

Financial Statements of

**Orient Venture Capital II Inc.**

For the periods ended June 30, 2009 and 2008

**Orient Venture Capital II Inc.**

Financial Statements

Periods ended June 30, 2009 and 2008

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## AUDITORS' REPORT

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To the Shareholders of  
Orient Venture Capital II Inc.

We have audited the balance sheet of Orient Venture Capital II Inc. as at June 30, 2009 and the statements of operations and comprehensive loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at June 30, 2008 were audited by another firm of Chartered Accountants which expressed an opinion without reservation on those financial statements in their report dated September 9, 2008.

*Manning Elliott LLP*

Chartered Accountants  
Vancouver, British Columbia  
October 16, 2009

**Orient Venture Capital II Inc.**

Statements of operations and comprehensive loss and deficit

Year ended June 30, 2009 and period from the date of incorporation to June 30, 2008

(Expressed in Canadian Dollars)

	Year ended June 30, 2009	Period ended June 30, 2008
<b>Expenses</b>		
Accounting and audit	\$ 16,600	\$ 13,000
Filing and transfer agent fees	5,747	13,826
Legal	59,823	3,933
Office and administration	6,085	5,732
Rent and convention expense	6,437	3,535
Stock-based compensation	-	49,372
Travel	2,598	12,972
<b>Loss before other item:</b>	<b>97,290</b>	<b>102,370</b>
<b>Other Item</b>		
Interest Income	(2,316)	(901)
<b>Net loss and comprehensive loss for the period:</b>	<b>(94,974)</b>	<b>(101,469)</b>
Deficit, beginning of period	(101,469)	-
<b>Deficit, end of period</b>	<b>\$ (196,443)</b>	<b>\$ (101,469)</b>
Loss per share - basic and diluted	\$ (0.02)	\$ (0.03)
Weighted average number of common shares		
outstanding - basic and diluted	5,600,000	3,456,849

The accompanying notes are an integral part of the financial statements

**Orient Venture Capital II Inc.**

Balance sheets

As at June 30, 2009 and 2008

(Expressed in Canadian Dollars)

	2009	2008
<b>Assets</b>		
Current assets		
Cash	\$ 227,907	\$ 301,016
GST receivable	5,658	2,778
Total Assets	\$ 233,565	\$ 303,794
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 57,560	\$ 32,815
<b>Shareholders' equity</b>		
Share capital (Note 6)	306,566	306,566
Contributed surplus	65,882	65,882
Accumulated deficit	(196,443)	(101,469)
	176,005	270,979
Total liabilities and shareholders' equity	\$ 233,565	\$ 303,794

Nature of operations (Note 1)

Subsequent events (Note 8)

Approved on behalf of the Board

/s/ "Min Kuang"

Director

/s/ "Ian McDougall"

Director

The accompanying notes are an integral part of the financial statements

**Orient Venture Capital II Inc.**

## Statements of cash flows

Year ended June 30, 2009 and period from the date of incorporation to June 30, 2008

(Expressed in Canadian Dollars)

	Year ended June 30, 2009	Period ended June 30, 2008
<b>Operating activities</b>		
Net loss for the period	\$ (94,974)	\$ (101,469)
Add back items not affecting cash:		
Stock-based compensation	-	49,372
	<u>(94,974)</u>	<u>(52,097)</u>
Change in non-cash working capital		
GST receivable	(2,880)	(2,778)
Accounts payable and accrued liabilities	24,745	32,815
	<u>(73,109)</u>	<u>(22,060)</u>
<b>Financing activities</b>		
Common shares issued for cash, net of issuance costs of \$123,434	-	323,076
Increase (decrease) in cash during the period	(73,109)	301,016
Cash, beginning of period	301,016	-
<b>Cash, end of period</b>	<b>\$ 227,907</b>	<b>\$ 301,016</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

## **Orient Venture Capital II Inc.**

Notes to the financial statements

For the periods ended June 30, 2009, 2008

### **1. Nature of operations**

Orient Venture Capital II Inc. (the "Company") was incorporated on September 12, 2007 under the *Business Corporations Act* (British Columbia) and is classified as a capital pool company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4 accordingly, its principal purpose is to use its capital to identify and evaluate businesses and assets with a view to completing a "Qualifying Transaction".

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Exchange may suspend from trading or de-list the listed shares of the Company where the Company has not completed its Qualifying Transaction within twenty four months following the date of listing of the Company's shares on the Exchange. The Qualifying Transaction will be subject to regulatory approval and may be subject to shareholder approval.

### **2. Significant accounting policies**

The financial statements of the Company have been prepared in accordance with Canadian GAAP and are stated in Canadian dollars.

#### **(a) Estimates and Assumptions**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring management make estimates include stock-based compensation, income taxes and contingencies. Actual results could differ from those estimates.

#### **(b) Income taxes**

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

#### **(c) Loss per Share**

Loss per share is computed by dividing the net earnings for the period by the weighted average number of common shares outstanding during the year. To compute diluted earnings per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options were exercised. Dilutive instruments which could potentially dilute earnings in the future, but weren't included as they would be anti-dilutive, include stock options and warrants.

**2. Significant accounting policies (Cont'd)**

**(d) Stock Based Compensation**

The fair value of stock options granted is determined using the Black-Scholes options pricing method and is expensed over the period of vesting. Any consideration paid on the exercise of stock options is credited to capital stock.

**(e) Share issue costs**

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

**(f) Foreign currency transactions**

Gains and losses from foreign currency transactions are included in the consolidated statements of loss.

**(g) Financial Instruments**

The Company has classified its cash as held-for-trading and is measured at fair value. Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost.

**(h) Newly Adopted Accounting Policies**

The Company adopted the following provisions of the Canadian Institute of Chartered Accountant's ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

CICA Handbook Section 1400: General Standards of Financial Statement Presentation: The CICA Accounting Standards Board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has included disclosures recommended by the new Handbook section in Note 1 to these financial statements.

CICA Handbook Section 3862: Financial Instruments – Disclosures; and 3863: Financial Instruments - Presentation: These new standards replace accounting standard 3861 Financial Instruments - Disclosure and Presentation. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The Company has included disclosures recommended by the new Handbook sections in Note 3 to these financial statements.

CICA Handbook Section 1535: Capital Disclosures: The new standard requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook sections in Note 4 to these financial statements.

**2. Significant accounting policies (Cont'd)**

**(i) Recent Accounting Pronouncements**

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the financial statements.

**(j) International Financial Reporting Standards**

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. While the Company has begun accessing the adoption of IFRS for 2011, the impact of the transition to IFRS on the Company's financial statements has not yet been determined.

**3. Financial instruments and risks**

**Financial Instruments**

As at June 30, 2009, the Company's financial instruments consist of cash, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

**Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

**Liquidity Risk**

The Company's continuance of operations is dependent on raising further equity funding to meet its general and administrative expenditures.

**Foreign Exchange Risk**

The Company does not have significant foreign exchange risk as its administrative operations are all located in Canada.

## **Orient Venture Capital II Inc.**

Notes to the financial statements

For the periods ended June 30, 2009, 2008

### **4. Related party transactions**

During the 2009 fiscal year, the Company paid office assistant service charges to a company controlled by a director in the amount of \$2,800 (2008 - \$nil).

The transactions with related parties are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

There were no standard compensation arrangements, or other arrangements in addition to or in lieu of standard arrangements, under which the directors of the Company were compensated for services in their capacity as directors (including any additional amounts payable for committee participation or special assignments), or for services as consultants or experts.

### **5. Capital management**

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose assets or adjust the amount of cash.

The Company's objectives when managing capital are:

- (a) to safeguard the Company's ability to continue as a going concern;
- (b) to facilitate the completion of the Qualifying Transaction.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results.

As at June 30, 2009, the Company does not have any externally imposed capital requirements to which it is subject. Capital is comprised of the Company's shareholders' equity.

### **6. Share capital**

#### *(a) Authorized*

Unlimited number of common shares without par value

Unlimited, non-voting, non-participating, non-cumulative preferred shares without par value, issuable in series.

**6. Share capital (Cont'd)**

(b) *Issued*

Issued common shares of the Company are as follows:

	2009		2008	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance, beginning of period</b>	5,600,000	\$ 306,566	-	\$ -
Issued for cash:				
Seed shares	-	-	2,600,000	130,000
IPO shares	-	-	3,000,000	300,000
Share issuance costs	-	-	-	(123,434)
<b>Balance, end of year</b>	5,600,000	\$ 306,566	5,600,000	\$ 306,566

In October, 2007, the Company issued 2,600,000 common shares at a price of \$0.05 per common share for total proceeds of \$130,000. These shares were subscribed for by the directors of the Company or by entities controlled by directors of the Company, and allotted from treasury. The 2,600,000 common shares are held in escrow and will be released in accordance with TSX-V Policy 2.4 over a period of up to 36 months from the date of the final exchange bulletin (as defined).

On February 27, 2008, the Company completed its prospectus offering in British Columbia and Alberta of 3,000,000 common shares at a price of \$0.10 per share for total proceeds of \$300,000 (the "IPO").

In connection with the IPO, the Company paid cash commission of 7% (in the amount of \$21,000) of the aggregate gross proceeds from the sale of the common shares to an agent. The agent was paid a corporate finance fee of \$15,000 and granted non-transferable share purchase warrants, entitling the Agent to purchase 300,000 common shares at a price of \$0.20 per common share, expiring 24 months from the listing date of the Company's share on the Exchange.

The fair value of the agent warrants, as determined by the Black Scholes option pricing model, of \$16,510 was recorded as a credit to contributed surplus and a share issuance cost debited to share capital at the time of warrants granted.

**6. Share capital (Cont'd)**

(c) *Warrants*

The fair values of warrants and stock options granted were estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	Warrants	Stock options
Dividend rate	0.00%	0.00%
Risk-free interest rate	4.2%	4.2%
Expected life	2 years	5 years
Expected annual volatility	135%	135%

	2009 Number of Warrants	Price	2008 Number of Warrants	Price
<b>Balance, beginning of year</b>	300,000	\$ 0.20	-	\$ -
Agent Warrants Issued	-	-	300,000	\$ 0.20
<b>Balance, end of year</b>	300,000	\$ 0.20	300,000	\$ 0.20

(d) *Options*

On February 27, 2007, the Company granted 560,000 stock options to the directors and officers of the Company. The exercise price of each option is \$0.10 per share and the options expire five years from the listing date of the Company's share on the Exchange.

The company used the Black-Scholes option pricing model to estimate the fair value of the stock options at the date of grant. The fair value of stock options granted to directors and officers amounted to \$49,372, and was recorded as stock-based compensation and credited to contributed surplus. Any consideration received on the exercise of stock options is credited to share capital and appropriate amount will be reallocated from contributed surplus to share capital.

The fair values of warrants and stock options granted were estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	Warrants	Stock options
Dividend rate	0.00%	0.00%
Risk-free interest rate	4.2%	4.2%
Expected life	2 years	5 years
Expected annual volatility	135%	135%

	2009 Number of Options	Price	2008 Number of Options	Price
<b>Balance, beginning of year</b>	560,000	\$ 0.10	-	\$ -
Options granted	-	-	560,000	\$ 0.10
Options expired	-	-	-	-
<b>Balance, end of year</b>	300,000	\$ 0.20	300,000	\$ 0.20

**6. Share capital (Cont'd)**

(e) *Contributed surplus*

A summary of the Company's contributed surplus as of June 30, 2009 and 2008 is as follows:

	Contributed surplus
At the date of incorporation on September 12, 2007	\$ –
Stock-based compensation	49,372
Warrants granted to agents	16,510
<hr/>	
Contributed surplus at June 30, 2008 and 2009	<u>\$ 65,882</u>

**7. Income taxes**

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry-forward period.

(a) The significant components of the Company's future tax assets are as follows:

	2009	2008
Future income tax assets:		
Non-capital losses carried forward	\$ 47,250	\$ 18,980
Share issuance costs	16,039	22,240
<hr/>		
Total gross future income tax assets	63,289	41,220
Valuation allowance	(63,289)	(41,220)
<hr/>		
Net future income tax assets	\$ –	\$ –

(b) At June 30, 2009, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$189,000 expiring as follows:

2028	73,000
2029	116,000

(c) The Company is subject to Federal and Provincial taxes at an expected future rate of 31% (2008 – 34%). The reconciliation of the provision for income taxes at the statutory rate compared to the Company's income tax expense as reported is as follows:

	2009	2008
Expected income tax recovery	\$ (28,967)	\$ (34,500)
Stock based compensation	–	16,846
Share issuance costs	–	(36,482)
Change in tax rates	6,899	12,916
Change in valuation allowance	22,068	41,220
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Income tax recovery	\$ –	\$ –

**Orient Venture Capital II Inc.**

Notes to the financial statements

For the periods ended June 30, 2009, 2008

**8. Subsequent Events**

The Company has entered into a share exchange agreement dated October 23, 2009 to purchase 2,676,902 shares of China Dongxiang (Group) Co. Ltd. (“Dongxiang”) in exchange for 10,000,000 of common shares of the Company. Dongxiang is a leading international sportswear brand enterprise based in China and is primarily engaged in the design, development, marketing and wholesale of branded sportswear.

On October 25, 2009 the Company also signed a letter of intent with Shanxi International Electricity Investment Co., Ltd. to create a strategic alliance for future investment opportunities in China. Shanxi International Electricity Group Co., Ltd. is the only wholly state owned electricity industrial company in the Province of Shanxi. Under the letter of intent, each of the Company and Shanxi IEIC will have a right of first refusal to participate in the investment opportunities identified by either party.