



CHINA SELECT CAPITAL PARTNERS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7

Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
China Select Capital Partners Corp.

We have audited the accompanying consolidated financial statements of China Select Capital Partners Corp. which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of China Select Capital Partners Corp. as at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of China Select Capital Partners Corp. to continue as a going concern.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

October 3, 2011

CHINA SELECT CAPITAL PARTNERS CORP.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 131,542	\$ 1,602,213
Short-term deposit (Note 3)	405,365	-
HST/GST receivable	36,022	13,194
Prepaid expenses and deposits	31,317	-
Due from related parties (Note 8)	37,414	37,629
Investments - held for trading (Note 5)	2,233,964	3,260,904
Equipment (Note 4)	<u>16,590</u>	<u>-</u>
	<u>\$ 2,892,214</u>	<u>\$ 4,913,940</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Accounts payable and accrued liabilities	\$ 17,396	\$ 37,773
Bank loan (Note 6)	312,734	-
Note payable to related party (Note 8)	-	200,000
Note payable (Note 7)	<u>-</u>	<u>63,745</u>
	<u>330,130</u>	<u>301,518</u>

Shareholders' equity

Capital stock (Note 9)	3,647,519	3,647,519
Contributed surplus (Note 9)	1,098,362	1,098,362
Deficit	<u>(2,183,797)</u>	<u>(133,459)</u>
	<u>2,562,084</u>	<u>4,612,422</u>
	<u>\$ 2,892,214</u>	<u>\$ 4,913,940</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

On behalf of the Board:

"Min Kuang"
Min Kuang

Director

"Joseph Fodor"
Joseph Fodor

Director

The accompanying notes are an integral part of these consolidated financial statements.

CHINA SELECT CAPITAL PARTNERS CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
YEARS ENDED JUNE 30**

	2011	2010
REVENUES		
Realized gain on sale of investments	\$ 394,126	\$ -
Unrealized gain (loss) on investments	(1,811,577)	560,904
Dividend income	72,265	52,146
Interest income	8,493	291
Management fee income	12,079	-
	<u>(1,324,614)</u>	<u>613,341</u>
EXPENSES		
Accounting and audit	46,269	21,005
Amortization	322	-
Consulting	292,958	79,324
Directors fees	6,509	4,800
Filing and transfer agent fees	14,006	34,090
Foreign exchange	8,413	(1,074)
Interest expense	3,095	10,452
Legal	20,153	16,969
Office and miscellaneous	47,917	52,764
Public relations and conferences	21,758	46,979
Rent	47,305	14,217
Transaction costs	-	159,469
Travel and promotion	148,562	93,497
Wages and salaries	68,457	17,865
	<u>(725,724)</u>	<u>(550,357)</u>
Net and comprehensive income (loss) for the year	(2,050,338)	62,984
Deficit, beginning of year	<u>(133,459)</u>	<u>(196,443)</u>
Deficit, end of year	<u>\$ (2,183,797)</u>	<u>\$ (133,459)</u>
Basic and diluted earnings (loss) per share	\$ (0.07)	\$ 0.01
Weighted average number of common shares outstanding	28,410,000	10,499,260

The accompanying notes are an integral part of these consolidated financial statements.

CHINA SELECT CAPITAL PARTNERS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (2,050,338)	\$ 62,984
Items not affecting cash:		
Accrued interest	356	-
Amortization	322	-
Non-cash transaction costs	-	91,431
Realized gain on sale of investments	(394,126)	-
Unrealized loss (gain) on investments	1,811,577	(560,904)
Changes in non-cash working capital items:		
HST/GST receivable	(22,828)	(7,536)
Prepaid expenses and deposits	(31,317)	-
Due from related parties	215	(37,629)
Accounts payable and accrued liabilities	<u>(20,377)</u>	<u>(19,787)</u>
Cash used in operating activities	<u>(706,516)</u>	<u>(471,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(16,912)	-
Short-term deposit	(405,365)	-
Proceeds from sale of investments	957,988	-
Purchase of investments	<u>(1,348,499)</u>	<u>(700,000)</u>
Cash used in investing activities	<u>(812,788)</u>	<u>(700,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	2,502,000
Share issuance costs	-	(219,998)
Bank loan proceeds	312,378	-
Note payable proceeds (repayment)	(63,745)	63,745
Note payable to related party proceeds (repayment)	<u>(200,000)</u>	<u>200,000</u>
Cash provided by financing activities	<u>48,633</u>	<u>2,545,747</u>
Change in cash and cash equivalents during the year	(1,470,671)	1,374,306
Cash and cash equivalents, beginning of year	<u>1,602,213</u>	<u>227,907</u>
Cash and cash equivalents, end of the year	\$ 131,542	\$ 1,602,213

Supplemental disclosures with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

1. NATURE AND CONTINUANCE OF OPERATIONS

China Select Capital Partners Corp. (the "Company") was incorporated on September 12, 2007 under the laws of British Columbia, Canada and was a Capital Pool Company as defined in the TSX Venture Exchange ("Exchange") Policy 2.4. During the year ended June 30, 2010, the Company completed its qualifying transaction in accordance with the Exchange policy 2.4 by acquiring equity interests in certain entities. The Company is a global investment management, financial advisory and private equity firm focused on investing growth capital into leading private and public companies across the Pan-Pacific region in sectors including cleantech and renewable energy, natural resources, chemicals, agriculture and consumer services.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. In the event that additional financing is not received or operating profits are not generated, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The consolidated financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation. The Company is an investment company under the guidelines set out in the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 18, *Investment Companies* ("AcG-18").

Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to the assessment of the Company's ability to continue as a going concern, valuation of investments, determination of fair value of stock-based compensation and future income taxes. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Investments

The Company carries its investments at fair value. At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the consolidated financial statements.

(i) Publicly-traded Investments

Investments in securities, including shares, options, and warrants which are traded on a recognized securities exchange are recorded at fair value based on the closing bid price at the balance sheet date. The fair value of warrants and options not traded on a recognized securities exchange is calculated on the balance sheet date using valuation techniques that consider the exercise price, the closing price for the underlying shares, volatility and liquidity including in some cases the time value of money. In certain cases the Company uses the Black-Scholes option pricing model which requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing model does not necessarily provide a reliable single measure of the fair value of the options and warrants.

(ii) Private Company Investments

Investments in private companies are initially recorded at cost, being the fair value at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending upon the circumstances, be adjusted by applying one or more of the valuation techniques described below.

In addition to the events described below, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment in a private company is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of an investment in a private company may be adjusted upward if:

- 1) There has been a significant subsequent equity financing provided by outside investors at a valuation above the current fair value of the investee company. In these instances, the fair value of the investment is adjusted to the value at which that financing took place; or
- 2) There have been significant corporate, political, operating or economic events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and, therefore, its fair value.

The fair value of an investment in a private company may be adjusted downward if:

- 1) There has been a significant subsequent equity financing provided by outside investors, at a valuation below the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place; or
- 2) The investee company is placed into receivership or bankruptcy; or
- 3) Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or
- 4) There have been significant corporate, political, operating or economic events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and, therefore, its fair value.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Investments (cont'd...)

The adjustment to the fair value of the privately-held investments is based on management's judgment and any value estimated may not be realized and may differ from values that might be determined if a ready market existed. The amount at which an investment in a private company could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, management.

Transaction costs incurred in the purchase and sale of investments, such as finder's fees and legal fees, are recorded as an expense in the consolidated statements of operations. The Company also incurs costs to investigate certain early stage projects and other potential investment opportunities to determine whether an investment will be made. These costs are expensed as incurred.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Office furniture	5 years

Revenue recognition

Security transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments, are recognized in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition.

Management fees and other fees are recorded as income on an accrual basis when the services are performed. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates which approximate those in effect on transaction dates. Exchange gains and losses arising on translation are included in the statement of operations.

The Company's foreign subsidiary is considered an integrated operation and translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising from restatement of foreign currency assets and liabilities are included in earnings.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

The Company classifies all financial instruments either as held to maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. Financial assets classified as held to maturity, loans and other receivables and financial liabilities other than those held for trading are measured at amortized cost. Available for sale financial instruments are measured at fair market value with temporary unrealized gains and losses recorded in other comprehensive income. Realized losses and other than temporary unrealized losses on available-for-sale financial assets are recognized in the statement of operations. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations for the period.

The Company has designated its cash and cash equivalents and investments as held-for-trading. Receivables and due from related parties are classified as loans and receivables. Accounts payable and accrued liabilities and bank loan have been classified as other financial liabilities.

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and the balance sheet date and how the entity manages those risks.

Stock-based compensation

All stock based awards to employees and non-employees are recognized over the vesting period at fair value on the date of the grant as determined using a Black-Scholes option pricing model. The expense is charged to operations and the offset is credited to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Dilutive loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year and does not include outstanding options and warrants.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Future accounting changes

International financial reporting standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability ("PAEs"). For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In January 2011 the AcSB approved an amendment which provides Canadian companies currently applying CICA AcG-18 with the option to defer adoption of IFRS until January 1, 2013. Accordingly, the Company will adopt IFRS for the fiscal period beginning July 1, 2013 and will issue its first financial statements in accordance with IFRS, including comparative information, for the interim period ending September 30, 2013. The Company is currently evaluating the impact that this new standard may have on its consolidated financial statements.

3. SHORT-TERM DEPOSIT

The short-term deposit consists of a Canadian dollar Guaranteed Investment Certificate ("GIC") with principal amount of \$402,959 (June 30, 2010 - \$nil). The GIC bears interest at 1.3% per annum and matures on July 12, 2011. As at June 30, 2011, the Company has accrued \$2,406 of interest on the GIC.

4. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 1,935	\$ 322	\$ 1,613	\$ -	\$ -	\$ -
Office furniture	14,977	-	14,977	-	-	-
	\$ 16,912	\$ 322	\$ 16,590	\$ -	\$ -	\$ -

Amortization has not yet begun on office furniture as it has not yet been put into use.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

5. INVESTMENTS

The Company's investments are comprised of the following:

2011	Number of Shares	Average Cost	Fair Value
Common shares of publicly traded companies:			
China Dongxiang (Group) Co. Ltd.	2,676,902	\$ 2,000,000	\$ 819,220
Synodon Inc.	1,093,612	246,063	180,446
RX Exploration Inc.	200,335	73,389	98,164
You on Demand Holdings Inc.	1,000,000	84,876	112,341
Carmax Mining Corp.	500,000	100,000	92,500
Investments in other public companies		625,748	550,100
Common shares of privately held companies:			
Asia Select Acquisition III Corp.	1,542,858	3,110	2,968
BoardSuite Corp.	400,000	200,000	200,000
China Dredging Group Company Ltd.	29,996	151,450	151,450
Share purchase warrants:			
Carmax Mining Corp.	500,000	-	-
Confederation Minerals Ltd.	178,500	-	26,775
Synodon Inc.	555,556	-	-
BoardSuite Corp.	400,000	-	-
		\$ 3,484,636	\$ 2,233,964

2010	Number of Shares	Average Cost	Fair Value
Common shares of publicly traded companies:			
Synodon Inc.	1,111,112	\$ 250,000	\$ 277,778
RX Exploration Inc.	833,334	250,000	458,334
China Dongxiang (Group) Co. Ltd.	2,676,902	2,000,000	1,914,169
Common shares of privately held companies:			
BoardSuite Corp.	400,000	200,000	200,000
Share purchase warrant:			
Synodon Inc.	555,556	-	105,875
RX Exploration Inc.	833,334	-	304,748
BoardSuite Corp.	400,000	-	-
		\$ 2,700,000	\$ 3,260,904

For the year ended June 30, 2011, the Company recorded an unrealized loss of \$1,811,577 (2010 - \$560,904 unrealized gain) as a result of a change in the fair value of its investments.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

5. INVESTMENTS (cont'd...)

The fair value of the warrants at June 30, 2011 was determined based on their intrinsic value, that is the amount by which the market price of the underlying stock exceeds the exercise price of the warrants. The warrants are valued only when they are in the money.

The fair value of the warrants at June 30, 2010 was determined using the Black-Scholes option pricing model.

6. BANK LOAN

On May 20, 2011, the Company entered into a revolving demand credit facility agreement with a Canadian Chartered bank. The credit facility is available by way of prime rate loan or LIBOR rate loan and has a borrowing limit of \$495,600 (4,000,000 Hong Kong dollars). At June 30, 2011, the outstanding balance of the credit facility was \$312,378 and the average interest rate was 2.2% per annum. As at June 30, 2011, the Company had accrued \$356 of interest on the loan. The outstanding balance is due on demand and collateralized by the Company's investments held in the bank. The Company is subject to certain covenants under the credit agreement and is in compliance with the covenants as at June 30, 2011.

7. NOTE PAYABLE

The Company issued a promissory note to a non-related party on May 1, 2010. The note, with a principal of \$63,745, bears interest at a rate of 8% per annum and is payable on demand. During the year ended June 30, 2011, the Company repaid the note together with accrued interest of \$2,487.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Included in due from related parties is \$5,509 (June 30, 2010 - \$2,406) advanced to related parties for services to be rendered to the Company. Amounts due from related parties also includes \$31,905 (US\$33,086) (June 30, 2010 - \$35,223) of a loan to a company controlled by the President of the Company. The loan bears no interest and is repayable on or before the earlier of June 17, 2017 or when the company controlled by the President completes a business combination.

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd...)

The Company entered into the following transactions with related parties during the year ended June 30, 2011:

- a) Repaid the promissory note of \$200,000 outstanding as at June 30, 2010 to a member of the Company's investment committee together with accrued interest of \$9,956.
- b) Incurred consulting fees of \$132,000 (2010 - \$38,500) to a company controlled by the President of the Company.
- c) Incurred consulting fees of \$60,000 (2010 - \$19,000) to a director of the Company.
- d) Incurred consulting fees of \$73,285 (2010 - \$nil) to an officer of the Company.
- e) Incurred accounting fees of \$4,500 (2010 - \$2,000) to a former officer of the Company.
- f) Incurred directors fees of \$6,509 (2010 - \$4,800) to directors of the Company.
- g) Purchased 1,542,858 common shares of Asia Select Acquisition III Corp. (2010 - \$nil), a company with a president and director in common with the Company, for a price of US\$3,086 under a share purchase agreement.
- h) Received management fee income of \$12,079 from two companies controlled by the President of the Company.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

The Company has a Management Incentive Bonus Program (the "Program") under which a bonus of 20% of after-tax cash income and realizations on certain Company's corporate investments will be paid to management annually as applicable. As at June 30, 2011, no amount was paid or payable under the Program.

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series. The Company has no preferred shares issued and outstanding at June 30, 2010 and 2011. The issued and outstanding common shares are as follows:

	Number of Shares	Amount	Contributed Surplus
Balance, June 30, 2009	5,600,000	\$ 306,566	\$ 65,882
Private placements	12,510,000	1,656,770	845,230
Acquisition of investments	10,000,000	2,000,000	-
Finder's shares	300,000	60,000	-
Share issuance costs	-	(375,817)	155,819
Agent's options	-	-	31,431
Balance, June 30, 2010 and 2011	28,410,000	\$ 3,647,519	\$ 1,098,362

CHINA SELECT CAPITAL PARTNERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Share issuance

During the year ended June 30, 2010, the Company:

- a) Completed a non-brokered private placement of 10,010,000 units at a price of \$0.20 per unit for gross proceeds of \$2,002,000. Each unit is comprised of one common share and one-half share purchase warrant; each share purchase warrant entitles the holder to acquire one additional share at a price of \$0.40 until April 8, 2011 and at the price of \$0.60 until April 8, 2012. The warrants were valued at \$674,446 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.92%, an expected life of 2 year, annualized volatility of 174% and a dividend rate of 0%). In connection with the private placement, the Company paid share issuance costs of \$216,748 and issued 991,500 agent's warrants. Each agent's warrant is exercisable at a price of \$0.20 to acquire one common share of the Company. The agent's warrants were valued at \$155,819 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.92%, an expected life of 2 year, annualized volatility of 174% and a dividend rate of 0%).
- b) Completed a non-brokered private placement of 2,500,000 units at a price of \$0.20 per unit for gross proceeds of \$500,000. Each unit is comprised of one common share and one-half share purchase warrant; each share purchase warrant entitles the holder to acquire one additional share at a price of \$0.40 until May 6, 2011 and at the price of \$0.60 until May 6, 2012. The warrants were valued at \$170,784 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.69%, an expected life of 2 year, annualized volatility of 177% and a dividend rate of 0%). In connection with the private placement, the Company paid share issuance costs of \$3,250.
- c) Issued 10,000,000 common shares with a fair value of \$2,000,000 pursuant to an investment acquisition agreement in exchange for 2,676,902 common shares of China Dongxiang (Group) Co. Ltd. ("Dongxiang"). The shares issued to Dongxiang are subject to an escrow agreement, whereby 10% of the escrowed common shares were released on April 22, 2010 and the remaining shares will be released in 15% tranches every 6 months thereafter. In connection with the transaction the Company issued 300,000 common shares with a fair value of \$60,000 as a finder's fee. The Company also issued 200,000 agent's options as a sponsorship fee. The agent's options were valued at \$31,431 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.92%, an expected life of 2 years, annualized volatility of 174% and a dividend rate of 0%). The finder's fee and sponsorship fee were expensed to operations as transaction costs.

Escrowed shares

As of June 30, 2011, 7,560,000 of the issued and outstanding common shares were held in escrow and will be released in four equal tranches every 6 months up to April 21, 2013.

Normal Course Issuer Bid

On May 24, 2011, the Company received approval from the TSX Venture Exchange to repurchase up to 1,420,500 of its common shares, representing approximately 5% of the common shares outstanding at June 30, 2011. Purchases will be made in open market transactions through the facilities of the Exchange under a securities exemption for Normal Course Issuer Bids ("NCIB"). The Company has set a maximum price of \$0.20 for any common shares to be acquired under the Bid. All common shares purchased under the NCIB will be cancelled. During the year ended June 30, 2011, no common shares of the Company were purchased under the NCIB.

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the closing market price of the Company's shares on the day immediately preceding the day of the grant, less the discount permitted by the Exchange policies. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

The Company had no stock option transactions during the years ended June 30, 2010 and 2011.

As at June 30, 2011 the following stock options were outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
560,000	\$ 0.10	March 5, 2013

As at June 30, 2011 the following agent's options were outstanding:

Number of Shares	Exercise Price	Expiry Date
200,000	\$ 0.20	April 8, 2012

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2009	300,000	\$ 0.20
Warrants granted	6,255,000	0.60
Expired	<u>(300,000)</u>	0.20
Balance, June 30, 2010 and 2011	6,255,000	\$ 0.60
Exercisable at June 30, 2011	6,255,000	\$ 0.60

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants (cont'd...)

As at June 30, 2011 the following warrants to acquire common shares were outstanding:

Number of Shares	Exercise Price	Expiry Date
5,005,000	\$ 0.60	April 8, 2012
1,250,000	\$ 0.60	May 6, 2012
6,255,000		

As at June 30, 2011 the following agent's warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
991,500	\$ 0.20	April 8, 2012

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid for income taxes during the year	\$ -	\$ -
Cash paid for interest during the year	\$ 13,191	\$ -

There were no significant non-cash financing and investing transactions during the year ended June 30, 2011.

Significant non-cash transactions during the year ended June 30, 2010 included:

- a) The Company issued 1,000,000 common shares with a fair value of \$2,000,000 pursuant to an investment acquisition agreement in exchange for 2,676,902 common shares of Dongxiang. In connection with the acquisition, the Company also issued 300,000 common shares with a fair value of \$60,000 as a finder's fee and 200,000 agent's options with a fair value of \$31,431 as a sponsorship fee.
- b) The Company issued 991,500 agent's warrants with a value of \$155,819 as finder's fee for a private placement.

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11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Income (loss) before income taxes	\$ (2,050,338)	\$ 62,984
Statutory corporate income tax rate	28.00%	29.25%
Expected income tax expense (recovery) at statutory rates	\$ (574,094)	\$ 18,424
Change in effective tax rates and other items	243,100	13,965
Change in valuation allowance	377,751	29,959
Permanent differences	(46,757)	(62,348)
Total income tax recovery	\$ -	\$ -

Details of future income tax assets and liabilities are as follows:

	2011	2010
Future income tax assets (liabilities):		
Non-capital loss carryforwards	\$ 294,301	\$ 146,773
Investments	138,271	(108,217)
Share issuance costs	38,346	54,692
Other	81	-
Future income tax assets	470,999	93,248
Less: Valuation allowance	(470,999)	(93,248)
Net future income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$1,177,000. These losses, if not utilized, will expire through 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

12. FINANCIAL INSTRUMENTS

The carrying values of receivables, accounts payable and accrued liabilities, and bank loan approximate their fair values due to the relatively short period to maturity of these financial instruments. Cash and cash equivalents and investments are at fair value and categorized within three hierarchy levels as explained below.

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12. FINANCIAL INSTRUMENTS (cont'd...)

Fair Value

CICA Handbook Section 3862 “Financial Instruments – disclosures” establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

2011	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Cash and cash equivalents	\$ 131,542	\$ -	\$ -	\$ 131,542
Short-term deposit	\$ 405,365	\$ -	\$ -	\$ 405,365
Investments	\$ 1,852,771	\$ 26,775	\$ 354,418	\$ 2,233,964

2010	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Cash and cash equivalents	\$ 1,602,213	\$ -	\$ -	\$ 1,602,213
Investments	\$ 3,060,904	\$ 200,000	\$ -	\$ 3,260,904

The following table presents the changes in fair value measurement for instruments included in Level 3 of the fair value hierarchy:

Assets	Fair value June 30, 2010	Realized / unrealized gain (loss) included in losses	Transfers into Level 3	Fair value June 30, 2011
Investments	\$ -	\$ -	\$ 200,000	\$ 200,000
Total	\$ -	\$ -	\$ 200,000	\$ 200,000

During the year ended June 30, 2011 investments in certain private companies that were valued using initial exchange value as its fair value must now be valued using valuation methodologies based on unobservable data and were thus transferred to Level 3. As a result of the absence of an active market, the fair value assigned to the Company’s privately-held investments may differ from its realizable value and the differences could be material.

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12. FINANCIAL INSTRUMENTS (cont'd...)

Risk management

The Company's financial instruments and risk exposures are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash and cash equivalents and short-term deposit are minimal as they are held with high-credit quality financial institutions. Receivables mainly consist of harmonized sale tax due from the provincial government of British Columbia. The Company's credit exposure to amounts due from related parties is equal to their carrying amounts. The Company manages credit risk on its investments through thoughtful planning, strict investment selection criteria and significant due diligence of investment opportunities. Management and the Board of Directors review the financial condition of the investee companies regularly.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at June 30, 2011, the Company had assets of \$2,892,214 to settle liabilities of \$330,130. The Company's current financial liabilities consists of accounts payable and accrued liabilities of \$17,396 and bank loan of \$312,734 and may mature within the next fiscal period. The accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The bank loan is repayable on demand and collateralized by the Company's investments held in the bank. The Company generates cash flows primarily from equity financings, advisory fees and from the disposition of its investments. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's investments focus on late-stage cleantech and renewable energy, natural resources, chemicals, agriculture, consumer services or other selected sectors with high growth potential. These investments can at times be relatively illiquid, and if the Company decides to dispose of certain securities, it may not be able to do so at favourable prices at that time, or at all. The Company maintains a conservative liquidity position by having sufficient investments which are freely tradable and relatively liquid to fund its obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. The Company is exposed to market risk through its investments in equity securities.

As at June 30, 2011, approximately 85% of the fair value of the Company's investment was in publicly-traded companies. If security market prices were higher or lower by 5% as at June 30, 2011, the carrying value of its investments and unrealized gains (losses) on investments would be increased or decreased by approximately \$93,000, respectively.

The Company holds investments in companies which do business in different countries and accordingly, are subject to foreign exchange risk. As at June 30, 2011, the Company's investment portfolio dominated in U.S. and Hong Kong dollars and Japanese Yuan represented over 40% of the Company's assets. A significant change in foreign exchange rates can have a significant impact to the profitability of these companies and in turn the Company's fair value of these investments. General speaking, a 1% rise or fall in the value of the Canadian dollar against the foreign assets held would result in a decrease or increase of the net assets by approximately \$12,000, respectively.

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12. FINANCIAL INSTRUMENTS (cont'd...)

Risk management (cont'd...)

Market risk (cont'd...)

The Company is exposed to interest rate risk to the extent that cash and cash equivalents maintained at the financial institutions and bank loan outstanding. The interest rate risks on cash and cash equivalents are not considered significant. The bank loan is based on either on prime rate of Bank of Canada or on London Interbank Offered Rate (LIBOR). As of June 30, 2011, if the prevailing interest rates had been raised or lowered by 1%, net assets could possibly have decreased or increased, respectively by approximately \$260.

The Company manages market risk by developing a diversified portfolio of investments. The Company has established an investment committee to monitor its investment portfolio on an ongoing basis and to review the status of its investments in accordance with the investment policy.

13. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company's objectives when managing capital are:

- (a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;
- (b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (c) To create sustained growth in shareholder value by increasing shareholders' equity and minimizing shareholder dilution; and
- (d) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, by realizing proceeds from the disposition of its investments and raising funds through equity financings.

There were no changes in the Company's approach to capital management during the year ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company:

- i) Granted 1,630,000 stock options to directors, officers, employees and consultants, exercisable at \$0.20 per share for a period of five years and subject to a two year vesting provision.
- ii) Purchased 2,000 common shares at a price of \$0.09 per share from the market under the NCIB.