other |

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% |

Accounts on percentage basis in group：

□ applicable √not applicable

Accounts on other basis in group：

√applicable□ not applicable

| Age | Rate for receivables(%) | Rate for other receivables(%) |
|---|---|---|
| Group of Related party | 0.00% | 0.00% |
| Deposit group | 0.00% | 0.00% |

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

| | |
|---|---|
| Reason of specific bad debt preparation provision： | There is objective evidence that the Company will be unable to r ecover the money under the original terms of receivables. |
| Provision method of bad debt preparation | According to accounts receivable present value to estimated futur e cash flows lower than its book value. Make provision of the bal ance. |

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, Including raw materials, working materials, processing materials, products, homemade semi-finished products (finished goods), issue d commodities.

（2）Pricing method of stock delivered

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. Stock delivered is measured according to weighted average method.

（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

**(1)** Consumption goods with low value: Consumption goods with low value adopt one time amortization method when used.

Packing:

(2)Wrap page: Wrap page adopts one time amortization when used.

（3）Other turnover material adopts one time amortization when used.

12. Classified as the assets held for sale

1. Recognition criteria for the classification of the assets held for sale

The company will recognize the combination parts of the enterprise (or non-current assets) which simultaneously meet the following requirements, as the components of the assets held for sale.

(1) The components should be immediately sold under the current condition only according to the usual terms of the parts sold.

(2) The enterprise has made resolution for the disposal of the components, the approval of shareholders' meeting or relevant authority agency if the shareholder's approval is requested by the rules.

(3) The enterprise has signed the irrevocable transfer agreement with the transferee.

(4) The transfer shall be completed within one year.

2. Accounting method for the classification of the assets held for sale

For the fixed assets held for sale, the company shall adjust the estimated net residual value of the fixed assets in order to make it reflecting the amount after the disposal costs deducted from the fair value, which doesn't exceed the original book value of the fixed assets when the condition of holding for sale is met. The impairment losses of the assets shall be regarded and recorded into the current profits and losses if the original book value is more than the balance of the estimated net residual value after adjusting. The fixed assets held for sale which not withdraw the depreciation or amortization shall be measured according to the lesser one between the balances of the book value or the fair value minus the disposal costs respectively.

The equity investment, intangible assets and other non-current assets held for sale shall be handled as per above mentioned principles, but excluding the deferred income tax assets, the financial assets regulated in "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments", the investment property and the biological assets measured by the fair value, and the contractual right issued in the insurance contract.

13.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 IV / (V). While, the long term equity investment acquired through liability reorganization is booked on the basis of fair value.

(2) The long-term equity investments acquired by other ways

For the long-term equity investment acquired by the cash payment method, the purchase price of actual payment as the initial investment cost, which includes costs, taxes and other necessary expenses directly relevant to the long-term equity investment acquired.

For the long-term equity investment acquired by the issuance of the equity securities, the fair value of the issuance of the equity securities as the initial investment cost. The transaction costs occurred in the issuance or acquirement of own equity instruments can be deducted from the equity for those that can be directly included in the equity transactions.

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

（1）Cost method

The company can adopt the cost method to account the long-term equity investment controlled by the invested party and follow the initial investment cost to calculate the price and add or take back the investment and adjust the costs of long-term equity investment.

Except for the price of actual payment in acquiring investment or the cash dividends or profits declared but not issued yet included in the consideration, the company shall recognize the cash dividends or profits delivered by the invested party as the current investment returns.

(2) The equity method

The company shall adopt the equity method to account the long-term equity investment of the joint ventures and the cooperative enterprises, and use the measurement of the fair value and record the changes into the profits and losses for the parts of the equity investment of the joint ventures indirectly held by risk investment agency, mutual fund, trust company or other similar bodies including the investment-link-insurance funds.

For the initial investment cost of the long-term equity investment is more than the balance of the shares of the fair value of the identifiable net assets from the invested party in investment, the initial investment cost of the long-term equity investment shouldn't be adjusted. If less, recorded into the current profits and losses.

The investment returns and other comprehensive incomes will be respectively recognized as per the shares of the net profits and losses and other comprehensive returns realized by those shared and undertaken invested parties after the company acquires the long-term equity investment, and the book value of long-term equity investment shall be adjusted simultaneously. Also, the shared parts shall be calculated according to the profits and cash dividends delivered by the invested party, and the book value of long-term equity investment shall be reduced correspondingly. For other changes in owner's equity of the invested parity except for net profits and losses, other comprehensive returns and profits distribution, the book value of long-term equity investment shall be adjusted and the owner's equity should be recorded into.

The shared portions of the net profits and losses of the invested party shall be recognized by the company after the net profits of the invested party are adjusted based on the fair value of the identifiable assets from the invested party when acquiring the investment. Also, the profits and losses of investment are recognized on the basis of the offset of the shared proportion for the internal transaction profits and losses issued but not realized yet between the company and the joint venture and the cooperation enterprises.

The following steps should be taken when the company confirms to share the losses of the invested party: First, offset the book value of the long-term equity investment. Then, offset the book value of the long-term receivables after recognize the investment losses based on the book value of long-term equity of the net investment from the invested party if the book value of the long-term equity investment is insufficient to offset. Last, recognize the estimated loads as per the estimated liability undertaken and record into the current investment losses if additional liability is still needed to undertake based on the provisions of investment contract or agreement after above-mentioned steps.

For the profits realized by the invested party during the future period, the company shall handle based on the opposite steps after deducting the unconfirmed losses undertaken, and resume the recognized investment returns after reduce the confirmed book balance of estimated liabilities and resume other book values of long-term rights and investments of the net investment from the invested party.

3. Transformation of accounting method for the long-term equity investment

(1) The fair value measurement transformed to the equity method

For the equity investments originally held by the company and having non-control, joint control or major impact on the invested party through the accounting treatment as per the confirmation of financial instrument and the measurement criterion, which can have significant impact or haven't control on the invested party due to the additional investment, the sum of the fair value of the equity investment originally held and the new investment costs based on the recognition of "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments" shall be regarded as the initial investment costs accounted by the equity method.

If the equity investment held originally can be classified as the financial assets for sale, the difference between the fair value and the book value, and the variation in the accumulative fair value of other comprehensive returns recorded originally will be transferred into the current profits and losses accounted by the equity method.

If the initial investment costs accounted by the equity method is less than the difference between the portions of the fair value of the identifiable net assets shared from the invested party on the additional investment date calculated and recognized as per the new shareholding proportion after the additional investment, the book value of long-term equity investment should be adjusted and which shall be recorded into the current nonbusiness incomes.

(2) The fair value measurement or the equity method transformed to the cost method

For the equity investments originally held by the company and having non-control, joint control or major impact on the invested party through the accounting treatment as per the confirmation of financial instrument and the measurement criterion, or the long-term equity investments in the joint ventures and the cooperative enterprises held originally, which can have control on the invested party under non-common control due to the additional investment, the sum of the book value of the equity investment originally held and the new investment costs in preparation of individual financial statement shall be regarded as the initial investment costs accounted by the cost method.

Other comprehensive returns accounted and recognized for the equity investment held prior to the purchase date by adopting the equity method, should be conducted the accounting treatment according to the same basis of relevant assets or liabilities directly disposed by the invested party.

If the equity investment held before the purchase date is conducted the accounting treatment according to the relevant provisions of "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments", the variation in the accumulative fair value of other comprehensive returns recorded originally shall be transferred to the current profits and losses accounted by the cost method.

(3) The equity method transformed to the fair value measurement

If the company loses the joint control or major impact on the invested party due to disposal of part of equity investments, the remaining equity after disposed should be accounted according to "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments", and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of joint control or major impact lost.

Other comprehensive returns accounted and recognized for the original equity investment by adopting the equity method, should be conducted the accounting treatment according to the same basis of relevant assets or liabilities directly disposed by the invested party when stop to account by the equity method.

(4).The cost method transforming to the equity method

If the company loses the control of the invested party due to disposal of part of equity investments, and the remaining equity after disposed can have joint control or major impact on the invested party in preparation of individual financial statement, the equity method shall be adopted to conduct accounting and the remaining equity shall be regarded to use the equity method to account and adjust when acquiring.

(5) The cost method transforming to the fair value measurement

If the company loses the control of the invested party due to disposal of part of equity investments, and the remaining equity after disposed can't have joint control or major impact on the invested party in preparation of individual financial statement, the relevant provisions of "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments" should be followed to conduct the accounting treatment, and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of control lost.

4. Disposal of the long-term equity investment

The difference between the book value and the price acquired actually in disposal of the long-term equity investment should be recorded into the current profits and losses. The long-term equity investment accounted by the equity method shall be conducted the accounting treatment of part of other original comprehensive returns as per the corresponding proportion on the same basis of the relevant assets or liabilities directly disposed by the invested party when the disposal of the investment.

If the following one or multiply requirements are met for all transaction terms, conditions and economic impact in disposal of the equity investment of subsidiary, the multiply transactions will be regarded as the package deal to conduct the accounting treatment:

(1) These transactions are signed simultaneously or after the consideration of the influence each other.

(2) These transactions should be as a whole to achieve a complete business result.

(3) One transaction occurs depending on the issuance of at least other one transaction.

(4) It is uneconomic for one transaction, but economic with other transactions.

For the control on the original subsidiary lost due to disposal of part of the equity investment or other reasons and the non-package deal, the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

(1) In the individual financial statement, the difference between the book value and the price acquired actually in disposal of the equity shall be recorded into the current profits and losses. If the remaining equity after disposed can have joint control or major impact on the invested party, the equity method shall be adopted to conduct accounting and the remaining equity shall be regarded to use the equity method to account and adjust when acquiring. If the remaining equity after disposed can’t have joint control or major impact on the invested party, the relevant provisions of “Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments” should be followed to conduct the accounting treatment, and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of control lost.

(2) In the consolidated financial statements, for all the transactions before the control on subsidiary lost, and the balance between the disposal price and the long-term equity investment respectively minus the net assets from the purchase date or the combination date of subsidiary, the capital reserves (stock premium) shall be adjusted, or the retained earnings shall be adjusted when the capital reserves are insufficient. When the control on the subsidiary lost, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the surplus equity minus the net assets portion of the original subsidiary calculated from the purchase date a per the original stock proportion shall be recorded into the current investment income after the control lost and offset the business reputation. Other comprehensive returns relevant to the original subsidiary shares investment shall be transferred into the current investment returns when the control lost.

For the package deal for all the transactions in disposal of the equity investment till the control lost, all the transactions will be conducted the accounting treatment as a deal to dispose and the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

(1) In the individual financial statement, all the differences between the book value of the long-term equity investment of the prices disposed and the equity disposed before the control lost shall be recognized as other comprehensive incomes and recorded into the current profits and losses in the control lost.

(2) In consolidated financial statement, all the differences between the net assets portions of subsidiary of the prices disposed and the investment disposed before the control lost shall be recognized as other comprehensive incomes and recorded into the current profits and losses in the control lost.

5. Criteria of the judgment of joint control and significant impact

If the company controls an arrangement together with other parties according to the relevant agreement, the activity decision-making with significant impact for the arrangement should be achieved after the unanimous agreement gained from the control parties, which is regarded as the joint control of one arrangement with other parties and the arrangement is belong to the cooperative arrangement.

The cooperative arrangement achieved by the independent body which should be as the cooperative enterprises and the equity method shall be adopted to account according to the relevant agreement to judge when the company has rights to the net assets of the independent body. If hasn’t rights, the independent body shall be as the joint operation, the company shall recognize the items related to the benefit portions of joint operation and the accounting treatment should be conducted according to the relevant provisions of accounting standards for enterprises.

The significant impact refers to the investor has rights to participate in decision-making for the finance and operation policy of the invested party, but can’t control or jointly control the setup of these policies with other parties. The company has made judgment of significant impact on the invested party through the following one or multiply conditions and under comprehensive consideration of all facts and status.

(1) There are representatives in the board of Directors or equivalent authorities of the invested party.

(2) Participate in the setup process of finance and operation policies of the invested party.

(3) There is major transactions occurred among the invested parties.

(4) Dispatch the management to the invested party.

(5) Offer the key technical data to the invested party.

14. Investment real estate

The measurement mode of investment property

The measurement by the cost method

Depreciation or amortization method

The term "Investment real estates" refers to the real estates held for generating rentand/orcapital 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.

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.

Basis of the fair value measurement chosen

15.Fixed assets

（1）Confirmation conditions

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.

The fixed assets of the company shall be initially measured by costs. Of which, the fixed assets costs purchased include purchase price, import duties, other relevant taxes and other expenses that make the fixed assets can be used. The costs of self-constructed fixed assets are the expenses arisen from the construction of the assets reaching the expected use status. The fixed assets invested by the investors shall be recorded into the accounting value according to the value agreed in the investment contract or agreement, but the unfair value agreed in the contract or agreement shall be bookkept as per the fair value. If the price for purchase of the fixed assets is beyond the usual credit term and delay in payment, and there actually is financial, the cost of fixed assets shall be recognized based on the present value of purchase price. The difference between the price paid actually and the present value of purchase price shall be recorded into the current profits and losses within the credit period except for the capitalization granted.

（2）Depreciation method

| Type | Depreciation method | Evpected useful life（Year） | Estinated residual value rate | Annual depreciation rate（%） |
|---|---|---|---|---|
| Real estate in Hongkong | Straight-line method | 20-50 | 0% | 2%-5% |
| Real estate in China | Straight-line method | 20-30 | 10% | 3%-4.5% |
| Machinery and equipment | Straight-line method | 5-14 | 10% | 6%-18% |
| Transportation equipment | Straight-line method | 4-5 | 10% | 18%-22.5% |
| Office equipment and other | Straight-line method | 5 | 10% | 18% |

1) The depreciation of the fixed assets

The fixed assets depreciation should be withdrawn within the expected service life according to the recorded value minus the estimated net residual value. For the fixed assets after the impairment provision withdrawn, the amount of depreciation shall be recognized according to the book value after the impairment provision deducted and the usable service life in the future.

The company determines the service life and the estimated net residual value of the fixed assets according to the nature and use of the fixed assets, reviews the service life, the estimated net residual value and depreciation method of the fixed assets at the end of the year, and makes the corresponding adjustment if it is different to the original estimated value.

2) The subsequent expenditure of the fixed assets

The subsequent expenditure relevant to the fixed assets shall be recorded into the costs of the fixed assets if the recognition requirements of the fixed assets are met. If not met, recorded into the current profits and losses when occurring.

3) The disposal of the fixed assets

The fixed assets shall be derecognized when the assets are disposed and can be used or there is no economic benefit from the disposal. The amount of the book value and the relevant taxes deducted from the disposal incomes of the fixed assets sold, transferred, scraped or damaged.

（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.

**16.**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.

17.Loan 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.

18..Intangible assets

(1) Valuation method, service life and impairment test

The intangible assets refer to the identifiable non-monetary assets without physical substance owned or controlled by the company, including software, land use rights, etc.

**1.** The initial measurement

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 othe direct costs that occur before the intangible assets meeting the predetermined objective.

（2）Subsequent measurement

The Company acquired intangible assets at the time of analysis to determine its life, is divided into a finite useful life and intangible a ssets with indefinite useful life.

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) Accounting policy of expenditure for internal research and development

1. The specific standards of the classification of research and development stages of internal R&D projects of the company

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

Development stage: the stage that the research achievement or other knowledge are applied in some plans or designs for the production of newly or substantially improved materials, devices, products and other activities before the commercial production or usage.

The expenditure of internal research and development projects in the research stage shall be recorded into the current profits and losses when occurring.

2. The special standards of the conformation of capitalization for the expenditure in development stage

The expenditures of internal research and development projects in the development stage shall be recognized as the intangible assets when the following requirements are simultaneously met:

(1) Complete the intangible assets to make it usable or for sale and have the technical feasibility.

(2) Have the intention to complete the intangible assets for using or sales.

(3) The mode for the economic interest produced by the intangible assets includes the evidence of there being the market for the products produced by the intangible assets or for the intangible assets by self, and the usefulness for the assets used internal.

(4) There are sufficient technical, financial resources and other resources for support to complete the development of the intangible assets and there is ability to use or sell the intangible assets.

(5) The expenditure belong to the intangible assets in the development stage can be reliably measured.

The expenditure in the development stage but above-mentioned requirements not met, shall be recorded into the current profits and losses when occurring. The development expenses recorded into the profits and losses during previous period shall not be recognized again in the future period. The capitalized expenses in the development stage are shown as the development costs on the balance sheet, and shall be transferred to the intangible assets from the date that the project reaching to the intended use.

19. Impairment of the long-term assets

The company makes judgment of the long-term assets if there exists the possible impairment at the balance sheet date. If there is the impairment for the long-term assets, the recoverable amount can be estimated based on the individual asset. If it is difficult to estimate the recoverable amount of the individual asset, the recoverable amount of asset group shall be recognized on the basis of the asset group which the asset is belong to.

The estimation of the recoverable amount of assets should be recognized according to the higher one between the net amount of the fair value minus the disposal costs and the present value of the cash flow of assets expected in the future.

The measurement results of the recoverable amount show that the book value of long-term assets shall be reduced to the recoverable amount and the reduced amount shall be recognized as the impairment loss of assets and recorded into the current profits and losses, and the impairment provisions of the relevant assets are withdrawn if the recoverable amount of the long-term assets is less than the book value. The impairment loss of assets after recognized shouldn't be reversed in the future accounting period.

After the recognition of the assets impairment loss, the depreciation or amortization costs of the impairment assets should be made adjustment accordingly in the future period in order to make the assets to systematically amortize the book value of the assets after adjusted within the remaining service life (the estimated residual value deducted).

The intangible assets with indefinite goodwill and service life due to the combination of enterprise, shall be conducted the impairment test every year regardless of the impairment.

The impairment test shall be conducted for the goodwill combining with the relevant asset group or the asset group combination. When the relevant asset group or the asset group combination including the goodwill are conducted the impairment test, the impairment test should be firstly conducted for the asset group without the goodwill or the asset group combination, the recoverable amount shall be calculated and the corresponding impairment loss shall be recognized by comparison with the relevant book value if there exists the impairment for the asset group relevant to the goodwill or the asset group combination. Then the impairment test should be conducted for the asset group with the goodwill or the asset group combination, the impairment loss of the goodwill shall be recognized if the recoverable amount of the relevant asset group or the asset group combination is less than the book value by comparison of the book value of these relevant asset group or the asset group combination (including the book value of the goodwill amortized) with the recoverable amount.

20.Long-term amortizable expenses

The long-term unamortized expense refers to all the expenses that occurred and undertaken in the current period or with the amortization limit of more than 1 year for the company. The long-term unamortized expense shall be amortized within the benefit period according to the direct method.

21. Remuneration

(1) Accounting methods for short-term compensation

Remuneration refers to all kinds of rewards or compensation that the Company gives to get in return for the services its employees provide or employment termination. It includes short-term compensation, post-employment benefits, demission benefits and other long-term employee benefits.

Short-term compensation refers to employees' payroll that need be paid within the following twelve months after the financial year services are provided, excluding the post-employment and demission benefits. During the accounting year the employees provide their services, payroll payable is recognized as liabilities and counted in the costs and expenses of the assets benefiting from employees' services.

(2) Accounting methods for post-employment benefits

Post-employment benefits refer to the compensation and benefits that the Company gives to get in return for employees' services for their retirement or employment termination, excluding short-term compensation and demission benefits. It falls into two categories, defined contribution plans and defined benefit plans.

Defined contribution plans are mainly the schemes of pension, unemployment insurance etc. organized and implemented by local

labor and social securities authorities. During the accounting period employees provide their services, payable amounts are calculated according to the plans and recognized as liabilities and counted in current profit and loss or costs of related assets.
The Company does not have other obligations than paying off the above benefits during specified periods.

(3) Accounting methods for demission benefits

The Company offers compensation to terminate employment with its employees before it expires or encourage them to accept lay-off. Such compensation is demission benefits and counted in current profit and loss.

(4) Accounting methods for other long-term employee benefits

It is all other employee benefits excluding short-term compensation, post-employment benefits and demission benefits.

22..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.
It can be recognized separately as assets when estimated liabilities are paid by the Company but can be fully or partly compensated by a third party and the compensation mostly sure can be received, which does not exceed the book value of estimated liabilities.

23. Share-based compensation

1. Share-based compensation types

Share-based compensation divides into equity settlement and cash settlement.

2. Determining methods for fair value of equity instruments

The fair value of equity instruments such as options granted and existing in the active market can be determined by reference to the quotations in the active market. Otherwise, it is determined by option pricing model, which should take into account the following factors: (1) exercise prices of options; (2) validity of options; (3) current prices of underlying shares; (4) estimated volatility of share prices; (5) estimated dividends; (6) risk-free interest rate of options within validity.
When determining the equity instruments fair value of the granted date, the Company considers the impact of the market conditions and non-vesting conditions as specified in Share-based compensation agreements. If there are non-vesting conditions and employees or any other parties satisfy all non-market vesting conditions (for example, service period), Share-based compensation can be

recognized as costs and expenses for received services.

3. Basis of best exercisable equity instruments estimate

Every balance sheet day during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

4. Accounting treatment for implementation, amendment and termination of Share-based compensation

Share-based compensation by equity settlement is calculated according to the fair value of granted equity instruments. The Company can count it in costs and expenses by reference to the fair value of the granted date and increase capital reserve accordingly if it can be exercised immediately after being granted. If it cannot be exercised till services or performance meets the conditions during the vesting period, then on every balance sheet date during the vesting period, received services can be counted in related costs or expenses and capital reserve by reference to best estimates of exercisable equity instruments quantity and its fair value of the granted date. No adjustments will be made on already recognized costs or expenses and ownership equity after vesting dates.

For share-based compensation by cash settlement, the fair value is measured by reference to that of the liabilities determined based the shares or other equity instruments the Company undertakes. The Company can count it as costs and expenses by reference to the fair value of the granted date and increase liabilities accordingly if it can be exercised immediately after being granted. If it cannot be exercised till services or performance meets the conditions during the vesting period, then on every balance sheet date during the vesting period, received services can be counted in related costs or expenses and liabilities by reference to best estimates of exercisable equity instruments quantity and the fair value of the liabilities the Company undertakes. On every balance sheet date and settlement date before the related liabilities are cleared, the fair value is re-calculated and the changes are counted in current profit and loss.

5. Equity instruments changes and accounting treatment

If the granted equity instruments are cancelled during the vesting period, the Company treats it as accelerated vesting and counts in current profit and loss the amounts that should be recognized during the rest vesting period and recognizes capital reserve accordingly at the same time. If employees or other parties can choose but fail to satisfy non-vesting conditions during the vesting period, the Company sees this as cancellation of granted equity instruments.

24. Preferred shares, perpetual capital securities and other financial instruments

Upon initial recognition, the Company categorizes such financial instruments or their components into financial liabilities or equity instruments in accordance with the financial instruments principles and by reference to the contract terms and the reflected economic substance of such financial instruments as the issued preferred shares and perpetual capital securities as well as the definitions:

1. Issued financial instruments that meet one of the following conditions are financial liabilities:

(1) Contract obligations to pay cash or other financial assets;

(2) Contract obligations to exchange financial assets or liabilities with other parties under unfavorable conditions;

(3) Derivative instrument contracts that the Company’s own equity instruments must or can be used for settlement and the Company would deliver its own variable equity instruments;

(4) Derivative instrument contracts that the Company’s own equity instruments must or can be used for settlement, excluding those that a fixed quantity of its own equity instruments are used in exchange of cash or other financial assets.

2. Equity instruments must meet all the following conditions:

(1) Contract obligations excluding cash or other financial assets payment to others, or unfavorable exchange of financial assets or liabilities with others;

(3) Derivative instrument contract obligations that the Company’s own equity instruments must or can be used for settlement, which does not include settlement by delivering variable equity instruments of its own as well as those that a fixed quantity of its own equity instruments are used in exchange of cash or other financial assets.

3. Accounting methods

As equity instruments, the interest expenses or dividends should be distributed as profit, and its buy-back and write-off should

be treated as changes of equity, from which such transaction expenses such as handling charges and commission are deducted;
As financial liabilities, the interest expenses or dividends should be handled as borrowing expenses, and the income or losses arising from its buy-back or redemption should be counted in current profit and loss while the transaction expenses like handling charges and commission being counted in the initial measurement amount of the issued instruments.

25.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.
Payments on deferred terms are of financing nature in fact and thus, should be recognized at fair value as revenues.

（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.

As main revenue of the Company, lease income is recognized according to the receivable dates and amounts as specified in contracts or agreements.
(3) Assets transfers with buy-back conditions
If the Company signs buy-back agreement with the purchase party when selling products or transferring other assets, it should make a judgment whether the product sale satisfies revenue recognition conditions. As buy-back after sale is financing transaction, the Company does not recognize sales revenue when delivering products or assets. During buy-back, interests are put aside and counted in financial expenses based on the differences between buy-back and sales prices.

26.Governmental subsidy
(1)Basis and accounting methods for assets related government subsidies
Assets related government subsidies refer to the government subsidies that are used to purchase or build assets or form long-term assets in other ways.
At the end of reporting periods, government subsidies are recognized at receivable amounts if there are evidences that the Company is eligible and anticipated to receive the fund according to the financial support policies. Otherwise, the subsidies are recognized upon receipt.
Government subsidies as monetary assets are measured at received or receivable amounts. Those as non-monetary assets are measured at fair value and nominal amount (RMB 1) as fair value cannot be achieved reliably. Such subsidies measured at nominal amount are directly counted in current profit and loss.
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.
(2). Accounting Method

Proceeds related government subsidies are those government subsidies other than the assets related.
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.
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.

27. Deferred income tax assets/Deferred income tax liability

Deferred income tax assets and liabilities are calculated and recognized according to the differences (temporary differences) between the taxation base of assets and liabilities and the book value. As at balance sheet dates, both are calculated at applicable tax rates during the period it is anticipated to take the assets back or clear the liabilities.
1. References for confirmation of deferred income tax assets
The Company recognizes the deferred tax income assets arising from deductible temporary differences to the limit of the deductible losses and taxable income that it probably would achieve to reduce deductible temporary differences and carry forward. However, it does not recognize those arising from the initial measurements of assets or liabilities in the following transactions.
(1)Transactions are not business merge;
(2)It neither affects the accounting profit nor taxable income or deductible losses while transactions being made.
For the deductible temporary differences related to the investments by associated enterprises, which meet the following conditions, deferred tax assets should be recognized accordingly: the temporary differences are probable to revert in the foreseeable future and it is very likely to achieve taxable income to deduct such differences.
2.The confirmation basis of deferred income tax liabilities
The Company recognizes the payable but not paid yet taxable temporary differences of current or prior periods as deferred tax liabilities, which exclude the following:
(1) The temporary differences that are formed at initial measurement of goodwill;
(2) Non-business merge transactions or events that neither affect accounting profits nor the temporary differences arising from taxable income (or deductible losses);
(3) The taxable temporary differences related to the investments by the subsidiaries and associated enterprises, which can revert in a controllable timing but will not revert in the foreseeable future.

28.Operational 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.

29. Other significant accounting policies and estimates

1. Discontinued operations

The components that are disposed or held for sale and are separable while being operated and financial statements being compiled are recognized as discontinued operation if they satisfy one of the following conditions:

(1) Such components can represent an independent major business or a major operation region.

(2) Such components are part of disposal plans for an independent major business or a major operation region.

(3) Such components are just the subsidiaries to be obtained through re-sale.

30.Change of main accounting policies and estimations

(1)Change of main accounting policies

□Applicable √Not applicable

（2）Change of main accounting estimations

□Applicable √Not applicable

## VI.Taxation

### 1.Main categories and rates of taxes

| Taxes | Tax references | Applicable tax rates |
| --- | --- | --- |

In case there exist any taxpayer paying corporate income tax at different tax rates, disclose the information

| Name of taxpayer | Income tax rates |
| --- | --- |

2.Tax preferences

3.Other

**(** 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.

(4) 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.

(5) 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.

**(6)** Property tax

According to 70% of the original value of the property as the tax base, the tax rate is 1.2%, or the tax base for rental income, the tax r ate is 12%.

**(7)** Personal income tax

Employee personal income tax withheld by the Company.

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

1.Monetary Capital

In RMB

| Items | Year-end balance | Year-beginning balance |
|---|---|---|
| Cash | 72,597.00 | 52,545.00 |
| Bank deposit | 63,537,099.00 | 72,889,183.00 |
| Other monetary capital | 675,408.00 | 672,476.00 |
| Total | 64,285,104.00 | 73,614,204.00 |

Notes:

Other monetary funds mainly are the capital that deposited in the securities company and used to purchase and draw the new bond.

As of June 30, 2015,

The Company has no pledged, no frozen, the potential risks to recover the money.

Among them the restricted cash details as follows:

| Items | Year-end balance | Year-beginning balance |
|---|---|---|
| Cash deposit | 5,000,000 | --- |
| Total | 5,000,000 | --- |

2. Account receivable

(1).Classification account receivables.

In RMB

| Type | Amount in year-end | | | | | Amount in year- begin | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book Balance | | Bad debt provision | | Book value | Book Balance | | Bad debt provision | | Book value |
| | Amount | Proportion(%) | Amount | Proportion(%) | | Amount | Proportion(%) | Amount | Proportion(%) | |
| Receivables with major individual amount and bad debt provision provided individually receivables with major individual amount and bad debt provision provided individually | 3,974,163.00 | 31.61% | 3,974,163.00 | 31.61% | 0.00 | 3,974,163.00 | 31.61% | 3,974,163.00 | 31.61% | 0.00 |
| Account receivable with minor individual amount but bad debt provision is provided | 8,598,702.00 | 68.39% | 8,598,702.00 | 68.39% | 0.00 | 8,598,702.00 | 68.39% | 8,598,702.00 | 68.39% | 0.00 |
| Total | 12,572,865.00 | 100.00% | 12,572,865.00 | 100.00% | 0.00 | 12,572,865.00 | 100.00% | 12,572,865.00 | 100.00% | 0.00 |

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

√ Applicable □ not applicable

In RMB

| Receivable accounts（Unit） | Amount in year-end | | | |
|---|---|---|---|---|
| | Receivable accounts | Bad debt provision | Proportion | Reason |
| Hong Kong Victor Onward Co., Ltd. | 1,858,488.00 | 1,858,488.00 | 100.00% | Aging long |
| Carnival | 1,102,238.00 | 1,102,238.00 | 100.00% | Aging long |

| | | | | |
|---|---|---|---|---|
| IndexInternationalLtd | | | | |
| TAIYANGENTERPRISE CO.,LTD | 1,013,437.00 | 1,013,437.00 | 100.00% | Aging long |
| Total | 3,974,163.00 | 3,974,163.00 | -- | -- |

Account reveivable on which bad debt proisions 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

（2）Accrual period, recovery or reversal of bad debts situation

The current amount of provision for bad debts is RMB0.00; recovery or payback for bad debts Amount is RMB 0.00.

Where the current bad debts back or recover significant amounts:

| Name | Back or withdraw money | Recovery methods |
|---|---|---|

（3）The current accounts receivable write-offs situation

In RMB

| Items | Amount written off |
|---|---|

Account receivables actually written-off during the reporting period：

In RMB

| Name | Nature of account receivables | Amount written off | Reason for written -off | Verification procedures | Arising from related transactions (Y/N) |
|---|---|---|---|---|---|

Explanation for write-off of account receivables:

N/A

（4）The ending balance of other receivables owed by the imputation of the top five parties

| Name | Amount in year-end | Proportion(%) | Bad debt provision |
|---|---|---|---|
| Hong Kong Victor Onward Co., Ltd. | 1,858,488 | 14.78 | 1,858,488 |
| CarnivalIndexInternationalLtd | 1,102,238 | 8.77 | 1,102,238 |
| TAIYANGENTERPRISECO.,LTD. | 1,013,437 | 8.06 | 1,013,437 |
| FlyDragonInternational | 575,461 | 4.58 | 575,461 |
| GratefulTextilesCo.,Ltd | 568,564 | 4.52 | 568,564 |
| Total | 5,118,188 | 40.71 | 5,118,188 |

## 3.Prepayments

（1）Age analysis

In RMB

| Age | Year-end balance | | Year-beginning balance | |
|---|---|---|---|---|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 18,695.00 | 100.00% | 4,922.00 | 100.00% |
| Total | 18,695.00 | -- | 4,922.00 | -- |

Notes ：

（2） Prepayment situation of Top 5 ending balance by prepaid object imputation

| Name | Year-end balance | Proportion(%) |
|---|---|---|
| The closing balance of the top five prepayments | 18,695 | 100.00 |

Notes：

## 4. Interest receivable

（1）Interest receivable

In RMB

| Classification | Year-end balance | Year-beginning balance |
|---|---|---|
| Fixed deposit | | 112,685.00 |
| Total | 0.00 | 112,685.00 |

### （2）Significat overdue interest

| Name | Year-end balance | Overdue time | Reason | Whether the occurrence of impairment and its judgment basis |
|---|---|---|---|---|

Other Notes：

## 5.Other rceivables

（1）Disclosure of calassification of other receivables

In RMB

| Type | Amount in year-end | | | Amount in year-begin | | |
|---|---|---|---|---|---|---|
| | Book Balance | Bad debt provision | Bok | Book Balance | Bad debt provision | Bok value |

| | Amount | Proportion(%) | Amount | Amount | value Proportion(%) | Amount | Proportion(%) | Amount | Proportion(%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Other receivables with major individual amount and had debt provision provided individually | 3,368,370.00 | 74.66% | 3,368,370.00 | 77.19% | | 3,368,370.00 | 74.87% | 3,368,370.00 | 77.19% | |
| Other receivables provided bad debt provision in cridit risk groups | 147,878.00 | 3.28% | | | 147,878.00 | 135,178.00 | 3.00% | | | 135,178.00 |
| Other account receivable with minor individual amount but bad debt provision is provided | 995,629.00 | 22.07% | 995,629.00 | 22.81% | | 995,629.00 | 22.13% | 995,629.00 | 22.81% | |
| Total | 4,511,877.00 | 100.00% | 4,363,999.00 | 100.00% | 147,878.00 | 4,499,177.00 | 100.00% | 4,363,999.00 | 100.00% | 135,178.00 |

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

√ Applicable □ Not applicable

In RMB

| Other receivable（Unit） | End of term | | | |
|---|---|---|---|---|
| | Other receivable | Bad debt provision | Proportion | 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

√Applicable □Not applicable

| Name | End of term |
|---|---|

| | Other receivable | Bad debt provision | Proportion（%） |
|---|---|---|---|
| Deposit Group | 147,878 | --- | --- |
| Total | 147,878 | --- | --- |

（2）Accrual period, recovery or reversal of bad debts situation

The current amount of provision for bad debts is RMB 0.00; recovery or payback for bad debts Amount is RMB 0.00.
Where the current bad debts back or recover significant amounts:

In RMB

| Name | Back or withdraw money | Recovery methods |
|---|---|---|

（3）Other receivables Nature of fund classification information

In RMB

| Nature | End of term | Beginning of term |
|---|---|---|
| Goods | 4,363,999.00 | 4,363,999.00 |
| Deposit | 147,878.00 | 135,178.00 |
| Total | 4,511,877.00 | 4,499,177.00 |

（4）The ending balance of other receivables owed by the imputation of the top five parties

In RMB

| Name | Nature | Year-end balance | Age | Portion in total other receivables(%) | Bad debt provision of year-end balance |
|---|---|---|---|---|---|
| Nanjing East Asia | Goods | 1,313,370.00 | Over 3 years | 29.11% | 1,313,370.00 |
| CCB.Guangdong Shunde Branch | Goods | 1,080,000.00 | Over 3 years | 23.94% | 1,080,000.00 |
| Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd. | Goods | 975,000.00 | Over 3 years | 21.61% | 975,000.00 |
| HongKong Victor Onward | Goods | 675,282.00 | Over 3 years | 14.97% | 675,282.00 |
| Shanghai Huayinke Trade Industry Co., Ltd. | Goods | 180,000.00 | Over 3 years | 3.99% | 180,000.00 |
| Total | -- | 4,223,652.00 | -- | 93.61% | 4,223,652.00 |

6. Disposable financial asset

（1）Sellable financial assets

In RMB

| Items | Balance in year -end | | | Amount at year beginning | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Available-for-sale equity instruments | 584,707.00 | | 584,707.00 | 584,900.00 | | 584,900.00 |
| According to the fair value measurement | 584,707.00 | | 584,707.00 | 584,900.00 | | 584,900.00 |
| Total | 584,707.00 | | 584,707.00 | 584,900.00 | | 584,900.00 |

（2）Measured at fair value for the available-for-sale financial assets at the end period

In RMB

| Classification | Available-for-sale equity instruments | Available-for-sale liabilities instruments | | Total |
|---|---|---|---|---|
| Equity instruments cost/Amortized cost of debt instruments | 299,300.00 | | | |
| Fair value | 584,707.00 | | | |
| Changes in the fair value of the amount that accum ulated in other comprehe nsive income. | 285,407.00 | | | |

7.Long-term equity investment

In RMB

| Name | Amount at period-beginning | Increase/decrease | | | | | | | | Amount at period end | The end balance impairment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Added investment | | | Other comprehensive income adjustment | Other changes in equity | Declaration of cash dividends or profit | Provision for impairment | Other | | |
| I. Joint venture | | | | | | | | | | | |
| II.Affiliated | | | | | | | | | | | |
| Zhejiang Union Hangzhou Bay Chuangye | 75,816,615.00 | | | -50,168.00 | | | | | -12,855.00 | 75,753,592.00 | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Co., Ltd. | | | | | | | | | | | |
| Subtotal | 75,816,615.00 | | | -50,168.00 | | | | | -12,855.00 | 75,753,592.00 | |
| Total | 75,816,615.00 | | | -50,168.00 | | | | | -12,855.00 | 75,753,592.00 | |

Notes

10.Investment real estate

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

√□ ApplicableNot applicable

In RMB

| Items | House and building | Land use right | Construction in progress | Total |
|---|---|---|---|---|
| I.Book value | | | | |
| 1. Balance at period-beginning | 135,236,814.00 | | | 135,236,814.00 |
| 2.Increase in the current period | | | | |
| (1) Purchase | | | | |
| （2） Inventory\Fixed assets\ Transferred from construction in progress | | | | |
| (3)Increased of Enterprise Combination | | | | |
| | | | | |
| 3.Decreased amount of the period | | | | |
| （1）Dispose | | | | |
| （2）Other out | | | | |
| | | | | |
| 4. Balance at period-end | 135,236,814.00 | | | 135,236,814.00 |
| II.Accumulated amortization | | | | |
| 1.Opening balance | 93,282,495.00 | | | 93,282,495.00 |
| 2.Increased amount ofthe period | 1,504,659.00 | | | 1,504,659.00 |

| | | | | |
|---|---|---|---|---|
| (1) Withdrawal | 1,504,659.00 | | | 1,504,659.00 |
| | | | | |
| 3.Decreased amount of the period | | | | |
| （1）Dispose | | | | |
| （2）Other out | | | | |
| | | | | |
| 4. Balance at period-end | 94,787,154.00 | | | 94,787,154.00 |
| III. Impairment provision | | | | |
| 1. Balance at period-beginning | 16,010,926.00 | | | 16,010,926.00 |
| 2.Increased amount of the period | | | | |
| (1) Withdrawal | | | | |
| | | | | |
| 3.Decreased amount of the period | | | | |
| （1）Dispose | | | | |
| （2）Other out | | | | |
| | | | | |
| 4. Balance at period-end | 16,010,926.00 | | | 16,010,926.00 |
| IV.Book value | | | | |
| 1.Book value at period -end | 24,438,734.00 | | | 24,438,734.00 |
| 2.Book value at period-beginning | 25,943,393.00 | | | 25,943,393.00 |

9. Fixed assets

（1）Fixed assets

In RMB

| Items | House and building | Machine equipment | Electronic equipment | Transpiration Equipment | Total |
|---|---|---|---|---|---|
| I. Original price | | | | | |
| 1.Opening balance | 162,490.00 | 321,521.00 | 6,365,613.00 | 3,625,186.00 | 10,474,810.00 |

| | | | | | |
|---|---|---|---|---|---|
| 2.Increased amount ofthe period | | | | | |
| (1) Purchase | | | | | |
| (2) Transferred from construction in progress | | | | | |
| (3)Increased of Enterprise Combination | | | | | |
| | | | | | |
| 3. Decrease in the current period | | | | | |
| （1）Disposal | | | | | |
| Exchange rate Change | 311.00 | 615.00 | 12,175.00 | 6,934.00 | 20,035.00 |
| 4. Balance at period-end | 162,179.00 | 320,906.00 | 6,353,438.00 | 3,618,252.00 | 10,454,775.00 |
| II.Accumulated amortization | | | | | |
| 1. Balance at period-beginning | 114,322.00 | 289,437.00 | 3,707,805.00 | 3,016,242.00 | 7,127,806.00 |
| 2. Increase in the current period | | | | | |
| (1) Withdrawal | | | 54,893.00 | 107,014.00 | 161,907.00 |
| | | | | | |
| 3. Decrease in the current period | | | | | |
| （1）Disposal | | | | | |
| | | | | | |
| 4. Balance at period-end | 114,322.00 | 289,437.00 | 3,762,698.00 | 3,123,256.00 | 7,289,713.00 |
| III. Impairment provision | | | | | |
| 1. Balance at | | | 1,969,498.00 | 50,276.00 | 2,019,774.00 |

| | | | | | |
|---|---|---|---|---|---|
| period-beginning | | | | | |
| 2.Increased amount of the period | | | | | |
| (1) Withdrawal | | | | | |
| | | | | | |
| 3. Decrease in the current period | | | | | |
| （1）Dispose | | | | | |
| | | | | | |
| 4. Balance at period-end | | | 1,969,498.00 | 50,276.00 | 2,019,774.00 |
| IV.Book value | | | | | |
| 1.Book value at period -end | 47,857.21 | 31,469.03 | 621,241.59 | 444,720.17 | 1,145,288.00 |
| 2.Book value at period-beginning | 48,168.00 | 32,084.00 | 688,310.00 | 558,668.00 | 1,327,230.00 |

（3）Fixed assets with un-completed property certificates

In RMB

| Items | Book Value | Reason |
|---|---|---|
| House and building | 2,475,155.00 | Historical issues |

Notes

13. Intangible assets

(1) List of intangible assets

| Items | Land use right | Patent right | Non-patent right | Other | Total |
|---|---|---|---|---|---|
| I. Original price | | | | | |
| 1.Opening balance | 12,356,137.00 | | | 667,583.00 | 13,023,720.00 |
| 2.Increased amount ofthe period | | | | | |
| (1) Purchase | | | | | |
| (2)Internal Developm | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| ent | | | | | |
| (3)Increased of Enterprise Combination | | | | | |
| | | | | | |
| 3.Decreased amount of the period | | | | | |
| （1）Disposal | | | | | |
| | | | | | |
| 4. Balance at period-end | 12,356,137.00 | | | 667,583.00 | 13,023,720.00 |
| II.Accumulated amortization | | | | | |
| 1. Balance at period-beginning | 10,575,983.00 | | | 440,423.00 | 11,016,406.00 |
| 2. Increase in the current period | 20,153.00 | | | | 20,153.00 |
| (1) Withdrawal | 20,153.00 | | | | 20,153.00 |
| | | | | | |
| 3.Decreased amount of the period | | | | | |
| （1）Disposal | | | | | |
| | | | | | |
| 4. Balance at period-end | 10,596,136.00 | | | 440,423.00 | 11,036,559.00 |
| III. Impairment provision | | | | 227,160.00 | 227,160.00 |
| 1. Balance at period-beginning | | | | 227,160.00 | 227,160.00 |
| 2. Increase in the current period | | | | | |
| (1) Withdrawal | | | | | |
| | | | | | |
| 3.Decreased amount of the period | | | | | |
| （1）Disposal | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| 4. Balance at period-end | | | | 227,160.00 | 227,160.00 |
| 4. Book value | | | | | |
| 1.Book value at period -end | 1,760,001.00 | | | | 1,760,001.00 |
| 2.Book value at period-beginning | 1,780,154.00 | | | | 1,780,154.00 |

Intangible assets through internal R & D accounting for the balance of intangible assets ratio of 0.00% at the end of the period.

13.Goodwill

（1）Original book value of goodwill

In RMB

| Name | Amount at period-beginning | Increase in the current period | | Decrease in the current period | | Amount at period-end |
|---|---|---|---|---|---|---|
| | | | | | | 5,099,624.00 |
| Total | 5,099,624.00 | | | | | 5,099,624.00 |

（2）Goodwill impairment

In RMB

| Name | Amount at period-beginning | Increase in the current period | Decrease in the current period | Amount at period-end |
|---|---|---|---|---|

Statement of basis for impairment testing and provision of goodwill：

Nanhua company has discontinued, maintain daily operations rely on rental housing, although the company has negative net assets, but the it has large tracts of land and real estate company in Shenzhen city, the fair value is much higher than the book value, management believes that the investment goodwill impairment is not formed.

12. Deferred income tax assets and deferred income tax liability

（1）Deferred tax liabilities without offsetting

In RMB

| Items | Amount at period-end | | Amount at period-beginning | |
|---|---|---|---|---|
| | Temporary differences | Deferred income tax liability | Temporary differences | Deferred income tax liability |
| Revaluation of assets | 4,026,412.00 | 664,139.00 | 4,026,412.00 | 664,358.00 |
| Total | 4,026,412.00 | 664,139.00 | 4,026,412.00 | 664,358.00 |

（2）Deductible losses of the un-recognized deferred income tax asset will expire in the following years

In RMB

| Year | Amount at period-end | Amount at period-beginning | Remarks |
|---|---|---|---|

Details of taxable differences and deductible differences

The company is reorganized into the shares company after approved by People’s Bank of China. The increase value of assets revaluation for its subsidiary of HongKong Victor Onward Company can’t be accounted into the book value according to the provisions of accounting rules. Also, it can’t be conducted pre-tax profits deducted, resulting in the difference between the fixed net assets and tax basis.

The company has no unconfirmed deferred tax assets not recognized deductible temporary differences and tax losses on June 30, 2015.

## 13. Account payable

### （1）Account payable

| Items | Amount at period-end | Amount at period-beginning |
|---|---|---|
| Payable amount for materials* | 3,189,756.00 | 3,190,199.00 |
| Total | 3,189,756.00 | 3,190,199.00 |

（2）Accounts payable with the age over 1 year:

In RMB

| Items | Amount at period-end | Reason |
|---|---|---|

Notes：

*

Accounts payable aging more than one year, including a number of cooperative units, no single significant amount of accounts payab le. Changes during the period was due to exchange rate movements.

14. Advance account

**1.** Advance account

In RMB

| Items | Amount at period-end | Amount at period-beginning |
|---|---|---|
| Advance account | 1,029,656.00 | 1,029,656.00 |
| Total | 1,029,656.00 | 1,029,656.00 |

15. Payable Employee wage

（1）Payable Employee wage

In RMB

| Items | Year-beginning balance | Increase in the current | Decrease in the current | Year-end balance |
|---|---|---|---|---|

| | | period | period | |
|---|---|---|---|---|
| I. Short-term compensation | 1,020,718.00 | 1,074,855.00 | 1,120,626.00 | 974,947.00 |
| II.Post-employment bene fits - defined contribution plans | | 127,926.00 | 127,926.00 | |
| Total | 1,020,718.00 | 1,202,781.00 | 1,248,552.00 | 974,947.00 |

（2）Short-term compensation

In RMB

| Items | Year-beginning balance | Increase in the current period | Decrease in the current period | Year-end balance |
|---|---|---|---|---|
| 1.Wages, bonuses, allowances and subsidies | 196,359.00 | 1,012,827.00 | 1,012,827.00 | 196,359.00 |
| 2.Employee welfare | | 32,073.00 | 32,073.00 | |
| 3. Social insurance premiums | | 29,955.00 | 29,955.00 | |
| Inlduding ：Medical insurance | | 26,824.00 | 26,824.00 | |
| Work injury insurance | | 1,403.00 | 1,403.00 | |
| Maternity insurance | | 1,615.00 | 1,615.00 | |
| Supplementary medicalinsurance | | 114.00 | 114.00 | |
| V.Union funds and staff education fee | 451,964.00 | | 45,771.00 | 406,193.00 |
| Other short-term compensation | 372,395.00 | | | 372,395.00 |
| Total | 1,020,718.00 | 1,074,855.00 | 1,120,626.00 | 974,947.00 |

（3）Defined contribution plans listed

In RMB

| Items | Year-beginning balance | Increase in the current period | Decrease in the current period | Year-end balance |
|---|---|---|---|---|
| 1. Basic old-age insurance premiums | | 83,743.00 | 83,743.00 | |
| 2.Unemployment | | 3,710.00 | 3,710.00 | |

| | | | | |
|---|---|---|---|---|
| insurance | | | | |
| 3.Enterprise annuity payment | | 40,473.00 | 40,473.00 | |
| Total | | 127,926.00 | 127,926.00 | |

Notes：

## 18. Tax Payable

In RMB

| Items | At end of term | At beginning of term |
|---|---|---|
| VAT | -137,711.00 | -137,711.00 |
| Business Tax | 413,259.00 | 310,963.00 |
| Enterprise Income tax | 3,352,563.00 | 3,352,563.00 |
| Individual income tax | | 1,560.00 |
| City Construction tax | 18,615.00 | 11,454.00 |
| House property Tax | 187,086.00 | 187,086.00 |
| Educational surtax | 13,295.00 | 8,181.00 |
| Land use tax | 144,956.00 | 144,956.00 |
| Stamp Tax | 229,250.00 | 229,250.00 |
| Total | 4,221,313.00 | 4,108,302.00 |

Notes：

17.Dividend payable

In RMB

| Name | At end of term | At beginning of term |
|---|---|---|
| Other | 1,215,946.00 | 1,215,946.00 |
| Total | 1,215,946.00 | 1,215,946.00 |

Notes：

| Name | At end of term | At beginning of term | Reason of overdue for one year |
|---|---|---|---|
| State Development & Investment Co., Ltd*2 | 243,189 | 243,189 | *1 |
| CITIC Group*2 | 243,189 | 243,189 | |
| Shenzhen Nanyou (Group) Company*2 | 121,595 | 121,595 | |
| Shenye Union（Hongkong）Co., Ltd. | 121,595 | 121,595 | |
| HongKong Victor Onward | 486,378 | 486,378 | |

| | | | |
|---|---|---|---|
| Total | 1,215,946 | 1,215,946 | |

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.

18. Other payable

（1）Other payable

In RMB

| Items | Year-end balance | Year-Beginning balance |
|---|---|---|
| Deposit | 5,000,000.00 | 15,000,000.00 |
| Lease deposit | 2,215,285.00 | 2,105,285.00 |
| Non financial institutions borrowing | 3,000,000.00 | 3,000,000.00 |
| Loan and Interest | 9,811,846.00 | 9,811,846.00 |
| Other | 1,849,335.00 | 1,573,961.00 |
| Total | 21,876,466.00 | 31,491,092.00 |

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

In RMB

| Items | Year-end balance | Reason |
|---|---|---|
| Union Development Group | 9,111,111.00 | Loan and Interest |
| State Development & Investment Co., Ltd | 3,000,000.00 | Non financial institutions borrowing |
| Jinrongyuan Company | 1,100,000.00 | Lease deposit |
| Shenzhen Union Property Group Co., Ltd. | 700,734.00 | Loan and Interest |
| Total | 13,911,845.00 | -- |

Notes

19.Other current liabilities

In RMB

| Items | Year-end balance | Year-Beginning balance |
|---|---|---|
| Accrued expenses-Land use expenses | 88,000.00 | 88,000.00 |
| Accrued expenses-sewage charge | 62,600.00 | 62,600.00 |
| Accrued expenses-Audit expenses | 914,888.78 | 1,727,389.00 |
| Accrued expenses-Securities administration | 3,760.22 | 191,260.00 |
| Total | 1,069,249.00 | 2,069,249.00 |

The Increase and decrease of short-term bonds payable：

In RMB

| Name | Value | Issuing date | Bond period | Issuing amount | Year-Beginning balance | Issue this period | Accrued interest at par value amount | Premium and discount amortiation | The period for repayment | | Year-end balance |
|---|---|---|---|---|---|---|---|---|---|---|---|

Notes ：

22. Long-term borrowings

（1）Long-term borrowings classifications

In RMB

| Items | Year-end balance | Year-Beginning balance |
|---|---|---|
| Loan by pledge | 947,942.00 | 1,009,719.00 |
| Total | 947,942.00 | 1,009,719.00 |

Statement on long-term borrowings.

The borrowing was the installment payment for the bousing 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. On June 30, 2015, the principal amount of HKD 1,202,041.69 (equivalent to RMB 947,041,69 Yuan) was unpaid.

Notes ，including interest rate interval：

## 23.Long-term payable

### （1）Long-term payable

In RMB

| Name | Balance year-end | Year-beginning balance |
|---|---|---|
| Assess the value of assets | 8,255,609.00 | 8,258,331.00 |

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.

## 24.Deferred income

In RMB

| Items | Year-beginning balance | Increase in the current period | Decrease in the current period | Year-end balance | Reason |
|---|---|---|---|---|---|
| Government subsidy | 836,792.00 | | | 836,792.00 | See table below |
| Total | 836,792.00 | | | 836,792.00 | -- |

Liabilities related to government grants

In RMB

| Liabilities | Balance at the beginning of period | New grants amount of this period | The non-operating revenue amount of this period | Other changes | Balance at the end of period | Income related to assets |
|---|---|---|---|---|---|---|
| ERP Information construction | 228,216.00 | | | | 228,216.00 | Related to assets |
| Technology subsidies | 608,576.00 | | | | 608,576.00 | Related to assets |
| Total | 836,792.00 | | | | 836,792.00 | -- |

Notes ：

*These payments the Company received in 2004 from Shenzhen Municipal Bureau of Finance allocated for jet printing projects of special subsidies and special subsidies for the construction of enterprise information, in order to carry out the accounting treatment in accordance with the results because of the need finance bureau acceptance acceptance, As the project has not been temporarily suspended acceptance of it.

23. 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 |

Notes ：

24. 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 | 9,672,821.00 | | | 9,672,821.00 |

| Total | 39,391,650.00 | | | 39,391,650.00 |
|---|---|---|---|---|

Statement on capital reserves：

25.Other comprehensive income

In RMB

| Items | Year-beginning balance | Amount of current period | | | | | Year-end balance |
|---|---|---|---|---|---|---|---|
| | | Amount for the period before income tax | Less ：Previously recognized in profit or loss in other comprehensive income | Less：Income tax | After - tax attributable to the parent company | After - tax attributable to minority shareholders | |
| 1.Other comprehensive income that will not be reclassified subsequently to profit or loss | | | | | 0.00 | | |
| Indluding：Change as a result of remeasurement of the net defined benefit plan liability or asset | | | | | 0.00 | | |
| Share of other comprehensive income of the investee underthe equity method that will not be reclassified to profit or loss | | | | | 0.00 | | |
| II. Other Comprehensive income that will be reclassified subsequently to profit or loss | -203,899.00 | 35,841.00 | | | 35,841.00 | | -168,058.00 |
| Indluding：Share of other comprehensive income of the investee under the equity method that w8ill be reclassified to profit or loss | | | | | 0.00 | | |
| Gains or losses on changes in fair value of available-for-sale financial assets | 427,425.00 | | | | 0.00 | | 427,425.00 |
| Gains or losses on reclassification of held-to-maturityinvestments to available-for –sale financial assets | | | | | 0.00 | | |
| Effective portion of gains or losses on cash flow hedges | | | | | 0.00 | | |
| Translation differences of financial | -631,324.00 | 35,841.00 | | | 35,841.00 | | -595,483.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| statements denominated in foreign currencies | | | | | | | |
| Total of other comprehensive income | -203,899.00 | 35,841.00 | | | 35,841.00 | 0.00 | -168,058.00 |

Notes：

**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：

27. Retained profits

In RMB

| Items | Amount of current period | Amount of previous period |
|---|---|---|
| Before adjustments: Retained profits in last period end | -103,768,226.00 | -108,059,131.00 |
| After adjustments: Retained profits at the period beginning | -103,768,226.00 | -108,059,131.00 |
| Add：Net profit belonging to the owner of the parent company | -608,576.00 | 738,330.00 |
| Retained profit at the end of this term | -104,376,802.00 | -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 .

28. Business income and Business cost

In RMB

| Items | Amount of current period | | Amount of previous period | |
|---|---|---|---|---|
| | Income | Cost | Income | Cost |
| Main business | 5,569,686.00 | 1,922,683.00 | 5,077,451.00 | 1,446,029.00 |
| Total | 5,569,686.00 | 1,922,683.00 | 5,077,451.00 | 1,446,029.00 |

29. Business tax and subjoin

In RMB

| Items | Amount of current period | Amount of previous period |
|---|---|---|
| Business tax | 275,346.00 | 228,697.00 |
| Urban construction tax | 19,274.00 | 16,008.00 |
| Education surcharge | 8,260.00 | 6,861.00 |
| Local Education surcharge | 5,507.00 | 4,574.00 |
| Total | 308,387.00 | 256,140.00 |

Notes：

30. Investment income

In RMB

| Items | Amount of current period | Amount of previous period |
|---|---|---|
| Long-term equity investment equity method of accounting | -50,168.00 | 857,157.00 |
| Total | -50,168.00 | 857,157.00 |

Notes：

31. Non-Operation expenses

In RMB

| Items | Amount of current period | Amount of previous period | The amount of non-operating gains & lossed |
|---|---|---|---|
| Total Disposal of loss of non-current assets | 0.00 | 1,918.00 | |
| Including: Disposal of net loss of fixed assets | | 1,918.00 | |
| Total | 0.00 | 1,918.00 | |

Notes：

## 32.Other Comparehensive income

See Notes VII.25.

## 33. 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 | -608,576.00 | 738,330.00 |
| Depreciation of fixed assets, oil and gas assets and consumable biological assets | 1,666,566.00 | 132,060.00 |
| 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 |
| Financial cost | -193,363.00 | -58,719.00 |
| Loss on investment | 50,168.00 | -857,157.00 |
| Decease of operating receivables | 86,212.00 | 1,848,263.00 |
| Increased of operating Payable | -109,302.00 | 883,366.00 |
| Net cash flows arising from operating activities | 911,858.00 | 2,708,214.00 |
| II. Significant investment and financing activities that without cash flows: | -- | -- |
| III. Net increase and decreased of cash and cash equivalents | -- | -- |
| Ending balance of cash | 59,285,104.00 | 60,249,062.00 |
| Less: Beginning balance of cash | 58,614,204.00 | 63,502,910.00 |
| Net increase of cash and cash equivalents | 670,900.00 | -3,253,848.00 |

（**2**）Composition of cash and cash equivalents

In RMB

| Items | Amount of current period | Amount of previous period |
|---|---|---|

| | | |
|---|---|---|
| I. Cash | 59,285,104.00 | 58,614,204.00 |
| Of which: Cash in stock | 72,597.00 | 52,545.00 |
| Bank savings could be used at any time | 58,537,099.00 | 5,889,184.00 |
| Other monetary capital could be used at any time | 675,408.00 | 672,476.00 |
| III. Balance of cash and cash equivalents at the period end | 59,285,104.00 | 58,614,204.00 |

Notes：

VIII. Changes in the consolidation scope

1. Other causes of changes in consolidation scope

Description of consolidation scope changes and other causes (eg, the new subsidiary, the subsidiary liquidation, etc.) and related conditions:

December 12, 2014, Shengzhong Company completed the deregistration procedures at the Hong Kong Companies Registry, disbanded. no longer included in the scope of consolidation at ending

Shengzhong company was founded in November 9, 1993, the registered capital of HKD 1 million, Victor Onward Textile(HK)Co.,Ltd. holds 100% stake. Nature of business for trade, business scope is the sale of corduroy, fabric and color prints.

IX． Interests in other entities

1. Interest in the subsidiaries

（1）Consitutation of enterprise group

| Name | Principal place of business | Registered address | Nature | Shareholding ratio | | Mode |
|---|---|---|---|---|---|---|
| | | | | Direct | indirect | |
| Victor Onward Textile(HK)Co., Ltd. | Hongkong | Hongkong | Trade | 100.00% | | Establish |
| Nanhua Company | Shenzhen | Shenzhen | Production | 54.82% | 14.62% | Purchase |
| Xingye Company | Hongkong | Hongkong | Trade | 100.00% | 100.00% | Establish |
| Shenzhen East Asia Company | Shenzhen | Shenzhen | Trade | 51.00% | | Establish |

Notes：

Holding half or less of the voting but still control, and holds more than half of the voting rights, but does not control the investee basis of:

For consolidated important structured body, control based on:

The company is an agent or principal is determined based on:：

Notes：

2.Interests in joint ventures arrangement or associates

(1) Significant joint ventures or associates

| Name | Principal place of business | Registered address | Nature | Shareholding ratio | | Processing method |
|---|---|---|---|---|---|---|
| | | | | Direct | indirect | |
| Zhejiang Union Hangzhou bay Chuangye Co., Ltd. | Hangzhou | Hangzhou | Real estate development | 25.00% | | Equity Method |

The description of Joint ventures or associates is different from the proportion of voting rights of the shares :Holds 20% less of the voting rights but has significant influence, or holds 20% or more of the voting rights but does not have a significant impact on the basis of:

（2）Key Financial Information of Important associates

In RMB

| | Balance at year end/ Amount in current period | Balance at year beginning/ Amount in last period |
|---|---|---|
| | | |

Notes

X. Disclosure of the fair value

1. Ending fair value of assets and liabilities

In RMB

| Items | End fair value | | | |
|---|---|---|---|---|
| | The first level measured at fair value | The second level measured at fair value | The third level measured at fair value | Total a |
| I. Sustained fair value measurement | -- | -- | -- | -- |
| （1）Available for sale financial assets | 584,707.00 | | | 584,707.00 |
| （2）Equity instrument investment | 584,707.00 | | | 584,707.00 |
| II.Non-continuous measurement fair value | -- | -- | -- | -- |

2．Sustained and non-sustained first-level fair value measurement project price determinations is to acquire identical assets on measurement date or the unadjusted quoted of liabilities in active markets.

3．Sustained and non-sustained second-level fair value measurement project, adopted valuation techniques and significant parameters qualitative and quantitative information can be the directly or indirectly observable of related assets or liabilities except first-level observables.

The second level of the input values include: 1) similar assets or liabilities quotation in active market; 2)similar assets or liabilities quotation in inactive market; 3) other observable inputs except the quotation, including interest rates can be observed, yield curve, implied volatility and credit spreads, etc. during normal interval of quotation; 4) the market value and other input validation.

4．Sustained and non-sustained third-level fair value measurement project, adopted valuation techniques and significant parameters qualitative and quantitative information can be the unobservable inputs of related assets or liabilities.

XI. Related parties and related-party transactions

1. Parent company information of the enterprise

| Name | Registered address | Nature | Regis rated capital | The parent company of the Company's shareholding ratio | The parent company of the Company's vote ratio |
|---|---|---|---|---|---|
| Union Development Group | Shenzhen | Import & export business "processing with materials" and processing with imported materials | 9,060.6 | 4.13% | 4.13% |
| Union Holdings | Shenzhen | Production and sale ofclothing and textiles, and real estate Developin | 112,388.7712 | 25.51% | 25.51% |

Notes:

The enterprise is the ultimate controlling party is Union Development Group Co., Ltd.

Notes：

2.Particulars of the subsidiaries

see Note IX ,1 for details of this enterprise nine subsidiaries,1. in subsidiary rights.

3. Other Related parties information of the enterprise

| Other Related parties name | Relation of other Related parties with the company |
|---|---|
| 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 |

Notes

4. Related transactions.

（1）Related leasing

The Company is the lender

In RMB

| Name of the owner | Category of asset for rent | Rental recognized in the period | Rental recognized in last period |
|---|---|---|---|

The Company is the undertaker

In RMB

| Name of the owner | Category of asset for rent | Rental recognized in the period | Rental recognized in last period |
|---|---|---|---|
| Union Development Group | Real estate | 41,760.00 | 41,760.00 |

Notes

5. Payables and receivables of the related party

（1）Receivables

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. | 300,359.00 | 300,359.00 | 300,359.00 | 300,359.00 |

（2）Payables

In RMB

| Name | Related party | Amount at year end | Amount at year beginning |
|---|---|---|---|
| Other payable | Union Development Group Co.,Ltd. | 9,111,111.69 | 9,111,111.69 |
| Other payable | Shenzhen Union Property Group Co., Ltd. | 700,734.00 | 700,734.00 |

XII.Commitment events and subsequent events

1.Importance commitment events

Important commitments of existence of balance sheet date

As of June 30, 2015，The Company has no need to be disclosed commitment events

XIII. Post-balance-sheet events

**1.** Other explanation after balance sheet date.

As of the reporting date, the major balance sheet of the company in the future without the need to disclose non-adjusting events.

XIV.Other important events

1.Other

(1)On July 14, 2014, Shenzhen Dapeng new city government online (http//www.dpxq.gov.cn) published the "Shenzhen Dapeng district management committee decisions on house expropriation notice", said: the need to build Dapeng District People's Hospital, decided to levy a property related to the new community of sunflower. The property contains the part of the company's buildings; a building area of about 18000 square meters, by the end of December 31, 2014, the book value was RMB 2,475,155. The matter remains to be approved by the board of directors of the company.

（2) On June 3, 2015, the company received the notice from China Securities Regulatory Commission(hereinafter referred to CSRC), which was audited by No.45 working conference of 2015 convened by The Merger And Reorganization Audit Committee for Listed Companies of CRSC. The significant asset replacement and issue of shares to buy asset and the related transaction and raising matching funds of the company have conditionally passed the audits.

(3) November 13, 2014, the Company's subsidiary, Shenzhen East Asia Company applied for cancellation to the Shenzhen Market Supervisory Authority. According to [2014] No. 6683432, "Record Notice" issued by Shenzhen Market Supervisory Authority. Shenzhen Market Supervisory Authority has put on record of the liquidation group of Shenzhen East Asia Company on November 13, 2014. As of the financial reporting date, Shenzhen East Asia Company cancellation procedures have not yet been completed.

XV.Notes s 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 value | Book Balance | | Provision for bad debts | | Book value |
| | Amount | Proportion% | Amount | Proportion% | | Amount | Proportion% | Amount | Proportion % | |
| Account receivable with significant specific amount that were provisioned had debt preparation separately | 2,115,676.00 | 20.92% | 2,115,676.00 | 20.92% | | 2,115,676.00 | 20.92% | 2,115,676.00 | 20.92% | |
| Account receivable with minor individual amount but bad debt | 7,995,985.00 | 79.08% | 7,995,985.00 | 79.08% | | 7,995,985.00 | 79.08% | 7,995,985.00 | 79.08% | |

| provision is provided | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 10,111,661.00 | 100.00% | 10,111,661.00 | 100.00% | | 10,111,661.00 | 100.00% | 10,111,661.00 | 100.00% | |

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

√ Applicable □ Not applicable

In RMB

| Receivable accounts （Unit ） | Year-end balance | | | |
|---|---|---|---|---|
| | Receivable accounts | Bad debt provision | Proportion | Reason |
| Carnival Index International Ltd | 1,102,238.00 | 1,102,238.00 | 100.00% | Age long |
| TAI YANG ENTERPRISE CO.,LTD. | 1,013,438.00 | 1,013,438.00 | 100.00% | Age long |
| Total | 2,115,676.00 | 2,115,676.00 | -- | -- |

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：

（2）Important accounts receivable write-offs situation

The current amount of provision for bad debts is RMB 0.00; recovery or payback for bad debts Amount is RMB 0.00.

Where the current bad debts back or recover significant amounts:

In RMB

| Name | Amount | Way |
|---|---|---|

（3）The ending balance of receivables owed by the imputation of the top five parties

| Name | Year-end balance | Proportion(%) | Provision for bad debts |
|---|---|---|---|
| Carnival Index International Ltd | 1,102,238 | 10.90 | 1,102,238 |
| TAI YANG ENTERPRISE CO.,LTD. | 1,013,438 | 10.02 | 1,013,438 |
| Fly Dragon International | 575,461 | 5.69 | 575,461 |
| Grateful Textiles Co.,Ltd | 568,564 | 5.62 | 568,564 |
| Shenzhen Fangzhou Textile Co.,Ltd. | 468,502 | 4.63 | 468,502 |
| Total | 3,728,203 | 36.87 | 3,728,203 |

2.Other receivable

（1）Other receivable

In RMB

| Type | Year-end balance | | | | | Year-beginning | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Proportion(%) | Amount | Proportion(%) | | Amount | Proportion(%) | Amount | Proportion(%) | |
| Other Receivables with major individual amount and bad debt provision provided individually | 84,906,334.00 | 98.77% | 3,889,479.00 | 80.68% | 81,016,855.00 | 84,906,334.00 | 98.82% | 3,889,479.00 | 80.68% | 81,016,855.00 |
| Other Receivables provided bad debt provision in credit risk groups | 122,667.00 | 0.14% | | | 122,667.00 | 81,360.00 | 0.10% | | | 81,360.00 |
| Other Account receivable with minor individual amount but bad debt provision is provided | 931,272.00 | 1.08% | 931,272.00 | 19.32% | | 931,272.00 | 1.08% | 931,272.00 | 19.32% | |
| Total | 85,960,273.00 | 100.00% | 4,820,751.00 | 100.00% | 81,139,522.00 | 85,918,966.00 | 100.00% | 4,820,751.00 | 100.00% | 81,098,215.00 |

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

√ Applicable □not Applicable

In RMB

| Receivable accounts （Unit ） | Year-end balance | | | |
|---|---|---|---|---|
| | Receivable accounts | Bad debt provision | Proportion | Reason |
| Victor Onward Textile(HK)Co.， Ltd. | 58,065,605.00 | | | --- |
| Nanhua Company | 22,951,250.00 | | | --- |
| Shenzhen East Asia | 521,109.00 | 521,109.00 | 0.61% | Negative net assets |
| Nanjing East Asia | 1,313,370.00 | 1,313,370.00 | 1.54% | Aging long |
| CCB.Guangdong Shunde Branch | 1,080,000.00 | 1,080,000.00 | 1.26% | Aging long |
| Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd. | 975,000.00 | 975,000.00 | 1.13% | Aging long |
| Total | 84,906,334.00 | 3,889,479.00 | -- | -- |

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

| Name | Year-end balance | | |
|---|---|---|---|
| | Other receivable | Bad debt provision | Proportion |
| Group 1---Deposit | 81,360 | --- | --- |
| Total | 81,360 | --- | --- |

（2）Accrual period, recovery or reversal of bad debts situation

The current amount of provision for bad debts is RMB 0.00; recovery or payback for bad debts Amount is RMB 0.00.

Where the current bad debts back or recover significant amounts:

In RMB

| Name | Back or withdraw money | Recovery methods |
|---|---|---|

（3）Other receivables Nature of fund classification information

In RMB

| Nature | Book balance at year end | Book balance at year beginning |
|---|---|---|
| Related party transactions | 81,619,323.00 | 81,619,323.00 |
| Deposit | 122,667.00 | 81,360.00 |
| Goods | 4,218,283.00 | 4,218,283.00 |
| Total | 85,960,273.00 | 85,918,966.00 |

（4）The ending balance of other receivables owed by the imputation of the top five parties

In RMB

| Name | Nature | Amount at year end | Age | Proportion | Balance |
|---|---|---|---|---|---|
| Victor Onward Textile(HK)Co., Ltd. | Current account | 58,065,605.00 | Over 3 years | 67.49% | |
| Nanhua Company | Current account | 22,951,250.00 | Over 3 years | 26.60% | |
| Nanjing East Asia | Goods | 1,313,370.00 | Over 3 years | 1.51% | 1,313,370.00 |
| CCB.Guangdong Shunde Branch | Goods | 1,080,000.00 | Over 3 years | 1.24% | 1,080,000.00 |
| Changzhou Dongfeng Textile Printing & dyeing Equipment Co., Ltd. | Goods | 975,000.00 | Over 3 years | 1.12% | 975,000.00 |
| Total | -- | 84,385,225.00 | -- | 97.96% | 3,368,370.00 |

3.Long –term stocks equity investment

In RMB

| Items | Amount at year end | | | Amount at year beginning | | |
|---|---|---|---|---|---|---|
| | Book balance | Bad debts | Book value | Book balance | Bad debts | Book value |
| The investment in subsidiaries | 38,041,853.00 | 1,252,900.00 | 36,788,953.00 | 38,041,853.00 | 1,252,900.00 | 36,788,953.00 |
| Total | 38,041,853.00 | 1,252,900.00 | 36,788,953.00 | 38,041,853.00 | 1,252,900.00 | 36,788,953.00 |

（1）The investment in subsidiaries

In RMB

| Name | Amount at year beginning | Increase in the current period | Decrease in the current period | Amount at year end | The current provision for impairment | The end balance impairment |
|---|---|---|---|---|---|---|
| Victor Onward Textile(HK)Co., Ltd. | 21,214,212.00 | | | 21,214,212.00 | | |
| Nanhua Company | 15,574,741.00 | | | 15,574,741.00 | | |
| Shenzhen East Asia | 1,252,900.00 | | | 1,252,900.00 | | 1,252,900.00 |
| Total | 38,041,853.00 | | | 38,041,853.00 | | 1,252,900.00 |

## 4. Business income and Business cost

In RMB

| Items | Amount of current period | | Amount of previous period | |
|---|---|---|---|---|
| | Business income | Business cost | Business income | Business cost |
| Main business | 1,917,380.00 | 168,586.00 | 1,041,445.00 | 168,586.00 |
| Total | 1,917,380.00 | 168,586.00 | 1,041,445.00 | 168,586.00 |

Notes：

# XVI. Supplement information

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

□ 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. | -0.46% | -0.004 | -0.004 |
| Net profit attributable to the Common stock shareholders of Company after deducting of non-recurring gain/loss. | -0.46% | -0.004 | -0.004 |

X. Documents available for inspection

1.The Semi-Annual report 2015;

2. The semi-annual financial report with signature and seal of legal representative ,person in charge of accountin g works and person in charge of accounting institution in 2015;

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 28, 2015