

CHINA XINGBANG INDUSTRY GROUP INC.

FORM 10-Q (Quarterly Report)

Filed 08/14/14 for the Period Ending 06/30/14

| | |
|-------------|---------------------------------------|
| Telephone | 86 20 38296988 |
| CIK | 0001521222 |
| Symbol | CXGP |
| SIC Code | 8742 - Management Consulting Services |
| Industry | Business Services |
| Sector | Services |
| Fiscal Year | 12/31 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-54429

China Xingbang Industry Group Inc.
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

99-0366034

(I.R.S. Employer
Identification No.)

No. 1108 Sai Wei Avenue,
Hi-Tech Development Zone,
Xinyu City,
Jiangxi Province, P.R.C. 338004

(Address of principal executive offices) (Zip Code)

(011) 86 79 07123318

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
81,244,000 shares of common stock, par value \$0.001, as of August 14, 2014.

CHINA XINGBANG INDUSTRY GROUP INC.

**QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2014**

TABLE OF CONTENTS

| Title | <u>Page No.</u> |
|---|------------------------|
| PART I - FINANCIAL INFORMATION | |
| Item 1. Financial Statements | F-1 - F-12 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 1 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 13 |
| Item 4. Controls and Procedures | 13 |
| PART II - OTHER INFORMATION | |
| Item 1. Legal Proceedings | 13 |
| Item 1A. Risk Factors | 14 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 14 |
| Item 3. Defaults Upon Senior Securities | 14 |
| Item 4. Mine Safety Disclosures | 14 |
| Item 5. Other Information | 14 |
| Item 6. Exhibits | 15 |

* * *

In this quarterly report, unless otherwise specified or the context otherwise requires, the terms “we” “us,” “our,” and the “Company” refer to China Xingbang Industry Group Inc. and our consolidated subsidiaries taken together as a whole.

Pursuant to Item 10(f) of Regulation S-K promulgated under the Securities Act of 1933, as amended, we have elected to comply throughout this quarterly report with the scaled disclosure requirements applicable to “smaller reporting companies.” Except as specifically included in the quarterly report, items not required by the scaled disclosure requirements have been omitted.

PART I

Item 1. Financial Information

CHINA XINGBANG INDUSTRY GROUP INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014

CONTENTS

| | <u>Pages</u> |
|--|--------------|
| Condensed Consolidated Balance Sheets as of June 30, 2014 (Unaudited) and December 31, 2013 | F-2 |
| Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2014 and 2013 (Unaudited) | F-3 |
| Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013 (Unaudited) | F-4 |
| Notes to the Condensed Consolidated Financial Statements (Unaudited) | F-5 – F-12 |

CHINA XINGBANG INDUSTRY GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | As of June 30, 2014 | As of December 31, 2013 |
|---|------------------------------------|--|
| | <u>(Unaudited)</u> | <u></u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 622,112 | \$ 284,001 |
| Prepaid expenses and other current assets | 107,610 | 30,790 |
| Total Current Assets | <u>729,722</u> | <u>314,791</u> |
| PROPERTY AND EQUIPMENT, NET | 411,447 | 326,740 |
| TOTAL ASSETS | <u>\$ 1,141,169</u> | <u>\$ 641,531</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Deferred revenue | \$ 53,169 | \$ 54,486 |
| Other payables and accrued expenses | 552,177 | 574,870 |
| Due to stockholders | 1,658,392 | 1,836,232 |
| Due to related companies | 3,937,069 | 2,098,552 |
| Total Current Liabilities | <u>6,200,807</u> | <u>4,564,140</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| | - | - |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock (\$0.001 par value, 60,000,000 shares authorized, no shares issued as of June 30, 2014 and December 31, 2013) | - | - |
| Common stock (\$0.001 par value, 300,000,000 shares authorized, 81,244,000 shares issued and outstanding as of June 30, 2014 and December 31, 2013) | 81,244 | 81,244 |
| Additional paid-in capital | 959,330 | 959,330 |
| Unappropriated accumulated deficits | (6,263,756) | (5,026,223) |
| Appropriated retained earnings | 72,493 | 72,493 |
| Accumulated other comprehensive income (loss) | 91,051 | (9,453) |
| Total Stockholders' Deficit | <u>(5,059,638)</u> | <u>(3,922,609)</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | <u>\$ 1,141,169</u> | <u>\$ 641,531</u> |

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

CHINA XINGBANG INDUSTRY GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------------------|------------------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| REVENUE | | | | |
| Advertising | \$ - | \$ 3,270 | \$ - | \$ 10,027 |
| Consulting service | - | 4,875 | - | 9,696 |
| E-commerce | 1,358 | - | 2,642 | - |
| Total revenue | <u>1,358</u> | <u>8,145</u> | <u>2,642</u> | <u>19,723</u> |
| COST OF REVENUE | | | | |
| Advertising | - | 10,087 | - | 19,837 |
| Consulting service | - | 20,034 | - | 39,522 |
| E-commerce | 246,346 | 111,293 | 430,806 | 235,987 |
| Total cost of revenue | <u>246,346</u> | <u>141,414</u> | <u>430,806</u> | <u>295,346</u> |
| GROSS LOSS | <u>(244,988)</u> | <u>(133,269)</u> | <u>(428,164)</u> | <u>(275,623)</u> |
| OPERATING EXPENSES | | | | |
| Selling expenses | 195,677 | 87,825 | 333,021 | 278,205 |
| General and administrative expenses | 251,087 | 388,521 | 429,110 | 725,207 |
| Impairment of website development cost | - | 406,963 | - | 406,963 |
| Depreciation – property and equipment | 25,062 | 26,319 | 47,385 | 51,926 |
| Total Operating Expenses, net | <u>471,826</u> | <u>909,628</u> | <u>809,516</u> | <u>1,462,301</u> |
| NET LOSS FROM OPERATIONS | <u>(716,814)</u> | <u>(1,042,897)</u> | <u>(1,237,680)</u> | <u>(1,737,924)</u> |
| OTHER (EXPENSES) INCOME, NET | | | | |
| Interest income | 552 | 378 | 706 | 916 |
| Other income | - | - | 185 | - |
| Other expenses | (1,027) | (646) | (1,362) | (1,491) |
| (Loss) gain on disposal of property and equipment | (1,898) | - | 618 | - |
| Total Other (Expenses) Income, net | <u>(2,373)</u> | <u>(268)</u> | <u>147</u> | <u>(575)</u> |
| NET LOSS | <u>(719,187)</u> | <u>(1,043,165)</u> | <u>(1,237,533)</u> | <u>(1,738,499)</u> |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Foreign currency translation (loss) gain | <u>(10,745)</u> | <u>(21,339)</u> | <u>100,504</u> | <u>(24,960)</u> |
| TOTAL COMPREHENSIVE LOSS | <u>\$ (729,932)</u> | <u>\$ (1,064,504)</u> | <u>\$ (1,137,029)</u> | <u>\$ (1,763,459)</u> |
| Net loss per share | | | | |
| - basic and diluted | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.02)</u> | <u>\$ (0.02)</u> |
| Weighted average number of shares outstanding during the period | | | | |
| - basic and diluted | <u>81,244,000</u> | <u>81,244,000</u> | <u>81,244,000</u> | <u>81,244,000</u> |

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

CHINA XINGBANG INDUSTRY GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Six months ended June 30, | |
|--|--------------------------------------|----------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (1,237,533) | \$ (1,738,499) |
| Adjusted to reconcile net loss to net cash used in operating activities: | | |
| Depreciation – property and equipment | 47,385 | 51,926 |
| Amortization - website development cost | - | 109,423 |
| Impairment of website development cost | - | 406,963 |
| Gain on disposal of property and equipment | (618) | - |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in: | | |
| Prepaid expenses and other current assets | (78,008) | 68,000 |
| Decrease in: | | |
| Accounts payable | - | (2,198) |
| Deferred revenue | - | (19,724) |
| Other payables and accrued expenses | (8,853) | (37,430) |
| Income tax payable | - | (6) |
| Net cash used in operating activities | (1,277,627) | (1,161,545) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (143,395) | (39,015) |
| Payments for website development cost | - | (67,415) |
| Payments for construction in progress | - | (37,508) |
| Proceeds from disposals of property and equipment | 3,496 | - |
| Net cash used in investing activities | (139,899) | (143,938) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Due to related companies | 1,900,037 | 1,334,787 |
| Due to stockholders | (134,235) | 90,176 |
| Net cash provided by financing activities | 1,765,802 | 1,424,963 |
| EFFECT OF EXCHANGE RATES ON CASH | (10,165) | 3,246 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 338,111 | 122,726 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 284,001 | 197,530 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 622,112 | \$ 320,256 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest expenses | \$ - | \$ - |
| Cash paid for income tax | \$ - | \$ - |

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

CHINA XINGBANG INDUSTRY GROUP INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated group financial statements of China Xingbang Industry Group Inc. ("China Xingbang" or the "Company"), its subsidiaries and variable interest entities ("VIEs") (collectively the "Group") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete audited financial statements. Unless otherwise specified, all amounts set out in the condensed consolidated financial statements are expressed in US Dollars.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's consolidated financial position as of June 30, 2014, the results of operations and comprehensive loss for the three and six months ended June 30, 2014 and 2013 and statements of cash flows for the six months ended June 30, 2014 and 2013. The consolidated results for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes of the Company for the year ended December 31, 2013.

NOTE 2 GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's operations resulted in a net loss of \$1,237,533 and used cash in operations of \$1,277,627 for the six months ended June 30, 2014. As of June 30, 2014, the Company had an unappropriated accumulated deficit of \$6,263,756 and a working capital deficiency of \$5,471,085.

In the course of its development activities, the Company continues to sustain losses. The Company expects to finance its operations primarily through capital contributions from stockholders and its affiliates. The Company borrowed from Mr. Xiaohong Yao ("Mr. Yao"), the Chief Executive Officer of the Company and his spouse, and companies controlled by them a net amount of \$1,765,802 during the first and second quarters of 2014, and the related parties agreed to lend more funds to the Company as needed for management to execute its business plan for at least the next twelve months.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required until such time as it can generate sources of recurring revenues and to ultimately attain profitability when the Company's e-commerce business is fully developed. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 ORGANIZATION

The Company was incorporated in Nevada on April 12, 2011 as a holding company.

Xing Bang Industry Group Limited ("Xingbang BVI") was incorporated in the British Virgin Islands ("BVI") on March 24, 2011 as a holding company and is wholly owned by China Xingbang.

China Group Purchase Alliance Limited ("Xingbang HK") was incorporated in Hong Kong on August 5, 2008 as a holding company and is wholly owned by Xingbang BVI. Xingbang HK established Guangzhou Xingbang Information Consulting Co., Ltd., a wholly foreign owned enterprise (the "WFOE"), on May 12, 2011 in the People's Republic of China ("PRC") to provide consulting, investment and technical services to Guangdong Xingbang Industry Information & Media Co., Ltd. ("Guangdong Xingbang").

Guangdong Xingbang was incorporated in the PRC on January 17, 2005 as a limited liability company. Guangdong Xingbang is a print media advertising operator serving the home furnishing industry in the PRC. Guangdong Xingbang also provides marketing consulting service to clients in the home furnishing industry and local government in the PRC. Starting from August 2011, Guangdong Xingbang began to provide e-commerce services, namely B2B2C (Business-to-Business-to-Consumer), to manufacturers and distributors, and brick-and-mortar stores located in different parts of the PRC through an e-commerce platform, referred to as ju51 Mall, developed by Guangdong Xingbang. On December 31, 2013, the Company ceased its advertising and consulting service business.

Xinyu Xingbang Information Industry Co., Ltd ("Xinyu Xingbang") was incorporated in the PRC on June 11, 2012 for the purpose of continuing the business of Guangdong Xingbang in the near future as Guangdong Xingbang winds down its operations. Pursuant to the Articles of Association of Xinyu Xingbang, Guangdong Xingbang and the WFOE each invested \$787,030 (RMB 5,000,000) in Xinyu Xingbang and each owns 50% of the equity interest of Xinyu Xingbang. Under the Xinyu Xingbang Articles of Association, the WFOE is entitled to appoint the sole director and all members of the management team of Xinyu Xingbang and the WFOE is entitled to receive 99.99% of Xinyu Xingbang's net profit. Based on the relevant PRC regulations, an Internet Content Provider license, or ICP license, issued by the Chinese Ministry of Industry and Information Technology, is required for Xinyu Xingbang to conduct business as currently contemplated. In order to be granted the ICP license, foreign investor's ownership of Xinyu Xingbang cannot exceed 50%. Xinyu Xingbang obtained its ICP license in

February 2013. Guangdong Xingbang will gradually wind down its operations and Xinyu Xingbang will carry out Guangdong Xingbang's business except that Guangdong Xingbang will fulfill its contractual obligations under the existing customer contracts. On June 30, 2012, Guangdong Xingbang granted an exclusive license to Xinyu Xingbang to permit Xinyu Xingbang to use the trademark, domain names, intellectual property rights and any know-how Guangdong Xingbang owns for the period from July 1, 2012 to June 30, 2022. Guangdong Xingbang also assigned the management right and right to receive revenue from the ju51 Mall to Xinyu Xingbang. Guangdong Xingbang will continue its corporate existence to hold the equity interest in Xinyu Xingbang for the same period.

Pursuant to (i) a series of contractual arrangements between the WFOE, Guangdong Xingbang and all the stockholders of Guangdong Xingbang, (ii) the share exchange agreement between China Xingbang, Xingbang BVI and all the stockholders of Xingbang BVI, and (iii) the WFOE's 50% equity ownership of Xinyu Xingbang, the results of all these entities are consolidated together. Since they are under common control, the contractual arrangements and share exchange were accounted for as a reorganization of entities under common control.

The Company accounts for its VIEs in accordance with ASC 810, which requires the consolidation of VIEs in which a company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. The Company assesses all newly created entities and those with which the Company becomes involved to determine whether such entities are VIEs and, if so, whether or not the Company is their primary beneficiary.

As required by ASC 810-10, the Company performs a qualitative assessment to determine whether the Company remains the primary beneficiary of Guangdong Xingbang, which also owns 50% of Xinyu Xingbang. A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and the parties involved in the design of the entity. The Company's assessment on the involvement with Guangdong Xingbang reveals that the Company has the absolute power to direct the most significant activities that impact the economic performance of Guangdong Xingbang. Under the accounting guidance, the Company is deemed to be the primary beneficiary of Guangdong Xingbang and the results of Guangdong Xingbang and Xinyu Xingbang are consolidated in the Company's group financial statements for financial reporting purposes. As of June 30, 2014 and December 31, 2013, the Company has no equity interest in Guangdong Xingbang; none of the Company's assets serve as collateral for Guangdong Xingbang; creditors of Guangdong Xingbang have no recourse to the Company; and the Company has not provided any guarantees to Guangdong Xingbang.

The assets and liabilities associated with Guangdong Xingbang and Xinyu Xingbang are combined and presented on a gross basis, prior to consolidation adjustments with other entities in the Group, and are as follows:

| | As of June 30, 2014 | As of December 31, 2013 |
|---|------------------------------------|--|
| | (Unaudited) | |
| Cash and cash equivalents | \$ 560,738 | \$ 258,701 |
| Prepaid expenses and other current assets | 107,610 | 30,790 |
| Due from group companies | 1,271,169 | 1,136,975 |
| Property and equipment, net | 411,447 | 326,740 |
| Total assets | \$ 2,350,964 | \$ 1,753,206 |
| Deferred revenue | \$ 53,169 | \$ 54,486 |
| Other payables and accrued expenses | 526,676 | 531,204 |
| Due to group companies | 401,057 | 444,026 |
| Due to stockholders | 852,408 | 1,010,291 |
| Due to related companies | 3,937,069 | 2,098,552 |
| Total current liabilities | 5,770,379 | 4,138,559 |
| Deficit of variable interest entities | (3,419,415) | (2,385,353) |
| Total liabilities and deficit | \$ 2,350,964 | \$ 1,753,206 |

In 2011, the Company agreed to waive the management fee payable by Guangdong Xingbang for a period of 3 years from May 13, 2011 to May 12, 2014 in order for Guangdong Xingbang to preserve enough cash to fund its e-commerce business. In 2014, the Company agreed to extend the waiver of management fee payable by Guangdong Xingbang for an additional 3 years from May 13, 2014 to May 12, 2017.

The liabilities recognized as a result of combining the VIEs do not necessarily represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the combined VIEs. Conversely, assets recognized as a result of combining the VIEs do not represent additional assets that could be used to satisfy claims by the Company's creditors as they are not legally included within the Company's general assets.

Immediately prior to the PRC restructuring transactions that were completed on May 13, 2011, the Chief Executive Officer of the Company and his spouse controlled Guangdong Xingbang as they owned 90% and 10% respectively, of its registered capital. The Chief Executive Officer also indirectly controlled WFOE as he owned 56.25% of the issued share capital of Xingbang BVI, the sole stockholder of WFOE. As WFOE and Guangdong Xingbang are under common control, the contractual arrangements have been accounted for as a reorganization of entities under common control and the Group's financial statements were prepared as if the reorganization occurred at the beginning of the first period presented.

Share exchange

On May 13, 2011, China Xingbang entered into a share exchange agreement with Xingbang BVI and the stockholders of Xingbang BVI in which the stockholders of Xingbang BVI exchanged 100% of the issued share capital of Xingbang BVI, valued at \$80,000, for 79,999,000 shares of common stock of China Xingbang. Xingbang BVI became a wholly owned subsidiary of China Xingbang. Prior to the share exchange, the sole stockholder of China Xingbang owned 56.25% of the issued share capital of Xingbang BVI. As both companies are under common control, the share exchange involving China Xingbang and Xingbang BVI is being treated for accounting purposes as a capital transaction and a reorganization of entities under common control with China Xingbang as the accounting acquirer and Xingbang BVI as the accounting acquiree. The consolidated financial statements were prepared as if the reorganization occurred at the beginning of the first period presented.

Accordingly, these group financial statements include the following:

1. The balance sheets consisting of the net assets of the acquirer and acquiree at historical cost; and
2. The statement of operations including the operations of the acquirer and acquiree for the periods presented.

NOTE 4 PRINCIPLES OF CONSOLIDATION

The accompanying group financial statements for the six months ended June 30, 2014 and 2013 include the financial statements of China Xingbang, its wholly owned subsidiaries, Xingbang BVI, Xingbang HK and the WFOE, its contractually controlled affiliate, Guangdong Xingbang, and Xinyu Xingbang which is 50% owned by Guangdong Xingbang and 50% owned by WFOE.

All significant inter-company accounts and transactions have been eliminated in consolidation.

NOTE 5 USE OF ESTIMATES

The preparation of the unaudited condensed consolidated group financial statements in conformity with GAAP 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 group financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 6 THE EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company will adopt ASU 2014-09 during the first quarter of fiscal 2017. Management is evaluating the provisions of this statement and has not determined what impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

All other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

NOTE 7 OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consisted of the following:

| | As of June 30, 2014 | As of December 31, 2013 |
|------------------------------------|---------------------------|----------------------------------|
| | (unaudited) | |
| Customers deposits and prepayments | \$ 254,891 | \$ 258,010 |
| Business and other taxes payable | 5,795 | 48,710 |
| Other payables | 55,033 | 76,664 |
| Accrued expenses | 236,458 | 191,486 |
| | <u>\$ 552,177</u> | <u>\$ 574,870</u> |

NOTE 8 SEGMENTS

The Company operated in three reportable segments, advertising, consulting service and e-commerce in 2013. Since the Company has shifted its focus to e-commerce and discontinued its advertising and consulting service business starting from 2014, there is only one segment in operation in 2014. The Company evaluates segment performance based on income from operations. All inter-company transactions between segments have been eliminated on consolidation. As a result, the components of operating income for one segment may not be comparable to another segment.

The following is a summary of the Company's segment information for the three months ended June 30, 2014 and 2013.

| For the three months ended June 30, 2014 | Advertising | Consulting service | E-commerce | Total |
|---|--------------------|-------------------------------|-------------------|--------------|
| Revenue | \$ - | \$ - | \$ 1,358 | \$ 1,358 |
| Gross loss | - | - | (244,988) | (244,988) |
| Net loss | - | - | (719,187) | (719,187) |
| Total assets as of June 30, 2014 | - | - | 1,141,169 | 1,141,169 |
| Capital expenditure | - | - | 52,730 | 52,730 |
| Depreciation | - | - | 25,062 | 25,062 |

| For the three months ended June 30, 2013 | Advertising | Consulting service | E-commerce | Total |
|---|--------------------|-------------------------------|-------------------|--------------|
| Revenue | \$ 3,270 | \$ 4,875 | \$ - | \$ 8,145 |
| Gross loss | (6,817) | (15,159) | (111,293) | (133,269) |
| Net loss | (684,317) | (50,910) | (202,839) | (938,066) |
| Total assets as of June 30, 2013 | 1,131,406 | 105,598 | 271,538 | 1,508,542 |
| Capital expenditure | 18,747 | (2,372) | 38,864 | 55,239 |
| Depreciation and amortization | 23,581 | 562 | 52,833 | 76,976 |

A reconciliation is provided for unallocated amounts relating to corporate operations which are not included in the segment information.

| | Three months ended June 30, | |
|--|--|-----------------------|
| | 2014 | 2013 |
| Total net loss for reportable segments | \$ (719,187) | \$ (938,066) |
| Unallocated amounts relating to corporate operations | - | (105,099) |
| Total loss | <u>\$ (719,187)</u> | <u>\$ (1,043,165)</u> |

The following is a summary of the Company's segment information for the six months ended June 30, 2014 and 2013.

| For the six months ended June 30, 2014 | Advertising | Consulting service | E-commerce | Total |
|---|--------------------|-------------------------------|-------------------|--------------|
| Revenue | \$ - | \$ - | \$ 2,642 | \$ 2,642 |
| Gross loss | - | - | (428,164) | (428,164) |
| Net loss | - | - | (1,237,533) | (1,237,533) |
| Total assets as of June 30, 2014 | - | - | 1,141,169 | 1,141,169 |
| Capital expenditure | - | - | 143,395 | 143,395 |
| Depreciation | - | - | 47,385 | 47,385 |

| For the six months ended June 30, 2013 | Advertising | Consulting service | E-commerce | Total |
|---|--------------------|-------------------------------|-------------------|--------------|
| Revenue | \$ 10,027 | \$ 9,696 | \$ - | \$ 19,723 |
| Gross loss | (9,810) | (29,826) | (235,987) | (275,623) |
| Net loss | (987,683) | (126,392) | (466,722) | (1,580,797) |
| Total assets as of June 30, 2013 | 1,131,406 | 105,598 | 271,538 | 1,508,542 |
| Capital expenditure | 57,392 | 5,357 | 81,189 | 143,938 |
| Depreciation and amortization | 38,945 | 3,634 | 118,770 | 161,349 |

A reconciliation is provided for unallocated amounts relating to corporate operations which are not included in the segment information.

| | Six months ended June 30, | |
|--|--------------------------------------|-----------------------|
| | 2014 | 2013 |
| Total net loss for reportable segments | \$ (1,237,533) | \$ (1,580,797) |
| Unallocated amounts relating to corporate operations | - | (157,702) |
| Total loss | <u>\$ (1,237,533)</u> | <u>\$ (1,738,499)</u> |

NOTE 9 STOCKHOLDERS' EQUITY

Appropriated retained earnings

The Company's PRC subsidiaries are required to make appropriation to the statutory surplus reserve at 10% of the after-tax net income annually until the total contributions equal to 50% of the entities' registered capital. The statutory reserve funds are restricted for use to set off against prior period losses, expansion of production and operations or for the increase in the registered capital of the respective companies. This reserve is therefore not available for distribution except in liquidation.

As of June 30, 2014 and December 31, 2013, the Company has no contractually controlled affiliate to its reserve funds based on its net income in accordance with the laws and regulations of the PRC.

NOTE 10 COMMITMENTS AND CONTINGENCIES

(a) Defined contribution retirement plans

The full time employees of Guangdong Xingbang and Xinyu Xingbang are entitled to employee benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a Chinese government mandated multi-employer defined contribution plan. The Company is required to accrue for those benefits based on certain percentages of the employees' salaries and make contributions to the plans out of the amounts accrued for medical and pension benefits. The total provision and contributions made for such employee benefits

for the three months ended June 30, 2014 and 2013 were \$65,025 and \$11,270 respectively. The total provision and contributions made for such employee benefits for the six months ended June 30, 2014 and 2013 were \$109,799 and \$22,503 respectively. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees.

(b) Capital commitment

In June 2014, Xinyu Xingbang entered into an agreement to purchase office equipment from a supplier. The total contract amount was \$3,546 (RMB22,000) and Xinyu Xingbang paid \$1,773. As of June 30, 2014, the Company had outstanding capital commitment of \$1,773.

(c) Rental leases commitment

Guangdong Xingbang leases office premises from two stockholders (Mr. Yao and his spouse) under an operating lease at a monthly rental of \$15,475 until December 31, 2016 pursuant to certain lease agreement.

In September 2013, Guangdong Xingbang leased Zhongshan office premises from Zhongshan Guzhen Asset Management Ltd pursuant to a lease agreement and pays a monthly rental of \$1,845. The lease shall expire on August 31, 2018.

Xinyu Xingbang leases office premises from Xinyu Xingbang Industry Co., Ltd (“Xinyu Industry”) under an operating lease at a monthly rental of \$2,740, which expires on June 30, 2015. Mr. Yao and his spouse own 90% and 10% respectively, of the registered capital of Xinyu Industry.

As of June 30, 2014, the Company had outstanding commitments with respect to the above operating leases, which are due as follows:

| | |
|-------------------------------------|-------------------|
| Six months ending December 31, 2014 | \$ 109,292 |
| Fiscal years ending December 31, | |
| 2015 | 214,444 |
| 2016 | 222,607 |
| 2017 | 36,908 |
| 2018 | 24,606 |
| Total | <u>\$ 607,857</u> |

Rental expenses for the three and six months ended June 30, 2014 and 2013 were \$59,873, \$191,075, \$121,052 and \$380,020 respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

Rental expenses paid to stockholders and a related company

Guangdong Xingbang leases office premises from two stockholders (Mr. Yao and his spouse) under an operating lease at a monthly rental of \$15,363 which was due to expire on December 31, 2013. Guangdong Xingbang renewed the lease with a three-year term and is obligated to pay monthly rent of approximately RMB96,000 (approximately \$15,475) until December 31, 2016. For the three and six months ended June 30, 2014 and 2013, Guangdong Xingbang paid rent to these two stockholders of \$46,187, \$45,341, \$93,381 and \$90,176 respectively.

In June 2012, Xinyu Xingbang entered into a lease agreement with Xinyu Industry for office premises whereby the monthly rental is \$2,740. The lease started on July 1, 2012 and will expire on June 30, 2015. For the three and six months ended June 30, 2014 and 2013, Xinyu Xingbang paid the rent to Xinyu Industry of \$8,179, \$8,288, \$16,536 and \$16,484 respectively.

In October 2012, Xinyu Xingbang entered into a lease agreement with Xinyu Industry for showrooms with a monthly rental of \$45,351. The lease started on October 1, 2012 and shall expire on September 30, 2016. On December 31, 2013, Xinyu Xingbang and Xinyu Industry agreed upon the termination of the lease agreement. For the three and six months ended June 30, 2014 and 2013, Xinyu Xingbang paid a rent to Xinyu Industry of \$0, \$137,446, \$0 and \$273,360 respectively.

Due to stockholders

As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$46,424 and \$184,350 respectively, to Mr. Yao and his spouse for lease of office premises used by Guangdong Xingbang. The amount due is unsecured, interest free and repayable on demand.

As of June 30, 2014 and December 31, 2013, WFOE owed \$805,984 and \$825,941 respectively, to Mr. Yao. The loan is interest free and unsecured. The loan was entered into on May 31, 2012, and the loan period started on June 11, 2012 and was due on June 10, 2013. On May 31, 2013, the loan was renewed, and the loan period started on June 12, 2013 and is due on June 11, 2014. On August 7, 2014, the loan was renewed with the same terms and a renewed due date of June 11, 2015. The proceeds of the loan were used as the capital investment in Xinyu Xingbang, which is 50% owned by WFOE and 50% owned by Guangdong Xingbang.

As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$805,984 and \$825,941 respectively, to Mr. Yao. The loan is interest free and unsecured. The loan was entered into on May 31, 2012, and the loan period started on June 19, 2012 and was due on June 18, 2013. On June 10, 2013, the loan was renewed, with a renewed due date of June 18, 2014. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of June 18, 2015. The proceeds of the loan were used as the capital investment in Xinyu Xingbang, which

is 50% owned by WFOE and 50% owned by Guangdong Xingbang.

Due to related companies

As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$49,326 and \$33,698 respectively to Xinyu Industry for rental expense of office used by Xinyu Xingbang. The amount due is unsecured, interest free and repayable on demand.

As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$51,260 and \$0 respectively to Xinyu Zhongxing Decoration Technicians Network Company Limited, (“Zhongxing Decoration”), for annual service charge received from technical service stations on behalf of Zhongxing Decoration. The amount due is unsecured, interest free and repayable on demand. Mr. Yao and his spouse own 80% and 20% respectively, of the registered capital of Zhongxing Decoration.

On January 3, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,000,000. The loan is interest free and unsecured with a loan period started on January 5, 2013 and became due on January 4, 2014. The use of this loan is solely for the operations of Guangdong Xingbang. On January 3, 2014, the loan agreement with Xinyu Industry was renewed with the same terms and a renewed due date of January 4, 2015. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$161,197 and \$165,189 respectively to Xinyu Industry for the relevant loan.

On January 10, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB5,000,000. The loan is interest free and unsecured with a loan period started on January 15, 2013 and became due on January 14, 2014. The use of this loan is only for the operation of Xinyu Xingbang. On January 10, 2014, the loan agreement with Xinyu Industry was renewed with the same terms and a renewed due date of January 14, 2015. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$805,984 and \$825,942 respectively to Xinyu Industry for the relevant loan.

On May 30, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on June 6, 2013 and is due on June 5, 2014. The use of this loan is only for the operation of Guangdong Xingbang. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of June 5, 2015. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On July 25, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on July 31, 2013 and is due on July 30, 2014. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of July 30, 2015. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On September 5, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on September 10, 2013 and is due on September 10, 2014. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On September 5, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on September 12, 2013 and is due on September 11, 2014. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On December 8, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on December 12, 2013 and is due on December 11, 2014. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On December 8, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB4,000,000. The loan is interest free and unsecured with a loan period started on December 12, 2013 and is due on December 11, 2014. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$644,787 and \$660,753 respectively to Xinyu Industry for the relevant loan.

On January 14, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on January 14, 2014 and is due on January 13, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On February 11, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a term from February 13, 2014 and is due on February 12, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On February 11, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,000,000. The

loan is interest free and unsecured with a term from February 12, 2014 and is due on February 11, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$161,197 and \$0 respectively to Xinyu Industry for the relevant loan.

On March 8, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB300,000. The loan is interest free and unsecured with a term from March 12, 2014 and is due on March 11, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$48,360 and \$0 respectively to Xinyu Industry for the relevant loan.

On March 8, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a term from March 12, 2014 and is due on March 11, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 10, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,500,000. The loan is interest free and unsecured with a term from April 14, 2014 and is due on April 13, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$241,796 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 10, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB2,000,000. The loan is interest free and unsecured with a term from April 14, 2014 and is due on April 13, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$322,393 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 20, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB5,000,000. The loan is interest free and unsecured with a term from April 23, 2014 and is due on April 22, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$805,985 and \$0 respectively to Xinyu Industry for the relevant loan.

NOTE 12 CONCENTRATIONS AND CREDIT RISKS

As of June 30, 2014 and December 31, 2013, all of the Company’s assets were located in the PRC and Hong Kong and all of the Company’s revenues were derived from customers located in the PRC.

For the three and six months ended June 30, 2014 and 2013, there were no suppliers accounting for 10% or more of the Company’s purchases.

Details of the customers accounting for 10% or more of the Company’s sales are as follows:

| For the three months ended | Customer A |
|-----------------------------------|-------------------|
| June 30, 2014 | - |
| June 30, 2013 | 100% |
| For the six months ended | Customer A |
| June 30, 2014 | - |
| June 30 2013 | 82% |

As of June 30, 2014 and December 31, 2013, the accounts receivable from these customers were \$0.

NOTE 13 SUBSEQUENT EVENT

In accordance with ASC Topic 855-10, the company has analyzed its operations subsequent to June 30, 2014 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our results of operations and financial condition should be read together with our consolidated group financial statements and the notes thereto and other financial information, which are included in our annual report on Form 10-K for fiscal year ended December 31, 2013. Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In addition, our financial statements and the financial information included in this report reflect our organization transactions and have been prepared as if our current corporate structure had been in place throughout the relevant periods.

This section contains forward-looking statements. These forward-looking statements are subject to various factors, risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Further, as a result of these factors, risks and uncertainties, the forward-looking events may not occur. Relevant factors, risks and uncertainties include, but are not limited to, those discussed in "Item 1. Business," "Item 1A. Risk Factors" and elsewhere in our annual report on Form 10-K for fiscal year ended December 31, 2013. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's beliefs and opinions as of the date of this report. We are not obligated to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Overview and Strategy

In this Quarterly Report on Form 10-Q, unless the context requires or is otherwise specified, references to the "Company," "we," "us," "our" and similar expressions include the following entities (as defined herein):

- (i) China Xingbang Industry Group Inc., a Nevada corporation ("**China Xingbang**");
- (ii) Xing Bang Industry Group Limited, a British Virgin Islands company and a wholly-owned subsidiary of China Xingbang ("**Xingbang BVI**");
- (iii) China Group Purchase Alliance Limited, a Hong Kong company and a wholly-owned subsidiary of Xingbang BVI ("**Xingbang HK**");
- (iv) Guangzhou Xingbang Information Consulting Co., Ltd., a wholly foreign-owned enterprise, or the "**WFOE**", formed in the People's Republic of China ("**PRC**") and a wholly-owned subsidiary of Xingbang HK;
- (v) Guangdong Xingbang Industry Information & Media Co. Ltd., our principal operating subsidiary, which is a Chinese variable interest entity that the WFOE controls through certain contractual arrangements ("**Guangdong Xingbang**"); and
- (vi) Xinyu Xingbang Information Industry Co., Ltd., an entity incorporated in the PRC which the WFOE and Guangdong Xingbang each owns 50% of its equity interest ("**Xinyu Xingbang**"). Xinyu Xingbang will continue the business of Guangdong Xingbang.

Through our wholly owned subsidiaries, Xingbang BVI and Xingbang HK, we own the WFOE, which controls Guangdong Xingbang, a variable interest entity ("VIE"), through a series of variable interest entity, or VIE contractual arrangements. Guangdong Xingbang is currently our source of income and operations. A summary of our business is described below.

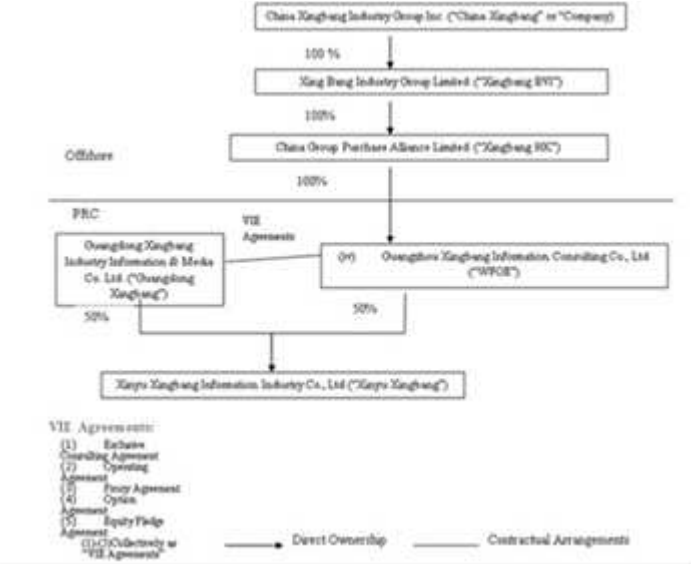
We were formed as a Nevada corporation on April 12, 2011 to acquire operational control over Guangdong Xingbang. Since foreign investors are restricted by the laws and regulations of the PRC to operate media and e-commerce business in China, we operate our business through ownership of the WFOE that provides management, consulting, investment and technical services to Guangdong Xingbang. We do not own any direct equity interest in Guangdong Xingbang. In May 2011, the WFOE entered into a series of contractual arrangements which effectively give the WFOE operational control over Guangdong Xingbang despite the lack of direct ownership. As a result of these contractual arrangements, we treat Guangdong Xingbang as a variable interest entity, or VIE, under U.S. generally accepted accounting principles, and we have included its historical financial results in our consolidated financial statements.

Our subsidiaries, Xingbang BVI and Xingbang HK are holding companies which do not have any operations or own any assets except for the ownership of the WFOE. The only current operation of the WFOE is to provide consulting and management services to Guangdong Xingbang. Currently, we rely on results of operations of Guangdong Xingbang and Xinyu Xingbang. If the PRC government declares the VIE agreements are not enforceable, we will not be able to exercise effective control over Guangdong Xingbang and consolidate the financial results of Guangdong Xingbang. In such case, our results of operations and financial position will be materially adversely affected.

Guangdong Xingbang was founded in 2005 as a print-media based advertising operator and consulting services provider. In 2010, we made a significant shift of our business model and began laying the groundwork to transition to the business of operating a home furnishings e-commerce platform, ju51 Online Mall. Since 2012, we have been phasing out our advertising and consulting segments and as of June 30, 2014, our advertising and consulting operations no longer generate any revenue. We are currently in the process of building out our e-commerce platform and, once the platform is fully operational, we expect to derive all of our revenue from this business.

Xinyu Xingbang was incorporated in the PRC in June 2012 for the purpose of continuing the business of Guangdong Xingbang in the near future as Guangdong Xingbang winds down its operations. Pursuant to the Articles of Associations of Xinyu Xingbang, Guangdong Xingbang and the WFOE each invested \$787,030 (RMB 5,000,000) in Xinyu Xingbang and each owns 50% of the equity interest of Xinyu Xingbang. Under the Xinyu Xingbang Articles of Association, the WFOE is entitled to appoint the sole director and all members of the management team of Xinyu Xingbang and the WFOE is entitled to receive 99.99% of Xinyu Xingbang’s net profit. Based on the relevant PRC regulations, an Internet Content Provider license, or ICP license, issued by the Chinese Ministry of Industry and Information Technology, is required for Xinyu Xingbang to conduct business as currently contemplated. In order to be granted the ICP license, foreign investor’s ownership of Xinyu Xingbang cannot exceed 50%. Xinyu Xingbang obtained its ICP license in February 2013. Guangdong Xingbang will gradually wind down its operations and Xinyu Xingbang will carry out Guangdong Xingbang’s business except that Guangdong Xingbang will fulfill its contractual obligations under the existing customer contracts. On June 30, 2012, Guangdong Xingbang granted an exclusive license to Xinyu Xingbang to permit Xinyu Xingbang to use trademark, domain names, intellectual property rights and any know-how Guangdong Xingbang owns for the period from July 1, 2012 to June 30, 2022. Guangdong Xingbang also assigned the management right and right to receive revenue from the ju51 Mall to Xinyu Xingbang. Guangdong Xingbang will continue its corporate existence to hold the equity interest in Xinyu Xingbang for the same period.

Below is our updated organizational structure after the incorporation of Xinyu Xingbang.



Since 2012, the Company has been shifting its business strategies from being a print media based advertising operator and consulting services provider to an operator of a B2B2C e-commerce platform in the home furnishing industry.

We had a publication named “*Industry Economy Review*” which was published as a supplement to “Shopping Guide”, a nationally circulated newspaper. As of December 31, 2013, we have ceased the production of this newspaper.

In addition, we had a significant decrease in consulting business activities as a result of the change of our business model to focus on revamping our e-commerce business.

Since 2013, the developments under e-commerce business include:

- Develop a B2B2C e-commerce platform, called ju51 Online Shopping Mall (“ju51 Online Mall” or “ju51 Mall”), to be an e-commerce platform to be the significant revenue contributor of our whole business.
- Develop an informational online portal, Qiuying, targeting consumers and home furnishing businesses.
- Provide searching, directory and other services through “Qiuying” to help home furnishing companies setting up a franchise service platform on Ju51 Mall.
- Phasing in other home furnishing sectors, including bathroom supplies, hardware, home textiles, closets, tiles and floor, doors and windows, furniture, home appliances, interior painting and home décor by having dedicated newspaper and dedicated market places in the ju51 Online Mall.

We plan to generating revenue from the following sources in the future:

E-Commerce revenue

We expect to receive franchise fee from businesses in the home furnishing industry when they open flagship stores in the Ju51 Mall and commission from manufacturers for their sales through the flagship stores on Ju51 Mall. We will also generate revenue via Qiuying. Services to be offered on Qiuying include Qiuying search engine, which provides searches for information of potential clients or potential products; Qiuying directory, which helps consumers to navigate the home furnishing stores; and Qiuying software, which automatically transfers consumers’ needs into orders and distribute to store users to save advertising spending. Besides, a mobile application for Qiuying is also developed to offers an additional platform for users to access the data via their mobile phones. We expect to generate revenues through Qiuying from following sources: commission from mobile games developers with the sales of the mobile games via Qiuying platform; commission from the business transactions occurred through the interface with other major e-commerce platforms; the sales of membership points for the end-users to post their business related information on the Qiuying platform; and income through the advertisements on the mobile application platform.

In addition, we also plan to generate revenue from e-commerce platform services through ju51 Online Mall. We intend to provide an extensive e-commerce platform to provide value added services to manufacturers, distributors, retailers, decoration companies, and decoration technicians in the home furnishing industry while serving consumers through the ju51 Mall. “Ju51” sounds similar to the Chinese words of “juwu you,” which means “worry-free living” in Mandarin. When fully constructed, the ju51 Mall is expected to have ten marketplaces targeting ten sectors in the home furnishing industry, including light and lighting, bath and kitchen supplies, hardware, home textiles, residential furniture, office furniture, tiles, floor, doors and windows, home appliances, interior painting and home décor and security monitoring system. Since its launch in August 2011, we explored different business strategies to maximize revenue generation through the ju51 Mall.

In the ju51 Mall, the manufacturers open flagship stores where they showcase and sell their products, list prices for products and process orders placed online by consumers. We also have technical service stations (previously named “direct sales stores” prior to February 2012) on our ju51Mall, which are primarily operated by brick-and-mortar retailers and decoration companies which have physical stores. A technical service station acts as a shopping guide and provides product support and services. When a consumer places orders online directly with flagship stores, the technical service station located closest to the consumer will receive the order simultaneously and provide product support and services, such as returns, exchanges, refunds and installation, through its own brick-and-mortar store. The reason for having technical service stations as shopping guides is to address the Chinese consumers’ concern about return or exchange of products ordered online. Generally we only develop one technical service station within a county or a district of a city to protect their economic interest. We currently intend to have the technical service stations act as distributors and promote our services in local markets. Customers may avoid paying the shipping fees by picking up the product at a local technical service station. In addition to technical service stations, we also intend to have decoration technicians to act as shopping guides to help increase sales volume in the ju51 Mall. Xinyu Zhongxing Decoration Technicians Network Company Limited, (“Zhongxing Decoration”), an entity which is 80% owned by Mr. Xiaohong Yao (“Mr. Yao”), our Chairman of the Board, CEO and President, and 20% owned by his spouse, founded a web portal named China Decoration Technician at <http://www.zgzzjg.com>, which is intended to review and certify decoration technicians. Customers placing orders through the decoration technicians will enjoy special discounts compared to the retail price listed on the ju51 Mall. We also expect to develop different categories of Ju51 Mall memberships where the members will enjoy special discounts in order to promote sales in the ju51 Mall. A technical service station can earn commission as a percentage of the retail price, and the technical service station is related to the e-commerce platform. A decoration

technician will also earn commissions, paid by flagship stores, based on a percentage of the amount he or she sells as a shopping guide. Our business model is designed to make sure consumers will receive quality products and services and have a quality shopping experience at the ju51 Mall. We expect the current business model will keep retail prices at the ju51 Mall at a competitive level.

We provide a platform for service flagship stores to list their company information and allow customers to reach out to each of them directly. Each business shall pay service charge of RMB2,000 for 2 years of services. As of June 30, 2014, 146 companies have paid the service charge.

As of June 30, 2014, an aggregate of 979 product flagship stores have signed the franchise agreements with us, of which 757 had their physical stores set up and ready to sell their products once the platform is ready, and 11 stores have paid the security deposit. Total number of contracts slightly decreased compared with December 31, 2013 due to some contract cancellations. For agreements signed prior to December 6, 2013, we charge a commission of 11.5% of the total sales for the B2B business and 21.5% of the total sales for B2C business. For agreements signed after December 6, 2013, we charge the commission at a fixed rate of 21.5% of the total sales consummated on the Ju51 Mall.

We have started generating revenue from flagship stores on our e-commerce platform. We have generated \$1,358 and \$2,642 revenue from this business during the three and six months ended June 30, 2014. We have made substantial progress in setting up our infrastructure and have established 187 technical service stations as of June 30, 2014.

We have not started any transactions from product flagship stores within the e-commerce platform. No commission has therefore been generated as of June 30, 2014. For advertising revenue, we have not yet started putting advertisements in the Ju51 Mall as there are still no transactions within the platform during this quarter.

Advertising revenue

We will get paid by businesses in the home furnishing industry who put advertisements in the Ju51 Mall. In addition, we will provide advertising services to businesses in the home furnishing industry through various media including Internet, TV, newspaper, periodicals, outdoor media and etc. Moreover, we plan to develop distinct newspaper for each of these sectors, as well as have a distinct “market place” or “channel” for each such sector in the ju51 Mall.

During the quarter ended June 30, 2014, we started to promote a Media Integrated Advertising Communication Package at a flat fee, ranging from RMB50,000 to RMB500,000. The services to be provided include corporate press release writing, integrated, industry or local portal press release, classification website news release, Ju51 website platform front page display, Ju51 website “Recommendation” column display, and IT industry channel first screen banner. We entered into a contract with one client in July, and we expect to sign up with more clients in the third quarter of 2014.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated group financial statements in conformity with accounting principles generally accepted in the United States, we make estimates and assumptions that affect the accounting, recognition and disclosure of our assets, liabilities, stockholders’ equity, revenues and expenses. We make these estimates and assumptions because certain information that we use is dependent upon future events, which cannot be calculated with a high degree of precision from data available or cannot be readily calculated based upon generally accepted methodologies. In some cases, these estimates are particularly difficult and therefore require a significant amount of judgment. Actual results could differ from the estimates and assumptions that we use in the preparation of our consolidated group financial statements.

During the six months ended June 30, 2014, there were no significant changes to our critical accounting policies and estimates as reported in our Annual Report on Form 10-K for the year ended December 31, 2013.

Results of Operations — Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013.

The following table presents, for the three months indicated, our consolidated statements of operations information.

| | Three months ended June 30, | |
|---|--------------------------------|-----------------------|
| | 2014 | 2013 |
| REVENUE | | |
| Advertising | \$ - | \$ 3,270 |
| Consulting service | - | 4,875 |
| E-commerce | 1,358 | - |
| Total revenue | <u>1,358</u> | <u>8,145</u> |
| COST OF REVENUE | | |
| Advertising | - | 10,087 |
| Consulting service | - | 20,034 |
| E-commerce | 246,346 | 111,293 |
| Total cost of revenue | <u>246,346</u> | <u>141,414</u> |
| GROSS LOSS | <u>(244,988)</u> | <u>(133,269)</u> |
| OPERATING EXPENSES | | |
| Selling expenses | 195,677 | 87,825 |
| General and administrative expenses | 251,087 | 388,521 |
| Impairment of website development cost | - | 406,963 |
| Depreciation – property and equipment | 25,062 | 26,319 |
| Total Operating Expenses, net | <u>471,826</u> | <u>909,628</u> |
| NET LOSS FROM OPERATIONS | <u>(716,814)</u> | <u>(1,042,897)</u> |
| OTHER EXPENSES, NET | | |
| Interest income | 552 | 378 |
| Other expenses | (1,027) | (646) |
| Loss on disposal of property and equipment | (1,898) | - |
| Total Other Expenses, net | <u>(2,373)</u> | <u>(268)</u> |
| NET LOSS | <u>(719,187)</u> | <u>(1,043,165)</u> |
| OTHER COMPREHENSIVE LOSS | | |
| Foreign currency translation loss | <u>(10,745)</u> | <u>(21,339)</u> |
| TOTAL COMPREHENSIVE LOSS | <u>\$ (729,932)</u> | <u>\$ (1,064,504)</u> |
| Net loss per share | | |
| - basic and diluted | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Weighted average number of shares outstanding during the period | | |
| - basic and diluted | <u>81,244,000</u> | <u>81,244,000</u> |

Revenue

During the three months ended June 30, 2014, we had total revenue of \$1,358, a decrease of 83.33% compared to the same period in 2013. All \$1,358 was attributable to revenue generated from service flagship stores within the e-commerce service rendered. During the three months ended June 30, 2013, total revenue was \$8,145. Of this, \$3,270 was attributable to revenue generated from advertising and \$4,875 was attributable to consulting service rendered. The decrease of \$6,787 was mainly due to decrease in advertising and consulting revenue, offset by increase in e-commerce revenue as a result of the change of our business model to focus on our e-commerce business. The Company has shifted its focus to e-commerce, that is its only one source of revenue, starting from 2014.

Cost of revenue

Cost of revenue has historically been comprised of printing cost, editorial fee, agent fee, salaries of consulting service providers, amortization of website development costs, salaries of website administrators, commission paid to technical service stations and business tax relating to advertising, consulting service rendered and e-commerce. However, due to the shift of business focus, the only cost of revenue in 2014 is the cost related to e-commerce.

Cost of revenue for the three months ended June 30, 2014 was \$246,346, compared to \$141,414 for the three months ended June 30, 2013, an increase of \$104,932, or approximately 74.2%. The increase was due to the approximate 121.35% increase in the cost of e-commerce revenue, which was \$135,053, and the 100% decrease in the cost of advertising and consulting revenue, which were \$10,087 and \$20,034 respectively. The reason for the decrease in cost of advertising and consulting revenue was due to discontinued operation in the advertising and consulting business.

Gross loss

Gross loss was \$244,988 for the three months ended June 30, 2014, an increase of \$111,719, or approximately 83.83%, compared to a gross loss of \$133,269 of the same period in 2013. The increase was mainly due to the increase in cost in the e-commerce business, offset by decrease in cost of advertising and consulting revenue.

Operating expenses

Operating expenses consist of selling, general and administrative expenses, impairment of website development cost and depreciation.

Operating expenses for the three months ended June 30, 2014 were \$471,826, composed of \$195,677 in selling expenses, \$251,087 in general and administrative expenses, and \$25,062 in depreciation. Operating expenses for the three months ended June 30, 2013 were \$909,628, composed of \$87,825 in selling expenses, \$388,521 in general and administrative expenses, \$406,963 in impairment of website development cost, and \$26,319 in depreciation. The decrease in operating expenses from the three months ended June 30, 2013 to the three months ended June 30 2014 was \$437,802, or approximately 48.13%, which was mainly due to the decrease in impairment of website development cost of \$406,963.

Other expenses, net

Other expenses, net, consists mainly of interest income, other expenses, and loss on disposal of property and equipment.

Other expenses, net, for the three months ended June 30, 2014 was \$2,373 compared to other expenses, net of \$268 for the three months ended June 30, 2013, an increase of \$2,105, or approximately 785.45%. The increase in other expenses, net, was mainly due to the fact that there was a loss on disposal of property and equipment of \$1,898 for the three months ended June 30, 2014, whereas there was no loss on disposal of property and equipment for the same period in 2013.

Net Loss

Net loss was \$719,187 and \$1,043,165 for the three months ended June 30, 2014 and 2013 respectively. The decrease was mainly the result of the decrease in impairment of website development, offset by increase in cost of e-commerce revenue.

Other comprehensive loss

Other comprehensive loss was \$10,745 for the three months ended June 30, 2014. Other comprehensive loss was \$21,339 for the three months ended June 30, 2013. The change of foreign currency translation loss was primarily caused by the fluctuation in the RMB to U.S. dollar exchange rate in 2014 compared to 2013.

Results of Operations — Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013.

The following table presents, for the six months indicated, our consolidated statements of operations information.

| | Six months ended June 30, | |
|---|------------------------------|-----------------------|
| | 2014 | 2013 |
| REVENUE | | |
| Advertising | \$ - | \$ 10,027 |
| Consulting service | - | 9,696 |
| E-commerce | 2,642 | - |
| Total revenue | <u>2,642</u> | <u>19,723</u> |
| COST OF REVENUE | | |
| Advertising | - | 19,837 |
| Consulting service | - | 39,522 |
| E-commerce | 430,806 | 235,987 |
| Total cost of revenue | <u>430,806</u> | <u>295,346</u> |
| GROSS LOSS | <u>(428,164)</u> | <u>(275,623)</u> |
| OPERATING EXPENSES | | |
| Selling expenses | 333,021 | 278,205 |
| General and administrative expenses | 429,110 | 725,207 |
| Impairment of website development cost | - | 406,963 |
| Depreciation – property and equipment | 47,385 | 51,926 |
| Total Operating Expenses, net | <u>809,516</u> | <u>1,462,301</u> |
| NET LOSS FROM OPERATIONS | <u>(1,237,680)</u> | <u>(1,737,924)</u> |
| OTHER INCOME (EXPENSES), NET | | |
| Interest income | 706 | 916 |
| Other income | 185 | - |
| Other expenses | (1,362) | (1,491) |
| Gain on disposal of property and equipment | 618 | - |
| Total Other Income (Expenses), net | <u>147</u> | <u>(575)</u> |
| NET LOSS | <u>(1,237,533)</u> | <u>(1,738,499)</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Foreign currency translation gain (loss) | <u>100,504</u> | <u>(24,960)</u> |
| TOTAL COMPREHENSIVE LOSS | <u>\$ (1,137,029)</u> | <u>\$ (1,763,459)</u> |
| Net loss per share | | |
| - basic and diluted | <u>\$ (0.02)</u> | <u>\$ (0.02)</u> |
| Weighted average number of shares outstanding during the period | | |
| - basic and diluted | <u>81,244,000</u> | <u>81,244,000</u> |

Revenue

During the six months ended June 30, 2014, we had total revenue of \$2,642, a decrease of 86.6% compared to the same period in 2013. All \$2,642 was attributable to revenue generated from service flagship stores within the e-commerce service rendered. During the six months ended June 30, 2013, total revenue was \$19,723. Of this, \$10,027 was attributable to revenue generated from advertising and \$9,696 was attributable to consulting service rendered. The decrease of \$17,081 was mainly due to decrease in advertising and consulting revenue, offset by increase in e-commerce revenue as a result of the change of our business model to focus on our e-commerce business. Since the Company has shifted its focus to e-commerce, that is its only source of revenue, starting from 2014.

Cost of revenue

Cost of revenue has historically been comprised of printing cost, editorial fee, agent fee, salaries of consulting service providers, amortization of website development costs, salaries of website administrators, commission paid to technical service stations and business tax relating to advertising, consulting service rendered and e-commerce. However, due to the shift of business focus, the only cost of revenue in 2014 is the cost related to e-commerce.

Cost of revenue for the six months ended June 30, 2014 was \$430,806, compared to \$295,346 for the six months ended June 30, 2013, an increase of \$135,460, or approximately 45.86%. The increase was due to the approximate 82.55% increase in the cost of e-commerce revenue, which was \$194,819, and the 100% decrease in the cost of advertising and consulting revenue, which were \$19,837 and \$39,522 respectively. The reason for the decrease in cost of advertising and consulting revenue was due to discontinued operation in the advertising and consulting business.

Gross loss

Gross loss was \$428,164 for the six months ended June 30, 2014, an increase of \$152,541, or approximately 55.34%, compared to a gross loss of \$275,623 of the same period in 2013. The increase was mainly due to the increase in cost in the e-commerce business, offset by decrease in cost of advertising and consulting revenue.

Operating expenses

Operating expenses consist of selling, general and administrative expenses, impairment of website development cost and depreciation.

Operating expenses for the six months ended June 30, 2014 were \$809,516, composed of \$333,021 in selling expenses, \$429,110 in general and administrative expenses, and \$47,385 in depreciation. Operating expenses for the six months ended June 30, 2013 were \$1,462,301, composed of \$278,205 in selling expenses, \$725,207 in general and administrative expenses, \$406,963 in impairment of website development cost, and \$51,926 in depreciation. The decrease in operating expenses from the six months ended June 30, 2013 to the six months ended June 30 2014 was \$652,785, or approximately 44.64%, which was mainly due to the decrease in impairment of website development cost and rental expense.

Other income (expenses), net

Other income (expenses), net, consists mainly of interest income, other income, other expenses, and gain on disposal of property and equipment.

Other income, net, for the six months ended June 30, 2014 was \$147 compared to other expenses, net of \$575 for the six months ended June 30, 2013, an increase of \$722, or approximately 125.57%. The decrease in other expenses, net, was mainly due to the fact that there was a gain on disposal of property and equipment of \$618 for the six months ended June 30, 2014, whereas there was no gain on disposal of property and equipment for the same period in 2013.

Net Loss

Net loss was \$1,237,533 and \$1,738,499 for the six months ended June 30, 2014 and 2013 respectively. The decrease was mainly the result of the decrease in impairment of website development and rental expense.

Other comprehensive income (loss)

Other comprehensive income was \$100,504 for the six months ended June 30, 2014. Other comprehensive loss was \$24,960 for the six months ended June 30, 2013. The change of foreign currency translation loss was primarily caused by the fluctuation in the RMB to U.S. dollar exchange rate in 2014 compared to 2013.

Liquidity and Capital Resources

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on hand and demand deposits at banks. We had \$622,112 and \$284,001 of cash and cash equivalents on hand as of June 30, 2014 and December 31, 2013 respectively. There was an increase of \$338,111 in our cash and cash equivalents from December 31, 2013 to June 30, 2014.

This increase was largely attributable to the combined effect of net loss of \$1,237,533, payments for purchase of property and equipment of \$143,395 offset by net advances from its affiliates of \$1,765,802 during the six months ended June 30, 2014.

We require cash for working capital, capital expenditures, repayment of debt, salaries, commissions and related benefits and other operating expenses and income taxes. We expect that our working capital needs will increase for the foreseeable future, as we continue to develop and grow our business. See "Business — General" in our 10-K filed with the SEC on March 31, 2014. For cash inflow in the remainder of 2014, we estimate approximately \$5.7 million which comes from cash advances from affiliates and cash received from customers. For cash outflow in the remainder of 2014, we estimate approximately \$1.4 million for payments of operating expenses and purchases of property, plant and equipment.

The following table summarizes our cash flows for the six months ended June 30, 2014 and 2013:

| | Six months ended | |
|---|------------------|----------------|
| | June 30, | |
| | 2014 | 2013 |
| Net cash used in operating activities | \$ (1,277,627) | \$ (1,161,545) |
| Net cash used in investing activities | \$ (139,899) | \$ (143,938) |
| Net cash provided by financing activities | \$ 1,765,802 | \$ 1,424,963 |

Net Cash Used in Operating Activities. Net cash used in operating activities was \$1,277,627 and \$1,161,545 for the six months ended June 30, 2014 and 2013 respectively. The most significant items affecting the comparison of our operating cash flow for the six months ended June 30, 2014 and 2013 are summarized below:

- Increase in cash loss from operations - Our net loss from operations, excluding depreciation, amortization, impairment of website development cost, and gain on disposal of property and equipment, increased by \$20,579 on a period-to-period basis, from cash loss of \$1,170,187 for the six months ended June 30, 2013 to cash loss of \$1,190,766 for the six months ended June 30, 2014. Despite the loss which negatively impacted our cash flows from operations, the increase in cash loss from operations was mainly due to the decrease in depreciation of property and equipment, and the decrease of amortization and impairment of website development cost in the first half year in 2014 from the same period of last year.
- Increase in prepaid expenses and other current assets - Prepaid expenses and other current assets increased by \$78,008 for the six months ended June 30, 2014, and decreased by \$68,000 for the same period in 2013. Prepaid expenses and other current assets consisted of prepaid information technology expenses, rental and other deposits and advances to staff. The increase in prepaid expenses and other current assets was mainly due to increase in prepaid information technology expenses.
- Decrease in other payables and accrued expenses - Other payables and accrued expenses decreased by \$8,853 for the first two quarters in 2014, and decreased by \$37,430 for the same period in 2013. Other payables and accrued expenses consisted of other tax payables, accrued expenses, deposits received from customers, other payables, accrued wages and accrued welfare. The decrease in other payables and accrued expenses was the net effect of the decrease in other tax payables, increase in accrued expenses, and decrease in deposits received from customers.

Net Cash Used in Investing Activities. Our investing activities for the six months ended June 30, 2014 and 2013 used cash of \$139,899 and \$143,938 respectively. The net cash used in investing activities are comparable between two periods.

Net Cash Provided by Financing Activities. Net cash provided by financing activities for the six months ended June 30, 2014 and 2013 was \$1,765,802 and \$1,424,963 respectively. The increase was mainly due to the increase in amounts due to related companies of \$565,250.

Capital Resources

We had negative working capital of \$5,471,085 as of June 30, 2014 and \$4,249,349 as of December 31, 2013 respectively. The reason for the increase in negative working capital from December 31, 2013 to June 30, 2014 was primarily due to the increase in amounts due to related companies.

Under the VIEs' agreements, Guangdong Xingbang shall pay the WFOE a consulting service fee, payable in RMB each quarter, equivalent to all of its net income for such quarter based on its quarterly financial statements, prepared in accordance with generally accepted accounting principles of the PRC. The WFOE then may transfer the cash payment to the offshore holding companies (Xingbang HK, Xingbang BVI and China Xingbang) via dividend payment, after deduction of relevant taxes. If we obtain funds through financing in the US, Xingbang HK may invest in the WFOE. It is generally prohibited for PRC resident enterprises, including foreign owned entities, to make inter-company loans. However, management believes it is in compliance with the current PRC law for the WFOE to deposit the funds into a PRC bank account and request the PRC bank to lend the funds to Guangdong Xingbang, and may use such means to obtain capital funding in the future.

We are a holding company with no significant revenue-generating operations of our own, and thus any cash flows from operations are and will be generated by Guangdong Xingbang through our WFOE's existing consulting service management arrangement with Guangdong Xingbang. Our ability to service our debt and fund our ongoing operations is dependent on the results of these operations and their ability to provide us with cash. The WFOE's ability to make loans or pay dividends are restricted under PRC law and may be restricted under the terms of future indebtedness, its governing documents or other agreements. With the cash on hand and the anticipated cash to be received from our operations, we may not be able to generate enough cash to support the expansion of the business operations. However, the Guangdong Xingbang's Stockholders are committed to provide cash as needed to support the Company's ongoing operations and continued growth. Therefore, we believe that our sources of liquidity will be sufficient to enable us to meet our cash needs for at least the next 12 months.

Nonetheless, our liquidity and capital position could be adversely affected by:

- loss of revenue from advertising and consulting service;
- continued failure to generate revenue in the e-commerce business;
- the enactment of new laws and regulations;

- our inability to grow our business as we anticipate by expanding our revamped e-commerce business;
- any other changes in the cost structure of our underlying business model; and
- any of the other risks and uncertainties described in “Item 1A. Risk Factors” in our annual report on Form 10-K for the fiscal year ended December 31, 2013.

Debt Obligations

The following is a summary of amounts outstanding under our debt obligations as of June 30, 2014 and December 31, 2013.

| | As of June 30, 2014 | As of December 31, 2013 |
|--------------------------|------------------------------------|--|
| Due to related companies | \$ 3,937,069 | \$ 2,098,552 |
| Due to stockholders | 1,658,392 | 1,836,232 |
| Total debt | \$ 5,595,461 | \$ 3,934,784 |

Due to related companies

As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$49,326 and \$33,698 respectively to Xinyu Industry for rental expense of office used by Xinyu Xingbang. The amount due is unsecured, interest free and repayable on demand.

As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$51,260 and \$0 respectively to Xinyu Zhongxing Decoration Technicians Network Company Limited, (“Zhongxing Decoration”), for annual service charge received from technical service stations on behalf of Zhongxing Decoration. The amount due is unsecured, interest free and repayable on demand. Mr. Yao and his spouse own 80% and 20% respectively, of the registered capital of Zhongxing Decoration.

On January 3, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,000,000. The loan is interest free and unsecured with a loan period started on January 5, 2013 and became due on January 4, 2014. The use of this loan is solely for the operations of Guangdong Xingbang. On January 3, 2014, the loan agreement with Xinyu Industry was renewed with the same terms and a renewed due date of January 4, 2015. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$161,197 and \$165,189 respectively to Xinyu Industry for the relevant loan.

On January 10, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB5,000,000. The loan is interest free and unsecured with a loan period started on January 15, 2013 and became due on January 14, 2014. The use of this loan is only for the operation of Xinyu Xingbang. On January 10, 2014, the loan agreement with Xinyu Industry was renewed with the same terms and a renewed due date of January 14, 2015. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$805,984 and \$825,942 respectively to Xinyu Industry for the relevant loan.

On May 30, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on June 6, 2013 and is due on June 5, 2014. The use of this loan is only for the operation of Guangdong Xingbang. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of June 5, 2015. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On July 25, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on July 31, 2013 and is due on July 30, 2014. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of July 30, 2015. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On September 5, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on September 10, 2013 and is due on September 10, 2014. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On September 5, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on September 12, 2013 and is due on September 11, 2014. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On December 8, 2013, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on December 12, 2013 and is due on December 11, 2014. The use of this loan is only for the operation of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$82,594 respectively to Xinyu Industry for the relevant loan.

On December 8, 2013, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB4,000,000. The loan is interest free and unsecured with a loan period started on December 12, 2013 and is due on December 11, 2014. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$644,787 and \$660,753 respectively to Xinyu Industry for the relevant loan.

On January 14, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a loan period started on January 14, 2014 and is due on January 13, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On February 11, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a term from February 13, 2014 and is due on February 12, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On February 11, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,000,000. The loan is interest free and unsecured with a term from February 12, 2014 and is due on February 11, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$161,197 and \$0 respectively to Xinyu Industry for the relevant loan.

On March 8, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB300,000. The loan is interest free and unsecured with a term from March 12, 2014 and is due on March 11, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$48,360 and \$0 respectively to Xinyu Industry for the relevant loan.

On March 8, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB500,000. The loan is interest free and unsecured with a term from March 12, 2014 and is due on March 11, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$80,598 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 10, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB1,500,000. The loan is interest free and unsecured with a term from April 14, 2014 and is due on April 13, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$241,796 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 10, 2014, Xinyu Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB2,000,000. The loan is interest free and unsecured with a term from April 14, 2014 and is due on April 13, 2015. The use of this loan is only for the operation of Xinyu Xingbang. As of June 30, 2014 and December 31, 2013, Xinyu Xingbang owed \$322,393 and \$0 respectively to Xinyu Industry for the relevant loan.

On April 20, 2014, Guangdong Xingbang entered into a loan agreement with Xinyu Industry, with an amount of RMB5,000,000. The loan is interest free and unsecured with a term from April 23, 2014 and is due on April 22, 2015. The use of this loan is solely for the operations of Guangdong Xingbang. As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$805,985 and \$0 respectively to Xinyu Industry for the relevant loan.

Due to stockholders

As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$46,424 and \$184,350 respectively, to Mr. Yao and his spouse for lease of office premises used by Guangdong Xingbang. The amount due is unsecured, interest free and repayable on demand.

As of June 30, 2014 and December 31, 2013, WFOE owed \$805,984 and \$825,941 respectively, to Mr. Yao. The loan is interest free and unsecured. The loan was entered into on May 31, 2012, and the loan period started on June 11, 2012 and was due on June 10, 2013. On May 31, 2013, the loan was renewed, and the loan period started on June 12, 2013 and is due on June 11, 2014. On August 7, 2014, the loan was renewed with the same terms and a renewed due date of June 11, 2015. The proceeds of the loan were used as the capital investment in Xinyu Xingbang, which is 50% owned by WFOE and 50% owned by Guangdong Xingbang.

As of June 30, 2014 and December 31, 2013, Guangdong Xingbang owed \$805,984 and \$825,941 respectively, to Mr. Yao. The loan is interest free and unsecured. The loan was entered into on May 31, 2012, and the loan period started on June 19, 2012 and was due on June 18, 2013. On June 10, 2013, the loan was renewed, with a renewed due date of June 18, 2014. On July 30, 2014, the loan was renewed with the same terms and a renewed due date of June 18, 2015. The proceeds of the loan were used as the capital investment in Xinyu Xingbang, which is 50% owned by WFOE and 50% owned by Guangdong Xingbang.

Off-Balance Sheet Arrangements

As of June 30, 2014 and December 31, 2013, we did not have any off-balance sheet obligations involving unconsolidated subsidiaries that provide financing or potentially expose us to unrecorded financial obligations. All of our obligations with respect to Guangdong Xingbang have been presented on our consolidated balance sheets as of each such date.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company will adopt ASU 2014-09 during the first quarter of fiscal 2017. Management is evaluating the provisions of this statement and has not determined what impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

All other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company's management, including our Chief Executive Officer and interim Chief Financial Officer, reassessed the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2014 and has subsequently determined that our disclosure controls and procedures were not effective as of June 30, 2014 due to certain material weaknesses, including: (i) a lack of sufficient accounting personnel with appropriate understanding of U.S. GAAP and SEC reporting requirements; and (ii) a lack of standard charter of accounts and written accounting manual and closing procedures to facilitate preparation of financial statements under U.S. GAAP for financial reporting processes. As a result of such material weaknesses, our disclosure controls and procedures were not effective.

Limitations on the Effectiveness of Disclosure Controls.

Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the second quarter of 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not a party to any legal proceeding and are not aware of any legal claims that we believe will have a material adverse effect on our business, financial condition or operating results. However, from time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

Item 1A. Risk Factors.

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no issuances of our equity securities during the quarter ended June 30, 2014.

Limitations on Our Payment of Dividends

We have not paid any cash dividends to date and we do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of our business.

In the future, we may be a party to agreements that limit or restrict our ability to pay dividends.

In addition, Nevada corporate law prohibits us from making any distribution (including a dividend) on our capital stock at a time when:

- we would not be able to pay our debts as they become due in the usual course of business; or
- our total assets would be less than the sum of (i) our total liabilities plus (ii) the amount that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution (although we presently do not have any stockholders with such preferential rights).

WFOE is a wholly-foreign owned enterprise under the laws of the PRC. The principal regulations governing dividend distributions by wholly foreign owned enterprises and Sino-foreign equity joint ventures include:

- The Wholly Foreign Owned Enterprise Law (1986), as amended;
- The Wholly Foreign Owned Enterprise Law Implementing Rules (1990), as amended;
- The Sino-foreign Equity Joint Venture Enterprise Law (1979), as amended; and
- The Sino-foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended.

Under these regulations, wholly foreign owned enterprises and sino-foreign equity joint ventures in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, before paying dividends to their stockholders, these foreign invested enterprises are required to set aside at least 10% of their profits each year, if any, to fund certain reserve funds until the amount of the cumulative total reserve funds reaches 50% of the relevant company's registered capital. Accordingly, the WFOE is allowed to distribute dividends only after having set aside the required amount of its profits into the reserve funds as required under applicable PRC laws and regulations.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 32.1* | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS** | XBRL Instance Document |
| 101.SCH** | XBRL Taxonomy Extension Schema Document |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document |

* filed herein.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2014

China Xingbang Industry Group Inc.

By: /s/ Xiaohong Yao
Xiaohong Yao, Chairman, President and
Chief Executive Officer
(principal executive officer)

By: /s/ Haigang Song
Haigang Song, Chief Financial Officer
(principal financial and accounting officer)

I, Xiaohong Yao, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2014 of China Xingbang Industry Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2014

By: /s/ Xiaohong Yao

Xiaohong Yao
Chief Executive Officer
(Principal Executive Officer)

I, Haigang Song, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2014 of China Xingbang Industry Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2014

By: /s/ Haigang Song

Haigang Song
Chief Financial Officer
(Principal Finance and Accounting Officer)

**Certification Pursuant To
Section 906 of Sarbanes-Oxley Act of 2002**

I, Xiaohong Yao, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2014

By: /s/ Xiaohong Yao

Xiaohong Yao
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

**Certification Pursuant To
Section 906 of Sarbanes-Oxley Act of 2002**

I, Haigang Song, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2014

By: /s/ Haigang Song

Haigang Song
Chief Finance Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.