

Shenzhen Textile (Holdings) Co., Ltd.

2017 Annual Report



March 2018

I. Important Notice, Table of Contents and Definitions

The Board of Directors , Supervisory Committee, All Directors, Supervisors and Senior executives of the Company hereby guarantees that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.

Mr.Zhu Jun, The Company leader, Mr. Zhu Meizhu, Chief financial officer and the Mr.Mu Linying, the person in charge of the accounting department (the person in charge of the accounting)hereby confirm the authenticity and completeness of the financial report enclosed in this annual report.

All the directors attended the board meeting for reviewing the Annual Report.

I.Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors, investors should be cautious with investment risks .

II. The company has the macroeconomic risks, market competition risks and raw material risks. Investors are advised to pay attention to investment risks. For details, please refer to the possible risk factors that the company may face in the “IX Prospects for the future development of the company” in the “Section IV Discussion and Analysis of Business Operation”.

III. The company to remind the majority of investors, Securities Time, China Securities Journal, Securities Daily, Shanghai Securities News , Hongkong Commercial Daily and Juchao Website(<http://www.cninfo.com.cn>) are the media for information disclosure appointed by the Company, all information under the name of the Company disclosed on the above said media shall prevail, and investors are advised to exercise caution of investment risks.

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

This Report has been prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

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Definition

Terms to be defined	Refers to	Definition
Company/The Company/ Shen Textile	Refers to	Shenzhen Textile (Holdings) Co., Ltd
Articles of Association	Refers to	Articles of Association of Shenzhen Textile (Holdings) Co., Ltd
Actual controller / National Assets Regulatory Commission of Shenzhen Municipal People's Government	Refers to	National Assets Regulatory Commission of Shenzhen Municipal People's Government
The Controlling shareholder/ Shenzhen Investment Holding Co., Ltd.	Refers to	Shenzhen Investment Holding Co., Ltd.
Shenchao Technology	Refers to	Shenzhen Shenchao Technology Investment Co., Ltd.
Shengbo Optoelectronic	Refers to	Shenzhen Shengbo Optoelectronic Technology Co., Ltd.
Jinjiang Group	Refers to	Hangzhou Jinjiang Group Co., Ltd.
Nitto Denko	Refers to	Japan Nitto Denko Corporation
Kunshan Chi Mei	Refers to	Kunshan Chi Mei Materials Technology Co., Ltd.
Jinhang Investment	Refers to	Hangzhou Jinhang Equity Investment fund Partnership(LP)
Kunshan Jinlin	Refers to	Kunshan Jinlin Optoelectronic Material Co., Ltd.
Zhejiang Jinhao	Refers to	Zhejiang Jinhao Optoelectronic Material Co., Ltd.
“CSRC”	Refers to	China Securities Regulatory Commission
Company Law	Refers to	Company Law of the People’s Republic of China
Securities Law	Refers to	Securities Law of the People’s Republic of China
The Report	Refers to	2017 Annual Report

II. Basic Information of the Company and Financial index

I .Company Information

Stock abbreviation	Shen Textile A ,Shen Textile B	Stock code :	000045、200045
Stock exchange for listing	Shenzhen Stock Exchange		
Name in Chinese	深圳市纺织(集团)股份有限公司		
Chinese abbreviation (If any)	深纺织		
English name (If any)	SHENZHEN TEXTILE (HOLDINGS) CO.,LTD		
English abbreviation (If any)	STHC		
Legal Representative	Zhu Jun		
Registered address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen		
Postal code of the Registered Address	518031		
Office Address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen		
Postal code of the office address	518031		
Internet Web Site	http://www.chinasthc.com		
E-mail	szfzjt@chinasthc.com		

II .Contact person and contact manner

	Board secretary	Securities affairs Representative
Name	Jiang Peng	Li Zhenyu
Contact address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen
Tel	0755-83776043	0755-83776043
Fax	0755-83776139	0755-83776139
E-mail	jiangp@chinasthc.com	lizy@chinasthc.com

III. Information disclosure and placed

Newspapers selected by the Company for information disclosure	Securities Times, China Securities, Shanghai Securities Daily ,Securities Daily and Hongkong Commercial Daily.
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Internet website designated by CSRC for publishing the Annual report of the Company	http://www.cninfo.com.cn
The place where the Annual report is prepared and placed	Secretarial office of the Board

IV.Changes in Registration

Organization Code	19217374-9
Changes in principal business activities since listing (if any)	In July 2012, The business scope of the company is changed to "production, textiles processing, knitwear, clothing, upholstery fabrics, belts, trademark bands, handicrafts (without restrictions); general merchandise, the special equipment of the textile industry, textile equipment and accessories, instruments, standard parts, raw textile materials, dyes, electronic products, chemical products, mechanical and electrical equipment, light industrial products, office supplies and domestic trade (excluding the franchise, the control and the monopoly of goods) ; operation of import and export business." after approval of Shenzhen Market Supervisory Authority .
Changes is the controlling shareholder in the past (is any)	In October 2004,In accordance with the Decision on Establishing Shenzhen Investment Holdings Co., Ltd. issued by State-owned Assets Administration Committee of Shenzhen Municipal People's Government (Shen Guo Zi Wei (2004) No. 223 Document), Shenzhen Investment Management Co., Ltd., the controlling shareholder of the Company, and Shenzhen Construction Holding Company and Shenzhen Commerce and Trade Holding Company merged into Shenzhen Investment Holdings Co., Ltd.

V. Other Relevant Information

CPAs engaged

Name of the CPAs	Peking Certified Public Accountants (Special Geneaal Partnership)
Office address :	11/F, Zhongtang Building , No.110, Xihimen Street , Beijing
Names of the Certified Public Accountants as the signatiries	Li Yong, Lan Tao

The sponsor performing persist ant supervision duties engaged by the Company in the reporting period.

Applicable Not applicable

The sponsor performing persist ant supervision duties engaged by the Company in the reporting period.

Applicable Not applicable

VI.Summary of Accounting data and Financial index

May the Company make retroactive adjustment or restatement of the accounting data of the previous years

Yes No

	2017	2016	Changed over last year	2015
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			(%)	
Operating income (RMB)	1,475,545,719.72	1,198,200,216.42	23.15%	1,226,746,791.62
Net profit attributable to the shareholders of the listed company (RMB)	52,776,101.46	-87,270,604.54	160.47%	8,497,227.40
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	3,140,446.26	-102,767,648.41	103.06%	-92,259,797.61
Cash flow generated by business operation, net (RMB)	-28,518,702.31	-55,264,465.84	48.40%	39,584,500.37
Basic earning per share(RMB/Share)	0.10	-0.17	158.82%	0.02
Diluted gains per share(RMB/Share)(RMB/Share)	0.10	-0.17	158.82%	0.02
Net asset earning ratio (%)	2.23%	-4.10%	6.33%	0.39%
	End of 2017	End of 2016	Changed over last year (%)	End of 2015
Gross assets (RMB)	4,195,746,507.56	4,119,586,266.47	1.85%	2,969,394,978.70
Net assets attributable to shareholders of the listed company (RMB)	2,397,474,603.79	2,339,554,176.31	2.48%	2,174,569,545.55

VII.The differences between domestic and international accounting standards

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

Applicable Not applicable

Nil

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

Applicable Not applicable

Nil

VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
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Operating income	272,392,669.11	466,945,087.76	331,001,389.67	405,206,573.18
Net profit attributable to the shareholders of the listed company	4,302,137.37	10,155,704.26	19,241,712.46	19,076,547.37
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-2,285,765.61	-2,000,420.74	10,458,557.56	-3,031,924.95
Net Cash flow generated by business operation	-185,774,958.96	87,598,558.02	-114,731,423.21	184,389,121.84

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

Yes No

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

Applicable Not applicable

In RMB

Items	Amount (2017)	Amount (2016)	Amount (2015)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	-52,131.44	-138,610.37	-25,108.97	
Government subsidy recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	12,567,426.98	9,578,484.46	21,420,940.38	
Gain/loss on entrusting others with investment or asset management	49,885,730.58			
Gain/loss from change of fair value of transactional financial asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets other than valid period value instruments related to the Company's common businesses.			88,006,690.51	
Switch back of provision for depreciation of account receivable which was singly taken depreciation test.	332,073.93	634,628.72	790,775.00	
Net amount of non-operating income and expense except the aforesaid items	-1,175,757.59	5,493,881.12	2,465,842.60	

Other non-recurring Gains/loss items	23,068,858.53			
Less :Influenced amount of income tax	1,828,395.90	71,340.06	11,902,114.51	
Influenced amount of minor shareholders' equity (after tax)	33,162,149.89			
Total	49,635,655.20	15,497,043.87	100,757,025.01	--

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

Applicable Not applicable

None of Non-recurring gain /loss items recognized as recurring gain /loss/items as defined by the information disclosure explanatory Announcement No.1- Non - recurring gain/loss in the report period.

III. Business Profile

I .Main Business the Company is Engaged in During the Report Period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In 2016, the company's main business covered such the high and new technology industry as represented by LCD polarizer, its own property management business and the retained business of high-end textile and garment

Polarizer is the upstream raw material for liquid crystal panel, also is one of the key materials for flat panel display industry, and it has been widely used in smart phones, liquid crystal display panel of tablet computers and TVs and so forth, OLED display panel, instrumentation, sun glasses, filter of photographic equipments and so on many fields. The company's five existing production lines of polarizer with mass production have products covered the fields such as TN, STN, TFT, OLED, 3D, dye plate, optical film for touch screen, and the products mainly used in TV, NB, navigator, monitor, automotive, industrial control, instrumentation, smart phones, wearable devices, 3D glasses, sunglasses and so forth products, Since the beginning of this year, the company has continuously strengthened sales channel expansion and company brand building, and has continuously expanded its sales channels through various advantages such as market, policy, and geographical location. becoming the qualified supplier to Huaxing Optoelectronic, BOE, Ivo, Shenchao Optoelectronic ,LGD, Shen Tianma and so forth panel companies.

During the reporting period, the company firstly improved the operating capability of the polarizer business. The company promotes the technological level, breaks through the bottleneck of production capacity, optimizes the product structure, strictly controls the product performance indicators, optimizes the transformation of the process and equipment, and achieves the simultaneous improvement of the output and quality; secondly, it actively promotes the construction of the No. 6 line project and completes the installation and commissioning. Trial production and other work have initially met the conditions for mass production; at the same time, in order to better undertake the business of large-size polarizer products with higher profits, the company has carried out the optimization and transformation of host equipment for the second phase 6 line project; the third is the introduction of global Leading polarizer technology, to build ultra-wide-width production line construction, and promote the leap-frog development of polarizers' main business; Fourth, implement the requirements of the municipal SASAC and investment control companies to fully establish a long-term incentive and restraint mechanism, and benchmark advanced enterprises. With the common practice of the industry and around the strategic goals of suppliers of optical film products such as international first-class polarizers, we have actively promoted the formulation and implementation of the 2017 Restricted Stock Incentive Plan, and achieved Incentives and constraints of technology and business backbones to promote the realization of the company's "13th Five-Year Plan"; In-depth analysis and summarization of the "12th Five-Year Plan" business development experience and existing problems, based on the industry's development attributes, combined with the company's actual situation, further adjust and improve the "Thirteenth Five-Year Plan" strategic development plan; Sixth, property management enterprises grasp, With heavy service, the rental income steadily increased. During the reporting period, the company completed the formalities for the completion of the Guan Hua Building project and completed preparations for the investment promotion of Guan Hua Building. Sixth, it attached great importance to safety and effectively carried out safety and environmental protection work. Through the establishment of a safety

production inspection mechanism, the company eliminates hidden dangers in fire safety, upgrades and upgrades environmental protection facilities, pursues sustainable development of green health, and actively fulfills its social responsibilities.

In the dual role of the production line construction and the huge downstream market, the global flat panel display industry has shifted its focus to mainland China. It is expected that China will become the world's largest LCD panel production base in 2018, with panel production ranking the top in the world. It is expected that the domestic panel production capacity will reach 184 million square meters by 2020, which is 2.37 times the 2016 production capacity of 76.8 million square meters, with an average annual growth rate of 27%. Among them, in the next few years, there will be as many as six or more 10.5/11 generation LCD panel production lines in the Chinese mainland in volume production, and the newly increased investment will reach more than 300 billion yuan. It is estimated that by 2020 it will release more than 70 million square meters of 65-inch and larger panel production capacity, becoming the fastest-growing part of the market demand. The corresponding demand for domestic polarizers is expected to increase rapidly from 215 million square meters in 2017 to 368 million square meters in 2020; from 2020 onwards, the demand for large-size polarizers released annually for the 10.5/11-generation LCD panel production line will reach 150 million square meters, and China will become the world's largest market for new polarizers. Compared with blow-outs market demand for polarizers, the self-sufficiency rate of polarizers in China is still very low. There is a large gap in the supply of polarizers in mainland China, and domestic substitution of polarizers has become increasingly strong.

In the future, the company will continue to deepen its strategic cooperation and expand the effect of mixed reforms, relying on more than 20 years of industrial operation experience and location advantages. By integrating the industrial resources of polarizers and optical films, the company will further optimize the ownership structure of Sheng Bo Optoelectronics and improve the production technology and management level; At the same time, we will accelerate the construction of an ultra-wide polarizer production line and seize high-margin polarizer product markets for oversized LCD TVs; While trying to do a good job in the polarizer industry, we will also try to realize a leap-forward development to the optical film industry, and become stronger and better.

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main assets	Major changes
Equity assets	No major changes
Fixed assets	No major changes
Intangible assets	
Construction in process	Construction in process at the end of the reporting period increased by RMB202.7659 million compared to the beginning of the period, an increase of 169.25%, which was mainly due to the increase of investment for the second-phase project of No.6 line of TFT-LCD polarizer.
Advance account	Advance account at the end of the reporting period increased by RMB6.9818 million compared to the beginning of the period, an increase of 103.08, Mainly due to the

	increase in prepayments for purchases of goods and materials.
Interest receivable	The interest receivable at the end of the reporting period increased by RMB 9.076 million, a increase of 136.42% compared to the beginning of the period, Mainly due to the increase in interest on structured deposits and trust receivables.
Other account receivable	Other account receivable at the end of the reporting period decreased by RMB 54.3466 million, a decrease of 80.79% compared to the beginning of the period, which was mainly due to the increase of guarantee deposits for customs.
Available for sale of financial assets	Available for sale of financial assets at the end of the reporting period increased by RMB 24.47 million, a increase of 58.87% compared to the beginning of the period, Mainly due to the purchase of polarizer industry fund shares.

2. Main Conditions of Overseas Assets

Applicable Not applicable

III. Analysis On core Competitiveness

Whether the company needs to comply with the disclosure requirements of the particular industry

No

(1) Technology advantages. Shengbo Optoelectronic is the first domestic national high-tech company which entered into the R&D and production of the polarizer. We are one of the largest, most technical and professional polarizer R&D teams in the country and has more than 20 years of operating experience in the polarizer industry. Products include TN-type, STN-type, IPS-TFT-type, VA-TFT-type, vehicle-mounted industrial display, flexible display, 3D stereo and polarizer for sunglasses, and optical film for touch screens, etc., We have proprietary technology for polarizers and new intellectual property rights for various new products. By the end of the reporting period, the company applied for 79 invention patents and was authorized with 56 items, among which: 16 domestic invention patents(7 patents got authorized); 55 domestic utility model patents(45 patents got authorized); 1 overseas invention patent(0 patents got authorized); 5 overseas utility model patents(3 patents got authorized). There were 3 national standards and 2 industrial standards that were developed by the company are approved and then will be implemented. The company, possessing the two technology platforms “Shenzhen polarizing materials and engineering laboratory” and “Municipal research and development center”, focused on the R&D and the industrialization of the core production technology of LCD polarizer, the developing and industrialization of the new products of OLED polarizer and the “domestication” research on the production materials of polarizer. Through the introduction of various types of sophisticated testing equipments to perfect the test means of small-scale test and medium-scale test, further by improving the incentive system of research and development and building the collaborative innovation platform of “Industry-Study-Research-Utilization” and so forth means, the company comprehensively enhanced the level of research and development.

(2) Talents advantages. The company has the management team and the senior technical team with strong technical ability, enduring cooperative spirit, rich experience and international vision on the polarizer. The company had engaged overseas technical personnel who have great experiences on advanced polarizer production and established the technology management team with its own technical team and complemented by engaging foreign technical personnel, and via the combination of independent innovation and technology providing by engaged foreign personnel to accumulate technology, Upon Talents Advantages, the company has established and

accumulated the first-mover advantages in terms of brand, technology, operation and management. Through the improvement of the appraisal and distribution system, the implementation of the reserve talent echelon management mechanism and the medium and long-term incentive and restraint mechanism, the employee's interests are deeply tied with the company, and the salaries and incentives focus is shifted to core employees such as management and research and development, giving full play to the subjective initiative of the talents.

(3) Market advantages. The company has good customer groups not only in domestic market but in foreign market, compared with foreign advanced counterparts, the biggest advantage lies in the localization for supporting, close to the panel market, as well as the strong support of the national policy. In terms of market demand, with the mass production of the 8.5/10.5/11-generation TFT-LCD panel production lines under construction and planned for the next few years, the production capacity of high-generation TFT-LCD panels in mainland China will increase significantly in the next few years, the corresponding domestic polaroid film market demand has also increased, and the domestic market is the most important market for polaroid manufacturers, especially in the large-size polarizer market. Mainland polarizer manufacturers will usher in important industry opportunities; in terms of market development, the company takes production material control as the core, technology services as the guide, customer needs as the focus, organically combines production and sales, establishes a rapid response mechanism, fully exploits localization advantages, and uses its own accumulated technology and talents, does a good job of peer-to-peer professional services, forms a stable supply chain and increases market share.

(4) Quality advantages. The company always adhered to the quality policy of "Satisfying customer demands and pursuing excellent quality" and focused on product quality control. The company strictly controls product performance indicators, standardizes inspection standards for incoming materials, starts with quality improvement and consumption reduction, and achieves simultaneous increase in output and quality; through the introduction of a modern quality management system, the products have passed ISO9001 Quality Management System and ISO14001 Environmental Management System, OHSAS18000 Occupational Health and Safety Management System, QCO80000 System Certification; the product is tested by SGS and meets the environmental protection ,The company had increased the automatic detecting and marking equipments in the beginning section and the ending section, strictly controlled the product quality and improved the product utilization rate and product management efficiency.

(5) Management advantages. Shengbo Optoelectronic has accumulated rich management experiences in more than 20 years in the manufacturing of polarizer, possessing the home most advanced control technology of the production management process of the polarizer and quality management technology and the stable raw material procurement channel so forth management systems. The company had carried out comprehensive benchmarking work, organized the management personnel to learn advanced experiences from customers and peers to force the elevation of management ability, and drew on the foreign company's management experiences of polarizer, optimized the company's organizational structure, reduced the managerial hierarchy and further enhanced the company's management efficiency. After the introduction of the strategic investor, Through close cooperation with Jinjiang Group, we complement each other's strengths, absorb the vitality of private enterprises, continue to implement advanced management systems, reasonable incentive mechanisms, etc., improve the efficiency of decision-making, enhance the speed of market response, improve the research and development incentive system, and also realize the deep integration of the value of the company and its employees and stimulates the new vitality of the business.

(6) Policy advantages. Polarizers is an important part of the flat panel display industry. Shengbo Optoelectronics guarantees the purchase rights of polarizers for domestic panel companies, greatly reduces the purchase cost of polarizers for domestic panel companies, ensures the safety of the national panel industry, and

strengthens the flat panel industry in China, has played a positive role in enhancing the overall competitiveness of the flat panel display industry chain in China and promoted the coordinated development of the entire industrial chain of the flat panel display industry cluster in Shenzhen. The company once again passed the national high-tech enterprise certification and completed the extension of preferential policies on the exemption of tariffs on domestic self-use production raw materials that could not be produced domestically. The company's polaroid project has won many national and provincial policies and financial support. At the same time, the company strengthened supplier management, improved its overall procurement strategy, strictly controlled the number of suppliers, introduced a competitive mechanism, and introduced price-competitive alternative materials to further reduce production costs and improve product competitiveness.

IV. Management's Discussion and Analysis

I .General

In 2017, the company deeply practiced the mixed ownership operation mode, actively explored the road of mixed reform, established the medium and long-term incentive and restraint mechanism through the implementation of management and core backbone stock holdings, and stimulated the vitality of the enterprise; actively adjusted the business strategy of the polarizer industry and optimized the product structure. Accelerate the construction of the project and realize the overall profitability of the polarizer production enterprises; property leases have steadily increased, and the dilemma of textile and clothing business has been greatly improved.

In 2017, the company achieved the operating revenue of RMB 1475.5457 million, an year-on-year increase of 23.15%; total profits of RMB 84.9405 million, an year-on-year increase of 280.92%; net profits attributable to the owner of the parent company of RMB 52.7761 million, an year-on-year increase of 160.47%. The company had returned to profitability. The main reasons for the company to achieve profitability in 2017 were: First, the subsidiary's Shengbo Optoelectronics has improved its production and management of polarizers, increased the speed of the vehicle, and increased the gross profit margin by introducing new products. Second, the income from entrusted financial management has increased, and the non-recurring gains and losses have increased over the same period of last year. Third, the appreciation of the yen has narrowed year-on-year, and the exchange loss has decreased compared to the same period of last year.

Review of the company's key works carried out in 2017 as follows:

(I) Polarizer's operating capability has been improved

In 2017, the company first promoted the improvement of technology level, broke through the bottleneck of production capacity, optimized the product structure, strictly controlled the product performance indicators, optimized the process and equipment transformation, and simultaneously improved the output and quality; the second was the analysis of the sales model and product structure of peer companies, increased market development efforts and looked for breakthroughs to increase sales volume; the third was to focus on the development of ultra-thin polarizers for IPS, polarizers for OLED displays, and optical films for automotive industrial control functions to enrich product categories, and at the same time promoted new product development efforts to prepare the market for the production of No. 6 line and tracked the replacement of multiple raw materials actively and reduced the production costs; the fourth was to actively promote the construction of Line 6 project, complete the work of installation, commissioning and trial production, introduce global leading polarizer technology, plan to build ultra-wide-width production lines, and promote the leap-forward development of polarizers' main business; the fifth was to actively strive for industrial policy support, and obtained a total of 75.825 million yuan for policy support funds, among them, the 7th line project successfully applied to the National Development and Reform Commission for a special financial support of 30 million yuan. At the same time, Shengbo Optoelectronics completed the AEO certification of the customs, which reduced the clearance rate of goods and cleared the time and cost of importing raw materials.

At the same time, the company has increased the research and development of independent intellectual property rights. In the whole year, it applied for 8 patents (including 1 software invention and 7 utility models). In addition, 1 PCT patent (utility model) entered Korea and Japan respectively. As of December 31, 2017, the

company had applied for 79 patents and obtained 56 authorizations, including 16 domestic invention patents (7 authorizations), 55 domestic utility models (45 authorizations), and 1 overseas invention patent (0 authorizations); 7 overseas utility models (4 authorizations). The company has studied and formulated 3 national standards and 2 industry standards that have been approved for implementation. The company owns two technical platforms, “Shenzhen Polarization Materials and Technology Engineering Laboratory” and “Municipal Research and Development Center”, focusing on the R&D and industrialization of the core production technology of polarizers for LCD, and the development and industrialization of new products for polarizers for OLEDs, and the localization of raw materials for polarizer production. Through the introduction of various types of precision test equipment, completing first-hand test, pilot test methods, improving the R & D incentive system, and building an collaborative innovation platform of “production, learning, research and application”, and other methods, to comprehensively improve the level of research and development.

(II) Property management company paid attention to management and service, and rental income steadily raised

In 2017, the company first stepped up its management standards for property companies, and actively promoted the rectification of safety hazards; the second was to overcome difficulties in leasing operations and actively take measures to properly increase the leasing price of newly signed property leasing contracts while safeguarding the old leasing relationship, so as to ensure that leasing income steadily rises, the third was through the various upgrading and transformation work, realizing safety management, improving property service quality, and improving customer satisfaction, creating conditions for the continuous improvement of property management benefits, the fourth was to complete the formalities for the completion of the Guan Hua Building Project and to prepare for the investment promotion of Guan Hua Building to help it become a new growth point for the company’s property income.

(III) The company strengthened the construction of talents' team and enhanced the core competitiveness of enterprises

In 2017, the company focused on internal talent training and selection work. According to the company's overall strategy, it optimized the internal organizational structure of the company, established a management mechanism for reserve talents and echelons, provided channels for the promotion of various types of talents, and promoted the rejuvenation of cadre echelons; the company implemented the requirements of the municipal SASAC and investment control companies to fully establish a long-term incentive and restraint mechanism, further establish and improve the company's long-term incentive mechanism, attract and retain outstanding talents, and fully mobilize the enthusiasm of the company’s core staff. Through the implementation of the reserve talent echelon management mechanism and the medium and long-term incentive and restraint mechanism, the company continued to stimulate the spirit of enterprise innovation and vitality, and continuously enhance the company's core competitiveness and sustainable development capabilities.

(IV) The company continued to improve the "13th Five-Year Plan" strategic development plan

In 2017, based on in-depth analysis and summary of the “Twelfth Five-Year Plan” business development experience and existing problems, the company researched and judged the development environment the company was facing, and further adjusted and improved the “13th Five-Year Plan” Strategic development planning and completion of expert review work according to the development attributes of the industry and the company’s actual conditions. On November 6, 2017, the sixth meeting of the Seventh Board of Directors of the company reviewed and approved the “Thirteenth Five-Year Plan” strategic development plan. This plan proposed a new strategic blueprint, clarified the company's development goals, development ideas, development priorities, key

measures, and development guarantees in the next five years, highlighted the strategic, forward-looking, guiding, and enforceable nature of the plan. According to the “13th Five-Year Plan”, the company will arrange relevant departments to conduct in-depth research and formulate specific measures for follow-up implementation as soon as possible.

(V) The company actively promoted and completed the equity incentive plan.

To implement the spirit requirements of the Municipal Party Committee and Municipal Government's *Implementation Plan on Deepening the Reform of Municipal State-Owned Enterprises for Development*, to achieve incentives and constraints for middle and senior management personnel and core technology (business) personnel, and to benchmark common enterprises and industries, based on the strategic objectives of suppliers of optical film products such as international first-class polarizers, the company formulated the 2017 Restricted Stock Incentive Plan to issue with A shares of common stock at a price of 5.73 yuan per share to a total of 119 incentive objects, including company directors, senior management personnel, core technology, business, and management backbones. As of December 27, 2017, 4.7523 million restricted shares granted to the incentive objects have been registered, becoming the first listed company to implement the equity incentive plan and complete the implementation of the equity incentive plan in the same period by the SASAC. The implementation of the company's equity incentive plan has achieved incentives and constraints for middle and senior management personnel and technical and business backbones. It can fully mobilize the enthusiasm and creativity of key personnel and enable employees' own goals to be closely linked to the value of the company, and will be beneficial to the realization of the company's "13th Five-Year " strategic plan.

(VI) The company always paid attention to safety and environmental protection work, and maintained harmonious and stable business

In 2017, the company firstly established a self-examination system for corporate safety production, supplemented by special inspections, routine inspections, and major safety inspections. A total of more than 10 routine safety inspections, 4 safety production inspections, and daily production safety inspections in the period of the “19th National Congress of the People's Republic of China” were carried out, and 134 safety hazards of various sizes were identified, the rectification rate was up to 100%; the second was to reorganize and prepare the safety production emergency plan for the company's headquarters, and passed the evaluation of the emergency plan review panel composed of the Guangdong emergency experts and the company's local safety authority and completed the filing approval for the Futian District Safety Supervision Bureau at the end of December; the third was to upgrade and renovate the fire safety hazards of old properties and completely solve the hidden dangers of fire safety; the fourth was to start the upgrading of the environmental protection facilities at Longhua and Pingshan Plants, adding waste water and waste gas treatment equipment, setting up relevant treatment technical specifications, scientifically setting operating parameters, sending personnel to conduct daily inspections, and after the supervision and inspection by government departments, the compliance rate of the company's wastewater and waste gas emissions was 100%, the number of general environmental pollution accidents was 0, the number of company environmental violations and violations was 0, and the company's social responsibilities are fulfilled.

II. Main business analysis

1. General

Refer to relevant contents of “1.Summarization” in “Discussion and Analysis of Management” .

2. Revenue and cost

(1)Component of Business Income

In RMB

	2017		2016		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	1,475,545,719.72	100%	1,198,200,216.42	100%	23.15%
Industry					
Domestic and foreign trade	490,391,227.85	33.23%	335,055,650.00	27.96%	46.36%
Manufacturing	869,112,546.94	58.90%	766,658,201.79	63.98%	13.36%
Lease and Management of Property	93,781,583.42	6.36%	92,357,025.54	7.71%	1.54%
Other	22,260,361.51	1.51%	4,129,339.09	0.34%	439.08%
Products					
Lease and Management of Property	93,781,583.42	6.36%	92,357,025.54	7.71%	1.54%
Textile	41,273,987.57	2.80%	29,011,426.03	2.42%	42.27%
Polarizer sheet	851,531,250.79	57.71%	798,562,759.96	66.65%	6.63%
Trade	466,698,536.43	31.63%	274,139,665.80	22.88%	70.24%
Other	22,260,361.51	1.51%	4,129,339.09	0.34%	439.08%
Area					
Domestic	1,103,749,604.72	74.80%	740,115,218.94	61.77%	49.13%
Overseas	371,796,115.00	25.20%	458,084,997.48	38.23%	-18.84%

(2)Situation of Industry, Product and District Occupying the Company's Business Income and Operating Profit with Profit over 10%

√ Applicable Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of	Increase/decrease of business cost over the same	Increase/decrease of gross profit rate over the same

				the previous year(%)	period of previous year (%)	period of the previous year (%)
Industry						
Domestic and foreign trade	490,391,227.85	481,342,760.55	1.85%	46.36%	45.39%	0.66%
Manufacturing	869,112,546.94	786,401,813.99	9.52%	13.36%	2.53%	9.56%
Lease and Management of Property	93,781,583.42	26,568,634.40	71.67%	1.54%	2.29%	-0.21%
Products						
Lease and Management of Property	93,781,583.42	26,568,634.40	71.67%	1.54%	2.29%	-0.21%
Textile	41,273,987.57	37,280,504.80	9.68%	42.27%	25.29%	12.24%
Polarizer sheet	851,531,250.79	771,786,016.96	9.36%	6.63%	-3.16%	9.17%
Trade	466,698,536.43	458,678,052.78	1.72%	70.24%	69.07%	0.68%
Area						
Domestic	1,081,489,243.21	937,367,743.11	13.33%	46.94%	40.66%	3.87%
Overseas	371,796,115.00	356,945,465.83	3.99%	-18.84%	-21.99%	3.89%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest on year's scope of period-end.

Applicable Not applicable

(3) Whether the Company's Physical Sales Income Exceeded Service Income

Yes No

Classification	Items	Unit	2017	2016	Changes
Polarizer sheet	Sales	(0000' square meters)	881.73	866.71	1.70%
	Production	(0000' square meters)	853.29	824.1	3.42%
	Stock	(0000' square meters)	87.39	115.83	-32.54%
Knitted clothing	Sales	0000' pieces	249	155	37.75%
	Production	0000' pieces	234	164	29.91%
	Stock	0000' pieces	48	63	-31.25%

Explanation for a year-on - year change of over 30%

Applicable Not applicable

(4)Degree of Performance of the Significant Sales Contract Signed up to this Report Period

Applicable Not applicable

(5)Component of business cost

Industry and product classification

In RMB

Industry	Items	2017		2016		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Domestic and foreign trade	Polarizer sheet, Textile	481,342,760.55	37.19%	331,069,725.53	29.45%	45.39%
Manufacturing	Polarizer sheet, Knitted clothing	786,401,813.99	60.76%	766,963,524.67	68.23%	2.53%
Lease and Management of Property	Rental, Accommodation	26,568,634.40	2.05%	25,973,066.77	2.31%	2.29%
Others	Others	22,260,361.51	1.71%	4,129,339.09	0.37%	439.08%

In RMB

Classification of products	Items	2017		2016		Increase/Decrease (%)
		Amount	Proportion in operation costs(%)	Amount	Proportion in operation costs(%)	
Polarizer sheet	Direct materials	585,570,976.73	45.06%	547,069,141.27	48.49%	7.04%
Polarizer sheet	Direct labor	34,391,814.72	2.65%	32,196,752.56	2.85%	6.82%
Polarizer sheet	Power costs	28,735,642.71	2.21%	33,374,274.35	2.96%	-13.90%
Polarizer sheet	Manufacturing costs	100,422,875.03	7.73%	124,568,647.78	11.04%	-19.38%
Knitted clothing	Direct materials	17,539,683.14	1.35%	12,479,774.66	1.11%	40.54%
Knitted clothing	Direct labor	8,028,204.05	0.62%	6,486,194.20	0.57%	23.77%
Knitted clothing	Power costs	1,720,566.62	0.13%	1,121,172.68	0.10%	53.46%
Knitted clothing	Manufacturing costs	9,992,050.99	0.77%	9,667,567.17	0.86%	3.36%

Notes

(6) Whether Changes Occurred in Consolidation Scope in the Report Period Yes No**(7) Relevant Situation of Significant Changes or Adjustment of the Business, Product or Service in the Company's Report Period** Applicable Not applicable**(8) Situation of Main Customers and Main Supplier**

Information of Main Customers

Total sales amount to top 5 customers (RMB)	878,811,169.59
Proportion of sales to top 5 customers in the annual sales(%)	59.65%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	0.00%

Information of the Company's top 5 customers

No	Name	Amount(RMB)	Proportion(%)
1	Customer 1	331,163,008.11	22.44%
2	Customer 2	239,193,499.55	16.22%
3	Customer 3	160,533,333.31	10.88%
4	Customer 4	94,020,137.88	6.37%
5	Customer 5	53,901,190.74	3.65%
Total	--	878,811,169.59	59.65%

Other Notes :

 Applicable Not applicable

There exists no the association relations between the top five suppliers and the company, and the directors, supervisors and senior management, core technical staff, shareholders with holding of more than 5% stocks, actual controllers and other affiliated parties do not have direct or indirect equity of the major suppliers.

Principal suppliers

Total purchase of top 5 Suppliers (RMB)	590,602,095.57
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	46.54%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	0.00%

Information about the top 5 suppliers

No	Name	Amount (RMB)	Proportion
1	Supplier 1	181,584,000.00	14.31%
2	Supplier 2	141,608,149.29	11.16%
3	Supplier 3	136,407,829.45	10.75%
4	Supplier 4	74,919,527.63	5.90%
5	Supplier 5	56,082,589.20	4.42%
Total	--	590,602,095.57	46.54%

Notes

√ Applicable □ Not applicable

There exists no the association relations between the top five suppliers and the company, and the directors, supervisors and senior management, core technical staff, shareholders with holding of more than 5% stocks, actual controllers and other affiliated parties do not have direct or indirect equity of the major suppliers.

3.Expenses

In RMB

	2017	2016	Increase/Decrease(%)	Notes
Sale expenses	9,940,696.87	10,161,699.85	-2.17%	
Administration expenses	114,356,601.65	106,901,733.12	6.97%	
Financial expenses	-31,171,160.81	-1,678,136.65	1,757.49%	First, exchange rate losses have decreased due to changes in the exchange rate of the Japanese yen, and second, interest income from bank deposits has increased.

4.R& D Expenses

√ Applicable □ Not applicable

In the year, the research and development department had a total of 12 research and development projects involving the TV product performance enhancement, performance optimization of polarizers for smart phones and development of ultra-thin polarizer products, OLED product development, vehicle-mounted industrial control product development, TN/STN product performance enhancement and new product development, 1# dye-sheet performance improvement and new product development, advanced technology development, development of IPS products on Line 4 and development of multi-level suppliers of raw materials. In the report period, a total of 176 new products (measured by product model) were successfully produced, thus the ability of innovation was significantly improved, the product competitiveness was further enhanced and the market share continued to grow. Situation of Research and Development Input by the Company

	2017	2016	Increase/Decrease(%)

Number of Research and Development persons (persons)	105	106	-0.94%
Proportion of Research and Development persons	10.20%	8.44%	1.76%
Amount of Research and Development Investment (In RMB)	39,036,089.05	39,308,762.42	-0.69%
Proportion of Research and Development Investment of Operation Revenue	2.65%	3.28%	-0.63%
Amount of Research and Development Investment Capitalization (In RMB)	0.00	0.00	0
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	0.00%

The Reason of the Prominent Change in Total Amount of Research and Development Input Occupying the Business Income Year on Year

Applicable Not applicable

Explanation of the Reason for Substantial Changes in the Research and Development Input's Capitalization Rate and Its Reasonableness

Applicable Not applicable

5.Cash Flow

In RMB

Items	2017	2016	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	1,746,560,969.61	1,288,587,823.52	35.54%
Subtotal of cash outflow received from operation activities	1,775,079,671.92	1,343,852,289.36	32.09%
Net cash flow arising from operating activities	-28,518,702.31	-55,264,465.84	48.40%
Subtotal of cash inflow received from investing activities	3,571,994,746.81	851,568,515.73	319.46%
Subtotal of cash outflow for investment activities	3,375,984,019.80	1,880,577,108.61	79.52%
Net cash flow arising from	196,010,727.01	-1,029,008,592.88	119.05%

investment activities			
Subtotal cash inflow received from financing activities	216,890,764.68	1,581,219,588.81	-86.28%
Subtotal cash outflow for financing activities	151,388,307.46	316,577,182.44	-52.18%
Net cash flow arising from financing activities	65,502,457.22	1,264,642,406.37	-94.82%
Net increase in cash and cash equivalents	231,125,702.76	181,455,560.97	27.37%

Notes to the year-on-year change of the relevant data

✓ Applicable Not applicable

(1) The net cash flows from operating activities Increased by RMB26,745,763.53 and 48.40% year on year. The increase in cash received mainly from sales of polarizer products.

(2) The net cash flows from investing activities increased by RMB1,225,019.89 and 119.05% year on year, mainly due to the recovery of structured deposits, the trust wealth management principal and the increase in revenue.

(3) The net cash in-flow from financing activity decreased by RMB1,199,139,949.15 million and 94.82% year on year. It was mainly due to the introduction of strategic investors by sheng bo optoelectronics, a subsidiary of the company, and the strategic investor's payment of capital increase.

Notes to the big difference between cash flow from operating activities and net profit in the reporting year

✓ Applicable Not applicable

During the reporting period, the net cash flow from the company's operating activities was RMB -28,518,702.31, and the net profit for the year was RMB 73,661,677.87. There was a significant difference between the two, which was mainly due to the following two factors: first, the profit of trust wealth-management and the dividends gained from the share-participating enterprise (s), which belong to the cash flow from investment activities, accounted for a high proportion in the net profit; second, the ending balance of accounts payable had decreased significantly compared with the previous period, and the repayment for the suppliers' goods payment led to that the outflow of cash in operating activities increased.

III. Analysis of Non-core Business

✓ Applicable Not applicable

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	53,555,819.95	63.05%	Obtained the dividends from the share-participating enterprise, obtained contracting fees, and gains from trust wealth management	The dividends from the share-participating enterprise and the contracting fees possess the sustainability, but the proceeds from the trust wealth management does not

				possess the sustainability
Impairment of assets	48,807,727.39	57.46%	Loss of inventory price falling, loss of bad debts	Have the sustainability
Non-operating income	787,567.93	0.93%	Mainly due to the insurance claims	Not sustainable.
Non-operating expenses	2,015,456.96	2.37%	Mainly due to the payment of compensation	Not sustainable.
Other income	12,567,426.98	14.80%	Mainly in government grants	Sustainable

IV. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 22017		End of 22016		Proportion increase/d decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	1,165,048,108.83	27.77%	933,856,912.73	22.67%	5.10%	Structured deposits are due for recovery.
Accounts receivable	192,503,077.70	4.59%	220,222,019.41	5.35%	-0.76%	
Inventories	275,615,176.16	6.57%	283,371,714.07	6.88%	-0.31%	
Investment real estate	173,105,806.27	4.13%	179,324,547.77	4.35%	-0.22%	
Long-term equity investment	20,380,734.56	0.49%	24,849,311.00	0.60%	-0.11%	
Fixed assets	656,133,200.19	15.64%	723,685,287.56	17.57%	-1.93%	
Construction inprocess	322,570,173.73	7.69%	119,804,231.43	2.91%	4.78%	Due to the TFT-LCD Polarizer Phase II Line 6 project increased investment this period.
Short-term loans	88,638,181.45	2.11%	12,335,695.77	0.30%	1.81%	Due to the increase in borrowings for the purchase of raw materials.
Long-term loans	40,000,000.00	0.95%	80,000,000.00	1.94%	-0.99%	Return Shenchao Technology loans.

2. Asset and Liabilities Measured by Fair Value

√ Applicable □ Not applicable

In RMB

Item	Amount at year beginning	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Purchased amount in the reporting period	Sold amount in the reporting period	Amount at year end
Financial assets							
3. Available-for-sale financial assets	8,378,730.50		-384,435.87				7,994,294.63
Subtotal of financial assets	8,378,730.50		-384,435.87				7,994,294.63
Total	8,378,730.50		-384,435.87				7,994,294.63
Financial Liability	0.00						0.00

Did great change take place in measurement of the principal assets in the reporting period ?

Yes No

3. Restricted asset rights as of the end of this Reporting Period

V. Investment situation

1. General

Applicable Not applicable

2. Condition of Acquiring Significant Share Right Investment during the Report Period

Applicable Not applicable

3. Situation of the Significant Non-equity Investment Undergoing in the Report Period

Applicable Not applicable

4. Investment of Financial Asset

(1) Securities investment

Applicable Not applicable

Nil

(2) Investment in Derivatives

Applicable Not applicable

Nil

5.Application of the raised capital

Applicable Not applicable

(1) General application of the raised funds

Applicable Not applicable

In RMB'0000

Year of Raising	Way of Raising	Total raised capital	Total Amount of the Raised Fund Used at the	Total amount of Raised Funds	Amount of raised capital of which the purpose was changed in the report period	Accumulative amount of raised capital of which the purpose has been changed	Proportion of raised capital of which the purpose has been changed (%)	Total Amount of the Unused Raised Fund at the Current Period	Use and Whereabouts of the Unused Raised Fund	Amount of the Raised Fund with over 2 Years' Idling
2013	Non-public issue	96,175.1	14,801.22	20,375.64	0	30,927.22	32.16%	55,742.51	All deposited in the special account for the raised funds.	0
Total	--	96,175.1	14,801.22	20,375.64	0	30,927.22	32.16%	55,742.51	--	0

Notes to use of raised capital

In the reporting period, the accumulated expenditure of the special account for raised funds was RMB 148.0122 million-which was all used for the construction of the second-phase project of No.6 line of TFT-LCD polarizer. As of the end of the reporting period, the accumulated expenditure of the special account for raised funds is RMB 203.7564 million, and the Investment schedule completion rate is 29.09%.

(2) Promised projects of raised capital

Applicable Not applicable

In RMB'0000

Committed investment	Project	Total	Total	Amount	Accumul	Investme	Date	Benefit	Has the	Has any
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projects and investment	changed(including partial change)	raised capital invested as committed	investment after adjustment (1)	invested in the reporting period	amount invested at the end of the reporting period(2)	progress ended the reporting period(%)(3)=(2)/(1)	when the project has reached the predicted applicable status	realized in the reporting period	predicted result be realized	material change taken place in feasibility
Committed investment projects										
Phase-II project of polarizer sheet for TFT-LCD	Yes	96,175.1	70,034	14,801.22	20,375.64	29.09%		0	Not applicable	Yes
Subtotal of committed investment projects	--	96,175.1	70,034	14,801.22	20,375.64	--	--		--	--
Subtotal of committed investment projects										
Nil										
Total	--	96,175.1	70,034	14,801.22	20,375.64	--	--	0	--	--
Situation about not coming up to scheduled progress or expected revenue and the reason (in specific project)	Not applicable									
Notes to significant change in feasibility of the project	According to the latest situation of the industry development, the original second phase construction scheme of the TFT-LCD polarizer was optimized, and then according to the results concluded by the experts, the company decided to continue to promote the construction of the No.6 line project. At the same time, in the light of there was a large funds gap between the actual raised capital and the planned raised capital for the second phase project, then by comprehensive considerations of the company's production line scale and the operation pressure, the company decided to terminate the project of No.7 line, and the corresponding amount of funds of RMB309.2722 million(including interests) for No.7 line project shall be changed for permanently supplementing the liquidity. The Proposal on Alteration of the Use of Part of the Raised Capital for the Second Phase Project of TFT-LCD Polarizer was examined and approved in the 2015 annual shareholder meeting on April 21, 2016..									
Amount, application and application progress of the unbooked proceeds	Not applicable									
About the change of the implementation site of the projects invested with the proceeds	Not applicable									
Adjustment of the	Not applicable									

implementation way of investment funded by raised capital	
About the initial investment in the projects planned to be invested with the proceeds and the replacement	Not applicable
Using the idle proceeds to supplement the working capital on temporary basis	Not applicable
Balance of the proceeds in process of project implementation and the cause	Not applicable
About application and status of the proceeds unused	As of December 31, 2017, the balance of the raised funds which has not been used was RMB 557.4251 million, and the rest was deposited in the special account for raised funds.
Problems existing in application of the proceeds and the information disclosure or other issues	As of December 31, 2017, the cumulative investment for the second-phase project of No.6 line was RMB 559.9583 million, accounting for 79.96% of total investment of RMB 700.34 million-which had been adjusted, The actual payment of investment was 523.4439 million yuan (using raised capital of 203.7564 million yuan, using self-owned funds and government funds of 319.6875 million).

(3) Changes of raised funds projects

Applicable Not applicable

Nil

VI. Significant Asset and Right Offering

1. Situation of Significant Asset Sale

Applicable Not applicable

Nil

2. Situation of Substantial Stake Sale

Applicable Not applicable

VII. Analysis of the Main Share Holding Companies and Share Participating Companies

✓ Applicable □ Not applicable

Situation of Main Subsidiaries and the Joint-stock Company with over 10% net profit influencing to the Company

In RMB

Company Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Shenzhen Lisi Industrial Development Co., Ltd.	Subsidiary	Domestic trade, Lease	2,360,000.00	19,338,735.66	15,942,383.82	7,734,720.76	3,114,164.89	2,531,052.05
Shenzhen Huaqiang Hotel	Subsidiary	Accommodation, business center;	10,005,300.00	26,336,009.54	19,466,632.43	10,809,584.18	3,687,248.05	2,766,896.73
Shenfang Property Management Co., Ltd.	Subsidiary	Property management	1,600,400.00	10,450,718.03	3,210,760.64	10,048,889.33	569,714.28	410,415.93
Shenzhen Beauty Century Garment Co., Ltd.	Subsidiary	Production of fully electronic jacquard knitting whole shape	25,000,000.00	40,055,448.89	24,173,280.56	44,953,402.25	596,538.94	586,878.49
Shenzhen Shengbo Optoelectric Technology Co., Ltd	Subsidiary	Production and sales of polarizer	583,333,333.00	3,281,963,781.51	2,793,356,709.54	847,258,819.36	46,006,868.21	45,252,645.23
Shenzhen Shenfang Import & export Co., Ltd.	Sub-Subsidiary	Operating import and export business	5,000,000.00	70,536,538.47	14,060,260.07	466,698,536.43	7,654,666.23	5,725,440.64
Shengtou (HK) Co., Ltd.	Sub-Subsidiary	Sales of polarizer	HKD10,000	24,833,164.24	5,153,435.95	115,788,263.63	2,387,366.45	2,324,299.28

Acquirement and disposal of subsidiaries in the Reporting period

□ Applicable ✓ Not applicable

Notes

VIII.Special purpose vehicle controlled by the Company

Applicable Not applicable

IX.Prospect for future development of the Company

1. The Development Trend of the Industry

Currently, the growth of global LCD production capacity is mainly from mainland China. Domestic high-generation LCD production line investment will continue to increase, and global LCD panel production capacity will continue to be transferred to mainland China. With the mass production of the 8.5/10.5/11-generation TFT-LCD panel production lines under construction and in preparation, it is expected that Mainland China will become the world's largest LCD panel production base in 2018, with panel production capacity ranking first in the world. The domestic panel production capacity will reach 184 million square meters by 2020, which is 2.37 times the 2016 production capacity. It is estimated that the panel production capacity will exceed 200 million square meters by 2022, and the corresponding demand for the domestic polarizers market is expected to increase rapidly from 215 million square meters in 2017 to 368 million square meters in 2020 and reach approximately 400 million square meters in 2022. Among them, the increase in demand for polarizers mainly comes from the increasing demand for large-size LCDs. Compared with the demand of the vigorous polarizer market, there is a large gap in the supply of domestic polarizers. It is expected that the supply gap of TFT-LCD polarizers will reach 180 million square meters in 2020, and the gap will increase to 220 million square meters by 2022. Therefore, there is a large gap in the supply of domestic polarizers, and there is a serious shortage of localization matching capabilities for polarizers in the panel industry in China. Localization of polarizers has become increasingly strong.

Three-year Action Plan for Enhancing the Core Competence of Manufacturing Industry (2018-2020) clearly proposes the inclusion of polarizers and related film materials into the implementation plan as the key technology industrialization projects for key new materials, and encourages related companies to introduce advanced technologies, integrate industrial resources, and reduce manufacturing costs and industrial risks in China through mergers and acquisitions, joint ventures and cooperation. With the trend of large-scale TFT-LCD panel size in the world, as well as the improvement of display technology, high-definition, wide-viewing angle, widening of touch application, and thinner and lighter appearance brought about by the diversification of product applications, global TFT-LCD industrial development momentum is strong, and large-size panels will increase with the addition of above 10-generation of TFT-LCD panel production lines in China, and the demand for large-size polarizers will also grow rapidly. It can be seen that the domestic market is the most important market for polaroid manufacturers, domestic polarizer manufacturers will usher in important industry opportunities, and large-size polarizers have huge room for growth.

2.The company's development strategy

In 2017, the company implemented a restrictive stock incentive plan to further establish and improve the company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the company's core employees, and effectively combine the interests of shareholders, the interests of the company, and the personal interests of the operators, and pay attention to the long-term development of the company, and work together for it.

During the “Thirteenth Five-Year Plan” period, the company will unwaveringly advance the specialization, scale, and efficiency of the polarizer industry, seize the good opportunities for the development of the industry,

and make full use of the support policies of the country and Shenzhen for the development of the polarizer industry, to further deepen the reform of mixed ownership, promote industrial integration, accelerate the construction of ultra-wide-width production lines, vigorously upgrade the production technology and operation and management level, strengthen the building of talents, give full play to the role of long-term incentive mechanism, stimulate the vitality of enterprises, and promote the continuous development of company's polarizers business.

3. Possible risks

1. Macroeconomic Risks

Looking into 2018, China will further deepen supply-side reforms. First, it will de-leverage, and second, it will guide the economy to be practical. The economic operation has generally stabilized, but the new and old economic forces and models have been further transformed, and the liquidity contraction is still continuing. China's manufacturing industry still faces the severe challenge of "bi-directional squeeze" between developed countries and other developing countries. The country proposes to implement the "manufacturing power" strategy to promote the structural reform of the supply side of China's manufacturing industry. The current building of a strong manufacturing country is at a critical stage of overrunning and overcoming difficulties and the market is fiercely competitive. The industry in which the company is located is an important part of the electronic information industry and will be strongly supported by national policies. However, it cannot be ruled out that unpredictable fluctuations in the macroeconomic environment may pose risks to the company's performance.

2. Market risks

Due to the characteristics of rapid replacement and upgrading of display end-product, there is higher requirement for the timely response ability of technology and products, while the price decline-trend also increasingly squeezes the profit space of upstream polarizer business. China's manufacturing industry has faced a long-term "lack of cores and screens". The polarizer industry is an important part of China's future manufacturing industry, and the process of domestic substitution of polarizers is in progress. Large-scale demand and corresponding technology requirements are changing with each passing day. If the company's technology and products cannot timely respond to the needs of the application fields or the market competition leads to lower prices, the company will get an adverse impact.

3. Raw-material risks

Currently, the key raw materials for producing polarizer, which are PVA film and TAC film, are basically monopolized by Japanese. There is a constraint on the production line and production technology of upstream matching raw materials. Compared to the complete industry chain model of "upstream raw materials-polarizers-display panel" from the international manufacturers, the company does not have corresponding industrial support, and temporarily unable to exert industrial integration effects. The price of membrane materials is affected by suppliers' production capacity, market demand, and yen exchange rate, which affects the unit cost of the company's products.

4. The key work in 2018

1. To deepen strategic cooperation and consolidate the results of the strategy introducing

The first is to further stabilize the market sales share, while stabilizing sales prices as much as possible, increasing the proportion of sales of high-margin models, accelerating the introduction of large-size polarizers, optimizing customer structure and product structure, and seeking new profit growth points for the market; the

second is the introduction of advanced technology, optimization of production line technology, and efforts to promote the production line transformation and optimization work, improve equipment production performance, further improve quality and reduce consumption, breakthrough quality and productivity bottlenecks; the third is to coordinate the construction of Line 7 project, improve the investment and construction program, complete the project decision-making approval process, start the project construction work in an all-round way, and strive to complete the project report construction and host equipment procurement contract before the end of 2018; the fourth is to further deepen the strategic cooperation with Jinjiang Group, integrate the polarizer films and other related optical film industry resources in Mainland and Taiwan of China, and promote the company to open up the optical film industry to develop in an extensible manner, and do stronger, bigger and better of Shengbo Optoelectronics; the fifth is to combine the actual situation of Shengbo Optoelectronics, and gradually build a new mode of operation of the company's product division to activate its business dynamism and comprehensively improve the business capability of polarizers.

2. Potential tapping, efficiency improving, innovating and developing of property companies

Property companies should focus on the occupancy rate and fund recovery rate to overcome adverse impacts, continue to tap potential, increase efficiency, create excellent business environment, further improve service quality, continue to promote property leasing promotion plans, and earnestly increase rental income, at the same time complete public leasing related work of Guan Hua Building as soon as possible and do a good job of customer reserves to ensure the stability of the rental income of Guan Hua Building.

3. To strengthen the construction of talents' team and enhance the core competitiveness of enterprises

The company is in a critical period of transformation and development, its business develops rapidly. According to the company's future development strategy, in 2018, it is necessary to gradually establish a key reserve personnel training management mechanism, constantly optimize and improve the company's professional rank and technical rank appraisal system and incentive system and increase incentives for key reserve talents through various forms of training, improve the stability and enthusiasm of key reserve talents, and continuously enhance our core competitiveness and sustainable development capabilities.

4. To exert long-term incentive and restraint effect to stimulate the company's new vitality

The company carried out reform of the property rights system through the introduction of strategic investors and the implementation of management and core backbone holdings. The company will use property rights reform as its foundation, corporate governance as its core, selection and employment as the key, incentives and constraints as guarantees, implement equity incentive plans, and bind shareholders, management, and employees in order to build a sense of responsibility among employees, and continue to stimulate the spirit of enterprise innovation and vitality.

5. Pay attention to safe production and maintain the harmonious and stable business

From time to time, the company must tighten the "string" of safe production. We must continue to pay close attention to corporate safety production, energy conservation and emission reduction, and environmental protection, and fully implement the safety responsibility production system, strengthen the construction of a long-term mechanism for safety production and the investigation and rectification of safety hazards, ensure that there are no accidents involving production safety during the year, and ensure that the conscious, systems, responsibilities and measures of safety production are in place.

6. Strengthen party building work and innovate corporate culture

The party committee of the company will continue to carry out the “two studies and one action” special education campaign, organize all party members to study and implement the spirit of the party’s Nineteenth Congress through various forms, in order to guide the company’s production and management practices; continue to strengthen the ranks of party members, do a good job in the development, education, and training of party members, actively carry out education on honest and clean administration, make arrangements for the activities of the disciplinary education study month; continue to strengthen the construction of a clean and honest government, strengthen the supervision and restriction mechanism, and integrate the internal supervision resources of the company, intervene early in key tasks, and move forward; carry out rich and colorful party building activities, trade union activities, enhance employee combat effectiveness, cohesion, and centripetal force, and innovate to

X.Particulars about researches, visits and interviews received in this reporting period

1.Particulars about researches, visits and interviews received in this reporting period

Applicable Not applicable

The company did not receive researches, visits and interviews received in this reporting period.

V. Important Events

I Specification of profit distribution of common shares and capitalizing of common reserves

Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period

Applicable Not applicable

The profit distribution preplan or proposal and the preplan or proposal of conversion of the capital reserve into share capital in the past three years(with the reporting period inclusive):

Based on the needs of the construction of TFT-LCD polarizer project and the company business development, there were no cash dividends and there were no capital reserves converted into share capital in the last three years.

Dividend distribution of the latest three years

In RMB

Year	Cash dividend (Including Tax)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds
2017	0.00	52,776,101.46	0.00%	0.00	0.00%
2016	0.00	-87,270,604.54	0.00%	0.00	0.00%
2015	0.00	8,497,227.40	0.00%	0.00	0.00%

In the reporting period, both the Company's profit and the parent company's retained earnings were positive however not cash dividend distribution proposal has been put forward.

Applicable Not applicable

The reason that why the revenues and profits distributed for common stock holder from the parent company are positive during reporting period, but the cash bonus distribution plan of common stock is not proposed	The usage and using plan of undistributed profit
After audited by Peking Certified Public Accountants(Special General Partnership), the net profit attributable to the shareholders of the listed company in 2017 was RMB 53,144,005.20, and the parent company realized a net profit of RMB 37,914,591.13. The company shall draw RMB 3,791,459.11 of the net profit realized by the parent company namely according to 10 % of the net profit realized by the parent company into the statutory surplus reserve. After adding the undistributed profits carried forward from previous years, the	The company's undistributed profits will be used for daily production operations and future strategic development plans.

<p>undistributed profits of the parent company were RMB 461,142,494.13, and the undistributed profits in the consolidated financial statements were RMB -31,923,282.67. Pursuant to the “Guidelines for the standardized operation of listed companies on the Main Board of the Shenzhen Stock Exchange”, the company shall determine the specific profit distribution ratio based on the principle of lower profit available for distribution in the consolidated statement and the report of the parent company. Therefore, where the undistributed profits of the company’s consolidated statements are still in loss, then the Company does not have the conditions for cash dividends, so the company’s proposed 2017 profit-distribution plan will have no cash dividends, no bonus shares and no capital reserve converted into share capital.</p>	
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II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

III. Commitments to fulfill the situation

1. The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parities.

Applicable Not applicable

Commitment	Commitment maker	Type	Contents	Time of making commitment	Peiod of commitment	Fulfillment
Commitment on share reform	Shenzhen Investment Holdings Co., Ltd.	Share reduction commitment	As Shenzhen Investment Holdings Co., Ltd., the controlling shareholder of the company, committed when the restricted-for-sale shares from the shares	August 4, 2006	Sustained and effective	Under Fulfillment

			<p>restructuring were listed for circulation in the market: i. if they plan to sell the shares through the securities exchange system in the future, and the decrease of the shares they hold reaches 5% within 6 months after the first decrease, they will disclose an announcement indicating the sale through the company within two trading days before the first decrease; ii. They shall strictly observe the “Guidelines on Transfer of Restricted-for-sale Original Shares of Listed Companies” and the provisions of the relevant business principles of Shenzhen</p>			
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			Stock Exchange.			
Commitment in the acquisition report or the report on equity changes						
Commitment made upon the assets replacement	Shenzhen Textile(Holdings) Co., Ltd.	No major asset restructuring commitments	The company, according to the relevant provisions of Measures for the Administration of Major Asset Restructuring of Listed Companies, No.10 Guidelines for Business Handling of Listed Companies-Major Asset Restructuring and No.9 Business Memorandum of Main Board Information Disclosure-Suspending Stock-trading for Listed Companies, committed that the company shall not plan a major asset restructuring matter in 2 months commenced from the date	December 19,2016	February 18,2017	Fulfilled

			of termination of the major asset restructuring namely the date of announcement on resuming the company's stock trading.			
Commitments made upon issuance	Shenzhen Investment Holdings Co., Ltd.	Commitments on horizontal competition, related transaction and capital occupation	Shenzhen Investment Holdings Co., Ltd. signed a "Letter of Commitment and Statement on Horizontal Competition Avoidance" when the company issued non-public stocks in 2009. Pursuant to the Letter of Commitment and Statement, Shenzhen Investment Holdings Co., Ltd. and its wholly owned subsidiary, subsidiaries under control or any other companies that have actual control of it shall not be involved in	October 9, 2009	Sustained and effective	Under Fulfillment

			<p>the business the same as or similar to those Shenzhen Textile currently or will run in the future, or any businesses or activities that may constitute direct or indirect competition with Shenzhen Textile; if the operations of Shenzhen Investment Holdings Co., Ltd. and its wholly owned subsidiaries, subsidiaries under control or other companies that have actual control of it compete with Shenzhen Textile in the same industry or contradict the interest of the issuer in the future, Shenzhen Investment Holdings Co., Ltd. shall urge such companies to</p>			
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			sell the equity, assets or business to Shenzhen Textile or a third party; when the horizontal competition may occur due to the business expansion concurrently necessary for Shenzhen Investment Holdings Co., Ltd. and its wholly owned subsidiaries, subsidiaries under control or other companies that have actual control of it and Shenzhen Textile, Shenzhen Textile shall have priority.			
	Shenzhen Investment Holdings Co., Ltd.	Commitments on horizontal competition, related transaction and capital occupation	The commitments during the period non-public issuance in 2012: 1. Shenzhen Investment Holdings, as the controlling shareholder of	July 14, 2012	Sustained and effective	Under Fulfillment

			<p>Shenzhen Textile, currently hasn't the production and business activities of inter-industry competition with Shenzhen Textile or its share-holding subsidiary. 2. Shenzhen Investment Holdings and its share-holding subsidiaries or other enterprises owned the actual control rights can't be directly and indirectly on behalf of any person, company or unit to engage in the same or similar business in any districts in the future by the form of share-holding, equity participation, joint venture, cooperation, partnership, contract, lease, etc., and</p>			
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			<p>ensure not to use the controlling shareholder's status to damage the legitimate rights and interests of Shenzhen Textile and other shareholders, or to gain the additional benefits. 3. If there will be the situation of inter-industry competition with Shenzhen Textile for Shenzhen Investment Holdings and its share-holding subsidiaries or other enterprises owned the actual control rights in the future, Shenzhen Investment Holdings will promote the related enterprises to avoid the inter-industry competition</p>			
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			through the transfer of equity, assets, business and other ways. 4. Above commitments will be continuously effective and irrevocable during Shenzhen Investment Holdings as the controlling shareholder of Shenzhen Textile or indirectly controlling Shenzhen Textile.			
	Shenzhen Investment Holdings Co., Ltd.	Share limited commitment	Commitment to non-public offering during the second phase project of Shenzhen Textile shares subscribed lock handling Shenzhen Textile non-public offering on the stock market of 36 months.	March 25, 2013	2016-03-25	Fulfilled
Equity incentive commitment	Shenzhen Textile(Holdings) Co., Ltd.	Other commitment	1.The company undertakes not to provide loans, loan guarantees, and any other	November 27,2017	December 27,2021	Under Fulfillment

			forms of financial assistance to the incentive objects for obtaining the restricted stocks in the incentive plan; 2. The company undertakes that there is no circumstance that the stock incentive shall be prohibited as stipulated in the provisions of Article 7 of the “Measures for the Management of Stock Incentives of Listed Companies”.			
Other commitments made to minority shareholders						
Executed timely or not?	Yes					
If the commitments failed to complete the execution when expired, should specifically explain the reasons of unfulfillment and the net stage of the working plan	Not applicable					

2.The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

Applicable Not applicable

Asset or Project	Start date of	End date of the	Forecast	Actual	Reason for less	Disclosure date	Reference for
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Name of Earnings Forecast	of the forecasting period	forecasting period	earnings	earnings	than forecast	of the Forecast	the Forecast
Subsidiary-Shengbo Optoelectronic Introduces strategic investors	January 1,2017	December 31,2017	5,000	5,325.05		December 31,2016	See on http://www.cninfo.com.cn announcement (Announcement No.:2016-67)

Commitments made by shareholders or counterparties in reporting annual operating results

√ Applicable □ Not applicable

I. Basic Information

In order to improve the operation situation of Shengbo Optoelectronics, By the end of 2016, the company introduced Hangzhou Jinjiang Group Co., Ltd. (hereinafter referred to as "Jinjiang group") as a strategic investor through the capital increase and share expansion in the Shengbo Optoelectronics. The company, Shengbo Optoelectronics, Jinjiang Group and Hangzhou Jinhang Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as "Jinhang Investment")-whose actual controller is Jinjiang Group-jointly signed the "Shengbo Optoelectronics Technology Co., Ltd Capital Increase Agreement", of which Jinhang Investment, as the principal body of the capital increase, subscribed for 40% equity of Shengbo Optoelectronics with that the increased capital was RMB 1,352,640,000. In order to give full play to the advantages of the private enterprise's institutional mechanism and state-owned enterprises' resources, the company and the Jinjiang Group reached a consensus on the future operation, management and development of Shengbo Optoelectronics, and signed the "Cooperation Agreement", whereby the Jinjiang Group made a commitment to the business performance of Shengbo Optoelectronics in order to achieve better results after the introduction of the strategic investor.

II. Information of Business Performance Commitment and Compensation Arrangements

According to the "Cooperation Agreement", after Jinjiang Group's investment in Shengbo Optoelectronics through Jinhang Investment, Jinjiang Group's advantages in system, mechanism, industry, management, etc. and successful experience in industry integration will be fully utilized, and it has made the business performance commitment to Shengbo Optoelectronics, with details as follow:

The sales revenue and net profits for 2017, 2018 and 2019 shall be not less than RMB 1.5 billion/50 million, RMB 2 billion/100 million, and RMB 2.5 billion/150 million respectively. In principle, the sales revenue of polarizers and related optical film products shall account for not less than 70 % of the total revenue in 2017 and not less than 80 % of the total revenue after 2018. If fail to achieve the above-said business performance, Jinjiang Group shall make a cash supplement for the difference less than the net profits within 10 days from the completion of the statistical data of annual sales revenue and annual net profit.

The method of calculating the actual profit for the above-mentioned years shall be based on the current effective accounting standards in China, and shall be calculated and determined based on the special audit results issued by a qualified accounting firm engaged by the company.

III. Completion information of business performance commitment

1. Completion information of business performance commitment

In 2017, under the leadership of the Jinjiang Group, Shengbo Optoelectronics has conducted comprehensive business improvement and optimization work. Through the hiring of a team of South Korean experts to provide technical and management guidance, it has implemented various improvement measures on the production line speed, technical indicators, raw material structure and so forth to reduce the production cost, and thus the production operations have been significantly improved. In 2017, Shengbo Optoelectronics achieved an annual net profit of RMB 53,250,500 and achieved its target, and the annual operating revenue was RMB 1.338 billion, a year-on-year increase of 24.35%. Although the sales of key products continued to increase during the year, the sales volume of the products currently is less than expected, and there was about RMB 162 million less than the performance commitment target of 1.5 billion; the sales revenue of polarizers and related optical film products accounted for 61.89% of the total revenue, which was 8.11 percentage points less than the 70% of performance commitment.

The aforesaid performance commitment includes both the net profit index and the sales revenue index, as well as the ratio of sales revenue of polarizers and related optical film products. Hence, Shengbo Optoelectronics has not fully realized its performance commitment, but according to the terms of the Cooperation Agreement, Jinjiang Group only needs to make cash supplement for the difference less than the committed net profits, therefore there will be no needs of cash compensation.

2. Reasons for why the business performance commitment was not fully realized

The reasons for why the business performance commitment was not fully realized were as follows: firstly, the introduction of the large-size polarizer was less than expected, and the promotion for the layout of large-size polarizers was relatively slow, thus not being able to contribute sales revenue in a timely and effective manner; secondly, the continued decline in sales prices of some kinds of product led to the adjustment of supply, which had affected the sales volume.

IV.The follow-up solution measures to the not fully achieved in the business performance commitment

Firstly, adjust the company's product mix, better to undertake higher profits oversized Polaroid products, learn from and absorb advanced polarizing film production technology and management experience, optimize the complete transformation of Line 6 of the host device as soon as possible; second is to accelerate new The promotion of products and the introduction of large-size polarizers, sales of large-size polarizers as the performance growth point; third is to push forward the construction of ultra-wide polarizer production lines, and to seize the high-margin polarizing film products for oversized LCD TVs. The fourth is to dispose of the production line of backward equipment and reduce operating costs. Fifth is to integrate the industrial resources of polarizers and optical films to further optimize the ownership structure of Shengbo Optoelectronics and enhance its operating capability.

IV.Particulars about the non-operating occupation of funds by the controlling shareholder

Applicable Not applicable

No non-operating occupation from controlling shareholders and its related party in the period.

V.Explanation of the Supervisory Committee and Independent Directors (If applicable)on the Qualified Auditor's Report Issued by the CPAs.

Applicable Not applicable

VI.Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year.

Applicable Not applicable

On April 28, 2017, the Ministry of Finance issued the "No. 42 Accounting Standard for Business Enterprises-Non-current Assets for Sale, Disposal Groups, and Termination of Operations", which will take effect from May 28, 2017; On May 10, 2017, the Ministry of Finance issued the "No. 16 Accounting Standards for Business Enterprises-Government Grants (Revised in 2017)", which will take effect from June 12, 2017; in 2017, the Ministry of Finance issued the "Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises", which has revised the format for the Financial Statements of General Enterprises, and thus it shall applied to the financial statements in the year of 2017 and subsequent periods. The above changes in accounting policies were adopted at the third meeting of the seventh board of directors and the tenth meeting of the seventh board of directors of the company, therefore the Company began to implement the above provisions in accordance with the time required by the Ministry of Finance.

The main impact of the Company's implementation of the above three provisions is as follows:

Items	Amount	
	2017	2016
Non-operating income	-12,567,426.98	
Other income	12,567,426.98	

VII.Explain retrospective restatement due to correction of significant accounting errors in the reporting period

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII.Explain change of the consolidation scope as compared with the financial reporting of last year.

Applicable Not applicable

No changes in consolidation statement's scope for the Company in the period.

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Name of the domestic CPAs	Peking Certified Public Accountants (Special General Partnership)
Remuneration for domestic accounting firm (RMB'0000)	55
Continuous life of auditing service for domestic	7

accounting firm	
Name of domestic CPA	Li Yong, Lan Tao

Has the CPAs been changed in the current period

Yes No

Description of the CPAs, financial adviser or sponsor engaged for internal control auditing

Applicable Not applicable

During the reporting period, the company engaged Peking Certified Public Accountants(Special General Partnership) as the company's internal control audit agency for 2017, with an audit remuneration of RMB 250,000 (including travel expenses and other expenses).

X.Situation of Facing Listing Suspension and Listing Termination after the Disclosure of the Yearly Report

Applicable Not applicable

XI.Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII.Significant lawsuits and arbitrations of the Company

Applicable Not applicable

No significant lawsuits and arbitrations occurred in the reporting period.

XIII.Situation of Punishment and Rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV.Credit Condition of the Company and its Controlling Shareholders and Actual Controllers

Applicable Not applicable

During reporting period, there was no effective judgment of a court and large amount of debt maturity that the company, its controlling shareholders and actual controller failed to perform or pay off.

XV.Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

Applicable Not applicable

(I) Formulation of Restricted Stock Incentive Plan

On November 27., 2017, the Proposal on the Company's Implementation Measures of Evaluation for the 2017 Restricted Stock Incentive Plan (Draft) and summary and the Proposal on the Company's Implementation

Measures of Evaluation for the 2017 Restricted Stock Incentive Plan was examined and approved in the 7th board meeting of the company's 7th session board of directors, and related proposals agreed to fulfill the relevant procedures and related proposals agreed to fulfill the relevant procedures

On December 11, 2017, the SASAC agreed in principle to implement the restricted stock incentive plan.

On December 14, 2017, the company held the third extraordinary shareholders' general meeting in 2017, which reviewed and approved the the Proposal on the Company's Implementation Measures of Evaluation for the 2017 Restricted Stock Incentive Plan (Draft) and summary and Proposal on the Company's Implementation Measures of Evaluation for the 2017 Restricted Stock Incentive Plan and other issues.

(II) Information on granting the restricted stock

On December 14, 2017, the company held the 8th meeting of the 7th Board of Directors, which reviewed and approved the “Proposal on Adjusting the List of Incentive Objects and Granting Quantity of the 2017 Restricted Stock Incentive Plan” and the “Proposal on Granting the Restricted Stocks to Incentive Objects”. The restricted shares actually granted by this stock incentive plan totaled 4,752,300 shares, and 119 incentive objects were granted, with the granting price was 5.73 yuan per share.

On December 27, 2017, the company's restricted stock completed the grant registration formalities at China Securities Depository and Clearing Corporation Shenzhen Branch.

XVI. Material related transactions

1. Related transactions in connection with daily operation

√ Applicable □ Not applicable

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade RMB0'000	Ratio in similar trades	Trading limit approved (RMB'0000)	Whether approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Tianma Microelectronic Co., Ltd.	The Chairman of the Company was Vice Chairman of the company	Sale products to related parties	Sales of polarizer sheet	Market Principle	Agreement price	483.59	0.57%	600	No	Transfer	483.59		
Total				--	--	483.59	--	600	--	--	--	--	--

Details of any sales return of a large amount	Not applicable
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)	Not applicable
Reason for any significant difference between the transaction price and the market reference price (if applicable)	Not applicable

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

Applicable Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

3. Related-party transactions with joint investments

Applicable Not applicable

No main related transactions of joint investment outside for the Company in reporting period.

4. Credits and liabilities with related parties

Applicable Not applicable

Was there any non-operating credit or liability with any related party?

Yes No

Due from related parties

Related parties	Relationship	Causes of formation	Does there exist non-operating capital occupancy?	Opening balance (RMB '0000)	Newly increased amount in the reporting period(RMB'0000)	Amount recovered in the reporting period(RMB'0000)	Interest rate	Interest in the reporting period(RMB'0000)	Ending balance (RMB'0000)
Shenzhen Tianma Microelectronics Co., Ltd.	The Chairman of the Company was Vice Chairman of the company	Sale products	No	25.64	565.8	435.89			155.55

Anhui Huapeng Textile Co., Ltd.	Sharing company	Contract fee	No	360		180		180
Shenzhen Dailishi Underwear Co., Ltd.	Sharing company	Contract fee	No	30	89.45	75.4		44.05
Influence of the related rights of credit and liabilities upon the company's operation results and financial position	In the report period, Increase investment income of RMB0.8945 million.							

Due to related parties

Related parties	Relationship	Causes of formation	Opening balance(RMB'0000)	Amount newly increased in the reporting period(RMB'0000)	Amount repaid in the reporting period(RMB'0000)	Interest rate	Interest in the reporting period(RMB'0000)	Ending balance (RMB'0000)
Shenzhen Xinfang Knitting Co., Ltd.	Sharing company	Current amount	24.48					24.48
Shenzhen Xiangjiang Trade Co., Ltd	Sharing company	Current amount	4					4
Shenzhen Changlianfa Printing & dyeing Co., Ltd.	Sharing company	Current amount	84.65	33.19				117.84
Shenzhen Haohao Property Leasing Co., Ltd	Sharing company	Current amount	495.45		85			410.45
Yehui International Co., Ltd.	Sharing company	Current amount	121.5		7.96			113.54

Shengbo (HK) Co., Ltd.	Sharing company	Current amount	31.5					31.5
Shenzhen Shenchao Technology Investment Co., Ltd.	Controlled by the same party	Interest payable	4,280.54	276.53				4,557.07
Influence of the related rights of credit and liabilities upon the company's operation results and financial position.		In the report period, Increase financial interest expense of RMB2.7653 million.						

5. Other significant related-party transactions

√ Applicable Not applicable

To ensure the construction progress of polarizer with TFT-LCD, Shenzhen Shengbo Optoelectronic Technology Co., Ltd., Shenzhen Shenchao Technology Investment Co., Ltd. and Shenzhen Development Bank, Shenzhen Branch, First Tower Subbranch signed "Contract on Consigned Loan", of whose main content is: Shenzhen Shenchao Technology Investment Co., Ltd applied to the bank for 200 million RMB of construction of dedicated plant and auxiliary projects for polarizer with TFT-LCD for Shenzhen Shengbo Optoelectronic Technology Co., Ltd The term of the loan is 108 months from the day when the first installment of entrusted loan is transferred to the account of the Company. The interest rate of the entrusted loan is the rate of commercial loans with a term of 5 years quoted by People's Bank of China minus 2%. In case of adjustment of such commercial loan rate, the rate of commercial loans with a term of 5 years after adjustment minus 2% shall apply as interest rate of entrusted loan from the first day of the next month after the adjustment of basic interest rate. The term of the loan is 108 months from the day when the first installment of entrusted loan is transferred to the account of the Company. As of December 31, 2017, The Company actually received a loan of RMB 80 million.

Website for temporary disclosure of the connected transaction

Announcement	Date of disclosure	Website for disclosure
Announcement of related Transactions	December 12, 2009	http://www.cninfo.com.cn . Announcement No.2009-55
Announcement of Resolutions of the Second provisional shareholders' general meeting	December 30, 2009	http://www.cninfo.com.cn . Announcement No.2009-57
Announcement of related Transactions progress	July 1, 2010	http://www.cninfo.com.cn . Announcement No.2010-26

XVII.Particulars about significant contracts and their fulfillment**1. Particulars about trusteeship, contract and lease****(1) Trusteeship**

Applicable Not applicable

No trusteeship, contract or leasing for the Company in reporting period.

(2) Contract

Applicable Not applicable

No any contract for the Company in the reporting period.

(3) Lease

Applicable Not applicable

No any lease for the Company in the reporting period..

2.Guarantees

Applicable Not applicable

No any guarantees for the Company in the reporting period..

3.Situation of Entrusting Others for Managing Spot Asset**(1)Situation of Entrusted Finance**

Applicable Not applicable

Overview of entrusted wealth-management during the reporting period

In RMB

Specific type	Source of funds for entrusted financial management	The Occurred Amount of Entrusted Wealth-management	Undue balance	Un-recovered of overdue amount
Bank financial products	Self fund	154,000	4,000	0
Trust financial products	Self fund	80,000	80,000	0
Bank financial products	Idle raised funds	159,400	0	0
Total		393,400	84,000	0

The detailed information of entrusted wealth-management with significant amount or low safety, poor liquidity or high risk with no promise of principal

In RMB'0000

Name of Trustee Organization (or Trustee Name)	Type of Trustee Organization (or Trustee)	Product Type	Amount	Capital Source	Start Date	Expiry Date	Funds Allocation	Method of Reward Determination	Reference Annualized Rate of Return	Expected Income (if any)	Actual profit and loss during the reporting period	The actual recovery of profit and loss during the reporting period	Amount of provision for impairment (if any)	Whether passed the statutory procedure	Whether there is any entrusted financial plan in the future	Summary of events and related search index (if any)
Shenzhen Science and Technology Branch, JSBK	Bank	Structured deposits	20,800	Idle fund-raising	October 13,2016	April 13,2017	Bank financial products	Due payment at a time	2.6%	270.6	270.6	270.6		Yes	Not applicable	Http://www.cninfo.com.cn : Announcement No. 2017-22)
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	19,000	Idle fund-raising	October 13,2016	April 13,2017	Bank financial products	Due payment at a time	3.50%	163.97	163.97	163.97		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-04)”
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	80,000	Self fund	December 29,2016	January 3,2017	Bank financial products	Due payment at a time	1.5%	16.44	16.44	16.44		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-04)”
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	20,000	Self fund	December 29,2016	February 17,2017	Bank financial products	Due payment at a time	2.1%	57.53	57.53	57.53		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-07)”
Wanxiang Trust	Trust	Designated Use Business	40,000	Self fund	January 13,2017	January 13,2018	Trust financial	Due payment at a time	6.00%	2,433.33	2,433.33	2,433.33		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No.

Company Limited		Management Funding Trust					products									2018-04)”
Wanxiang Trust Company Limited	Trust	Designated Use Business Management Funding Trust	40,000	Self fund	January 13,2018	December 28,2018	Trust financial products	Due payment at a time	7.50%	2,860.27		Unexpired		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-04)”
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	26,000	Self fund	January 25,2017	February 8,2017	Bank financial products	Due payment at a time	2.55%	25.43	25.43	25.43		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-26)
Wanxiang Trust Company Limited	Trust	Designated Use Business Management Funding Trust	40,000	Self fund	February 17,2017	December 16,2018	Trust financial products	Due payment at a time	7.50%	5,058.33		Unexpired		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-07)
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	19,000	Idle fund-raising	March 31,2017	June 30,2017	Bank financial products	Due payment at a time	3.60%	170.53	170.53	170.53		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-41)
Shenzhen Science and Technology Branch, JSBK	Bank	Structured deposits	20,800	Idle fund-raising	April 14,2017	July 14,2017	Bank financial products	Due payment at a time	3.70%	193.01	193.01	193.01		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-41)
Shenzhen Textile Building Branch of China Merchants Bank Co.,	Bank	Structured deposits	5,000	Self fund	May 26,2017	June 2,2017	Bank financial products	Due payment at a time	2.56%	2.45	2.45	2.45		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-01)

Ltd.																
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	13,000	Self fund	May 26, 2017	June 9, 2017	Bank financial products	Due payment at a time	3.27%	16.31	16.31	16.31		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-01)
Shenzhen Science and Technology Branch, JSBK	Bank	Open Financing	2,000	Self fund	June 1, 2017	September 22, 2017	Bank financial products	Due payment at a time	3.28%	20.28	20.28	20.28		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-01)
Shenzhen Science and Technology Branch, JSBK	Bank	Structured deposits	20,800	Idle fund-raising	July 17, 2017	October 18, 2017	Bank financial products	Due payment at a time	4.10%	215.57	215.57	215.57		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-51)
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	19,000	Idle fund-raising	July 18, 2017	October 18, 2017	Bank financial products	Due payment at a time	3.98%	190.67	190.67	190.67		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2017-51)
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	40,000	Idle fund-raising	November 1, 2017	November 15, 2017	Bank financial products	Due payment at a time	3.37%	51.7	51.7	51.7		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-02)
Shenzhen Textile Building	Bank	Structured deposits	4,000	Self fund	December 29, 2017	January 5, 2018	Bank financial products	Due payment at a time	4.21%	3.23	3.23	3.23		Yes	Not applicable	Http://www.cninfo.com.cn: (Announcement No. 2018-04)

Branch of China Merchants Bank Co., Ltd.																
Shenzhen Textile Building Branch of China Merchants Bank Co., Ltd.	Bank	Structured deposits	4,000	Self fund	December 29,2017	December 1,2018	Bank financial products	Due payment at a time	4.21%	6.46	6.46	6.46		Yes	Not applicable	Http://www.cninfo.com.cn : (Announcement No. 2018-04)
Total			433,400	--	--	--	--	--	--	11,756.11	3,837.51	--		--	--	--

Entrusted financing appears to be unable to recover the principal or there may be other circumstances that may result in impairment

Applicable Not applicable

(2) Situation of Entrusted Loans

Applicable Not applicable

No any Entrusted loans for the Company in the reporting period..

4. Other significant contract

Applicable Not applicable

合同订 Company Name of the Party Making the contract	Company Name of the Other Party of the Contract	Contract Object	Contract Signing Date	Book Value of the Assets Involved by the Contract (RMB'0000) (If Any)	Assessed Value of the Assets Involved by the Contract (RMB'0000) (If Any)	Appraisal Agency Name (If Any)	Base Date of Assessment (if any)	Pricing Principle	Transaction Price (RMB'0000)	Whether A Related Transaction	Connection Relation	Execution Condition As Of The End Of The Reporting Period	Date of Disclosure	Disclosu re Index
Shenzhen Shengbo Optoelectronic Technology Co., Ltd.	Hangzhou Jinjiang Group Co., Ltd., Kunshan CMMT Material Technology Co., Ltd., Japan Nitto Denko Corporation	Nitto Denko provides polarizer manufacturing and related corporation.	Novemb er 6, 2017					Considering the formulation of market price and technical service period, the final transaction price is based on the commercial negotiation results of both parties.	86,900	No	With no association relationship with the company	In normal performance	November 6, 2017	Http://www.cninfo.com.cn : (Announcement No. 2018-04)on November 7, 2017

XVIII. Social responsibilities

1. Performance of poverty relieving responsibilities

(1) The protection of shareholder's rights and interests

During the reporting period, the company operated with in accordance with laws and strictly conformed to the requirements of laws and regulations such as The Company Law, The Securities Law and Corporate Governance Guidelines for Listed Companies, and the company continuously perfected the governance structure and further standardized the operation of the company. Adhered to the core system constituted by shareholders' meeting, board of directors, board of supervisors and the independent director system, further improved the corporate governance structure and the management system, constantly improved the company's internal control system in the process of business management, adopted effective measures to prevent operational risks and soundly safeguarded and protected the rights and interests of shareholders to lay a solid foundation for the company's healthy, sustainable development.

The company strictly enforces information disclosure obligations in accordance with the law, and truthfully, accurately, completely, timely, and fairly discloses information that has a significant impact on investment decisions, the disclosure content is concise and easy to understand, and fully reveals risks, facilitates access for all shareholders. And according to regulatory requirements, the company further sort out and improve relevant systems and improve the quality of information disclosure.

During the reporting period, the company further improved information disclosure and information transparency, strictly fulfilled the obligation of information disclosure in accordance with regulatory requirements, communicated and communicated with investors through multiple channels, answered questions raised by investors in a timely manner, improved information transparency, and cooperated with regulatory authorities and at the same time, cooperated with the regulatory authorities to purify the market space, safeguard the interests of investors, especially small and medium-sized investors, and achieve positive interaction and harmonious development between investors and listed companies.

(2) The protection of legal right of staff

We value human resource management, uphold “unity, vitality, enterprising” management philosophy, provide official Labor Contract and various statutory social insurances and welfares according to Labor Law and related laws and regulations, respect and protect employee's legitimate interests and aim for harmonious, stable labor-capital relationship. In 2017,

In 2017, the company revised the *Organization Chart, Department Settings and Functional Positions Preparation, Remuneration Management System, Special Contribution Award Management Measures* and other systems; reorganized the job responsibilities of various departments, gradually formed a work pattern with clear division of labor, clear responsibilities, and effective collaboration; comprehensively sorted the personnel module of ERP system to realize the dynamic management of personnel information; combined with the actual management requirements of the company to further optimize the human resources management authority and approval process; improved the management of personnel files and promoted the scientific and standardized file management. In addition, through the optimization and improvement of key enterprises' recruitment, technical rank appraisal, training, assessment incentives, remuneration and benefits and other human resources related work, the company had better mobilized the enthusiasm of employees, and strengthened the company's cohesion.

(3) The protection of environment

Modern “green enterprise” is company’s long-term goal, which will be achieved by green circulation in all process of industry chain. In reporting period, no occurrence of severe environmental incident; noise, industrial wastewater, exhaust emission, etc of production passed environmental protection monitoring and accorded with related laws and regulations, During the reporting period, the company upgraded the conventional waste gas treatment process to the world's most advanced rotary RTO treatment process, with a VOC removal rate of over 99%, and further reduced pollutant emissions on the basis of meeting the discharge standards, in order to effectively fulfill the social responsibility as a listed companies. At the same time, no major environmental incidents had occurred. Moreover, “green office” is promoted and various educational activities of environmental protection are carried out to disseminate awareness of energy conservation and emission reduction and coordinate production and environmental protection.

(4) The protection of consumer rights and interests

The company always sticks to the core values of "honesty, responsibility first". As the responsibility to the customer is the source of enterprise value, the company committed to provide customers with professional, personalized, full range of products and services. Sustainable customer-oriented service and impeccable product quality motive our performance and sustainable development and guarantee long-term customers. And our long-term partnership is established on the basis of initiative attention, quick responding and sincere care to customers.

2. Overview of the annual targeted poverty alleviation

No follow-up precision poverty alleviation programme.

3. Information on environmental protection

The Listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

Yes

Company or subsidiary name	Main pollutant and specific pollutant name	Emission way	Emission port number	Emission port distribution condition	Emission concentration	Implemented pollutant emission standards	Total emission	Verified total emission	Excessive emission condition
Shenzhen Shengbo Optoelectronic Technology Co., Ltd	Exhaust gas:non-methane total hydrocarbons	Altitude emission	1	The discharge port is located on the east side of the roof of Building No. 1	<100mg/m ³	120mg/m ³	840kg/d	1728kg/d	Nil
Shenzhen	Waste	Open	1	Southeast	<80mg/L	90mg/L	56kg/d	96kg/d	Nil

Shengbo Opotoelectric Technology Co., Ltd	water: COD	channel discharge after treatment		side of plant area					
Shenzhen Shengbo Opotoelectric Technology Co., Ltd	Exhaust gas:non-m ethane total hydrocarb ons	Altitude emission	3	the discharge port is arranged at the middle part of the roof of the building	<100mg/m ³	120mg/m ³	840kg/d	1008kg/d	Nil

Prevention and control of pollution facilities construction and operation

Waste gas of Pingshan plant:

The waste gas treatment facility adopted the RTO waste gas regenerative incineration process. The equipment started construction along with production equipment in 2011, and it was completed and put into use in 2012. Upon Taiwan Chinachem RTO manufacturer, adopted the three tower regenerative incineration for waste gas treatment, it has been running for 5 years to date, and the equipment runs stably and the waste gas treatment has a good effect, which can fully meet the emission requirements of discharge gas. Meanwhile, the equipment adopted the imported thermal storage material, with the heat storage effect reached 90%, so that the equipment operation had low energy consumption; after RTO treatment, the exhaust gas produced by the production process can meet the discharge standard.

Waste gas of Longhua factory:

The waste gas treatment facility of Longhua factory has been running since 2013, and the discharge gas always meet the requirements of the relevant national laws and regulations. Being a state-owned listed company, the company has a strong social responsibility, so the company emphasizes the increase in investment of environmental protection. This year, the conventional waste gas treatment process was upgraded to the world's advanced rotary RTO process, which further reduced the pollutant emissions upon the basis of the standard discharge. The Rotary RTO process is the most advanced VOC waste gas treatment process at present. The Japan Sino-foreign Furnace Company was selected as the supplier for this RTO equipment, and the VOC removal rate of RTO waste gas of such equipment reached more than 99%, the equipment runs stable and it has a high degree of automation. The waste gas produced by Longhua factory can be ensured to meet the discharge standard after the treatment by the system.

Situation of Construction project environmental impact assessment and other environmental protection administrative licenses

The company complied with the relevant regulations for environmental protection construction "Three Simultaneities" and obtained environmental approvals at various stages, including: Environmental Impact Assessment Report, Environmental Assessment Approval, Environmental Protection Acceptance Decision, and Pollutant Discharge Permit.

Emergency Plan for Emergency Environmental Incidents

According to the actual situation of the company, the preparation of the emergency plan for emergency environmental incidents was completed, and an emergency environmental emergency plan filing application was

Environmental Self-Monitoring Program

According to the monitoring requirements issued by the monitoring station, the specific monitoring programs are as follows: organic exhaust gas is 4 times per year (once per quarter), wastewater discharge is 4 times per year (once per quarter), boiler exhaust gas is 2 times per year (once every six months), and canteen fume is 2 times per year (once every six months), the noise at the plant boundary is 2 times per year (once every six months).

Other Environmental Information That Should Be Disclosed

Nil

Other Environmental Related Information

Nil

XIX. Other material events

✓ Applicable Not applicable

(1) Progress information about the second phase of No.6 line TFT-LCD polarizer project

During the reporting period, the company promoted the construction of the second phase of the No. 6 line as planned. By the end of December 2017, it had completed the work of installation, commissioning and trial production, and initially had mass production conditions. In view of the recent declining prices of 32-inch products in the polarizer market, in order to adjust the product structure and better accept the ultra-large polarizer products with higher profits, the company recently launched an optimization and transformation of host equipment on the 6th line. The transformation is expected to be completed in the first quarter of 2018. As of the end of December 2017, the cumulative investment of the second phase of the 6th line project was 559.9583 million yuan, accounting for 79.96% of the total investment of 700.34 million yuan after the change, of which the actual paid investment was 523.4439 million yuan (Using 203.7564 million yuan of raised funds, using its own funds and government funds of 319.6875 million yuan).

(2) Progress in the construction of Guan Hua Building

At the 11th meeting of the fifth session of the Board of Directors of the Company, the "Proposal about cooperative development and construction of Guan Hua Building" was examined and approved, agreed that the company contributed RMB 42.21 million in cooperation with Hong Kong Qiao Hui Industrial Co., Ltd and Shenzhen Guan Hua Printing & Dyeing Co., Ltd to develop and construct Guan Hua Building project.

The construction of the project was started on October 15, 2011, and completed the filing and acceptance procedures of construction project on June 26, 2017.

The 3rd meeting of the 7th Board of Directors of the company reviewed and approved the "Proposal on Increasing Investment in Guan Hua Building Project" and agreed to increase the total investment of Guan Hua Building Project from RMB 84.15 million to RMB 122.94 million, of which the company's share of equity is 50.16%, and the capital contribution is 19.46 million yuan. The actual capital contribution is based on the final project settlement amount. For details, please refer to the Announcement of 2017-47 on the website of <http://www.cninfo.com.cn>.

(III) Progress of Introducing Strategy Investors

In order to improve the operation of its subsidiary, Shengbo Optoelectronics, the company increased its

capital and expanded shares at Shengbo Optoelectronics to bring in Jinjiang Group as a strategic investor at the end of 2016. It injected RMB 1.353 billion yuan in cash for Shengbo Optoelectronics, and Jinhang Investment, as an actual controller of Jinjiang Group held 40% of the shares. In order to give full play to the advantages of the private enterprise's system and mechanism and the state-owned enterprises' resource advantages, the company and the Jinjiang Group have signed a "cooperation agreement," which is led by Jinjiang Group and operated by Shengbo Optoelectronics. The performance promises for Shengbo Optoelectronics are made. For details, please refer to the Announcement 2016-67 of the company on the website of <http://www.cninfo.com.cn>.

In 2017, under the leadership of the Jinjiang Group, Shengbo Optoelectronics conducted a comprehensive operation improvement and optimization work, and through the hiring of a team of South Korean experts to provide technical and management guidance, to carry out powerful measures in terms of speed, technical indicators, raw material optimization, and other aspects to upgrade the technological level, reduce production costs, and greatly improve production and operation. For details of the completion of the 2017 annual performance promise of the company's subsidiary, Shengbo Optoelectronics, please refer to the *Special Explanation on the Completion of the Subsidiary's 2017 Annual Performance Commitment* at <http://www.cninfo.com.cn>.

XX. Material events of subsidiaries

√ Applicable Not applicable

(I) Progress of Subsidiaries Signing Cooperation Agreements

The company's holding subsidiary, Shengbo Optoelectronics, signed a Light Guide Plate Production Line Project (Phase I) Cooperation Agreement with Kunshan Jinlin on the construction of the light guide plate production line project (Phase I), and signed the Liquid Crystal Reflective Film Production Line Project (Phase 1) Cooperation Agreement with Zhejiang Jinhao on the construction of the liquid crystal reflective film production line (Phase 1). For details, please refer to announcement 2017-29 on the website www.cninfo.com.cn. As of the end of the reporting period, the agreements with Kunshan Jinlin's light guide plate production line project (Phase 1) and with Zhejiang Jinhao's liquid crystal reflective film production line project (Phase I) had been successfully completed. Shengbo Optoelectronics fulfilled the technical guidance and project management services agreed in the agreement and received project construction service fees of RMB 15 million and RMB 13 million, respectively.

(II) Subsidiary and Nitto Denko Sign a Technical Cooperation Contract

In order to introduce the world's leading Japanese polarizer company technology, we will build a wide-width polarizer production line project for TFT-LCD with a width of 2,500mm. Sheng Bo Optoelectronics will introduce the East Japan with Jin Jiang Group and Kunshan Chi Mei on November 6, 2017. The related matters of the 2,500mm polarizer production line technology of the electrician and Nitto Denko signed the "Technical Cooperation Contract". For details, please refer to <http://www.cninfo.com.cn> "About Subsidiary Signing the Announcement of Technical Cooperation Contracts (2017-53)". At present, the company is conducting further communication research with Nitto Denko on the project schedule, plant planning and design, and equipment specifications.

VI. Change of share capital and shareholding of Principal Shareholders

I. Changes in share capital

1. Changes in share capital

In Shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Shares with conditional subscription	69,750	0.01%	4,752,300			2,250	4,754,550	4,824,300	0.94%
3. Other domestic shares	69,750	0.01%	4,752,300			2,250	4,754,550	4,824,300	0.94%
Domestic Nature shares	69,750	0.01%	4,752,300			2,250	4,754,550	4,824,300	0.94%
II. Shares with unconditional subscription	506,452,099	99.99%				-2,250	-2,250	506,449,849	99.06%
1. Common shares in RMB	457,021,849	90.23%						457,021,849	89.39%
2. Foreign shares in domestic market	49,430,250	9.76%				-2,250	-2,250	49,428,000	9.67%
III. Total of capital shares	506,521,849	100.00%	4,752,300				4,752,300	511,274,149	100.00%

Reasons for share changed

√ Applicable □ Not applicable

1. On July 19, 2017, the first meeting of the 7th Board of Directors of the company reviewed and passed the Proposal on Appointing Deputy General Manager of the Company; appointed Liu Honglei as deputy general manager of the company, and correspondingly, 75% of the 3,000 shares of the Stock(200045) held by him, that is, 2,250 shares were converted into restricted-sale conditions. Refer to Company Announcement No. 2017-39 on July 20, 2017 at JuChao information network <http://www.cninfo.com.cn>)

2. The company held the eighth meeting of the Seventh Board of Directors on December 14, 2017 to consider and approve the Proposal on Granting Restrictive Shares to Incentive Targets, and agreed to grant 4,788,000 shares of restricted stock to 123 incentive objects, and taking December 14, 2017 as the grant date of restricted stocks. In the process of payment after determining the grant date, the company's four incentive objects voluntarily waived the restricted shares to be granted because of personal reasons. The incentive target granted by the company was actually 119, and the restricted stock granted was actually 4,752,300 shares. The incentive

objects actually granted are those publicly disclosed on the company's website, that is, those identified in the restricted stock incentive plan reviewed and passed at the third temporary general meeting of shareholders in 2017. Refer to Company Announcement No. 2017-69 on December 23, 2017 at JuChao information network (<http://www.cninfo.com.cn>)

Approval of Change of Shares

Applicable Not applicable

1. On November 27, 2017, the 7th meeting of the 7th Board of Directors of the company reviewed and approved the Proposal on 'Restricted Stock Incentive Plan (Draft) and Abstract of Shenzhen Textile (Group) Co., Ltd. in 2017'. The independent directors issued independent opinions on the incentives, and the board of supervisors reviewed the list of incentive objects. Refer to Company Announcement No. 2017-57 on November 27, 2017 at JuChao information network

2. On December 11, 2017, the company received Reply to Implementation of Restricted Stock Incentive Plan of Shenzhen Textile (Group) Co., Ltd. (Shenzhen State-owned Assets Supervision and Administration Commission letter [2017] No. 1127) issued by Shenzhen Municipal State-Owned Assets Supervision and Administration Commission and transmitted by Shenzhen Investment Holdings Co., Ltd., agreeing to implement the restricted stock incentive plan. Refer to Company Announcement No. 2017-61 on December 11, 2017 at JuChao information network

3. On December 14, 2017, the company's third extraordinary general meeting of shareholders examined and approved the Proposal on 'Restrictive Stock Incentive Plan (Draft) and Abstract of Shenzhen Textile (Group) Co., Ltd. in 2017' and Proposal on 'Implementation of the Measures for the Administration of the Restricted Stock Incentive Plan of Shenzhen Textile (Group) Co., Ltd. in 2017' and Proposal on 'Requesting the Board of Directors to Authorize the Board of Directors to Handle the Relevant Issues relating to the Restricted Stock Incentive Plan in 2017'. The company's seventh board of supervisors also issued a verification opinion on the list of incentive objects on the grant date for the company's restricted stock incentive plan in 2017. Refer to Company Announcement No. 2017-62 and 2017-68 on December 14, 2017 at JuChao information network

4. On December 14, 2017, the 8th meeting of the 7th Board of Directors of the Company reviewed and approved the Proposal on Adjusting the List of Incentive Targets of Restricted Stock Incentive Plans in 2017 and the Number of Granted Rights and Interests, and Proposal on Granting Restricted Stock to Incentive Objects, and the independent directors issued independent opinions on the above matters. Announcement No. 2017-64 and 2017-67 on December 14, 2017 at JuChao information network

Ownership transfer of share changes

Applicable Not applicable

Taking December 14, 2017 as the grant date, the company had granted 4,752,300 restricted shares to 119 incentive objects. On December 27, 2017, the above-mentioned 4,752,300 restricted shares were registered in the Shenzhen Branch of the China Securities Depository and Clearing Corporation. Announcement No. 2017-69 on December 23, 2017 at JuChao information network

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

Applicable Not applicable

After the issuance of this restricted stock, the total share capital of the company was changed from 506,521,849 shares to 511,274,149 shares. The effects of this share change on the financial indicators of the

company's most recent year and the most recent period's basic earnings per share and diluted earnings per share, net assets per share attributable to common shareholders of the company, are as follows:

Items	In 2016		In 2017
	Calculated on original share capital	Calculated on new share capital	Calculated on new share capital
Basic earnings per share (yuan/share)	-0.17	-0.17	0.10
Diluted earnings per share (yuan/share)	-0.17	-0.17	0.10
Net assets per share (yuan/share)	4.62	4.58	4.69

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

Applicable Not applicable

2. Change of shares with limited sales condition

Applicable Not applicable

In RMB

Shareholder Name	Initial Restricted Shares	Number of Unrestricted Shares This Term	Number of Increased Restricted Shares This Term	Restricted Shares in the End of the Term	Reason for Restricted Shares	Date of Restriction Removal
Zhu Jun	0	0	137,000	137,000	Equity incentives	Restricted stocks have a lock-up period of 2 years (24 months). After the lock expires, they are unlocked in batches of 4:3:3 in three years. The first unlocked date is December 14, 2019.
Zhu Meizhu	69,750	0	135,000	204,750	135,000 shares of equity incentives and 69,750 shares of locked shares of senior executives	The same as above
Ning Maozi	0	0	122,000	122,000	Equity incentives	The same as above

Le Kunjiu	0	0	122,000	122,000	Equity incentives	The same as above
Liu Honglei	0	0	124,250	124,250	122,000 shares of equity incentives and 2,250 shares of locked shares of senior executives	The same as above
Li Jiang	0	0	122,000	122,000	Equity incentives	The same as above
Zhang Yonggang	0	0	105,000	105,000	Equity incentives	The same as above
Wang Rongyi	0	0	105,000	105,000	Equity incentives	The same as above
Jiang Peng	0	0	100,000	100,000	Equity incentives	The same as above
Wang Xuhui	0	0	95,600	95,600	Equity incentives	The same as above
Other equity incentive employees	0	0	3,586,700	3,586,700	Equity incentives	The same as above
Total	69,750	0	4,754,550	4,824,300	---	---

II. Issuing and listing

1.Explanation of the Situation of the Security Issue(No Preferred Shares) in the Report Period

√ Applicable Not applicable

Stock and derivative securities	Issue date	Issue price (Interest rate)	Circulation figures	Listing date	Approved trading volume	Date of termination
Stock						
Equity incentive restricted stock	December 14, 2017	5.73 yuan/shares	4,752,300	December 27, 2017	4,752,300	
Convertible Corporate Bonds, Detachable Convertible Bond and Corporate Bonds						
Other derivative securities						

Notes

A Proposal on *Granting Restrictive Stocks to Incentive Objects* was passed by discussion on the 8th session of the 7th board of directors on December 14, 2017, it is agreed in this proposal that 123 incentive objects would be granted 4, 788, 800 shares of restrictive stocks on December 14, 2017 as the grant date and because some

employees failed to subscribe for shares during actual capital contribution, the actual number of shares of restrictive stock granted is 4, 752, 300. After granting, the sum of corporate shares changed from 506, 521, 849 to 511, 274, 149. Announcement No. 2017-64. and 2017-69 on December 15, 2017 and December 23, 2017 at JuChao information network

2. Change of asset and liability structure caused by change of total capital shares and structure

Applicable Not applicable

A Proposal on Granting Restrictive Stocks to Incentive Objects was passed by discussion on the 8th session of the 7th board of directors on December 14, 2017, it is agreed in this proposal that 123 incentive objects would be granted 4, 788, 800 shares of restrictive stocks on December 14, 2017 as the grant date and because some employees failed to subscribe for shares during actual capital contribution, the actual number of shares of restrictive stock granted is 4, 752, 300. After granting, the sum of corporate shares changed from 506, 521, 849 to 511, 274, 149. Announcement No. 2017-64. and 2017-69 on December 15, 2017 and December 23 2017 at JuChao information network

3. About the existing employees' shares

Applicable Not applicable

III. Shareholders and actual controlling shareholder

1. Number of shareholders and shareholding

In Share

Total number of common shareholders at the end of the reporting period	38,243	Total shareholders at the end of the month from the date of disclosing the annual report	37,435	The total number of preferred shareholders voting rights restored at period-end (if any) (See Notes 8)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report (if any) (See Notes 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period-end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Investment Holdings Co., Ltd.	State-owned legal person	45.78%	234,069,436	0	0	234,069,436		

Shenzhen Shenchao Technology Investment Co., Ltd.	State-owned Legal person	3.15%	16,129,032	0	0	16,129,032		
Lu Ping	Domestic Nature person	1.11%	5,657,200	0	0	5,657,200		
Sun Huiming	Domestic Nature person	0.60%	3,066,567	0	0	3,066,567		
Liu Dongxia	Domestic Nature person	0.30%	1,544,800	0	0	1,544,800		
Zhu Ye	Domestic Nature person	0.26%	1,331,945	0	0	1,331,945		
Wang Mincang	Domestic Nature person	0.25%	1,260,236	0	0	1,260,236		
Fujian Bairui Jiayuan, Asset Management Co., Ltd. – Bairui Jiayuan Growth I Fund	Domestic non State-owned Legal person	0.23%	1,181,535	0	0	1,181,535		
Huang Fen	Domestic Nature person	0.20%	1,027,400	0	0	1,027,400		
Zheng Junliang	Domestic Nature person	0.20%	1,006,780	0	0	1,006,780		
Related or acting-in-concert parties among shareholders above	Shenzhen Shenchao Technology Investment Co., Ltd. is a wholly-owned subsidiary of Shenzhen Investment Holding Co., Ltd. and a person taking concerted action. Except this, the Company did not whether there is relationship between the top ten shareholders holding non-restricted negotiable shares and between the top ten shareholders holding non-restricted negotiable shares and the top 10 shareholders or whether they are persons taking concerted action defined in Regulations on Disclosure of Information about Shareholding of Shareholders of Listed Companies.							
Shareholding of top 10 shareholders of unrestricted shares								
Name of the shareholder	Quantity of unrestricted shares held at the end of the reporting period		Share type					
			Share type	Quantity				
Shenzhen Investment Holdings Co., Ltd.	234,069,436		RMB Common shares	234,069,436				
Shenzhen Shenchao Technology Investment Co., Ltd.	16,129,032		RMB Common shares	16,129,032				
Lu Ping	5,657,200		RMB Common	5,657,200				

		shares	
Sun Huiming	3,066,567	Foreign shares placed in domestic exchange	3,066,567
Liu Dongxia	1,544,800	RMB Common shares	1,544,800
Zhu Ye	1,331,945	RMB Common shares	1,331,945
Wang Mincang	1,260,236	RMB Common shares	1,260,236
Fujiang Bairui Jiayuan, Asset Management Co., Ltd. – Bairui Jiayuan Growth I Fund	1,181,535	RMB Common shares	1,181,535
Huang Fen	1,027,400	RMB Common shares	1,027,400
Zheng Junliang	1,006,780	RMB Common shares	1,006,780
Explanation on associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders	Shenzhen Shenchao Technology Investment Co., Ltd. is a wholly-owned subsidiary of Shenzhen Investment Holdings Co., Ltd. and a person taking concerted action. Except this, the Company did not whether there is relationship between the top ten shareholders holding non-restricted negotiable shares and between the top ten shareholders holding non-restricted negotiable shares and the top 10 shareholders or whether they are persons taking concerted action defined in Regulations on Disclosure of Information about Shareholding of Shareholders of Listed Companies.		
Explanation on shareholders participating in the margin trading business(if any)(See Notes 4)	The Company Shareholder Lu Ping holds 5,657,200 shares of the Company through stock account with credit transaction ; The Company Shareholder Liu Dongxia holds 1,544,800 shares of the Company through stock account with credit transaction ; The Company Shareholder Zhu Ye holds 1,331,945 shares of the Company through stock account with credit transaction ; The Company Shareholder Wang Mincang holds 1,260,236 shares of the Company through stock account with credit transaction ; The Company Shareholder Fujiang Bairui Jiayuan, Asset Management Co., Ltd. – Bairui Jiayuan Growth I Fund holds 1,181,535 shares of the Company through stock account with credit transaction ; The Company Shareholder Huang Fen holds 1,027,400 shares of the Company through stock account with credit transaction.		

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

Yes No

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

2. Controlling shareholder

Nature of Controlling Shareholders: Local state holding

Type of Controlling Shareholders: Legal person

Name of the Controlling shareholder	Legal representative/Leader	Date of incorporation	Organization code	Principal business activities
Shenzhen Investment Holdings Co., Ltd.	Wang Yongjian	October 13,2004	76756642-1	Investment and acquisition of financial and similar financial stock rights such as bank, security, insurance, fund and guarantee; (II) Engage in real estate development and management business within the limit of legally-acquired land use right; (III) Carry out investment and service in the field of strategic emerging industry; (IV) Carry out investment, operation and management of state-owned stocks of wholly-owned, holding and joint-stock company by reorganization & integration, capital operation and asset disposal; (V) Other businesses undertaken by authorization of municipal SASAC(State Asset Supervision and Administration Commission)
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	Shen Property A(000011), Quantity of shares 380.38 million, Shareholding ratio: 63.82%; Shenbo A (000019), Quantity of shares 72.25 million, shareholding ratio: 16.00%; Shen Real estate A(000029),Quantity of shares 642.88 million, Shareholding ratio: 63.55%; Shen Universe A (000023), Quantity of shares 12.36 million, shareholding ratio: 8.91%; Pingan (601318), Quantity of shares 962.72 million, shareholding ratio: 5.27%; Guosen Securities(002736), Quantity of shares 2749.52 million, shareholding ratio: 33.53%; Guotai Junan (601211), Quantity of shares 609.42 million, shareholding ratio: 6.99%; Telling holding (000829), Quantity of shares 184.65			

	million, shareholding ratio: 17.40%; Etop information (834386), Quantity of shares 42 million, shareholding ratio: 60.00%; Inspection test (836325), Quantity of shares: 20 million, shareholding ratio: 40.00% and Shenzhen International(00152), Quantity of shares: 897.56 million, shareholding ratio: 44.49%.
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Change of the actual controller in the reporting period

Applicable Not applicable

Nil

3. Information about the controlling shareholder of the Company

Actual controller nature: Local state owned assets management

Actual controller type: Legal person

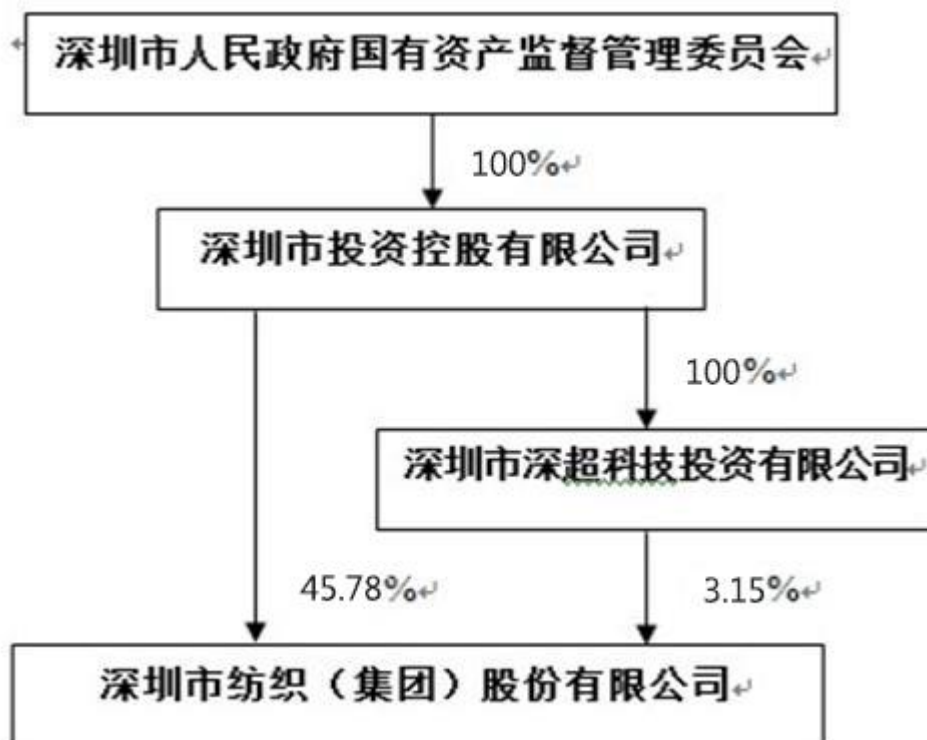
Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Regulatory Commission of Shenzhen Municipal People's Government	Peng Haibin	July 31,2004	K3172806-7	Performing the responsibilities of investors on behalf of the state and supervising and managing state-owned assets according to authorization and law.
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	Except for Shenzhen Holdings Co., Ltd., the holding shareholder of the company, other domestic and foreign listed companies of the equity held by the actual controller haven't been shown in the list of the top ten shareholders of the company.			

Changes of the actual controller in the reporting period

Applicable Not applicable

No Changes of the actual controller in the reporting period

Block Diagram of the ownership and control relations between the company and the actual controller



The actual controller controls the company by means of trust or managing the assets in other way

Applicable Not applicable

4.Particulars about other legal person shareholders with over 10% shareheld

Applicable Not applicable

5.Situation of Share Limitation Reduction of Controlling Shareholders, Actual Controllers, Restructuring Party and Other Commitment Subjects

Applicable Not applicable

VII. Situation of the Preferred Shares

Applicable Not applicable

The Company had no preferred shares in the reporting period.

VIII. Information about Directors, Supervisors and Senior Executives

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

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin(share)	Amount of shares increased at the reporting period(share)	Amount of shares decreased at the reporting period(share)	Other changes increase/decrease	Shares held at the year-end(share)
Zhu Jun	Board chairman, Director	Appoint	Male	54	January 16,2015	July 18,2020	0	0	0	137,000	137,000
Zhu Meizhu	Director, General Manager	Appoint	Male	53	July 19,2017	July 18,2020	93,000	0	0	135,000	228,000
Ning Maozai	Director, Deputy Secretary of the Party committee and Secretary of the Commission for Discipline	In office	Male	42	December 14,2017	July 18,2020	0	0	0	122,000	122,000
Huang Yu	Director	In office	Male	43	July 19,2017	July 18,2020	0	0	0	0	0
Di Yan	Director, CFO	In office	Female	47	April 28,2017	July 18,2020	0	0	0	0	0
Lin Lebo	Director	In office	Male	56	May 20,2015	July 18,2020	0	0	0	0	0
He Qiang	Independent Director	In office	Male	65	August 16,2013	July 18,2020	0	0	0	0	0

He Zhuowen	Independent Director	In office	Male	55	July 19,2017	July 18,2020	0	0	0	0	0
Cai Yuanqing	Independent Director	In office	Male	48	July 19,2017	July 18,2020	0	0	0	0	0
Wang Weixing	Chairman of the supervisory committee	In office	Male	49	May 20,2015	July 18,2020	0	0	0	0	0
Zou Zhiwei	Supervisor	In office	Male	35	December 14,2017	July 18,2020	0	0	0	0	0
Zhang Xiaodong	Employee supervisor	In office	Male	42	August 9,2013	July 18,2020	0	0	0	0	0
Le Kunjui	Deputy GM	In office	Male	54	April 28,2017	July 18,2020	0	0	0	122,000	122,000
Liu Honglei	Deputy GM	In office	Male	53	July 19,2017	July 18,2020	3,000	0	0	122,000	125,000
Jiang Peng	Secretary to the board of directors	In office	Female	47	January 16,2015	July 18,2020	0	0	0	100,000	100,000
Wang Yongjian	Director	Dimission	Male	53	May 4,2010	August 15,2016	0	0	0	0	0
Jin Zhenyuan	Director, CFO	Dimission	Male	46	August 16,2013	August 15, 2016	0	0	0	0	0
Zhang Yong	Independent Director	Dimission	Male	58	May 4,2010	July 18,2017	0	0	0	0	0
Shi Weihong	Independent Director	Dimission	Male	50	May 4,2010	July 18,2017	0	0	0	0	0
Li Wei	Supervisor	Dimission	Male	52	April 21,2009	July 18,2017	0	0	0	0	0
Feng Junbin	Deputy GM	Dimission	Male	55	July 30,2003	July 18,2017	0	0	0	0	0
Guo	Supervisor	Dimission	Male	44	July	December	0	0	0	0	0

Liwei	r				19,2017	13,2017					
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II. Change in shares held by directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Positions	Types	Date	Reason
Zhu Jun	Board chairman, Director	Appoint	July 19,2017	No longer serving as general manager, current served as chairman.
Zhu Meizhu	Director,General Manager	Appoint	July 19,2017	No longer served as deputy general manager, current served as director and general manager.
Wang Yongjian	Director	Departure on his term	July 18,2017	The board of directors will change its term and the term of office expires.
Jin Zhenyuan	Director, CFO	Departure on his term	July 18,2017	Job change
Zhang Yong	Independent Director	Departure on his term	July 18,2017	The board of directors will change its term and the term of office expires.
Shi Weihong	Independent Director	Departure on his term	July 18,2017	The board of directors will change its term and the term of office expires.
Li Wei	Supervisor	Departure on his term	July 18,2017	The board of directors will change its term and the term of office expires.
Feng Junbin	Deputy GM	Dismissal	July 18,2017	Job change
Guo Liwei	Supervisor	Dismissal	December 13,2017	Job change

III. Posts holding

Professional background, work experience and main duties in the Company of existing directors, supervisors and senior management

(1) Director

Zhu Jun, Male, Born in 1963, Master degree, senior engineer, member of the Communist party, He served successively as secretary of Lige Village, Yutai County, Shandong Province, workshop director of Shandong Jining Cotton Mill, deputy factory director of Jining Chemical Fibre Factory, office director of Jining Textile Industry Company, deputy county head of Wenshang County, Shandong Province, office director of Shandong Textile Department, chief of Personnel Education Division, manager, general manager assistant, Deputy General Manager, General Manager of Enterprise management Dept of the Company. He served as secretary of Party Committee, Board Chairman of the Company, Director and Vice Board chairman of Tianma Microelectronic Co., Ltd.

Zhu Meizhu, Male, Born in 1964, Master degree, Senior engineer, once served successively as chief Deputy general Manager of Enterprise Management Dept of the Company, Director of R& D Center, Assistant General Manager and Deputy General Manager, He serves as director and General Manager of the Company, and Board Chairman of Shenzhen Shengbo Optoelectronic Technology Co., Ltd.

Ning Maozai, male, born in 1975, bachelor degree, senior administration engineer, Chinese Communist Party member; he has served successively as the office clerk of Shenzhen Guomao Automobile Industry Co., Ltd, the clerk, principal staff member, associate director and director of party-mass office of Shenzhen Property Development (Group) Corp. and hold a concurrent post of deputy human resource Deputy manager and manager; At present he holds the position of company director, deputy party secretary and secretary of Discipline Inspection Committee.

Huangyu, male, born in 1974, postgraduate, senior accountant, Chinese Communist Party member; he has served successively as the manger of audit department II of Shenzhen Hengdaxin Accounting Firm and assistant director, senior staff member of the audit department of Shenzhen Commerce Trading Invest-holding Company, senior staff member and principal staff member of the social undertaking division of Shenzhen SASAC, principal staff member of the business division II of Shenzhen SASAC, vice minister and minister of the financial budget department of Shenzhen Investment Holdings Co., Ltd, office director of Shenzhen Investment Holdings Co., Ltd; At present he holds the position of chief accountant and director of Shenzhen Investment Holdings Co., Ltd.and director of the Company.

Di Yan, female, born in 1970, postgraduate degree, senior economist, accountant positional title, Chinese Communist Party member; she has served successively as the cashier, correspondent bank accountant and integrated accountant of Development Zone Sub-branch, Xi'an Branch, Agricultural Bank of China, manager of the fund department, chief of the financial management section and chief of the accounting section of financial department of Shenzhen Airport(Group) Company, capital settlement business manager of the financing plan department of Shenzhen Airport Co., Ltd, manager of the financial department of Shenzhen Airport International Express Supervision Center of Shenzhen Airport Co., Ltd, manager of the financial department of Shenzhen Airport Air Cargo Co., Ltd, finance minister of Shenzhen General Institute of Architectural Design and Research and chief financial officer of Shenzhen Yuetong Construction Engineering Co., Ltd and hold a concurrent post of chief financial officer of Shenzhen Zhongye Pipe Gallery Construction Investment Co., Ltd; At present he holds the position of direcor director and chief financial officer of the Company.

Lin Lebo , Male, born in 1961, Bachelor Degree, auditor, member of communist party. He used to be deputy director, director, vice President of the union, party branch secretary in Shenzhen Audit bureau;served as director in shenzhen auditing firm, executive vice President in Shijixingyuan Co., Ltd.,, manager of audit department and secretary of the party branch in Shenzhen investment management company, manager of asset management department and secretary of the party branch in Shenzhen investment management company;used to serve as chairman of the board and party secretary in and shenzhen coptic green industry development co., Ltd., deputy manager in shenzhen Tongchan industrial co., Ltd., director, general manager, deputy party secretary in shenzhen Tongchan packaging group co., Ltd., chairman of the supervisory board in inspection group in the southern electronic product testing (shenzhen) Co., Ltd.. He serve as Chairman of the supervisory committee of the Compay, Now serve as Executive director ,General Manager of Shenzhen Shenchao Technology Investment Co., Ltd. He serves as Director of the Company.

He Qiang , Male, born in 1952, Professor of finance at the Central University of Finance and Economics, Ph.D. tutor, Director of Securities and Futures Institute, enjoy special government allowances. He was a member of 11th and 12th CPPCC National Committee, of China Finance Society, the China Investment Association, of China Economic and Social Council of the other positions. He served as independent director in the Air Investment Holding Co., Ltd., in Golden State Securities corporation, Dongbei Securities and in the Company. the Company's independent directors.

He Zuowen, male, born in 1962, MBA, associate professor in accountancy, chartered certified accountant and

certified tax agent in securities and futures industry. At present he acts as a partner of Da Hua Certified Public Accountants(Special General Partnership) and secretary of Party General Branch of Shenzhen Branch, meanwhile he holds the position of chairman of Shenzhen Tianye Certified Tax Agents Limited Corporation, consultancy expert of Internal Control Standard Committee of the Ministry of Treasury, judge of Guangdong Senior Accountant Evaluation Committee, member of CPC Shenzhen Social Organization Disciplinary Examination Committee, deputy secretary & secretary of Discipline Inspection Commission of CPC Shenzhen CPA Industry Board, director of Shenzhen Certified Tax Agents Association and an independent director of Shenzhen JPT OPTO-ELECTRONICS Co., Ltd. the Company's independent directors.

Cai Yuanqing, born in 1969, Doctor of Laws of Hiroshima University, professor of Law School of Shenzhen University, director of Company Law Research Center and GSI(Graduate Student Instructor); Meanwhile, he acts as an arbitrator of Shenzhen Arbitration Commission, an independent director of ShenZhen O-Film tech . Co., Ltd. and an independent director of Shenzhen RongDa Photosensitive Science & Technology Co., Ltd. the Company's independent directors.

(2) Supervisor

Wang Weixing, male, born in 1968, graduate degree, economist, member of Communist Party of China, has served successively as cadre of Qingdao TV Factory, staff and senior staff member of Shenzhen Administration of Industry and Commerce (price bureau) Futian, Che Kung Temple branch, senior staff member and principal staff member of Shenzhen Administration of Industry and Commerce (price bureau) registration sub-office, principal staff member of Shenzhen General Asset Management Office, deputy director of Shenzhen Asset Management Office collective enterprise department, deputy director of general office of Shenzhen Asset Management Office, deputy director of petition acceptance office of Shenzhen Asset Management Office, director, vice-secretary of CPC and secretary of discipline commission of Shenzhen Tongchan Packaging Group Co., Ltd, director, vice-secretary of CPC and secretary of discipline commission of Shenzhen Tongchan Group Co., Ltd and currently takes the post of chairman of supervisory board of the Company.

Zhou Zhiwei, male, born in 1982, bachelor degree and CPC member; he has served successively as a member of Shenzhen Prison Political Section, office clerk of Luohu District Bureau of Culture, senior staff member of Publicity and Education Office and principal staff member of 1st-Case Examination Room of Shenzhen Discipline Inspection Commission, Board Secretary of Shenzhen Stepwell Environmental Protection Technology Co., Ltd and executive director of Shenzhen Xuriwenhua Investment Consulting Co., Ltd; At present he acts as the associate director of Office of Discipline Supervision & Investigation of Shenzhen Investment Holdings Co., Ltd and supervisor of this company.

Zhang Xiaodong, male, born in 1975, postgraduate degree and CPC member. He began to work for this company in August 1999 and had served successively as the assistant manager and manager of subsidiary of this company, manager of business management department of this company and manager of Shenzhen Meibainian Garment Co., Ltd; At present he acts as the employee supervisor of this company and the head of business management department.

(3) Senior Executives

Le Kunjiu, male, born in 1963, bachelor degree economist professional title and CPC member; he has served successively as the loan officer of the finance department of Zhejiang Ningbo International Trust and Investment Corporation, deputy director and director of the finance department of CITIC Group Corporation, Ningbo Branch, manager of the research department of Hainan Fudao Asset Management Co., Ltd, assistant manager of Shenzhen Leaguer Venture Capital Co., Ltd, vice president & chief financial officer of Shenzhen Leaguer Digital Television

Co., Ltd, chairman & general manager of Shenzhen Oriscape Electronic Co., Ltd, vice president of Shenzhen International Technology Transfer Center, Tsinghua University, associate director of the industrial funds preparatory office of Shenzhen Investment Holdings Co., Ltd and Deputy general manager of Shentou Education; At present he acts as the Deputy general manager of the Company.

Liu Honglei, male, born in 1964, he has served as the deputy general manager and general manager of Shenzhen SAPO Photoelectric Co., Ltd from June 2012 to May 2013 and the head of the party-mass work department and the manager of the business management department of Shenzhen Textile (Holdings) Co., Ltd; At present he holds the position of deputy general manager of the company.

Jiang Peng, Female, born in 1970, Bachelor Degree, member of communist party, She served as officer of the Secretary Office of Shandong Fishery Group Co.,Ltd., Deputy Director of the Secretary office and Securities affairs Representative of Shandong Zhonglu Oceanic Fisheries Co., Ltd., Securities Representative of Huafu Holding Co., Ltd., Securities affairs representative and Officer of the Secretariat of the Board of the Company, now serves as the secretary of the Board of the Company.

Office taking in shareholder companies

Applicable Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Starting date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Huang Yu	Shenzhen Investment Holdings Co., Ltd.	Chief accountant	March 4,2017		Yes
Lin Lebo	Shenzhen Shenchao Technology Investment Co., Ltd.	Executive director, GM	January 19,2015		Yes
Zou Zhiwei	Shenzhen Investment Holdings Co., Ltd.	Deputy Director of discipline Inspection & Supervision Office	June 16,2017		Yes
Description of the incumbency in the shareholder's company	Shenzhen Shenchao Science & Technology Investment Co., Ltd is a wholly-owned subsidiary of Shenzhen Investment Holdings Co., Ltd.				

Offices taken in other organizations

Applicable Not applicable

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years

Applicable Not applicable

IV. Remuneration to directors, supervisors and senior executives

Decision-making procedures, basis for determination and actual payment of the remuneration to directors , supervisors and senior executives

In the report period, The remuneration of directors and senior management paid by the company is determined by “Director Compensation Management System” and “Executive Compensation Management and Evaluation System” , the remuneration of independent directors is determined as per the resolution of shareholders’ meeting, and the remuneration of supervisors paid by the company is determined by their position held in the company.

Remuneration to directors, supervisors and senior executives in the reporting period

Unit : RMB’0000

Name	Positions	Sex	Age	Office status	Total remuneration received from the shareholder	Remuneration actually received at the end of the reporting period
Zhu Jun	Board Chairman	Male	54	Appoint	65.00	No
Zhu Meizhu	Director , DeputyGM	Male	53	Appoint	67.16	No
Ning Maozai	Director, Deputy Secretary of the Party committee and Secretary of the Commission for Discipline	Male	42	In Office	6.93	No
Huang Yu	Director	Male	43	In office	0.00	Yes
Di Yan	Director, CFO	Female	47	In Office	51.46	No
Lin Lebo	Director	Male	56	In office	0.00	Yes
He Qiang	Independent Director	Male	65	In Office	8.90	No
He Zhuowen	Independent Director	Male	55	In office	4.52	No
Cai Yuanqing	Independent Director	Male	48	In Office	4.52	No
Wang Weixing	Chairman of the supervisory committee	Male	49	In office	57.01	No
Zou Zhiwei	Supervisor	Male	35	In Office	0.00	Yes
Zhang Xiaodong	Employee supervisor	Male	42	In office	38.19	No
Le Kunjiu	Deputy GM	Male	54	In Office	31.08	No

Liu Honglei	Deputy GM	Male	53	In Office	43.85	No
Jiang Peng	Secretary to the board of directors	Female	47	In office	46.41	No
Wang Yongjian	Director	Male	53	Dimission	0.00	Yes
Jin Zhenyuan	Director, CFO	Female	46	Dimission	19.10	No
Zhang Yong	Independent Director	Male	58	Dimission	4.39	No
Shi Weihong	Independent Director	Female	50	Dimission	4.39	No
Li Wei	Supervisor	Male	52	Dimission	0.00	Yes
Feng Junbin	Deputy GM	Male	55	Dimission	29.59	No
Guo Liwei	Supervisor	Male	44	Dimission	0.00	Yes
Total	--	--	--	--	482.48	--

Incentive equity to directors, supervisors or/and senior executives in the reporting period

√ Applicable □ Not applicable

In shares

Name	Position	Number of vested shares during the report period	Number of exercise stocks during the report period	Exercise price of the stock during the report period (Yuan per share)	Market price at the end of report period (Yuan per share)	Number of restrictive stock hold at the beginning of the report period	Number of shares unlocked in the current period	Number of newly-awarded restrictive stock during the report period	Granting price of restrictive stock (Yuan per share)	Number of restrictive stock hold at the end of the report period
Zhu Jun	Board Chairman,	0	0		9.75	0	0	137,000	5.73	137,000
Zhu Meizhu	Director, GM	0	0		9.75	0	0	135,000	5.73	135,000
Ning Maozai	Director, Deputy Secretary of the Party committee and Secretary of the Commissi	0	0		9.75	0	0	122,000	5.73	122,000

	on for Discipline									
Le Kunjiu	Deputy GM	0	0	9.75	0	0	122,000	5.73	122,000	
Liu Honglei	Deputy GM	0	0	9.75	0	0	122,000	5.73	122,000	
Jiang Peng	Secretary to the board of directors	0	0	9.75	0	0	100,000	5.73	100,000	
Total	--	0	0	--	--	0	738,000	--	738,000	

V. Particulars about employees.

1. Staff jobs, education, job title number and proportion refer to the following pie chart:

Number of in-service staff of the parent company (person)	45
Number of in-service staff of the main subsidiaries (person)	1,290
Total number of the in-service staff (person)	1,335
Total number of staff receiving remuneration in the current period (person)	1,335
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	0
Professional	
Classified according by Professions	Number of persons (person)
Production	907
Sales	29
Technical	126
Financial	37
Administrative	236
Total	1,335
Education	
Classified according by education background	Number of persons (person)
Postgraduate or above	35
Universities	189
Colleges	116
Mid-school or below	995

Total	1,335
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2. Remuneration policies

In 2017, the Company carried out management for employees' compensation in strict accordance with the state's relevant laws and regulations and guaranteed the fairness and reasonability of the compensation, which offered relevant rewards and incentives to the employees, accelerate them to jointly develop with the Company, and simultaneously reflected humanistic care of the Company.

3. Training plan

Company targeted to improve professional skills and support company's operations, it required each post to complete the forms of Training Needs Questionnaire, Internal Training Courses Recommendation Form, Employee Individual Development Plan, and company formulated personal and company annual training plans in accordance with these forms, and simultaneously balanced individual with company and internal training with external training. Company carried out demand investigation and training evaluation, etc when organizing training projects to safeguard training effectiveness.

The company selected actively in 2017 employees to attend various professional training organized by Shenzhen Investment Holdings Co., Ltd or external company and meanwhile, series training, such as outward bound themed as "Go beyond oneself, temper team and pursue win-win situation with great passion", new employee orientation series training and special knowledge lecture for liability of asset loss, was held inside the company to strengthen the managerial capability and professional quality of managerial staff at all levels and technicians and create high caliber talent group.

4. Outsourcing situation

Applicable Not applicable

IX. Administrative structure

I. Basic state of corporate governance

In the reporting period, the company regulated operations and strengthen risk control in strict accordance with Securities Law, Corporation Law, the Shenzhen Stock Exchange Standard Operation Instructions for Main-Board Listed Companies, Corporate Governance Standards for Listed Companies and other related laws and regulations, to ensure a healthy and stable development. At present, the basically sound governance system, normative business operation and impeccable corporate governance structure meet the requirements of the normative documents for regarding corporate governance of listed companies issued by the China Securities Regulatory Commission.

In 2017, company held a total of 4 general meetings, convened general meetings, standardized voting procedures to safeguard the effectiveness and legality in strict accordance with the regulations and requirements of Corporation Law, Articles of Corporation and Rule of Procedure of Shareholders' Meeting. Companies actively protected the voting rights of minority investors, and general meetings were convened in the form of live network to adequately assure small investors of their rights to exercise.

In 2017, the board of directors held 12 general meetings, and the convening and voting procedures were all conducted in strict accordance with the Articles of Corporation and Rule of Procedure of Shareholders' Meeting. All the directors performed directors' duties, exercise directors' rights, attended related meetings and actively participated in the training and became familiar with relevant laws and regulations with serious, diligent and honest attitudes. Independent directors independently performed their duties in strict accordance with Articles of Corporation, The independent director system and other relevant laws and regulations, expressed fully their independent opinions on corporate operation, decision-making, and important matters, etc. Strategy, audit, remuneration, evaluation, nomination committees were established under board of directors, all committees functioned properly, and performed duties such as internal audits, compensation assessment, nomination of senior management personnel, and provided scientific and professional advisory opinions for board of directors' decision-making.

In 2017, the board of supervisors held 9 meetings. The board of supervisors strictly followed the requirements of Articles of Corporation and Rules of procedure of the board of supervisors and other relevant laws and regulations, supervised the legal compliance of the duties performed by company's financial personnel and directors, managers and other senior management personnel in the aim of maintaining the legitimate rights and interests of the company and its shareholders. All the supervisors fulfilled their obligations, exercised their rights according to the laws. The convening and voting procedures of the board of supervisors were legal, and the resolutions were legal and valid. The establishment and implementation of board of supervisors played an active role in improving corporate governance structure and regulating corporate operations.

In 2017, we further increased information transparency, accomplished investors' protection and propaganda work. In the reporting period, except disclosing information in a real accurate, timely, fair and complete manner in accordance with the regulatory requirements,

Moreover, the Company carried out the special work Blue Sky Action according to Notification on Implementing Special Work where Investors Protect Blue Sky Action published by Shenzhen Securities Bureau to enhance the quality of information disclosure as the key point, to continuously perfect the communication

mechanism and to promote the normative development of the Company. Meanwhile, the Company continued to perfect the voting mechanism for minority investors. In 2017, the minority investors' voting was counted separately at each of the two shareholder's meetings, and whose result was disclosed at the decision announcement at the shareholder's meeting, which fully guaranteed the execution of power of the minority investors.

Moreover, the Company carried out the special work Blue Sky Action according to Notification on Implementing Special Work where Investors Protect Blue Sky Action published by Shenzhen Securities Bureau to enhance the quality of information disclosure as the key point, to continuously perfect the communication mechanism and to promote the normative development of the Company. various platforms were made full use of, such as telephone, e-mail, website, especially the interactive platform of investors in Shenzhen Stock Exchange, solved questions brought by investors, and communicated with medium and small investors interactively, and ensure all the investors obtained equal opportunities for informal access. Meanwhile, in the aim of improving the transparency of listed companies, company accepted investors' on-site investigation to have comprehensive understandings of the company's business situation through face-to-face communication with management, also urged the company established a responsibility to return on investors, improved and enhanced the corporate governance standards. Meanwhile, the Company continued to perfect the voting mechanism for minority investors. In 2017, the minority investors' voting was counted separately at each of the 4 shareholder's meetings, and whose result was disclosed at the decision announcement at the shareholder's meeting, which fully guaranteed the execution of power of the minority investors.

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC,

Yes No

There exist no difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC.

As the company's controlling shareholder, Shenzhen Investment Holdings Co., Ltd., is a company directly controlled by the State-owned Assets Supervision and Administration Commission of Shenzhen and the company implements the relevant regulations on the management of state-owned assets by the controlling shareholder, the undisclosed information submitted to the controlling shareholder is mainly: Monthly Express Indicator Indicators The quarterly reporting period fee schedule, financial assets status table, deposits and financing loan summary table. In order to strengthen the management of non-public information, the company has strictly controlled the scope of learners, standardized the process of information delivery and strictly implemented as per the "Management System on Learner of Insider Information" , took practical measures to prevent inside information leaks and insider trading.

In addition, there is no difference among the governance of the company, "Company Law" and the relevant provisions of China Securities Regulatory Commission.

II. Independence and Completeness in business, personnel , assets, organization and finance

The code of conduct of the controlling shareholders of the company did not go beyond the general meetings directly or indirectly to interfere with the decision-making and business activities, the company had independent and complete business and autonomous operation capacity , achieved "five point separation" in respect of personnel, financial, asset, agencies, business.

III. Competition situations of the industry

Applicable Not Applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period**1. Annual General Meeting**

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
The first provisional shareholders' General meeting in 2017	Provisional shareholders' General Meeting	49.42%	January 16,2017	January 17,2017	Announcement No.2017—05 www.cninfo.com.cn
Annual Genral Meeting of 2016	Annual General Meeting	49.69%	June 29,2017	June 30,2017	Announcement No.2017—32 www.cninfo.com.cn
The second provisional shareholders' General meeting in 2017	Provisional shareholders' General Meeting	49.69%	July 19,2017	July 20,2017	Announcement No.2017—38 www.cninfo.com.cn
The third provisional shareholders' General meeting in 2017	Provisional shareholders' General Meeting	49.42%	December 14,2017	December 15,2017	Announcement No.2017—62 www.cninfo.com.cn

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors in report period**1. The attending of independent directors to board meetings and shareholders' general meeting**

The attending of independent directors							
Independent Directors	Number of Board meetings necessary to be attended in the reporting	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)	Number of attendance at general meetings of shareholders

	period						
Zhang Yong	5	2	3	0	0	No	2
Shi Weihong	5	2	3	0	0	No	2
He Qiang	13	6	7	0	0	No	1
He Zhuowen	8	4	4	0	0	No	1
Cai Yuanqing	8	4	4	0	0	No	2

Notes to failure to personally attend Board Meetings Successively Twice

Nil

2.Objection of independent directors on some relevant issues

Objection of independent directors on some relevant issues

Yes No

Independent directors proposed no objection against the relevant matters in the reporting period.

3. Other notes to duty performance of independent directors

Has an independent director's advice to the Company been accepted

Yes No

Explanation on acceptance of or failure to accept an independent director's advice to the Company.

In the report period, the independent directors of the Company seriously fulfilled duties according to the requirement of supervision laws and regulations and System of the Company's Independent Director:

1.The independent directors timely attended the board meeting convened by the Company, and attended meetings related to the shareholder's meeting. Beforehand,, we carefully reviewed the information of the meeting. We fully utilized our own professional advantages and enterprise management experience to put forward reasonable opinions and suggestions for the proposal and to give independent comment for the related party for its capital occupation, which fully expressed the guidance and supervision function of the independent directors.

2.The independent directors actively participated in the work of the board's special committee, and gave independent comments for events involved with the Company's periodical report, duty performance and further employment of annual audit institution, self-assessment report of internal control, compensation assessment system for senior managers of 2015, which factually maintained the interest of the Company and the shareholders', especially the public shareholder's, and which benefited the board's core function at corporate governance.

3. The independent directors kept communicating with the Company's managements and thoroughly debrief relevant personnel, and focused on the construction progress of Project Line 6 of TFT-LCD polaroid glass of Period II as well as the progress of Shengbo Optoelectronic's capital increment and share expansion for introducing strategic investors, The company also issued independent opinions on related party capital occupation, internal control, profit distribution, appointment of auditors, appointment of senior management personnel, reelection of board of directors, use of idle raised funds, cash management of own funds, and restrictive stock incentive plans. which enabled the independent directors to timely comprehend and master the progress of the Company's significant issues.

(4) In order to ensure the company's 2017 restrictive stock incentive plan to be approved unanimously at the

shareholders meeting and improve the voting percent of minority shareholders at the shareholders meeting, the independent director of the company, as the solicitor, will solicit publicly among minority shareholders voting rights, which has maintained practically overall benefits of the company and protected legal interests of a majority of minority shareholders again infringement.

Refer to the announcement of the <http://www.cninfo.com.cn> disclosure on March 29, 2018

VI. Duty Performance of Special Committees under the Board of Directors in the Reporting Period

The independent directors of the company are the key members of all professional committees of the Board of Directors, and are in the majority and the conveners of Audit Committee, Remuneration and Appraisal Committee and Nomination Committee. Also, all the three independent directors can attend the daily meeting held by every special committee on time.

(1) Audit Committee: during the reporting period, the Audit Committee has held two meetings, carefully examined the regular reports of the company and effectively implemented the work schedule of annual reports. Also, the Audit Committee has reviewed the internal control of the company, supervised the effective implementation of internal control, the self-assessment of internal control. Before the board meeting for deliberating annual report was convened, the Company will strengthen the communication with the certified public accountant for annual audit, carefully review related information, and will learn about and master the arrangement and progress of accountant's audit. The Company will interview the accountant for annual audit to effectively communicate with the accountant about the problems found during the audit progress, will supervise and examine the disclosed information, will ensure the Company's situation will be factually reflected by the audit report, and will make a comprehensive assessment for accountant for the completion situation of the annual work and the practising quality. In the report period, the Company will convene meeting and formed solutions for audit institution recruitment, self-assessment report of internal control and financial final statement

During the reporting period, Proposal on Carry a meeting focused on hiring audit institutions, self-assessment report of the internal control, the Final Accounting Report and other matters and reach a resolution.

(2) Remuneration and Appraisal Committee: During the reporting period, the Remuneration and Appraisal Committee has held one meetings, During the reporting period, Carry a meeting focused on 2015 performance appraisal of senior management and reach a resolution.

(3) Nomination committee: The nomination committee has held during the report period. 2 meetings in total at which the nominated candidates of independent director and hired senior managers are convened and a resolution is formed.

(4) Strategic Planning Committee: The Strategic Planning Committee has held during the report period 1 meeting in total, at which the 13th five-year development strategic planning is convened and a resolution is formed. It holds that the planned business objective is planned reasonably, the finance indicators are budgeted scientifically, the construction scheme of key investment project is basically reasonable, the management layer of the construction company actively strives for national policy support, organizes implementation earnestly and improves constantly based on the company's reality.

VII. Work of the supervisory Committee

Did the supervisory Committee find any risk existing in performing the supervision activities in the reporting period

Yes No

The supervisory Committee has no objection against any matters under supervision in the reporting period

VIII. Assessment and incentive Mechanism for Senior executives

The company complies with “Executive Compensation Management and Evaluation System” to conduct the evaluation for the accomplishment of annual work of the senior executives. The salaries of the senior executives are determined according to the duty scope, post value, individual ability, wages level on the market, economic profits of the company and operation goal accomplishment of senior executives with adhering to the principle of market orientation, responsibility with unified right, and incentive and equal restriction. During the reporting period, the senior executives are all qualified in 2016 after evaluation. The directors and the general manager have conducted the feedback on the annual appraisal evaluation for the senior executives in accordance with the “Executive Compensation Management and Evaluation System” and proposed the recommendation for improvement.

IX. Internal control situations

1. Specific situations on major defects of internal control discovered during report period

Yes No

About the significant Defects of the internal control found in the internal control self-assessment report in the reporting period	
The identification and rectification of deficiency of the internal control:	
1. The identification and rectification of deficiency of the internal control in the financial statement	
In accordance with above identification standard of deficiency of the internal control in the financial statement, there is no the serious and important deficiency of internal control in the financial statement during the reporting period.	
2. The identification and rectification of deficiency of the internal control except for that of the financial statement in accordance with above identification standard of deficiency of the internal control except for that of the financial statement, there is no the serious and important deficiency of internal control except for that of the financial statement during the reporting period.	

2. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	March 29, 2018
Disclosure index of appraisal report on internal control	Juchao Website: (http://www.cninfo.com.cn), Selfevaluation report of internal control
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	100.00%
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of	100.00%

the company		
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative standard	<p>The defects related to financial reports were divided into general defects, important defects and significant defects according to their severity. Significant defects referred to one or multiple combinations of controlling defects, which may lead to serious deviation from the controlling objectives. Important defects referred to one or multiple combinations of controlling defects, and their severity and economic consequences were below significant defects, but they could still lead to serious deviation from the controlling objectives. General defects referred to other internal controlling defects which couldn't constitute significant defects or important defects.</p>	<p>In the following circumstances, the company was identified as existing non-financial – reporting related significant defects of internal controlling defects:</p> <p>The business activities of the company seriously violated national laws and regulations; (2) The decision-making process of "Three-Importance& One-Large" were unscientific, leading to major decision errors, and causing major property loses to the company; (3) Massive loss of key posts or technology talents; (4) The controlling system involving important business fields of the company failed; (5) It Caused serious negative effects on business of the company, and the effects couldn't be eliminated; (6) The evaluation results of internal control were significant defects, and couldn't get effective rectification. Important defects referred to one or multiple combinations of controlling defects, and their severity and economic consequences were below significant defects, but they could still lead to serious deviation from the controlling objectives. General defects referred to other internal controlling defects which couldn't constitute significant defects or important defects.</p>
Quantitative criteria	<p>Misstatement amount of financial statement fell into the following intervals: significant defects: Misstatement amount \geq 1.5% of total revenue; Misstatement amount \geq 10% of gross profit; Misstatement amount \geq 1% of total asset; Misstatement amount \geq 5% of net asset. significant defects: 0.5% of Total revenue \leq Misstatement amount $<$ 1.5% of total revenue; 5% of gross profit</p>	Not applicable

	<p>≤Misstatement amount < 10% of gross profit; 0.5% of Total asset ≤Misstatement amount < 1% of total revenue; 3% of Net assets ≤Misstatement amount < 5% of net assets. General defects:0% of total revenue <Misstatement amount<0.5% of Total revenue; 2% of gross profit < Misstatement amount<5% of total profit; 0% of total assets <Misstatement amount <0.5 of total assets; 0% of net assets < Misstatement amount<3% of net assets.</p>	
Number of major defects in financial reporting (a)		0
Number of major defects in non financial reporting (a)		0
Number of important defects in financial reporting (a)		0
Number of important defects in non financial reporting (a)		0

X. Internal Control audit report

√ Applicable Not applicable

Review opinions in the internal control audit report
<p>To all shareholders of Shenzhen Textile (Holdings) Co., Ltd.:</p> <p>According to the relevant requirements of the "Audit Guideline of Enterprise Internal Control" and the Chinese CPA criteria, the company has audited the effectiveness of internal control of the financial statement of Shenzhen Textile (Holdings) Co., Ltd. (Shenzhen Textile) at the date of December 31, 2017.</p> <p>1. The responsibility of enterprise for the internal control. According to the provisions of "Fundamental Norms for Enterprise Internal Control", "Operation Guideline of Enterprise Internal Control" and "Evaluation Guideline of Enterprise Internal Control", the company has established, perfected and effectively implemented the internal control, and made an evaluation for its effectiveness, which are the responsibilities of the Board of Directors of Shenzhen Textile.</p> <p>2. The responsibility of CPA. The company shall be responsible for the expression of audit opinions on the effectiveness of internal control in the financial statement and the disclosure of serious deficiency of internal control except for the financial statement on the basis of the implementation of audit.</p> <p>3. The inherent limitation of internal control. There is the possibility of unpreventable errors. In addition, due to the change of situation, the inappropriate internal control is maybe shown, or the control policy and the abidance of procedure can be reduced. Based on the audit results of internal control, the future internal control is expected to have a certain risk.</p> <p>4. The audit opinions of internal control in the financial statement. The company believes that Shenzhen Textile has maintained the effective internal control of the financial statement in all the major aspects according to "Fundamental Norms for Enterprise Internal Control" and the relevant provisions on December 31, 2017.</p> <p>Peking Certified Public Accountants(Special General Partnership)</p>

Chinese C.P.A. Li Yong Chinese C.P.A. Lan Tao March 28, 2018	
Disclosure date of audit report of internal control (full-text)	Disclosure
Index of audit report of internal control (full-text)	March 29,2018
Internal audit report's opinion	Juchao Website: (http://www.cninfo.com.cn) ;Audit report of internal control of Peking Certified Public Accountants (QXSZ(2018)No.: 0394
Type of audit report on internal control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Has the CPAs issued a qualified auditor's report of internal control .

Yes No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

Yes No

X. Corporation bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

XI. Financial Report

I. Audit report

Type of audit opinion	
Date for signing the auditor's report	March 27, 2018
Name of audit firm	Peking Certified Public Accountants(Special General Partnership)
The audit report number	Qin Xin Zi 【2018】 No.0393
Name of the certified accountants	Li Yong , Lan Tao

Auditors' Report

Qin Xin Shen Zi (2018) No. 0393

To all shareholders of Shenzhen Textile (Holdings) Co., Ltd.:

I. Opinion

We have audited the financial statements of Shenzhen Textile (Holdings) Co., Ltd. (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2017, and the income statement, the statement of cash flows and the statement of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2017 and its operating results and cash flows for the year then ended.

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company in accordance with the Code of Ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Recognition of revenue

1. Description of matters

As indicated in Remark V(35) of the financial statement, the revenues of the period of Shenzhen Textile (Holdings) Co., Ltd is RMB1, 475, 545, 719.72, which are mainly sourced from sales revenue of diffuser and textiles, rental income and trade income. As the revenue is one KPI of Shenzhen Textile (Holdings) Co., Ltd, appropriate recognition of the revenue will have an effect on the company's operating results and shall be confirmed as one key item of audit.

2. Response to the audit

The audit process implemented for revenue recognition includes mainly: Test and evaluate the effectiveness of internal control in relation to revenue recognition; re-check on the basis of product and business type the consistency of accounting policy used for various revenue recognition with Accounting Standard for Business Enterprises; perform analytical procedure on the revenue and evaluate the rationality of revenue recognition; sample the recognized revenue and check sales contract, shipping order, sales invoice and other supportive documents to evaluate if the revenue has been recognized according to revenue recognition policy; Sample the revenue recognized before or after the balance sheet date and check relevant supportive documents to evaluate if the revenue has been recognized in an appropriate period; Sample the recognized accounts receivable and revenue, perform confirmation procedure to evaluate the veracity of the revenue.

(II) Inventory falling price reserves

1. Description of matters

As indicated in Remark V(7) of the financial statement, the balance of inventory falling price reserves of Shenzhen Textile (Holdings) Co., Ltd at the end of the report period is RMB52, 018, 026.82; as the inventory falling price reserves and any variation will play a great influence on the financial statement and the process of confirming net realizable value of inventory will involve major judgment and estimate of the management, we shall confirm inventory falling price reserves as one key item of audit.

2. Response to the audit

The audit process implemented for inventory falling price reserves includes mainly: Test and evaluate the effectiveness of internal control in relation to inventory falling price reserves; Supervise inventory taking and check the quantity, condition of inventory; get a year-end inventory list and conduct analytical review on the conditions of various inventories; get the calculating table for inventory falling price reserves and check it; Check any changes of the accrual of inventory falling price reserves in this period.

IV. Other information

The management of the Company is responsible for the other information. The other information comprises information of the Company's annual report in 2017, but excludes the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to

report that fact. We have nothing to report in this regard

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.

(4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the

opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Peking Certified Public Accountants(Special General Partnership)

Chinese C.P.A. Li Yong

Chinese C.P.A. Lan Tao

March 27,2018

II. Financial Statements

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated balance sheet

Prepared by: Shenzhen Textile (Holdings) Co., Ltd.

In RMB

Items	Notes	At the end of term	Beginning of term
Current asset:			
Monetary fund	(1)	1,165,048,108.83	933,856,912.73
Settlement provision			
Outgoing call loan			
Financial assets measured at fair value with variations accounted into current income account			
Derivative financial assets			

Bill receivable	(2)	44,207,119.00	41,908,315.45
Account receivable	(3)	192,503,077.70	220,222,019.41
Prepayments	(4)	13,755,152.05	6,773,323.14
Insurance receivable			
Reinsurance receivable			
Provisions of Reinsurance contracts receivable			
Interest receivable	(5)	15,728,872.62	6,652,883.11
Dividend receivable			
Other account receivable	(6)	12,925,984.45	67,272,556.72
Repurchasing of financial assets			
Inventories	(7)	275,615,176.16	283,371,714.07
Assets held for sales			
Non-current asset due in 1 year			
Other current asset	(8)	1,148,689,874.10	1,428,043,157.76
Total of current assets		2,868,473,364.91	2,988,100,882.39
Non-current assets :			
Loans and payment on other's behalf disbursed			
Disposable financial asset	(9)	66,035,733.04	41,565,777.96
Expired investment in possess			
Long-term receivable			
Long term share equity investment	(10)	20,380,734.56	24,849,311.00
Property investment	(11)	173,105,806.27	179,324,547.77
Fixed assets	(12)	656,133,200.19	723,685,287.56
Construction in progress	(13)	322,570,173.73	119,804,231.43
Engineering material			
Fixed asset disposal			
Production physical assets			
Gas & petrol			
Intangible assets	(14)	38,870,673.40	39,698,654.32
R & D petrol			
Goodwill	(15)		
Long-germ expenses to be amortized	(16)	1,035,290.08	973,081.68
Deferred income tax asset	(17)	1,974,536.90	1,584,492.36
Other non-current asset	(18)	47,166,994.48	

Total of non-current assets		1,327,273,142.65	1,131,485,384.08
Total of assets		4,195,746,507.56	4,119,586,266.47
Current liabilities			
Short-term loans	(19)	88,638,181.45	12,335,695.77
Loan from Central Bank			
Deposit received and hold for others			
Call loan received			
Financial liabilities measured at fair value with variations accounted into current income account			
Derivative financial liabilities			
Bill payable			
Account payable	(20)	97,104,697.18	175,461,715.72
Advance payment	(21)	34,952,567.83	30,297,446.49
Selling of repurchased financial assets			
Fees and commissions receivable			
Employees' wage payable	(22)	29,503,260.65	27,379,719.86
Tax payable	(23)	6,935,262.57	13,995,726.19
Interest payable	(24)	45,799,544.04	42,842,605.52
Dividend payable			
Other account payable	(25)	155,026,799.54	147,108,590.19
Reinsurance fee payable			
Insurance contract provision			
Entrusted trading of securities			
Entrusted selling of securities			
Liabilities held for sales			
Non-current liability due in 1 year	(26)	40,000,000.00	40,000,000.00
Other current liability			
Total of current liability		497,960,313.26	489,421,499.74
Non-current liabilities :			
Long-term loan	(27)	40,000,000.00	80,000,000.00
Bond payable			
Including: preferred stock			
Sustainable debt			
Long-term payable			

Long-term payable employees's remuneration			
Special payable			
Expected liabilities			
Deferred income	(28)	134,767,064.72	110,045,784.62
Deferred income tax liability			
Other non-current liabilities			
Total non-current liabilities		174,767,064.72	190,045,784.62
Total of liability		672,727,377.98	679,467,284.36
Owners' equity			
Share capital	(29)	511,274,149.00	506,521,849.00
Other equity instruments			
Including: preferred stock			
Sustainable debt			
Capital reserves	(30)	1,866,001,475.17	1,837,205,251.95
Less : Shares in stock	(31)	27,230,679.00	
Other comprehensive income	(32)	2,218,703.87	3,392,222.07
Special reserves			
Surplus reserves	(33)	77,477,042.19	73,710,682.05
Common risk provision			
Undistributed profit	(34)	-32,266,087.44	-81,275,828.76
Total of owner's equity belong to the parent company		2,397,474,603.79	2,339,554,176.31
Minority shareholders' equity		1,125,544,525.79	1,100,564,805.80
Total of owners' equity		3,523,019,129.58	3,440,118,982.11
Total of liabilities and owners' equity		4,195,746,507.56	4,119,586,266.47

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

2. Balance sheet of Parent Company

In RMB

Items	Notes XV	Year-end balance	Year-beginning balance
Current asset:			
Monetary fund		413,700,327.95	440,685,610.11
Financial assets measured at fair value with variations accounted into current income account			
Derivative financial assets			
Bill receivable			1,000,000.00
Account receivable	(1)	449,536.21	492,974.01
Prepayments		10,000.00	120,000.00
Interest receivable		13,660,866.80	3,218,526.94
Dividend receivable			
Other account receivable	(2)	5,782,620.63	12,524,256.75
Inventories			
Assets held for sales			
Non-current asset due in 1 year			
Other current asset		120,000,000.00	30,000,000.00
Total of current assets		553,603,351.59	488,041,367.81
Non-current assets :			
Disposable financial asset		36,035,733.04	40,065,777.96
Expired investment in possess			
Long-term receivable			
Long term share equity investment	(3)	1,984,849,008.23	1,989,073,077.61
Property investment		165,607,900.07	172,279,313.75
Fixed assets		28,119,990.58	27,403,189.39
Construction in progress			
Engineering material			
Fixed asset disposal			
Production physical assets			
Gas & petrol			
Intangible assets		1,413,305.67	1,345,846.59
R & D petrol			

Goodwill			
Long-germ expenses to be amortized			
Differed income tax asset		1,526,871.33	1,919,804.30
Other non-current asset		493,620.44	
Total of non-current assets		2,218,046,429.36	2,232,087,009.60
Total of assets		2,771,649,780.95	2,720,128,377.41
Current liabilities			
Short-term loans			
Financial liabilities measured at fair value with variations accounted into current income account			
Derivative financial liabilities			
Bill payable			
Account payable		411,743.57	411,743.57
Advance payment		639,024.58	639,024.58
Employees' wage payable		8,495,538.21	6,533,138.24
Tax payable		3,247,028.64	4,398,387.25
Interest payable			
Dividend payable			
Other account payable		134,018,771.57	120,954,892.58
Liabilities held for sales			
Non-current liability due in 1 year			
Other current liability			
Total of current liability		146,812,106.57	132,937,186.22
Non-current liabilities :			
Long-term loan			
Bond payable			
Including: preferred stock			
Sustainable debt			
Long-term payable			
Employees' wage payable			
Special payable			
Expected liabilities			
Differed income		800,000.00	
Deferred income tax liability			

Other non-current liabilities			
Total of Non-current liabilities		800,000.00	
Total of liability		147,612,106.57	132,937,186.22
Owners' equity			
Share capital		511,274,149.00	506,521,849.00
Other equity instrument			
Including: preferred stock			
Sustainable debt			
Capital reserves		1,599,381,854.96	1,576,547,075.96
Less : Shares in stock		27,230,679.00	
Other comprehensive income		2,218,703.87	3,392,222.07
Special reserves			
Surplus reserves		77,477,042.19	73,710,682.05
Undistributed profit		460,916,603.36	427,019,362.11
Total of owners' equity		2,624,037,674.38	2,587,191,191.19
Total of liabilities and owners' equity		2,771,649,780.95	2,720,128,377.41

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

3.Consolidated Income statement

In RMB

Items	Notes V	Report period	Same period of the previous year
I. Income from the key business		1,475,545,719.72	1,198,200,216.42
Incl : Business income	(35)	1,475,545,719.72	1,198,200,216.42
Interest income			
Insurance fee earned			
Fee and commission received			
II. Total business cost		1,455,500,581.34	1,296,343,917.53
Incl : Business cost	(35)	1,299,603,719.37	1,128,134,488.54
Interest expense			
Fee and commission paid			

Insurance discharge payment			
Net claim amount paid			
Insurance policy dividend paid			
Insurance policy dividend paid			
Reinsurance expenses			
Business tax and surcharge	(36)	13,962,996.87	10,337,248.55
Sales expense	(37)	9,940,696.87	10,161,699.85
Administrative expense	(38)	114,356,601.65	106,901,733.12
Financial expenses	(39)	-31,171,160.81	-1,678,136.65
Asset impairment loss	(40)	48,807,727.39	42,486,884.12
Add : Gains from change of fir value (“-” for loss)			
Investment gain (“-” for loss)	(41)	53,555,819.95	5,223,413.76
Incl: investment gains from affiliates		1,101,479.62	1,467,403.29
Gains from currency exchange			
Assets dispose loss			
Other income	(42)	12,567,426.98	
III. Operational profit (“-” for loss)		86,168,385.31	-92,920,287.35
Add : Non-operational income	(43)	787,567.93	15,072,447.15
Less : Non business expenses	(44)	2,015,456.96	138,691.94
IV.Total profit(“-” for loss)		84,940,496.28	-77,986,532.14
Less : Income tax expenses	(45)	11,278,818.41	9,284,072.40
V. Net profit		73,661,677.87	-87,270,604.54
1.Net continuing operating profit		73,661,677.87	-87,270,604.54
2.Termination of operating net profit			
Net profit attributable to the owners of parent company		52,776,101.46	-87,270,604.54
Minority shareholders’ equity		20,885,576.41	
VI. Other comprehensive income	(46)	-1,173,518.20	180,034.72
Net of profit of other comprehensive income attributable to owners of the parent company.		-1,173,518.20	180,034.72
(I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period			
1.Re-measurement of defined benefit plans of c hanges in net debt or net assets			

2.Other comprehensive income under the equity method investee can not be reclassified into profit or loss.			
(II) Other comprehensive income that will be reclassified into profit or loss.		-1,173,518.20	180,034.72
1.Other comprehensive income under the equity method investee can be reclassified into profit or loss.			
2.Gains and losses from changes in fair value available for sale financial assets		-288,326.89	-1,256,809.58
3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
4.The effective portion of cash flow hedges and losses			
5.Translation differences in currency financial statements		-885,191.31	1,436,844.30
6.Other			
Net of profit of other comprehensive income attributable to Minority shareholders' equity			
VII. Total comprehensive income		72,488,159.67	-87,090,569.82
Total comprehensive income attributable to the owner of the parent company		51,602,583.26	-87,090,569.82
Total comprehensive income attributable minority shareholders		20,885,576.41	
VIII. Earnings per share			
(I) Basic earnings per share		0.10	-0.17
(II)Diluted earnings per share		0.10	-0.17

The current business combination under common control, the net profits of the combined party before achieved net profit of RMB 0.00, last period the combined party realized RMB0.00.

Legal Representative: Zhu Jun

Person in charge of accounting: Zhu Meizhu

Accounting Dept Leader: Mu Linying

4. Income statement of the Parent Company

In RMB

Items	Notes XV	Report period	Same period of the previous year
I. Income from the key business		65,474,614.36	63,923,286.07
Incl : Business cost		14,205,521.55	12,754,930.31
Business tax and surcharge		5,875,973.65	3,823,490.12
Sales expense			
Administrative expense		29,587,958.60	28,068,523.83
Financial expenses		-13,663,222.04	-12,288,105.49
Asset impairment loss		5,554,598.81	-3,107,155.76
Add : Gains from change of fir value ("-" for loss)			
Investment gain ("-" for loss)		22,719,665.90	4,545,773.24
Incl: investment gains from affiliates		1,101,479.62	1,467,403.29
Assets disposal income			
Other income		5,638.35	
II. Operational profit ("-" for loss)		46,639,088.04	39,217,376.30
Add : Non-operational income		1,510.00	23,692.50
Less : Non business expenses		477,949.40	117,153.06
III.Total profit("-" for loss)		46,162,648.64	39,123,915.74
Less : Income tax expenses		8,499,047.25	7,410,293.85
IV. Net profit ("-" for net loss)		37,663,601.39	31,713,621.89
1.Net continuing operating profit		37,663,601.39	31,713,621.89
2.Termination of operating net profit			
V.Net of profit of other comprehensive income		-1,173,518.20	180,034.72
(I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period			
1.Re-measurement of defined benefit plans of c hanges in net debt or net assets			
2.Other comprehensive income under the equity method investee can not be reclassified into pro fit or loss.			
(II)			
Other comprehensive income that will be reclas		-1,173,518.20	180,034.72

sified into profit or loss.			
1.Other comprehensive income under the equity method investee can be reclassified into profit or loss.			
2.Gains and losses from changes in fair value available for sale financial assets		-288,326.89	-1,256,809.58
3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
4.The effective portion of cash flow hedges and losses			
5.Translation differences in currency financial statements		-885,191.31	1,436,844.30
6.Other			
VI. Total comprehensive income		36,490,083.19	31,893,656.61
VII. Earnings per share :			
(I) Basic earnings per share			
(II)Diluted earnings per share			

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

5. Consolidated Cash flow statement

In RMB

Items	Notes V	Report period	Same period of the previous year
I.Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,587,525,262.02	1,151,157,518.74
Net increase of customer deposits and capital kept for brother company			
Net increase of loans from central bank			
Net increase of inter-bank loans from other financial bodies			
Cash received against original insurance			

contract			
Net cash received from reinsurance business			
Net increase of client deposit and investment			
Net increase of trade financial asset disposal			
Cash received as interest, processing fee and commission			
Net increase of inter-bank fund received			
Net increase of repurchasing business			
Tax returned		47,028,145.81	69,122,511.24
Other cash received from business operation	(47)	112,007,561.78	68,307,793.54
Sub-total of cash inflow		1,746,560,969.61	1,288,587,823.52
Cash paid for purchasing of merchandise and services		1,511,459,801.99	1,085,677,364.56
Net increase of client trade and advance			
Net increase of savings in central bank and brother company			
Cash paid for original contract claim			
Cash paid for interest, processing fee and commission			
Cash paid for policy dividend			
Cash paid to staffs or paid for staffs		133,551,583.94	129,329,006.02
Taxes paid		77,287,145.15	47,012,479.57
Other cash paid for business activities	(47)	52,781,140.84	81,833,439.21
Sub-total of cash outflow from business activities		1,775,079,671.92	1,343,852,289.36
Cash flow generated by business operation, net		-28,518,702.31	-55,264,465.84
II.Cash flow generated by investing			
Cash received from investment retrieving			2,366,612.87
Cash received as investment gains		5,921,598.83	3,633,486.12
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		6,740.00	160.00
Net cash received from disposal of subsidiaries or other operational units			
Other investment-related cash received	(47)	3,566,066,407.98	845,568,256.74

Sub-total of cash inflow due to investment activities		3,571,994,746.81	851,568,515.73
Cash paid for construction of fixed assets, intangible assets and other long-term assets		254,484,019.80	114,577,108.61
Cash paid as investment		28,500,000.00	
Net increase of loan against pledge			
Net cash received from subsidiaries and other operational units			
Other cash paid for investment activities	(47)	3,093,000,000.00	1,766,000,000.00
Sub-total of cash outflow due to investment activities		3,375,984,019.80	1,880,577,108.61
Net cash flow generated by investment		196,010,727.01	-1,029,008,592.88
III. Cash flow generated by financing			
Cash received as investment		27,230,679.00	1,352,640,000.00
Incl: Cash received as investment from minor shareholders			1,352,640,000.00
Cash received as loans		189,660,085.68	228,579,582.43
Cash received from bond placing			
Other financing –related ash received			6.38
Sub-total of cash inflow from financing activities		216,890,764.68	1,581,219,588.81
Cash to repay debts		150,340,039.30	315,726,235.45
Cash paid as dividend, profit, or interests		1,048,268.16	850,946.99
Incl: Dividend and profit paid by subsidiaries to minor shareholders			
Other cash paid for financing activities			
Sub-total of cash outflow due to financing activities		151,388,307.46	316,577,182.44
Net cash flow generated by financing		65,502,457.22	1,264,642,406.37
IV. Influence of exchange rate alternation on cash and cash equivalents		-1,868,779.16	1,086,213.32
V. Net increase of cash and cash equivalents		231,125,702.76	181,455,560.97
Add: balance of cash and cash equivalents at the beginning of term		930,114,436.57	748,658,875.60
VI ..Balance of cash and cash equivalents at the end of term		1,161,240,139.33	930,114,436.57

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

6. Cash Flow Statement of the Parent Company

In RMB

Items	Notes XV	Amount in this period	Amount in last period
I.Cash flows from operating activities			
Cash received from sales of goods or rendering of services		66,552,835.48	66,944,479.62
Tax returned			
Other cash received from business operation		14,836,257.91	104,001,892.47
Sub-total of cash inflow		81,389,093.39	170,946,372.09
Cash paid for purchasing of merchandise and services		5,055,450.06	6,013,836.98
Cash paid to staffs or paid for staffs		17,811,799.19	17,161,992.17
Taxes paid		18,156,899.52	20,714,808.63
Other cash paid for business activities		7,297,312.65	23,027,843.36
Sub-total of cash outflow from business activities		48,321,461.42	66,918,481.14
Cash flow generated by business operation, net		33,067,631.97	104,027,890.95
II.Cash flow generated by investing			
Cash received from investment retrieving			
Cash received as investment gains		5,087,575.52	10,754,224.11
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		1,510.00	
Net cash received from disposal of subsidiaries or other operational units			
Other investment-related cash received		262,490,733.61	326,615,158.57
Sub-total of cash inflow due to investment activities		267,579,819.13	337,369,382.68
Cash paid for construction of fixed assets, intangible assets and other long-term assets		4,857,553.44	4,300,131.91
Cash paid as investment			208,000,000.00

Net cash received from subsidiaries and other operational units			
Other cash paid for investment activities		350,000,000.00	60,000,000.00
Sub-total of cash outflow due to investment activities		354,857,553.44	272,300,131.91
Net cash flow generated by investment		-87,277,734.31	65,069,250.77
III. Cash flow generated by financing			
Cash received as investment		27,230,679.00	
Cash received as loans			
Cash received from bond placing			
Other financing –related ash received			6.38
Sub-total of cash inflow from financing activities		27,230,679.00	6.38
Cash to repay debts			
Cash paid as dividend, profit, or interests			
Other cash paid for financing activities			
Sub-total of cash outflow due to financing activities			
Net cash flow generated by financing		27,230,679.00	6.38
IV. Influence of exchange rate alternation on cash and cash equivalents		-5,858.82	5,712.98
V. Net increase of cash and cash equivalents		-26,985,282.16	169,102,861.08
Add: balance of cash and cash equivalents at the beginning of term		440,685,610.11	271,582,749.03
VI ..Balance of cash and cash equivalents at the end of term		413,700,327.95	440,685,610.11

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

7. Consolidated Statement on Change in Owners' Equity

Amount in this period

In RMB

Items	Amount in this period
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	Owner's equity Attributable to the Parent Company											Minor shareholders' equity	Total of owners' equity
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
		preferred stock	Sustainable debt	Other									
I. Balance at the end of last year	506,521,849.00				1,837,205,251.95		3,392,222.07		73,710,682.05		-81,275,828.76	1,100,564,805.80	3,440,118,982.11
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II. Balance at the beginning of current year	506,521,849.00				1,837,205,251.95		3,392,222.07		73,710,682.05		-81,275,828.76	1,100,564,805.80	3,440,118,982.11
III. Changed in the current year	4,752,300.00				28,796,223.22	27,230,679.00	-1,173,518.20		3,766,360.14		49,009,741.32	24,979,719.99	82,900,147.47
(1) Total comprehensive income							-1,173,518.20				52,776,101.46	20,885,576.41	72,488,159.67
(II) Investment or decreasing of capital by owners	4,752,300.00				22,762,870.54	27,230,679.00							284,491.54
1. Ordinary Shares invested by shareholders	4,752,300.00				22,478,379.00	27,230,679.00							
2. Holders of other equity instruments invested capital													
3. Amount of shares paid and accounted as owners' equity					284,491.54								284,491.54

4. Other													
(III) Profit allotment									3,766,360.14		-3,766,360.14		
1.Providing of surplus reserves									3,766,360.14		-3,766,360.14		
2.Providing of common risk provisions													
3 .Allotment to the owners (or shareholders)													
4. Other													
(IV) Internal transferring of owners' equity													
1. Capitalizing of capital reserves (or to capital shares)													
2. Capitalizing of surplus reserves (or to capital shares)													
3 . Making up losses by surplus reserves.													
4. Other													
(V). Special reserves													
1. Provided this year													
2 . Used this term													
(VI) Other					6,033,352.68							4,094,143.58	10,127,496.26
IV. Balance at the end of this term	511,274,149.00				1,866,001,475.17	27,230,679.00	2,218,703.87		77,477,042.19		-32,266,087.44	1,125,544,525.79	3,523,019,129.58

Amount in last year

In RMB

Items	Amount in last year
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	Owner's equity Attributable to the Parent Company											Minor shareholders' equity	Total of owners' equity
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
		preferred stock	Sustainable debt	Other									
I. Balance at the end of last year	506,521,849.00				1,585,130,051.37		3,212,187.35		70,539,319.86		9,166,137.97		2,174,569,545.55
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II. Balance at the beginning of current year	506,521,849.00				1,585,130,051.37		3,212,187.35		70,539,319.86		9,166,137.97		2,174,569,545.55
III. Changed in the current year					252,075,200.58		180,034.72		3,171,362.19		-90,441,966.73	1,100,564,805.80	1,265,549,436.56
(1) Total comprehensive income							180,034.72				-87,270,604.54		-87,090,569.82
(II) Investment or decreasing of capital by owners					252,075,194.20							1,100,564,805.80	1,352,640,000.00
1. Ordinary Shares invested by shareholders													
2. Holders of other equity instruments invested capital													
3. Allotment to the owners (or shareholders)													

4. Other				252,075 ,194.20							1,100,5 64,805. 80	1,352,6 40,000. 00
(III) Profit allotment								3,171,3 62.19		-3,171,3 62.19		
1.Providing of surplus reserves								3,171,3 62.19		-3,171,3 62.19		
2.Providing of common risk provisions												
3. Allotment to the owners (or shareholders)												
4. Other												
(IV) Internal transferring of owners' equity												
1. Capitalizing of capital reserves (or to capital shares)												
2. Capitalizing of surplus reserves (or to capital shares)												
3. Making up losses by surplus reserves.												
4. Other												
(V) Special reserves												
1. Provided this year												
2. Used this term												
(VI) Other				6.38								6.38
IV. Balance at the end of this term	506,52 1,849. 00			1,837,2 05,251. 95		3,392,2 22.07		73,710, 682.05		-81,275, 828.76	1,100,5 64,805. 80	3,440,1 18,982. 11

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

Amount in this period

In

RMB

Items	Amount in this period										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Attributable profit	Total of owners' equity
		preferred stock	Sustainable debt	Other							
I. Balance at the end of last year	506,521,849.00				1,576,547,075.96		3,392,222.07		73,710,682.05	427,019,362.11	2,587,191,191.19
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II. Balance at the beginning of current year	506,521,849.00				1,576,547,075.96		3,392,222.07		73,710,682.05	427,019,362.11	2,587,191,191.19
III. Changed in the current year	4,752,300.00				22,834,779.00	27,230,679.00	-1,173,518.20		3,766,360.14	33,897,241.25	36,846,483.19
(I) Total comprehensive income							-1,173,518.20			37,663,601.39	36,490,083.19
(II) Investment or decreasing of capital by owners	4,752,300.00				22,834,779.00	27,230,679.00					356,400.00
1. Ordinary Shares invested by shareholders	4,752,300.00				22,478,379.00	27,230,679.00					
2. Holders of other equity instruments invested capital											
3. Amount of shares paid and accounted as owners' equity					356,400.00						356,400.00
4. Other											
(III) Profit									3,766,360	-3,766,360	

allotment									.14	60.14	
1. Providing of surplus reserves									3,766,360	-3,766,360	
2. Allotment to the owners (or shareholders)									.14	60.14	
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up losses by surplus reserves.											
4. Other											
(V) Special reserves											
1. Provided this year											
2. Used this term											
(VI) Other											
IV. Balance at the end of this term	511,274,149.00				1,599,381,854.96	27,230,679.00	2,218,703.87		77,477,042.19	460,916,603.36	2,624,037,674.38

Amount in last year

In RMB

Items	Amount in last year										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Attributable profit	Total of owners' equity
		preferred stock	Sustainable debt	Other							
I. Balance at the	506,521,				1,576,547		3,212,187		70,539,31	398,477	2,555,297

end of last year	849.00				,069.58		.35		9.86	,102.41	,528.20
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II. Balance at the beginning of current year	506,521,849.00				1,576,547,069.58		3,212,187.35		70,539,319.86	398,477,102.41	2,555,297,528.20
III. Changed in the current year					6.38		180,034.72		3,171,362.19	28,542,259.70	31,893,662.99
(I) Total comprehensive income							180,034.72			31,713,621.89	31,893,656.61
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by shareholders											
2. Holders of other equity instruments invested capital											
3. Amount of shares paid and accounted as owners' equity											
4. Other											
(III) Profit allotment									3,171,362.19	-3,171,362.19	
1. Providing of surplus reserves									3,171,362.19	-3,171,362.19	
2. Allotment to the owners (or shareholders)											
3. Other											
(IV) Internal transferring of											

owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3 . Making up losses by surplus reserves.											
4. Other											
(V) Special reserves											
1. Provided this year											
2 . Used this term											
(VI) Other					6.38						6.38
IV. Balance at the end of this term	506,521,849.00				1,576,547,075.96		3,392,222.07		73,710,682.05	427,019,362.11	2,587,191,191.19

Legal Representative: Zhu Jun

Person-in-charge of the accounting work: Zhu Meizhu

Person-in -charge of the accounting organ: Mu Linying

III. Basic Information of the Company

(1) Company Profile

1. Enterprise registration address, organization mode and headquarter address.

The company was previously the Shenzhen Textile Industry Company, on April 13, 1994, approved by the Letter(1994)No.15 issued by Shenzhen Municipal People's Government, the Company was restructured and named as Shenzhen Textile (Holdings) Co., Ltd. In the same year, approved by the (1994) No.19 file of Shenzhen City, the shares of the company were listed in Shenzhen Stock Exchange. The company now holds a unified social credit code for the 91440300192173749Y business license, Registration address and headquarter address are 6/F, Shenfang Building, No.3 Huaqiang Road, North, Futian District, Shenzhen.

2. Enterprise's business nature and major business operation.

At present, the Company is mainly engaged in high-tech industry focusing on R&D, production and marketing of polarizers for liquid crystal display, management of properties in bustling business districts of Shenzhen and reserved high-class textile and garment business.

3. Approval of the financial statements reported

The financial statements have been authorized for issuance by the Board of Directors of the Group on March 27, 2018.

(2) Scope of consolidated financial statements

1. As of the end of the reporting period, there are 7 subsidiaries companies included in the consolidated financial statements: Shenzhen Shengbo Optoelectronic Technology Co., Ltd., Shenzhen Lisi Industrial Development Co., Ltd., Shenzhen Huaqiang Hotel, Shenzhen Shenfang Property Management Co., Ltd. Shenzhen Beaufity Garments Co., Ltd. , Shenzhen Shenfang Import & Export Co., Ltd., and Shengtou (Hongkong) Co., Ltd.

2. The scope of consolidated financial statements this period did not change.

IV. Basis for the preparation of financial statements

(1) Basis for the preparation

This company's financial statements is based on going-concern assumption and worked out according to actual transactions and matters, Accounting Standard for Business Enterprises--Basic Standard(issued by No.33 Decree of the Ministry of Finance and revised by No.76 Decree of the Ministry of Finance) issued by the Ministry of Finance, 42 special accounting standards enacted and revised on and after Feb 15, 2006, guideline for application of accounting standard for business enterprises, ASBE interpretations and other relevant regulations(hereinafter collectively referred to as "Accounting Standard for Business Enterprises") and No.15 of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public-- General Provisions of Financial Reports (revised in 2014) issued by China Securities Regulatory Commission.

(2) Continuation

There will be no such events or situations in the 12 months from the end of the reporting period that

will cause material doubts as to the continuation capability of the Company.

V. Important accounting policies and estimations

1. Statement on complying with corporate accounting standards

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

2. Fiscal Year

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

3. Operating cycle

Normal business cycle is realized by the Company in cash or cash equivalents from the purchase of assets from processing until. Less than 1 year is for the normal operating cycle in the company.

With regard to less than 1 year for the normal operating cycle, the assets realized or the liabilities repaid at maturity within one year as of the balance sheet date shall be classified into the current assets or the current liabilities.

4. Accounting standard money

The Company takes RMB as the standard currency for bookkeeping.

5. Accounting process method of enterprise consolidation under same and different controlling.

(1) Enterprise merger under same control:

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium in the capital reserve. If the balance of the capital premium is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

Accounting Treatment of the Consolidated Financial Statements:

The long-term equity investment held by the combining party before the combination will change if the relevant profit and loss, other comprehensive income and other owner equity are confirmed between the ultimate control date and the combining date for the combining party and the combined

party on the acquirement date, and shall respectively offset the initial retained incomes or the profits and losses of the current period during the comparative statement.

(2) Business combination involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The difference of the merger cost minus the fair value shares of identifiable net assets obtained by the acquiree during the merger on the acquisition date, is recognized as the business reputation. While the merger cost is less than the fair value shares of identifiable net assets obtained by the acquiree during the merger, all the measurement on the identifiable assets, the liabilities, the fair value of liabilities and the merger cost obtained by the acquiree should firstly be rechecked, and the difference shall be recorded into the current profits and costs if the merger cost is still less than the fair value shares of identifiable net assets obtained by the acquiree during the merger after rechecking.

Where the temporary difference obtained by the acquirer was not recognized due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as profit of the current period.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to “The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5” (CaiKuai [2012] No. 19) and Article 51 of “Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements” on the “package deal” criterion, to judge the multiple exchange transactions whether they are the “package deal”. If it belong to the “package deal” in reference to the preceding paragraphs of this section and “long-term investment” accounting treatment, if it does not belong to the “package deal” to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment

income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

6.Preparation of the consolidated financial statements

(1)The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The relevant events refer to the activities that have significant influence on the return to the invested party. In accordance with the specific conditions, the relevant events of the invested party should conclude the sale and purchase of goods and services, the management of the financial assets, the purchase and disposal of the assets, the research and development activities, the financing activities and so on.

The scope of consolidation includes the Company and all of the subsidiaries. Subsidiary is an enterprise or entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the company will be re-evaluated.

(2)Preparation of the consolidated financial statements.

The Company based on its own and its subsidiaries financial statements, in accordance with other relevant information, to prepare the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements. Where a subsidiary and a party being absorbed in a merger by absorption was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was

acquired during the reporting period through a business combination not under common control, the financial statements was reconciliated on the basis of the fair value of identifiable net assets at the date of acquisition.

Intra-Group balances and transactions, and any unrealized profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders'/equity of the subsidiary, the excess is allocated against the minority interests.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost(ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments".

The company through multiple transactions step deal with disposal of the subsidiary's equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal:①these transactions are considered, simultaneously, or in the case of mutual influence made, ②these transactions as a whole in order to achieve a complete business results; ③the occurrence of a transaction depends on occurs at least one other transaction; ④a transaction look alone is not economical, but when considered together with other transaction is economical.

If they does not belong to the package deal, each of them separately, as the case of a transaction in accordance with "without losing control over the disposal of a subsidiary part of a long-term equity investments"principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary 's investment

corresponding to the difference between the disposal, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

7. Joint venture arrangements classification and Co-operation accounting treatment

(1) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control, depending of the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

(2) Co-operation accounting treatment

When the joint venture company for joint operations, confirm the following items and share common business interests related to:

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

(3) When a company is a joint ventures, joint venture investment will be recognized as long-term equity investments .

8. Recognition Standard of Cash & Cash Equivalents

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

9. Foreign Currency Transaction

(1) Foreign Currency Transaction

The approximate spot exchange rate on the transaction date is adopted and translated as RMB amount when the foreign currency transaction is initially recognized. On the balance sheet date, the monetary items of foreign currency are translated as per the spot exchange rate on the balance sheet date, the foreign exchange conversion gap due to the exchange rate, except for the balance of exchange conversion arising from special foreign currency borrowings capitals and interests for the purchase and construction of qualified capitalization assets, shall be recorded into the profits and losses of the current period. The non-monetary items of foreign currency measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the RMB amount shall not be changed. The non-monetary items of foreign currency measured at the fair value shall be translated at

the spot exchange rate on the fair value recognized date, the gap shall be recorded into the current profits and losses or other comprehensive incomes.

(2) Translation Method of Foreign Currency Financial Statement

For the assets and liabilities in the balance sheet, the spot exchange rate on the balance sheet date is adopted as the translation exchange rate. For the owner's equity, the spot exchange rate on the transaction date is adopted as the translation exchange rate, with the exception of "undistributed profits". The incomes and expenses in the income statement shall be translated at the spot exchange rate or the approximate exchange rate on the transaction date. The translation gap of financial statement of foreign currency converted above shall be listed in other comprehensive incomes under the owner's equity in the consolidated balance sheet.

10. Financial tools

One financial asset or financial liability shall be recognized when the company becomes the party in the financial instrument contract. The financial assets and the financial liabilities are measured at the fair value in the initial recognition. For the financial assets and liabilities that measured at the fair values and the variation included in the current profits and losses, the relative transaction expenses shall be directly recorded into the profits and losses. For the financial assets and liabilities of other categories, the expenses related to transactions are recognized as initial amount.

1 Determination of financial assets and liabilities' fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. The quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction. For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

2. Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade assets.

(1) Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss. Financial asset held-for-trade is the financial asset that meets one of the following conditions:

A. the financial asset is acquired for the purpose of selling it in a short term;

B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

Financial asset is designated on initial recognition as at fair value through profit or loss only when it meets one of the following conditions:

A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.

B. a Group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise's key management personnels. Formal documentation regarding risk management or investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

(2) Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

(4) Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss. Interests obtained and dividends declared by the investee during the period in which the financial assets available-for-trade are held, are recognized in investment gains.

3. Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The company shall make an independent impairment test on the financial assets with significant single amounts, and carry out an independent impairment test on the financial assets with insignificant single amounts, or conduct an impairment-related test after they are included in a combination of financial assets with similar credit risk features so as to carry out. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

(1) Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

(2) Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired. The "serious decline" refers to the cumulative fair value declines more than 30%; "non-temporary decline" refers to the continuous decline in the fair value of time over 12 months.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4. Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the carrying amount of the financial asset transferred; and the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

The Company uses recourse sale financial assets, or financial assets held endorser, determine almost all of the risks and rewards of ownership of the financial assets have been transferred if. Has transferred the ownership of the financial assets of almost all the risks and rewards to the transferee, the derecognition of the financial asset; retains ownership of the financial assets of almost all of the risks and rewards of financial assets that are not derecognised; neither transfers nor retains ownership of the financial assets of almost all of the risks and rewards, then continue to determine whether the enterprise retains control of the assets and the accounting treatment in accordance with the principles described in the preceding paragraphs.

5. Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

(1) Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss. For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

(2) Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

6. Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged or cancelled or has expired. An agreement between the Company (an existing borrower) and existing lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

7. Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

8. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of

transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

11.Accounts Receivable

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

Judgment criteria or amount standard of material specific amount or amount criterial:	The Client Identifies single amount of accounts receivable that is not less than RMB 1 million as account receivable that are individually significant in amount. The Client Identifies single amount of accounts receivable that is not less than RMB 0.5 million as account receivable that are individually significant in amount.
Provision method with material specific amount and provision of specific bad debt preparation:	Making an independent impairment test. If any objective evidence shows that it has been impaired, the impairment-related losses shall be recognized according to the gap between its present value of future cash flow less than its book value, and the several shall be determined to withdraw the bad debt provision. If there exists no the impairment after the impairment test, they shall be included in a combination of the receivables with similar risk features so as to withdraw the bad debt provision.

2.The accounts receivable of bad debt provisions made by credit risk Group

(1) Recognition Criteria for the Group and Withdrawing Method of Bad Debt Provision

Name	Recognition Criteria	Withdrawing Method
Aging Group	Division by Aging	Aging Analysis Method

(2)Accounts on age basis in the portfolio:

Aging	Rate for receivables(%)	Rate for other receivables(%)
Within 1 year (Included 1 year)	5.00	5.00
1—2 years	10.00	10.00
2—3 years	30.00	30.00
Over 3 years	50.00	50.00

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

Reasons of Withdrawing Individual Bad Debt Provision	There is any objective evidence shows that it has been impaired.
Withdrawing Method of Bad Debt Provision	The impairment-related losses shall be recognized according to the gap between its present value of future cash flow less than its book value.

12.Inventory

1.Investories class

Inventory shall include the finished products or goods available for sale during daily activities, the products in the process of production, the stuff and material consumed during the process of production or the services offered.

2. Valuation method of inventory issued

The company calculates the prices of its inventories according to the weighted averages method

3. Recognition Criteria for the Net Realizable Value of Different Category of Inventory and Withdrawing Method of Inventory Falling Price Reserves

The inventory shall be measured by use of the lower between the cost and the net realizable value and the inventory falling price reserves shall be withdrawn as per the gap of single inventory cost minus the net realizable value at the balance sheet date. The net realizable value refers to the amounts that the estimated sale price of inventory minus the estimated costs ready to happen till the completion of works, the estimated selling expenses and the relevant expenses of taxation. The company shall recognize the net realizable value of inventory based on the acquired unambiguous evidence and in view of the purpose to hold the inventory, the influence of matters after the balance sheet date and other factors.

The net realizable value of inventory directly for sale shall be recognized according to the amounts of the estimated sale price of the inventory minus the estimated sale expenses and the relevant expenses of taxation during the process of normal production and operation. The net realizable value of inventory that required to conduct processing shall be recognized according to the amounts of the estimated sale price of the finished products minus the estimated costs ready to happen till the completion of works, the estimated selling expenses and the relevant expenses of taxation. On the balance sheet date, the net realizable value shall be respectively defined for the partial agreed with the contract price and others without the contract price in the same inventory, and the amounts of the inventory falling price reserves withdrawn or returned shall be respectively recognized in comparison with their corresponding costs.

4. Inventory System:Adopts the Perpetual Inventory System

5. Amortization method for low cost and short-lived consumable items and packaging materials

(1) Low cost and short-lived consumable items

Low cost and short-lived consumable items are amortized using immediate write-off method.

(2) Packaging materials

Packaging materials are amortized using

13. Available-for-sale non-current asset and disposal group

If the company recovers its book value mainly by sale of non-current asset (including exchange of non-monetary assets of commercial nature and similarly hereinafter), instead of continued use of one non-current asset or disposal group, which shall be included into available-for-sale. In specific standards, the following conditions shall be met at the same time: One non-current asset or disposal group is available for sale at all times under current status depending on standard practice of selling them in similar transactions; the company has made a resolution on the sale plan and gained definitive purchase commitments; the sale is expected to be finished within one year. In which, the disposal group refers to one set of assets that may be disposed as a whole along with other assets by sale or other ways in one deal and the liability transferred and related directly to such assets. If the asset group or combination of asset group under account title disposal group amortizes the goodwill obtained from business combination in accordance with No.8 of Accounting Standards for Business Enterprises-- Asset Impairment, the disposal group shall include the goodwill amortized to it.

When the company's initial measurement or re-measurement on the balance sheet date is classified into available-for-sale non-current asset and disposal group, the book value shall be written down to the net amount of fair value minus selling expenses if it is higher than the net amount of fair value minus selling expenses, the write-down shall be confirmed as the assets impairment loss and included in current profits and losses, meanwhile the available-for-sale asset depreciation reserves shall be accrued. For the disposal group, the asset impairment loss shall be written off pro rata the book value of each non-current asset that is applicable to No.42 of Accounting Standards for Business Enterprises: Available-for-sale Non-current Assets, Disposal Group and Discontinued Operations (hereinafter referred to as "Available-for-sale rule for measurement") after deducting the book value of goodwill in it.

If the net amount of the fair value of available-for-sale disposal group minus selling expenses increases after the balance sheet date, the previous write-downs shall be recovered and reversed in asset impairment loss of non-current assets that are applicable to available-for-sale rule for measurement after being included into available-for-sale account title, the amount of reversal shall be included in current profits and losses and increased pro rata its book value based on the proportion of the book value of each non-current asset in the disposal group that is applicable to available-for-sale rule for measurement except for goodwill; the book value of written-off goodwill and the asset impairment loss confirmed before the non-current asset specified in available-for-sale rule for measurement is classified into available-for-sale asset must not be reversed.

The available-for-sale non-current assets or the non-current assets in the disposal group shall not be accrued depreciation or amortization, the interest of debit in available-for-sale disposal group and other expenses shall continue to be confirmed.

The non-current asset will no longer be included into available-for-sale category or will be removed from the available-for-sale disposal group if it or the disposal group has no longer satisfied

the conditions for classifying available-for-sale assets and measured as per the lower of: (1) book value of the non-current asset before being classified into available-for-sale asset adjusted on the basis of the depreciation, amortization or impairment that shall be confirmed on the assumption that the non-current asset is not included into available-for-sale account title; (2) Recoverable amount.

14. Long-term equity investments

Long-term equity investments referred to in this section refer to the Company invested entity has control, joint control or significant influence over the long-term equity investments. The Company invested does not have control, joint control or significant influence over the long-term equity investments as financial assets available for sale or at fair value and the changes included financial assets through profit or loss.

Joint control is the Company control over an arrangement in accordance with the relevant stipulations are common, related activities and the arrangement must be after sharing control participants agreed to the decision-making. Significant influence is the Company's financial and operating policies of the entity has the right to participate in decision-making, but can not control or with other parties joint control over those policies.

1. Determination of Investment cost

The cost of a long-term equity investment acquired through business combination under common control is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the cost and book value of cash paid, non-monetary assets transferred and liabilities assumed is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. If the consideration is transferred by way of issuing equity instruments, the face value of the equity instruments issued is recognised in share capital and the difference between the cost of the face value of the equity instruments issued is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. The cost of a long-term equity investment acquired through business combination not under common control is the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued. (For the equity of the combined party under common control obtained step-by-step through multiple transactions and the business combination under common control ultimately formed, the company should respectively dispose all the transactions if belong to the package deal. For the package deal, all the transactions will be conducted the accounting treatment as the deal with acquisition of control. For the non-package deal, the shares of the book value of the stockholders' equity/owners' equity of the combined party in the consolidated financial statements of the ultimate control party shall be as the initial investment cost of the long-term equity investment, and the capital reserves shall be adjusted for the difference between the initial investment cost of long-term equity investment and the sum of the book value of long-term equity investment before merging and that of new consideration payment obtained on the merger date, or the retained earnings shall be adjusted if the capital reserves are insufficient to offset. As for the equity investment held before the merger date, the accounting treatment will not be conducted temporarily for other comprehensive income accounted by equity method or confirmed for the financial assets available for sale.)

All expenses incurred directly associated with the acquisition by the acquirer, including expenditure

of audit, legal services, valuation and consultancy and other administrative expenses, are recognised in profit or loss for the period during which the acquisition occurs. For the merger of enterprises not under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the sum of book value of the owner's original equity of the merged enterprise and the newly increased investment cost as the initial cost of the long-term equity investment. For the shares originally held by this enterprise accounted for by weighted equity method, the relevant other comprehensive income shall not be accounted for temporarily. If the equity investment held originally can be classified as the financial assets for sale, the difference between the fair value and the book value, and the variation in the accumulative fair value of other comprehensive returns recorded originally will be transferred into the current profits and losses.

All expenses incurred directly associated with the acquisition by the acquirer, including expenditure of audit, legal services, valuation and consultancy and other administrative expenses, are recognised in profit or loss for the period during which the acquisition occurs.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. When the significant impact or the joint control but non-control on the invested party can be implemented due to the additional investment, the long-term equity investment cost is the sum of the fair value of the equity investment originally held and the new investment costs based on the recognition of "Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments".

2. Subsequent Measurement

To be invested joint control (except constitute common operator) or long-term equity investments significant influence are accounted for using the equity method. In addition, the Company's financial statements using the cost method of accounting for long-term equity can exercise control over the investee.

(1) Cost method of accounting for long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(2) Equity method of accounting for long-term equity investments

When using the equity method, the initial investment cost of long-term equity investment exceeds the investor's net identifiable assets of the fair share of the investment value, do not adjust the initial inve

stment cost of long-term equity investment; the initial investment cost is less than the investee unit share of identifiable net assets at fair value, the difference is recognized in profit or loss, while the long-term equity investment adjustment costs.

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost. The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognised as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealised profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income. Unrealised loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets transferred is recognised in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred is recognised in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognised in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. Where the Company has obligation to share additional net loss of the investee, the estimated share of loss recognised as accrued liabilities and investment loss. Where the Company has unrecognised share of loss of the investee when the investee generates net profit, the Company's unrecognised share of loss is reduced by the Company's share of net profit and when the Company's unrecognised share or loss is eliminated in full, the Company's share of net profit, if any, is recognised as investment income.

(3) Acquisition of minority interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against returned earnings.

(4) Disposal of long-term equity investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognised in profit or loss.

The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

Where a long-term equity investment is measured by the equity method both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised prior to the acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

Where a long-term equity investment is measured at cost both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities and recognised in profit or loss proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss proportionate to the disposal.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is measured by the equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of control. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned

other comprehensive income and other equity movement are recognised in profit or loss in full.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method, prior to the partial disposal is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of joint control or significant influence. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss when joint control or significant influence is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognised in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is lost.

15. Investment property

1. The measurement mode of investment property

The investment property of the company includes the leased land use rights, the leased buildings, the land use rights held and prepared to transfer after appreciation.

The company shall adopt the cost mode to measure the investment property.

2. Depreciation or Amortization Method by Use of Cost Mode

The leased buildings of the investment property in the company shall be withdrawn the depreciation by the service life average method, and the depreciation policy is the same with that of the fixed assets. The land use rights held and prepared to transfer after appreciation in the investment property shall be amortized by the line method, and the specific accounting policy is same with that of the intangible assets.

16. Fixed assets

1. The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. The fixed assets can be recognized when the following requirements are all met: (1) the economic benefits relevant to the fixed assets will flow into the enterprise. (2) the cost of the fixed assets can be measured reliably.

The fixed assets of the company include the houses and buildings, the decoration of the fixed assets, the machinery equipment, the transportation equipment, the electronic instrument and other devices.

2. Initial Measurement and Subsequent Measurement of the Fixed Assets

The fixed assets shall be book kept as per the acquired actual cost, and the depreciation shall be withdrawn from the subsequent month after the usable status reserved and achieved.

3. The method for depreciation

Category	The method for depreciation	Expected useful life (Year)	Estimated residual value	Depreciation
House and Building-Production	Straight-line method	35 year	4%	2.74%
House and Building-Non-Production	Straight-line method	40 years	4%	2.40%
Decoration of Fixed assets	Straight-line method	10 years		10.00%
Machinery and equipment	Straight-line method	10-14 years	4%	9.60%-6.86%
Transportation equipment	Straight-line method	8 years	4%	12.00%
Electronic equipment	Straight-line method	8 years	4%	12.00%
Other equipment	Straight-line method	8 years	4%	12.00%

4. Cognizance evidence and pricing method of financial leasing fixed assets

(1) Recognition Criteria of the Fixed Assets under Financing Lease

The financing lease shall be recognized if the following one or several criteria are met: ① the ownership of the leasing assets shall be transferred to the tenant when the expiration of lease term. ② the tenant has the option to purchase the leasing assets, and the made purchase price is expected to be far less than the fair value of the leasing assets in the implementation of the option. Thus, it can be reasonably recognized that the tenant will implement the option on the lease date. ③ the ownership of assets is not transferred, but the lease term shall be the most of the life of the lease assets. ④ the least present value of the lease payment of the tenant and the least present value of the lease receipts on the lease date almost equal to the fair value of the leasing assets on the lease date respectively. ⑤ the leasing assets have the special nature, and only the tenant can use if there is no major modifications.

(2) Valuation of Fixed Assets Acquired under Finance Leases: the fixed assets acquired under finance leases shall be book kept according to the lower between the fair value of the leasing assets and the least lease payment on the lease date.

(3) Depreciation Method of Fixed Assets Acquired under Finance Leases: the depreciation shall be withdrawn for the fixed assets acquired under finance leases as per the depreciation policy of own fixed assets.

17. Construction in progress

1. The projects under construction shall be recognized when the economic benefits may flow into and the cost can be reliably measured. Meanwhile, the projects under construction shall be measured according to the actual cost occurred before the assets are built to achieve the expected usable condition.

2. The projects under construction shall be transferred into the fixed assets according to the actual project costs when the expected usable condition achieved. For the expected usable condition achieved while the final accounts for completed projects not handled yet, the projects shall be transferred into the fixed assets as per the estimated value. After the final accounts for completed projects handled, the original estimated value shall be adjusted as per the actual cost, but the original withdrawn depreciation shall not be adjusted again.

18. Borrowing costs

1. Recognition principles for capitalizing of loan expenses

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

2. Duration of capitalization of Loan costs

(1). When a loan expense satisfies all of the following conditions, it is capitalized:

1. Expenditures on assets have taken place.
2. Loan costs have taken place;
3. The construction or production activities to make assets to reach the intended use or sale of state have begun.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

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

3. Computation Method for Capitalization Rate and Amount of Borrowing Costs

With regard to the special borrowings for the purchase and construction of qualified assets, the capitalized interest amount shall be recognized according to the amount of the interest cost for the

special borrowings actually occurred during the current period (including the amortization of discount or premium recognized as per the effective interest method) minus the interest income acquired after the borrowings deposit in bank or the investment income obtained from the temporary investment. For the general borrowings for the purchase and construction of qualified assets, the capitalized interest amount of the general borrowings shall be computed and recognized according to the weighted average of accumulative asset expense beyond the expense of the special borrowings, multiplying the capitalization rate of general borrowings.

19.Intangible assets

1. Valuation Method, Service Life and Impairment Test of Intangible Assets

(1) The intangible assets include the land use rights, the professional technology and the software, which are conducted the initial measurement as per the cost.

(2) The service life of intangible assets is analyzed and judged when of the company acquires the intangible assets. For the finite service life of the intangible assets, the years of service life or the quantity of service life formed and the number of similar measurement unit shall be estimated. If the term of economic benefits of the intangible assets brought for the company is not able to be foreseen, the intangible assets shall be recognized as that with the indefinite service life.

(3) Estimation Method of Service life of Intangible Assets

1) For the intangible assets with the finite service life, the company shall generally consider the following factors to estimate the service life: ① the normal service life of products produced with the assets, and the acquired information of the service life of similar assets. ② the estimation of the current stage conditions and the future development trends in the aspects of technology and craft. ③ the demand of the products produced by the assets or the offered services in the market. ④ the expectation of actions adopted by current or potential competitors. ⑤ the expected maintenance expense for sustaining the capacity to economic benefits brought by the assets and the ability to the relevant expense expected. ⑥ the relevant law provision or the similar limit to the control term of the assets, such as the licensed use term and the lease term. ⑦ the correlation with the service life of other assets held by the company.

2) Intangible Assets with Indefinite Service Life, Judgment Criteria on Indefinite Service Life and Review Procedure of Its Service Life

The company shall be unable to foresee the term of economic benefits brought by the assets for the company, or the indefinite term of intangible assets recognized as the indefinite service life of intangible assets.

The judgment criteria of Indefinite service life: ① as from the contractual rights or other legal rights, but the indefinite service life of contract provision or legal provisions. ② unable to judge the term of economic benefits brought by the intangible assets for the company after the integration of information in the same industry or the relevant expert argumentation.

At the end of every year, the review should be made for the service life of the intangible assets with the indefinite service life, and the relevant department that uses the intangible assets, shall conduct the basic review by the method from up to down, in order to evaluate the judgment criteria of the

indefinite service life if there is the change.

(4) Amortization Method of Intangible Assets Value

The intangible assets with the finite service life shall be systematically and reasonably amortized according to the expected implementation mode of the economic benefits related to the intangible assets during the service life, and the line method shall be adopted to amortize for the intangible assets unable to reliably recognize the expected implementation mode. The specific service life is as follows:

Items	Amortization life time (Year)
Land use right	50 years
Proprietary technology	15 years
Software	5 years

The intangible assets with the indefinite service life shall not be amortized, and the company shall make the review of the service life of the intangible assets during every accounting period.

(5) If there is the impairment for the intangible assets with the definite service life on the balance sheet date, the corresponding impairment provision shall be withdrawn according to the difference between the book value and the recoverable amount. The intangible assets with the indefinite service life and without the usable condition shall be conducted the impairment test every year whether the impairment exists.

2. Accounting Policy of Internal Research and Development Expenditure

The expenditure for internal research and development project in the study stage shall be recorded into the current profits and losses when occurring. The expenditure for internal research and development project in the development stage shall be recognized as the intangible assets when the following requirements are simultaneously met: (1) the completion of the intangible assets is available for use or sale, and feasible in the technology. (2) the intention to complete the intangible assets and use or sale. (3) the method for the economic benefits produced by the intangible assets, including the evidence that shows there exists the market for the products generated from the intangible assets or the intangible assets have the market. The intangible assets are used internally which shows the serviceability. (4) there are sufficient technology, financial resources and other resources to support the completion of the development of the intangible assets, and there is ability to use or sell the intangible assets. (5) the expenditure belong to the development stage of the intangible assets can be reliably measured.

The specific criteria for the division of the internal research and development projects at the research stage and the development stage of the company is as follows: (1) the investigation stage planned to obtain the new technology and knowledge, shall be recognized as the research stage, which has the features of planning and exploration. (2) before the commercial manufacture and use, the research results or other knowledge should be applied for the plan or design, in order to produce the new or improved stages with substantial materials, devices and products, which should be recognized as the

development stage, and this stage has the features of pertinence and more possibility to create the achievement.

20. Long-term Assets Impairment

The company shall make judgment of the long-term assets including the long-term equity investment, the investment property measured by the cost mode, the fixed assets and the projects under construction if there is possible impairment on the balance sheet date. If there exists the evidence shows that the long-term assets have the impairment, the impairment test should be conducted, and the recoverable amount should be estimated. The impairment shall be confirmed if there exists after the comparison of the estimated recoverable amount of the assets and its book value, and if the assets impairment provision shall be withdrawn to recognize the corresponding impairment losses. The estimation of the recoverable amount of assets should be confirmed according to the higher one between the net amount of the fair value minus the disposal costs and the present value of the cash flow of assets expected in the future.

The company shall conduct the impairment test at least every year for the goodwill established by the business combination and the intangible assets with the indefinite service life whether there exists the impairment.

The impairment loss of long-term assets after recognized shouldn't be reversed in the future accounting period.

21. Long-term amortizable expenses

Deferred charges represent expenses incurred that should be borne and amortized over the current and subsequent period (together of more than one year).

The long-term unamortized expense shall be bookkept as per the actual amount occurred, and shall be averagely amortize within the benefit period or the specified period. If the long-term unamortized expense can't make the benefits for the future accounting period, the amortized value of the unamortized project shall all be transferred into the current profits and losses.

22. Remuneration

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Accounting Treatment Method of Short-term Compensation

During the accounting period of service provision of staff, the company shall regard the actual short-term compensation as the liability and record into the current profits and losses or the relevant assets cost as per the beneficiary. Of which, the non-monetary welfare shall be measured as per the fair value.

2. Accounting Treatment Method of Severance Benefit Plans

The severance benefit plans can be divided into the defined contribution plan and the defined benefit plan according to the risk and obligation borne.

(1) The Defined Contribution Plan

The contribution deposits that paid to the individual subject for the services provided by the staffs on the balance sheet date during the accounting period, shall be recognized as the liability, and recorded into the current profits and losses or the relevant asset costs as per the beneficiary.

(2) The Defined Benefit Plan

The defined benefit plan is the severance benefit plans with the exception of the defined contribution plans.

1) Based on the expected cumulative welfare unit method, the company shall adopt unbiased and mutually consistent actuarial assumptions to make evaluation of demographic variables and financial variables, measure and define the obligations arising from the benefit plan, and determine the period of the relevant obligations. The company shall discount all the defined benefit plan obligations, including the obligation within twelve months after the end of the annual report during the expected services provision of employee. The discount rate adopted in discounting shall be recognized according to the bonds matched with the defined benefit plan obligation term and the currency at the balance sheet date or the market return of high-quality corporate bonds in the active market.

2) If there exist the assets for the defined benefit plan, the deficit or surplus arising from the present value of the defined benefit plan obligations minus the fair value of the defined benefit plan assets are recognized as the net liability or the net assets of the defined benefit plan. If there exists the surplus of the defined benefit plan, the lower one between the surplus of the define benefit plan and the upper limit of assets shall be used to measure the net assets of the defined benefit plan. The upper limit of assets refers to the present value of economic benefits obtained from the refund of the defined benefit plans or the reduction of deposit funds of future defined benefit plans.

3) At the end of period, the employee's payroll costs arising from the defined benefit plan are recognized as the service costs, the net interests on the net liabilities or the net assets of the defined benefit plan, and the changes caused by the net liabilities and the net assets of the defined benefit plan that re-measured. Of which, the service costs and the net interests on the net liabilities or the net assets of the defined benefit plan shall be recorded into the current profits and losses or the relevant assets costs, the changes caused by the net liabilities and the net assets of the defined benefit plan that re-measured shall be recorded into other comprehensive incomes, which should not be switched back to the profits and losses during the subsequent accounting period, but the amount recognized from other comprehensive incomes can be transferred within the scope of the rights and interests.

4) The profit or loss of one settlement shall be recognized when settling the defined benefit plan.

3. Accounting Treatment Method of Demission Welfare

The employee compensation liabilities generated by the demission welfare shall be recognized on the early date and recorded into the current profits and losses: (1) when the company can't withdraw the demission welfare provided due to the rundown suggestion or the termination of labor relations plans. (2) when the company recognizes the costs or the expenses related to the reorganization of demission welfare payment.

The earlier one between when the company can't withdraw the rundown suggestion or the termination of labor relations plans at its side and when the costs relevant to the recombination of

dismissal welfare payment, shall be recognized as the liabilities arising from the compensation due to the termination of labor relations with staff and shall be recorded into the current profits and losses. Then company shall reasonably predict and recognize the payroll payable arising from the dismissal welfare. The dismissal welfare, which is expected to finish the payment within twelve months after the end of the annual report recognized, shall apply to the relevant provisions of short-term compensation. The dismissal welfare, which is expected to be unfinished for the payment within twelve months after the end of the annual report recognized, shall apply to the relevant provisions of short-term compensation, shall apply to the provisions related to other long-term employee benefits.

4. Accounting Treatment Method of Other Long-term Employee Benefits

If other long-term employee benefits of employees provided by the company meet the conditions of the defined contribution plan, the accounting treatment shall be made in accordance with the defined contribution plan. Except for these, other long-term benefits shall be made the accounting treatment according to the defined benefit plan, but the changes arising from the re-measurement of net liabilities or net assets of other long-term employee benefits shall be recorded into the current profits and losses or the relevant assets costs.

23. Estimated Liabilities

1. Recognition Criteria of Estimated Liabilities

The liabilities shall be recognized when external guarantee, pending litigation or arbitration, product quality assurance, staff reduction plan, loss contract, recombination obligation, disposal obligation of the fixed assets and other pertinent businesses all meet the following requirements:

- (1) The obligation is the current obligation borne by the company.
- (2) The implementation of the obligation may cause the economic benefits out of the enterprise.
- (3) The amount of the obligation can be measured reliably.

2. Measurement Method of Estimated Liabilities

The estimated liabilities shall be made the initial measurement according to the best estimate of the expenditure required to settle the present obligation. There is the continuous scope for the required expenditure, and the best estimate with the same possibilities resulted from various outcomes within the scope shall be recognized as per the intermediate value. The best estimate should be recognize according to the following methods:

- (1) The best estimate shall be recognized as per the most possible amount if there are matters involved in the single item.
- (2) The best estimate shall be calculated and recognized as per the possible amount if there are matters involved in the multiple item.

If the company pays all the expenses for paying off the estimated liabilities, or partial estimates are compensated by the third party or other parties, the compensation amount should be separately recognized as the assets when the receipt of the compensation amount is basically determined. Meanwhile, the determined compensation amount shall not exceed the book value of the estimated

liabilities recognized.

The company shall make review of the book value of estimated liabilities at the balance sheet date. If there is conclusive evidence that the book value cannot really reflect the current best estimate, the adjustment shall be made for the book value in accordance with the current best estimate.

24. Share payment

1.Accounting Treatment Methods of Share Payment

Share payment is a transaction which is for obtaining the service provided by employees or other parties, where thus the equity instrument is granted , or for bearing the liability confirmed basing on the equity instrument. Share payment is divided into the payment settled by equities and the payment settled by cash.

(1)Shared Payment settled by Equities

The share payment settled by equities, which is used for exchanging the service provided by employees, will be measured according to the fair value of the equity instrument granted to employees on date of grant. The amount of such fair value, under the situation that the rights can only be exercised after the service is finished and the set performance is achieved within the waiting period, and basing on the optimum estimation for the number of equity instrument which exercise rights within the waiting period, will be measured according to straight-line method and counted into relevant costs and expenses. When the rights can be exercised immediately after being granted, the payment will be counted into relevant costs and expenses, and the capital reserve will be increased correspondingly.

On each and every balance sheet date within the waiting period, the Company will make optimum estimations according to the newly-obtained subsequent information after the changes occurred in the number of employees who exercise rights so as to modify the predicted number of the equity instrument of exercising rights. The influence from above-mentioned estimations will be counted into relevant costs and expenses at the current period, and the corresponding adjustment will be made for the capital reserve.

If the fair value of the other parties' service can be reliably measured, the share-based payment settled by equities which is used for exchanging the service of other parties will be measured according to that fair value on date of acquisition. If not, but the fair value of the equity instrument can be reliably measured, the payment will be counted according to the fair value of the equity instrument on date of service acquisition, and it will be counted into relevant costs and expenses, and the equity of the shareholders will be increased correspondingly.

(2) Share Payment settled by Cash

The share payment settled by cash will be measured according to the fair value of the liability confirmed basing on the shares borne by the Company and other equity instruments. If the rights can be exercised immediately after being granted, the payment will be counted into relevant costs or expenses and the liability will be increased correspondingly. If the rights can only be exercised after the situation that service within the waiting period is completed and set performance is achieved, the service obtained at the current period, according to the fair value amount of the liability borne by the Company, and basing on the optimum estimation for the condition of exercising rights, will be counted into costs or expenses on each and every balance sheet date during the waiting period, and the liability will be increased correspondingly.

Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current

period.

2.Relevant Accounting Treatment of Modification and Termination for Share-based Payment Plan

When the Company modifies the share payment plan, if the fair value of the equity instrument granted is increased after the modification, the increase in the service obtained will be correspondingly confirmed according to the increase in the fair value of equity instrument. The increase in the fair value of equity instrument means the balance between the equity instrument before modification and the equity instrument after modification on modification date. If decrease occurred in the total fair value of the equity instrument after the modification or methods which are unbeneficial to employees are adopted in the modification, accounting treatment will still continue to be made for the service obtained, and such changes will be regarded as changes that have never occurred unless the Company has canceled partial or all equity instruments.

During the waiting period, if the granted equity instrument is cancelled, the company will treat the cancelled equity instrument as the accelerated exercise of power, and immediately include the balance that should be recognized in the remaining waiting period into the current profit and loss, and simultaneously confirm the capital reserve. If the employee or other party can choose to satisfy the non-exercisable condition but not satisfied in the waiting period, then the company will treat it as cancellation of the granted equity instrument.

3. Accounting treatment involving the share payment transaction between the Company and the shareholders or the actual controller of the Company

Where involves the share payment transaction between the Company and the shareholders or the actual controller of the Company and one of the parties of the settlement company and the service-accepting company is within the company and the other is not within the company, then the company performs the accounting treatment in the consolidated financial statements of the company according to the following provisions:

(1) If the settlement company settles in its own equity instrument, then it treats the equity payment transaction as the equity-settled equity payment; otherwise, it treats as the cash-settled equity payment.

If the settlement company is an investor to the service-accepting company, it shall be recognized as a long-term equity investment in the service-accepting company in accordance with the fair value of the equity instrument or the fair value of the liability it is assumed to bear on the grant date, and the capital reserve (other capital reserve) or liabilities shall be recognized at the same time.

(2) If the service-accepting company has no settlement obligation or confers its own equity tools on the employees of the company, then such equity payment transaction shall be treated as equity-settled equity payment; if the service-accepting company has the settlement obligation and confers the employees of the company with not its own equity instrument, then such equity payment transaction shall be treated as cash-settled equity payment;

In the case of the equity payment transaction occurs between the companies within the company, and the service-accepting company and the settlement company are not the same company, then the confirmation and measurement of the equity payment transaction shall be carried out respectively in the financial report of the service-accepting company and the settlement company, with the same analogy of the above-said principle.

25. Revenue

1. Recognition Principle of Revenue

(1) The Goods for Sale

The revenue of the goods for sale shall be recognized when the following requirements are met simultaneously: the transfer of main risks and rewards on ownership of the goods to the buyers, the continual management rights related to ownership no longer retained by the company and the effective control of the sold goods no longer implemented, the reliable measurement of the revenue amount, the possible inflow of the relevant economic benefits, and the reliable measurement of the relevant costs incurred or to be incurred.

(2) The Service Provision

If the provided services transaction results can be reliably estimated at the balance sheet date (the reliable measurement of the revenue amount, the possible inflow of the relevant economic benefits, the reliable recognition of the completion schedule of transaction, and the reliable measurement of the relevant costs incurred or to be incurred in the transaction), the company shall recognize the relevant service incomes according to the completion percentage method and recognized the completion schedule of the provided service transaction according to the proportion of the costs occurred accounting for the total estimated costs. If the provided services transaction results cannot be reliably estimated at the balance sheet date and the occurred service costs can be expected to have compensation, the company shall recognize to provide the service revenue according to the occurred service cost amount and transfer the service costs as per the same amount. If the occurred service costs cannot be expected to have compensation, the occurred service costs shall be recorded into the current profits and losses and not be recognized as the service revenue.

(3) The Abalienation of the Right to Use Assets

The revenue of abalienation of the right to use assets shall be recognized when the abalienation of the right to use assets meets the requirements of the possible inflow of the relevant economic benefits and the reliable measurement of revenue amount. The interest income shall be calculated and determined according to time and actual interest rate of the monetary capital of the company used by others, and the royalty revenue shall be measured and determined in accordance with the charging time and method appointed in the relevant contract or agree.

2. The Specific Recognition Method of Revenue

The company mainly sells the polaroid, textiles and other products. The revenue of the sale of products in domestic market shall be recognized after the following requirements are met: The company has agreed to deliver the goods to the purchaser under the contract and the revenue amount of product sales has been determined, the payment for goods has been withdrawn or the payment vouchers has been obtained and related economic benefits are likely to inflow, and the costs related to the products can be measured reliably. The revenue of the sale of products in foreign market shall be recognized after the following requirements are met: The company has made customs clearance and departure from port under the contract, the bill of landing has obtained and the revenue of the sale of products has been recognized, the payment for goods has been withdrawn or the payment vouchers has been obtained and related economic benefits are likely to inflow, and the costs related to the products can be measured reliably.

26. Government subsidy

Government grants are monetary assets and non-monetary assets that the company has obtained free of charge from the government and are divided into government grants related to assets and government grants related to income. Asset-related government grants refer to government grants obtained by the company that are used to purchase or construct or otherwise form long-term assets. Income-related government subsidies refer to government subsidies other than government subsidies related to assets.

If there is evidence at the end of the period that the company is able to meet the relevant conditions stipulated in the financial support policy and it is expected to receive financial support funds, the government subsidies shall be recognized according to the amount receivable. In addition, government grants are confirmed upon actual receipt.

Asset-related government grants are recognized as deferred income and are charged to profit or loss for the current period in a reasonable and systematic manner over the useful life of the relevant assets. Revenue-related government subsidies, which are used to compensate for the related costs or losses of the Company in the future period, are recognized as deferred income, and are recognized in the profits and losses of the current period in the period in which the relevant costs, expenses or losses are recognized. The relevant costs, expenses or losses that have been used to compensate the Company have been directly recorded in the current profits and losses. Government grants related to the company's daily activities are included in other income; those unrelated to the daily activities of the company are included in non-operating income.

For the policy-subsidized discounted loans obtained by the company, the accounting treatment is divided into the following two cases: when the finance allocates the interest-subsidy funds to the loan bank and the loan bank provides the company with a policy-based preferential interest rate, the company uses the actual amount of the loan received as the entry value of the loan, and calculates the relevant borrowing costs according to the loan principal and the preferential policy interest rate; if the finance allocates the interest-free funds directly to the company, the company will reduce the relevant borrowing costs by the corresponding discount interest.

27. The Deferred Tax Assets / The deferred Tax Liabilities

1. Temporary Difference

The temporary difference includes the difference of the book value of assets and liabilities and the tax basis, and the difference of the book value and the tax basis that no confirmation of assets and liabilities but able to confirm the tax basis as per the provisions of tax law. The temporary difference can be classified into the taxable temporary difference and the deductible temporary difference.

2. Recognition Basis of Deferred Tax Assets

For the deductible temporary difference, the deductible loss and the tax payment offset, the company shall recognize the deferred tax assets arising from the future taxable income that obtained to deduce the deductible temporary difference, the deductible loss and the tax payment offset.

The deferred tax assets with the following features and arising from the initial recognition of assets or liabilities in the transaction shall not be recognized: (1) the transaction is not the business

combination. (2) the transaction doesn't influence the accounting profits and the taxable incomes (or the deductible losses).

The company shall recognize the corresponding deferred tax assets for the deductible temporary difference related to the investment of subsidiaries, cooperative enterprises and joint ventures if the following requirements are simultaneously met: (1) the temporary difference is possible to be reversed in the foreseeable future. (2) the taxable income used to offset the deductible temporary difference is possible to be obtained in the future.

3. Recognition Basis of Deferred Tax Liabilities

All the taxable temporary differences shall be recognized as the deferred tax liabilities.

But the company shall not recognize the taxable temporary differences arising from the following transactions as the deferred tax liabilities: (1) the initial recognition of goodwill. (2) the initial recognition of assets or liabilities arising from the transactions with the following features: this transaction is not the business combination, and the transaction doesn't influence the accounting profits and the taxable incomes (or the deductible losses).

The company shall recognize the corresponding deferred tax liabilities for the taxable temporary difference related to the investment of subsidiaries, cooperative enterprises and joint ventures. Except that the following requirements are simultaneously met: (1) the investment enterprise can control the reversal time of the temporary difference. (2) the temporary difference is possible to not be reversed in the foreseeable future.

4. Impairment of Deferred Tax Assets

The company shall review the book value of the deferred tax assets at the balance sheet date. If it is not possible to obtain sufficient taxable income for the reduction of the benefit of the deferred tax assets in the future, the book value of the deferred tax assets shall be deduced. Except that the deferred tax assets and the reduction amount are recorded into the owner's equity when the original recognition, others shall be recorded into the current income tax expense. The book value of the deferred tax assets reduced can be recovered when sufficient taxable income is possibly obtained.

5. Income Tax Expense

The income tax expense should include the current income tax and the deferred income tax.

Other comprehensive income or the current income tax and the deferred income tax related to the transactions and items directly recorded into the stockholders' equity, shall be recorded into other comprehensive incomes or the stockholders' equity, and the book value of goodwill shall be adjusted by the deferred income tax arising from the business combination, but the rest of the current income tax and the deferred income tax expense or income shall be recorded into the current profits and losses.

28. Lease

1. Accounting Treatment Method of Operating Lease

When the company is as the tenant, the rental within the lease term shall be recorded into the relevant assets cost or recognized as the current profits and losses as per the line method, and the initial direct

expense occurred shall be directly recorded into the current profit and loss. The contingent rental shall be recorded into the current profit and loss once the actual occurrence.

When the company is as the leaser, the rental within the lease term shall be recognized as the current profits and losses as per the line method, and the initial direct expense occurred shall be directly recorded into the current profit and loss, except that the large amounts are capitalized and recorded into the profit and loss by stages. The contingent rental shall be recorded into the current profit and loss once the actual occurrence.

2. Accounting Treatment Method of Finance Lease

When the company is as the tenant, the company shall recognize the less one between the fair value of leasing assets and the present value of minimum lease payment at the lease commencement date as the book value of rented assets, recognize the minimum lease payment as the book value of the long-term payables, and the undetermined fiancé expense of the difference and the initial direct costs occurred shall be recorded into the leasing asset value. During each lease period, the current financing charges shall be measured and recognized by the effective interest method.

When the company is as the leaser, the company shall recognize the sum of minimum lease receivables and initial direct expense at the lease commencement date as the book value of finance lease receivables, and record the unguaranteed residual value. Meanwhile, the company shall recognize the difference between the sums of minimum lease receivables, minimum lease receivables and unguaranteed minus the sum of the present value as the unrealized financing income. During each lease period, the current financing charges shall be measured and recognized by the effective interest method.

29. Change of main accounting policies and estimations

(1) Change of main accounting policies

On April 28, 2017, the Ministry of Finance issued the "No. 42 Accounting Standard for Business Enterprises-Non-current Assets for Sale, Disposal Groups, and Termination of Operations", which will take effect from May 28, 2017; On May 10, 2017, the Ministry of Finance issued the "No. 16 Accounting Standards for Business Enterprises-Government Grants (Revised in 2017)", which will take effect from June 12, 2017; in 2017, the Ministry of Finance issued the "Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises", which has revised the format for the Financial Statements of General Enterprises, and thus it shall applied to the financial statements in the year of 2017 and subsequent periods. The above changes in accounting policies were adopted at the third meeting of the seventh board of directors and the tenth meeting of the seventh board of directors of the company, therefore the Company began to implement the above provisions in accordance with the time required by the Ministry of Finance.

The main impact of the Company's implementation of the above three provisions is as follows:

No	Name	Amount	
		2017	2016

No	Name	Amount
1	Non –operating income	-12,567,426.98
2	Other income	12,567,426.98

(2) Change of main accounting estimations

Nil

VI.Taxes of the Company

1. Main taxes categories and tax rate

Taxes	Tax references	Applicable tax rates
VAT	The taxable turnover	17%、5%
Business tax.	The taxable turnover	5%
City construction tax	Turnover tax to be paid allowances	7%
Education surcharge	Turnover tax to be paid allowances	3%
Local education surcharge	Turnover tax to be paid allowances	2%
Business income tax	Taxable income	25%、15%

2. Tax preference and approval file

(1)Shenzhen Shengbo Optoelectronic Technology Co., Ltd., the subsidiary company of our company, has been qualified as national high-tech enterprise since 2016 ,High-tech and enterprise certificate No.: GR201644201276 ,The certificate is valid for three years, The enterprise income tax rate of this year is 15%.

(2).In accordance with relevant provisions of the Notice of Ministry of Finance, General Administration of Customs and State Taxation Administration Regarding Tax Preference Policies for Further Supporting the Development of New-type Display Device Industry (Cai Guan Shui (2016) No. 62), Shenzhen Shengbo Optoelectronic Technology Co., Ltd. manufactured key materials and parts for the upstream industry of new-type display devices including colorful light filter coating and polarizer sheet that comply with the planning for independent development of domestic industries may enjoy the preferential policies of exemption from import tariff for the import of raw materials and consumables for the purpose of self use and production that can not be produced domestically from January 1, 2016 and December 31, 2020.

VII. Notes of consolidated financial statement

Unless otherwise stated, the meaning of "B/f", "C/f", The beginning of the financial statements is the number of financial statements as of January 1, 2017, and the end of the period is the number of financial statements as at 31 December 2017. This term refers to January 1, 2017 - December 31, 2017, The same period refers to January 1, 2016 - December 31, 2016.

1.Monetary Capital

Items	Year-end balance	Year-beginning balance
Cash at hand	17,771.09	22,807.86
Bank deposit	1,163,010,967.65	932,021,522.23
Other monetary funds	2,019,370.09	1,812,582.64
Total	1,165,048,108.83	933,856,912.73
Including : The total amount of deposit	9,044,548.79	23,329,496.78

Notes :As of December 31, 2017, The fixed-term deposit balance of money fund is RMB 3,807,969.50 , this part will not be treated as closing cash or closing cash equivalent in preparing cash flow statement. Monetary unit is RMB yuan

2.Bill receivables

(1). Classification Bill receivable

Items	Year-end balance	Year-beginning balance
Bank acceptance	44,207,119.00	41,908,315.45
Total	44,207,119.00	41,908,315.45

(2). As of December 31, 2016, The company has no Bill receivable pledged.

(3)Notes endorsement or discount and undue on balance sheet date

Items	Amount derecognizing at period	Amount derecognizing at
Bank acceptance	44,145,469.61	
Total	44,145,469.61	

(4). Bill transferred to account receivable for the issuer is not able to execute the liability at the end of period.

3. Account receivable

(1).Classification account receivables.

Classification	Amount in year-end		
	Book balance	Bad debt provision	Book value

	Amount	Proportion (%)	Amount	Proportion(%)	
Accounts receivable of individual significance and subject to individual impairment assessment	6,301,057.07	2.97	3,998,803.02	63.46	2,302,254.05
Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	199,198,855.51	93.99	10,386,734.84	5.21	188,812,120.67
Accounts receivable of individual insignificance but subject to individual impairment assessment	6,448,803.57	3.04	5,060,100.59	78.47	1,388,702.98
Total	211,948,716.15	100.00	19,445,638.45		192,503,077.70

Classification	Amount in year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion(%)	
Accounts receivable of individual significance and subject to individual impairment assessment	6,302,912.11	2.61	4,000,658.05	63.47	2,302,254.06
Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	228,090,819.33	94.56	11,596,924.13	5.08	216,493,895.20
Accounts receivable of individual insignificance but subject to individual impairment assessment	6,816,189.64	2.83	5,390,319.49	79.08	1,425,870.15
Total	241,209,921.08	100.00	20,987,901.67		220,222,019.41

(1)Accounts receivable of individual significance and subject to individual impairment assessment.

Debtor	Amount in year-end			
	Account receivable	Bad debt provision	Proportion(%)	Reason for allowance
Dongguan Fair LCD Co., Ltd.	1,696,548.96	1,696,548.96	100.00	It has been included in the list of national courts

					dishonest debtor, unlikely to recover.
Guangdong Ruili Technology Co., Ltd.	Baolai	1,348,965.36	674,482.68	50.00	Beyond the credit period for a long time, uncertain recovered.
Dongguan Semiconductor Co., Ltd.	Yaxing	3,255,542.75	1,627,771.38	50.00	Beyond the credit period for a long time, uncertain recovered.
Total		6,301,057.07	3,998,803.02		

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

Aging	Balance in year-end		
	Account receivable	Bad debt provision	Proportion(%)
Within 1 year	194,367,620.15	9,718,381.00	5.00
1-2 years	4,221,077.13	422,107.71	10.00
2-3 years	294,164.88	88,249.46	30.00
Over 3 years	315,993.35	157,996.67	50.00
Total	199,198,855.51	10,386,734.84	

(2). Recognition , recovery or reversal of allowance for bad debt:

(1) The account of allowance for bad debts recognised during the period is RMB-1,542,263.22, The amount collected or switches back amounting to RMB332,073.93.

(3)The company has no account receivables written off this period.

(4).The ending balance of receivable owed by the imputation of the top five parties

Name	Nature	Balance in year-end	Aging	Proportion(%)	Bad debt provision
First	Goods	84,934,396.47	Within 1 year	40.07	4,246,719.82
Second	Goods	15,387,796.03	Within 1 year	7.26	769,389.80
Third	Goods	11,842,590.55	Within 1 year	5.59	592,129.53
Fourth	Goods	10,595,933.74	Within 1 year	5.00	529,796.69
Fifth	Goods	7,931,696.50	Within 1 year	3.74	396,584.83
Total		130,692,413.29		61.66	6,534,620.67

4.Prepayments

(1). Disclosure by age

Aging	Balance in year-end		Balance in year-begin	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	13,705,047.27	99.63	5,108,950.81	75.43
1-2 years	11,944.78	0.09	592,795.34	8.75
2-3 years			1,033,416.99	15.26
Over 3 years	38,160.00	0.28	38,160.00	0.56
Total	13,755,152.05	100.00	6,773,323.14	100.00

(2) The ending balance of Prepayments owed by the imputation of the top five parties

Name	Balance in year-end	Proportion
First	4,561,414.73	33.16
Second	2,021,331.57	14.70
Third	1,616,000.00	11.75
Fourth	1,500,000.00	10.91
Fifth	857,565.69	6.23
Total	10,556,311.99	76.75

5.Interest receivable

(1)Category of interest receivable

Items	Amount in year-end	Amount in year-beginning
Trust income	1,627,397.26	
Fixed deposit interest	12,676,572.40	4,925,279.45
Structure deposit interest	1,418,738.58	1,599,384.48
Other financing product	6,164.38	128,219.18
Total	15,728,872.62	6,652,883.11

6. Other receivable

(1) Category of Other receivable

Classification	Amount in year-end				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable of individual significance and subject to individual impairment assessment	13,781,464.60	47.54	13,781,464.60	100.00	
Other accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	14,596,383.53	50.35	1,670,399.08	11.44	12,925,984.45
Other accounts receivable of individual insignificance but subject to individual impairment assessment	611,820.77	2.11	611,820.77	100.00	
Total	28,989,668.90	100.00	16,063,684.45		12,925,984.45

Classification	Amount in year-beginning				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable of individual significance and subject to individual impairment assessment	11,981,464.60	14.20	11,981,464.60	100.00	
Other accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	71,842,367.36	85.19	4,569,810.64	6.36	67,272,556.72

Classification	Amount in year-beginning				Book value
	Book Balance		Bad debt provision		
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable of individual insignificance but subject to individual impairment assessment	511,820.77	0.61	511,820.77	100.00	
Total	84,335,652.73	100.00	17,063,096.01		67,272,556.72

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

Unit	Amount in year-end			
	Other account	Bad debt provision	Withdrawal	Reason for allowance
Jiangxi Xuanli String Co., Ltd.	11,389,044.60	11,389,044.60	100.00	No executable property, unlikely to
Anhui Huapeng Textile Co.,Ltd.	1,800,000.00	1,800,000.00	100.00	Estimated irrecoverable
Shenzhen Tianlong Industry& Trade Co., Ltd.	592,420.00	592,420.00	100.00	Has been concealed, unlikely to recover
Total	13,781,464.60	13,781,464.60		

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

Aging	Amount in year-end		
	Other receivable	Bad debt provision	Withdrawal proportion
Within 1 year	11,352,480.28	567,626.77	5.00
1-2 years	597,886.88	59,788.69	10.00
2-3 years	1,400,122.83	420,036.85	30.00
Over 3 years	1,245,893.54	622,946.77	50.00
Total	14,596,383.53	1,670,399.08	

2.The current amount of provision for bad debts is RMB-999,411.56, no withdraw or return for bad debts.

(3)The company has no other receivables written off this period.

(4) Other accounts receivable classified by the nature of accounts

Category	Year-end balance	Year-beginning balance
Customs bond	1,454,781.62	44,643,087.38
Export rebate	7,804,119.33	18,179,211.88
Unit account	15,211,367.96	16,812,275.87
Deposit	1,752,199.92	1,858,126.16
Reserve fund and staff loans	849,212.52	900,116.01
Other	1,917,987.55	1,942,835.43
Total	28,989,668.90	84,335,652.73

(5). Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Name	Nature	Closing balance	Aging	Proportion of the total year end balance of the accounts receivable(%)	Bad debt provision Closing balance
First	Unit account	11,389,044.60	Over 5 years	39.29	11,389,044.60
Second	Export rebate	7,095,090.85	Within 1 year	24.47	354,754.54
		709,028.48	2-3 years	2.45	212,708.54
Third	Unit account	1,800,000.00	1-2 years	6.21	1,800,000.00
Fourth	Deposit	1,209,290.24	Within 1 year	4.17	60,464.51
Fifth	Deposit	980,461.06	Over 5 years	3.38	490,230.53
Total		23,182,915.23		79.97	14,307,202.72

7. Inventories

(1) Inventories types

Items	Year-end balance	Year-beginning balance
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	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Raw materials	134,843,713.96	12,679,234.15	122,164,479.81	107,814,144.09	9,148,167.24	98,665,976.85
Processing products	3,234,902.35		3,234,902.35	4,519,927.47	279,390.02	4,240,537.45
Finished product	108,902,736.97	24,036,100.64	84,866,636.33	139,369,316.72	32,193,843.63	107,175,473.09
Semi-finished product	79,495,655.06	15,302,692.03	64,192,963.03	91,137,927.46	19,961,869.86	71,176,057.60
Consigned processing	1,156,194.64		1,156,194.64	2,113,669.08		2,113,669.08
Total	327,633,202.98	52,018,026.82	275,615,176.16	344,954,984.82	61,583,270.75	283,371,714.07

(2) Inventory Impairment provision

Items	Year-beginning balance	Increased in current period		Decreased in current period		Year-end balance
		Provision	Other	Transferred back	Other	
Raw materials	9,148,167.24	10,916,215.70		7,385,148.79		12,679,234.15
Processing products	32,193,843.63	23,435,920.64		31,593,663.63		24,036,100.64
Semi-finished product	19,961,869.86	9,374,606.33		14,033,784.16		15,302,692.03
Finished product	279,390.02			279,390.02		
Total	61,583,270.75	43,726,742.67		53,291,986.60		52,018,026.82

8. Other current assets

Items	Year-end balance	Year-beginning balance
Structural Deposit	210,000,000.00	428,000,000.00
Trust financing	800,000,000.00	
Other financing product	10,000,000.00	1,000,000,000.00
After the deduction of input VAT	128,689,874.10	43,157.76
Total	1,148,689,874.10	1,428,043,157.76

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Items	Year-end balance			Year-beginning balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Available-for-sale equity instruments	110,615,036.04	44,579,303.00	66,035,733.04	78,255,766.47	36,689,988.51	41,565,777.96
Measured by fair value	7,994,294.63		7,994,294.63	8,378,730.50		8,378,730.50
Measured by cost	102,620,741.41	44,579,303.00	58,041,438.41	69,877,035.97	36,689,988.51	33,187,047.46
Total	110,615,036.04	44,579,303.00	66,035,733.04	78,255,766.47	36,689,988.51	41,565,777.96

(2) Available-for-sale financial assets measured by fair value at the period-end

Items	Cost	Fair value
Equity instrument available for sale		
Fawer (000030)	8,940,598.31	7,994,294.63
Total	8,940,598.31	7,994,294.63

(3). Available-for-sale financial assets measured by cost at the period-end

Investee	Book balance				Impairment provision				Shareholding proportion among the investees	Cash bonus of the reporting period
	Period-begin	Increase	Decrease	Period-end	Period-begin	Increase	Decrease	Period-end		
Shenzhen Jintian Industry	14,831,681.50			14,831,681.50	14,831,681.50			14,831,681.50	2.39	
Shenzhen Jiafeng Textile Co.,	16,800,000.00			16,800,000.00	16,800,000.00			16,800,000.00	10.80	
Shenzhen Guan Hua Printing &	5,491,288.71			5,491,288.71	5,058,307.01			5,058,307.01	45.00	
Shenzhen Union Development	2,600,000.00			2,600,000.00					2.87	208,000.00
Shenzhen Xiangjiang Trade	160,000.00			160,000.00					20.00	329,439.84
Shenzhen Xinfang Knitting	524,000.00			524,000.00					20.00	
Shenzhen Dailisi Knitting Co.,	2,559,856.26			2,559,856.26					30.00	894,510.00
Anhui Huapeng Textile Co.,	25,410,209.50			25,410,209.50		7,622,659.50		7,622,659.50	50.00	
Shenzhen South Textile Co.,	1,500,000.00			1,500,000.00					9.84	834,023.31
Shenzhen Xieli Automobile Co., \ltd.		4,243,705.44		4,243,705.44		266,654.99		266,654.99	50.00	
Changxing Junying Investment Partnership (LP)		28,500,000.00		28,500,000.00					57.00	

Total	69,877,035.97	32,743,705.44		102,620,741.41	36,689,988.51	7,889,314.49		44,579,303.00		2,265,973.15
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During the reporting period, Shenzhen Delis Underwear Co., Ltd. contracted for foreign operations. (2) On November 13, 2017, Anhui Huapeng Textile Co., Ltd. convened the board of directors, and the original contractor proposed to terminate the contracting operation and adjust the proposal for joint operation of the shareholders of the parties. Thereafter, the original contractor sent a letter to the company stating that it was unable to perform some of the terms of the contract, and the company would further negotiate with the original contractor. (3) The business license of Shenzhen Xieli Automobile Enterprise Co., Ltd. has been revoked by the industry and commerce department. The main asset of the company is the land use right. The liquidation group decided that the Hong Kong shareholders should be responsible for the disposal of the company's asset package. The matter is still in progress at the end of the period.

(4)Changes of the impairment of the available-for-sale financial assets during the reporting period

Category	Available for sale equity instruments	Available for sale debts instruments	Total
Impairment amount at the beginning period	36,689,988.51		36,689,988.51
Current provision	7,889,314.49		7,889,314.49
Including: Transferred from other comprehensive income			
Decreased of this period			
Including:transferred from the increased fair value			
Impairment amount at the end of period	44,579,303.00		44,579,303.00

10.Long-term equity investment

(1)Long-term equity investment

Investees	Opening balance	Increase/decrease							Closing balance	Closing balance of impairment provision
		Add investment			Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision		
I. Joint venture										
Shenzhen Haohao Property Leasing Co., Ltd.	5,106,487.57			262,962.99						5,369,450.56
Shenzhen Xieli Automobile Co., Ltd.	3,977,050.45							-3,977,050.45		
Subtotal	9,083,538.02			262,962.99				-3,977,050.45		5,369,450.56
2. Affiliated Company										
Shenzhen Changlianfa Printing & dyeing Company	1,968,358.12			138,796.89						2,107,155.01
Jordan Garment Factory	2,574,327.77			-196,831.05	-143,594.08					2,233,902.64

Investees	Opening balance	Increase/decrease							Closing balance	Closing balance of impairment provision
		Add investment			Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision		
Hongkong Yehui International Co., Ltd.	11,223,087.09			896,550.79	-741,597.23		707,814.30			10,670,226.35
Subtotal	15,765,772.98			838,516.63	-885,191.31		707,814.30			15,011,284.0
Total	24,849,311.00			1,101,479.62	-885,191.31		707,814.30		-3,977,050.45	20,380,734.5

11. Investment real estate

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

Items	House, Building	Land use right	Construction in process	Total
I. Original price				
1. Balance at period-beginning	304,648,938.91			304,648,938.91
2. Increase in the current period	1,817,783.00			1,817,783.00
3. Decrease in the current period				
4 Year-end balance	306,466,721.91			306,466,721.91
II. Total accumulated depreciation accumulated amortization				
1. Year-begin balance	125,324,391.14			125,324,391.14
2. Increase in the current period	8,036,524.50			8,036,524.50
(1). Provision or amortization	8,036,524.50			8,036,524.50
3. Decrease in the current period				
4 Year-end balance	133,360,915.64			133,360,915.64
III. Impairment provision				
1. Balance at period-beginning				
2. Increased amount of the period				
3. Decrease in the current period				
4. Balance at period-end				
IV. Book value				
1. Book value at period -end	173,105,806.27			173,105,806.27
2. Book value at period-beginning	179,324,547.77			179,324,547.77

(2) Investment real estate without certificate of ownership

Items	Book value	Reason for certificate not granted
Guan Hua Building	48,580,933.33	Settlement audit has not been completed

12. Fixed assets

(1) Fixed assets

Items	Houses & buildings	Machinery equipment	Transportations	Other	Total
I. Original price					
1. Opening balance	492,709,415.27	655,711,038.75	3,691,157.72	20,981,709.48	1,173,093,321.22
2. Increased amount of the period		4,658,269.68		1,491,553.04	6,149,822.72
(1) Purchase		3,298,016.81		1,491,553.04	4,789,569.85
(2) Transferred from construction in progress		1,360,252.87			1,360,252.87
3. Decrease in the current period		1,067,412.90		212,667.94	1,280,080.84
(1) Disposal		22,331.61		211,426.19	233,757.80
4. Balance at period-end	492,709,415.27	659,301,895.53	3,691,157.72	22,260,594.58	1,177,963,063.10
II. Accumulated amortization					
1. Balance at period-beginning	99,253,511.93	333,568,124.02	3,015,711.94	13,570,685.77	449,408,033.66
2. Increase in the current period	14,310,487.48	56,345,813.18	252,738.72	1,687,676.23	72,596,715.61
(1) Withdrawal	14,310,487.48	56,345,813.18	252,738.72	1,687,676.23	72,596,715.61
3. Decrease in the current period		12,014.27		162,872.09	174,886.36
(1) Disposal		12,014.27		162,872.09	174,886.36
4. Balance at period-end	113,563,999.41	389,901,922.93	3,268,450.66	15,095,489.91	521,829,862.91

Items	Houses & buildings	Machinery equipment	Transportations	Other	Total
III. Impairment provision					
1. Balance at period-beginning					
2. Increased amount of the period					
3. Decrease in the current period					
4. Balance at period-end					
IV. Book value					
1. Book value at period-end	379,145,415.86	269,399,972.60	422,707.06	7,165,104.67	656,133,200.19
2. Book value at period-beginning	393,455,903.34	322,142,914.73	675,445.78	7,411,023.71	723,685,287.56

Current depreciation is RMB72,596,715.61 .

13. Project under construction

(1) Project under construction

Items	Year-end balance			Year-beginning balance		
	Book balance	Provision for	Book Net value	Book balance	Provision for	Book Net value
TFT-LCD polarizing film II project	315,430,810.41		315,430,810.41	116,849,202.46		116,849,202.46
2500mm width production line	500,168.25		500,168.25			
Engineering transformation	4,629,218.20		4,629,218.20			
Other	2,009,976.87		2,009,976.87	2,955,028.97		2,955,028.97
Total	322,570,173.73		322,570,173.73	119,804,231.43		119,804,231.43

(2) Changes of significant construction in progress

Name	Budget	Amount at year beginning	Increase at this period	Transferred to fixed assets	Other decrease	Balance in year-end	Proportion(%)	Progress of work	Capitalisation of interest accumulated balance	Including : Current amount of capitalization of interest	Capitalisation of interest ratio (%)	Source of funds
TFT-LCD polarizing film II project	700340	116,849,202.46	198,581,607.95			315,430,810.41	45.04					Collect and Self-
Total		116,849,202.46	198,581,607.95			315,430,810.41	45.04					

14.Intangible assets

(1) List of intangible assets

Items	Land use right	Proprietary technology	Software	Total
I. Original price				
1. Opening balance	48,822,064.61	11,825,200.00	2,143,580.00	62,790,844.61
2. Increased amount of the period			448,200.00	448,200.00
(1) Purchase			448,200.00	448,200.00
3. Decreased at this period				
4. Balance at period-end	48,822,064.61	11,825,200.00	2,591,780.00	63,239,044.61
II. Accumulated amortization				
1. Balance at period-beginning	10,323,775.51	11,825,200.00	943,214.78	23,092,190.29
2. Increase in the current period	960,098.28		316,082.64	1,276,180.92
(1) Withdrawal	960,098.28		316,082.64	1,276,180.92
3. Decreased amount of the period				
4. Balance at period-end	11,283,873.79	11,825,200.00	1,259,297.42	24,368,371.21
III. Impairment provision				
1. Balance at period-beginning				
2. Increase in the current period				
3. Decreased amount of the period				
4. Balance at period-end				
IV. Book value				
1. Book value at period -end	37,538,190.82		1,332,482.58	38,870,673.40
2. Book value at period-beginning	38,498,289.10		1,200,365.22	39,698,654.32

15. Goodwill

(1) Detail

Investee	Balance in year-begin	Increased at this period	Decreased at this period	Balance in year-end
Shenzhen Beauty Century Garment Co., Ltd.	2,167,341.21			2,167,341.21
Shenzhen Shenfang Import and Export Co., Ltd.	82,246.61			82,246.61
Shenzhen Shengbo Optoelectronic Technology Co., Ltd	9,614,758.55			9,614,758.55
Total	11,864,346.37			11,864,346.37

(2) Impairment of goodwill

Investee	Balance in year-begin	Increased at this period	Decreased at this period	Balance in year-end
Shenzhen Beauty Century Garment Co., Ltd.	2,167,341.21			2,167,341.21
Shenzhen Shenfang Import and Export Co., Ltd.	82,246.61			82,246.61
Shenzhen Shengbo Optoelectronic Technology Co., Ltd	9,614,758.55			9,614,758.55
Total	11,864,346.37			11,864,346.37

16. Long term amortize expenses

Items	Balance in year-begin	Increase in this period	Amortized expenses	Other loss	Balance in year-end
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Renovation fee	735,718.08	372,906.32	266,911.17	841,713.23
Other	237,363.60		43,786.75	193,576.85
Total	973,081.68	372,906.32	310,697.92	1,035,290.08

17. Deferred income tax assets/deferred income tax liabilities

(1) Details of the un-recognized deferred income tax assets

Items	Balance in year-end		Balance in year-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets depreciation reserves	5,190,838.04	1,297,709.51	4,114,242.48	1,028,560.61
Unattained internal sales profits	2,680,650.70	402,097.62	2,769,765.25	415,464.80
Changes in fair value of available for sale financial assets	946,303.68	236,575.93	561,867.81	140,466.95
Temporary differences in the formation of equity incentives	152,615.37	38,153.84		
Total	8,970,407.79	1,974,536.90	7,445,875.54	1,584,492.36

(2) Details of unrecognized deferred income tax assets

Items	Balance in year-end	Balance in year-begin
Deductible temporary difference	80,615,487.41	85,972,557.55
Deductible loss	486,014,140.23	620,306,699.39
Total	566,629,627.64	706,279,256.94

Due to the uncertainty which exists in whether sufficient taxable income can be obtained in the future, therefore, delay-tax capital has not been confirmed.

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

Year	Balance in year-end	Balance in year-begin	Remark
2017		134,292,559.16	

Year	Balance in year-end	Balance in year-begin	Remark
2018	129,226,944.33	129,226,944.33	
2019	148,095,898.11	148,095,898.11	
2020	83,990,395.00	83,990,395.00	
2021	124,700,902.79	124,700,902.79	
Total	486,014,140.23	620,306,699.39	

18. Other non-current assets

Items	Balance in year-end	Balance in year-begin
Advance payment for equipment fund	2,772,114.56	
Advance payment for technical services	44,394,879.92	
Total	47,166,994.48	

19. Short-term loan

(1) Categories of short-term loans

Items	Balance in year-end	Balance in year-Beginning
Credit loans	88,638,181.45	12,335,695.77
Total	88,638,181.45	12,335,695.77

20. Account payable

(1) Account payable

Items	Balance in year-end	Balance in year-begin
Within 1 year	96,043,721.23	174,417,235.90
1-2 years	37,402.40	57,989.27
2-3 years	37,083.00	300,642.80
3-4 years	300,642.80	37,090.00
4-5 years	37,090.00	161,238.93
Over 5 years	648,757.75	487,518.82

Total	97,104,697.18	175,461,715.72
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21. Advance account

(1) Advance account

Items	Balance in year-end	Balance in year-begin
Within 1 year	33,708,344.84	29,225,153.57
1-2 years	240,275.96	433,268.34
2-3 years	364,922.45	
Over 5 years	639,024.58	639,024.58
Total	34,952,567.83	30,297,446.49

22. Payable Employee wage

(1) Payable Employee wage

Items	Balance in year-begin	Increase in this period	Payable in this period	Balance in year-end
I. Short-term employee benefits	27,379,719.86	134,810,437.72	132,686,896.93	29,503,260.65
II. Post-employment benefits		10,035,108.48	10,035,108.48	
III. Termination benefit		195,715.00	195,715.00	
Total	27,379,719.86	145,041,261.20	142,917,720.41	29,503,260.65

(2) Short-term remuneration

Items	Balance in year-begin	Increase in this period	Payable in this period	Balance in year-end
1. Wages, bonuses, allowances and subsidies	25,906,098.18	117,837,482.42	115,897,239.12	27,846,341.48
2. Employee welfare		6,463,527.44	6,463,527.44	
3. Social insurance premiums		2,765,780.46	2,765,780.46	
Including: Medical insurance		2,233,692.36	2,233,692.36	
Work injury insurance		259,364.21	259,364.21	
Maternity insurance		272,723.89	272,723.89	

Items	Balance in year-begin	Increase in this period	Payable in this period	Balance in year-end
4. Public reserves for housing		4,994,974.05	4,994,974.05	
5. Union funds and staff education fee	1,473,621.68	2,748,673.35	2,565,375.86	1,656,919.17
Total	27,379,719.86	134,810,437.72	132,686,896.93	29,503,260.65

(3) Defined contribution plans listed

Items	Balance in year-begin	Increase in this period	Payable in this period	Balance in year-end
1. Basic old-age insurance premiums		7,903,171.61	7,903,171.61	
2. Unemployment insurance		335,333.49	335,333.49	
3. Annuity payment		1,796,603.38	1,796,603.38	
Total		10,035,108.48	10,035,108.48	

23. Tax Payable

Items	At end of term	At beginning of term
VAT	548,014.78	6,142,344.63
City Construction tax	34,389.37	523,339.31
Enterprise Income tax	3,912,084.91	4,152,120.51
Individual Income tax	704,212.04	428,263.53
House property Tax	1,541,424.38	1,538,122.93
Education surcharge	22,055.75	373,812.63
Other	173,081.34	837,722.65
Total	6,935,262.57	13,995,726.19

24. Interest Payable

Items	At end of term	At beginning of term
Interest on long-term borrowings payable	45,570,662.08	42,805,384.31
Interest on short-term borrowings	228,881.96	37,221.21

Items	At end of term	At beginning of term
Total	45,799,544.04	42,842,605.52

25.Other payable

(1) Disclosure by nature

Items	At end of term	At beginning of term
Engineering Equipment fund	34,977,749.54	46,903,714.95
Unit account	48,697,613.74	49,538,660.22
Deposit	25,090,664.49	24,625,922.69
Restrictive stock repurchase obligation	27,230,679.00	
Other	19,030,092.77	26,040,292.33
Total	155,026,799.54	147,108,590.19

26.Non-currentliabilitiesdue within 1 year

Items	At end of term	At beginning of term
Long-term borrowings due with in	40,000,000.00	40,000,000.00
Total	40,000,000.00	40,000,000.00

The long-term borrowings at the end of period are the borrowings extended to the Company by Pingan Bank.Shenzhen Jiangsu Building Branch. Entrusted by Shenzhen Shenchao Technology Investment Co.,Ltd.

27.Long-term borrowings

(1) Long-term term borrowings

Items	At end of term	At beginning of term
Credit borrowings	40,000,000.00	80,000,000.00
Total	40,000,000.00	80,000,000.00

The long-term borrowings at the end of period are the borrowings extended to the Company by Pingan Bank.Shenzhen Jiangsu Building Branch. Entrusted by Shenzhen Shenchao Technology Investment Co.,Ltd.

28.Deferred income

Items	Balance in	Increase at this	Decrease at this	Balance in year-end
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	year-begin	period	period	
Government Subsidy	110,045,784.62	31,488,137.00	6,766,856.90	134,767,064.72
Total	110,045,784.62	31,488,137.00	6,766,856.90	134,767,064.72

Details of government subsidy:

Items	Balance in year-begin	New grants amount of this period	Profit and loss amount recorded in the current period	Other transfer amount	Balance in year-end	Income related to assets
Textile special funds	857,142.88		142,857.15		714,285.73	Related to assets
High-tech Industrialization demonstration projects	600,000.00		200,000.00		400,000.00	Related to assets
National grant funds for new flat panel display industry	3,000,000.00		1,000,000.00		2,000,000.00	Related to assets
Grant funds for TFT-LCD polarizer industry project	6,933,333.34		1,300,000.00		5,633,333.34	Related to assets
Grant funds for TFT-LCD polarizer narrow line (line 5) project	3,000,000.00		500,000.00		2,500,000.00	Related to assets
Purchase of imported equipment and technology	1,027,197.18		175,090.20		852,106.98	Related to assets
Innovation and venture capital for TFT-LCD polarier I project	300,000.00		50,000.00		250,000.00	Related to assets
Shenzhen polarizing materials and Technology Engineering Laboratory innovation venture capital	412,500.00		50,000.00		362,500.00	Related to assets
Shenzhen Engineering laboratory polarizing material and technical engineering	4,125,000.00		500,000.00		3,625,000.00	Related to assets

Capital funding for Technology Center	2,475,000.00		300,000.00		2,175,000.00	Related to assets
Subsidy funds to support the introduction of advanced technology	86,328.60		14,388.09		71,940.51	Related to assets
Grant funds for TFT-LCD polarizer narrow line (line 6) project	15,000,000.00				15,000,000.00	Related to assets
Grant funds for TFT-LCD polarizer narrow line (line 6) project	10,000,000.00				10,000,000.00	Related to assets
Grant funds for TFT-LCD polarizer narrow line (line 6) project	500,000.00				500,000.00	Related to assets
key technology research and development projects of optical compensation film for polarizer	5,000,000.00		375,000.00		4,625,000.00	Related to assets
Strategic industries Development fund of Guangdong Province	25,000,000.00				25,000,000.00	Related to assets
Grants of Purchase equipment of TFT-LCD polarizing film phase II project	30,000,000.00				30,000,000.00	Related to assets
Energy saving transformation grant funds	145,744.42		29,642.93		116,101.49	Related to assets
Polarization Industrialization Project for Super Large-sized TVs (Line 7) Central Budget Investment		30,000,000.00			30,000,000.00	Related to assets
Old Elevator Renovation Fund Subsidy		1,218,640.00	276,843.33		941,796.67	Related to assets
Loan interest	725,833.20			725,833.20		Related to assets

Imported equipment and technology discount funds	857,705.00			857,705.00		Related to assets
In 2016, the National Foreign Trade and Economic Cooperation Commission developed a special fund to import interest subsidies		269,497.00		269,497.00		Related to assets
Total	110,045,784.62	31,488,137.00	4,913,821.70	1,853,035.20	134,767,064.72	

(1).According to the "Notice on National Development and Reform Commission to the General Office of the textile project management of the special funds" (Faigaiban [2006]2841), on December 22, 2006, the Company received "Textile special" funds RMB 2,000,000.00 from Shenzhen Finance Bureau. The company will use 14 years as asset depreciation period for amortization with the corresponding equipment in current period. The amortization in accordance with the corresponding equipment, The non-operating income in current period is RMB142,857.88, the ending balance of uncompleted amortization is RMB714,285.73 .

(2).According to the document of Shenzhen Municipal Development and Reform Commission 【2009】 No. 416 that "The Notice On issued the Governmental Investment Plan in 2009 on Zhong Ke New Industrial Internet Security Audit System and Other High-tech Industrialization Demonstration Project and the Public Testing and Consultation Service of Information Security Industry and other National High-tech Industrial Base Platform Projects", on May 2009, the company received the Shenzhen Municipal Development and Reform Commission high-tech industrialization demonstration project supporting Capital RMB 2 million allocated by Shenzhen City Bureau of Finance for the construction of "The Project of the Construction Line of Polaripiece for TFT-LCD".Our company will use 10 years as asset depreciation period for amortization in current period. The non-operating income in current period is RMB 200,000.00 and the balance amount of unfinished final amortization is RMB 400,000.00.

(3). According to the document of the Office of the State Development and Reform Commission on "The Office of the State Development and Reform Commission on the Reply of New Flat-Panel Display Industrialization Special Project" (Development and Reform Office High-Tech 【2008】 No. 2104), the company obtained the state subsidies RMB 10,000,000.00 from the State Development and Reform Commission New Flat-Panel Display Industrialization Special Project for the construction of "The Project of Polaripiece Industrialization for TFT-LCD". On June 2009, December 2009 and April 2010, the company received the special subsidies of State Development and Reform Commission RMB 10,000,000.00. Our company will use 10 years as asset depreciation period for amortization. The non-operating income in current period is RMB100,000.00, the balance amount of unfinished final amortization is RMB2,000,000.00.

(4). In accordance with the Notice of Forwarding the Reply of General Office of State Development and Reform Commission Regarding Special Plan for Strategic Transformation and Industrialization of Color TV Industry issued by Shenzhen Development and Reform Commission

(Shen Fa Gai (2011) No. 823), State Development and Reform Commission approved including the project of industrialization of polarizer sheet for TFT-LCD of Shengbo Optoelectronic Company into the special plan for strategic transformation and industrialization of color TV industry in 2010 and appropriated national aid of RMB 10,000,000.00 to Shengbo Optoelectronic Company for the research and development in the process of the project of industrialization and the purchase of required software and hardware equipment. On June 2012 and September 2013, the company received the national grants of RMB 10,000,000.00.. According to the Notice of Issuing the Governmental Investment Plan for 2011 Regarding Demonstration Project of High-tech Industrialization Including Specialized Services Such As Disaster Recovery of Financial Information System issued by Shenzhen Development and Reform Commission (Shen Fa Gai (2012) No. 3), the Company received subsidy of RMB 3,000,000.00 for the project of industrialization of polarizer sheet for TFT-LCD in April 2012. Our company will use 10 years as asset depreciation period for amortization in current period. The non-operating income in current period is RMB1,300,000.00. and the balance amount of unfinished final amortization is RMB5,633,333.34.

(5). According to the Notice about the Plan for Supporting the Second Group of Enterprises in Biological, Internet, New Energy and New Material Industries with Special Development Funds (Shen Fa Gai (2011) No. 1782), the Company received subsidy of RMB 5,000,000.00 for the narrow-width line (line 5) of phase-I project of polarizer sheet for TFT-LCD on February 2012. The Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB5,000,000.00 and the balance amount of unfinished final amortization is RMB2,500,000.00.

(6). On October 2013, The company received the grants for the purchase of imported equipment and technology in 2012 of RMB 1,750,902.00, the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB175,090.20 and the balance amount of unfinished final amortization is RMB852,106.98.

(7). On December 2013, The company received the funds for innovation and entrepreneurship of TFT-LCD polarizing project from Pingshan New District Development and Finance Bureau of RMB 500,000.00(matching funding category),the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB50,000.00 and the balance amount of unfinished final amortization is RMB250,000.00.

(8)On December 2013, The company received the funds for innovation and entrepreneurship of TFT-LCD polarizing project from Pingshan New District Development and Finance Bureau of RMB 500,000.00(matching funding category),the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB50,000.00 and the balance amount of unfinished final amortization is RMB362,500.00.

(9). According to the Approval of Application of Shenzhen Shengbo Optoelectronic Technology Co., Ltd. for Project Funds for Shenzhen Polarization Material and Technology Engineering Laboratory (Shen Fa Gai (2012) No. 1385), Shenzhen Polarization Material and Technology Engineering Laboratory was approved to be established on the strength of Shengbo Optoelectronic with total project investment of RMB 24,390,000.00. As approved by Shenzhen Municipal People's

Government, this project was included in the plan for supporting the fourth group of enterprises with special fund for the development of strategic new industries in Shenzhen in 2012 (new material industry). According to the Notice of Issuing the Plan for Supporting the Fourth Group of Enterprises with Special Fund for Development of Strategic New Industries in Shenzhen in 2012 (Shen Fa Gai (2012) No. 1241), the Company received subsidy of RMB 5,000,000.00 on December 2012 for purchasing instruments and equipment and improving existing technological equipment and test conditions. The fund gap will be filled by the Company through raising funds by itself. the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB500,000.00 and the balance amount of unfinished final amortization is RMB3,625,000.00.

(10). According to the "Announcement on the Identification of Technology Centers of 24 Enterprises including Shenzhen Yuanwanggu Information Technology Joint Stock Company Limited as the Municipal Research and Development Centers (Technical Center)" (SJMXXJS [2013] No.137), the research and development center of Shenzhen SAPO Photoelectric Co., Ltd. has been regarded as 2012 annual municipal R&D center. In December 2013, the company has received the funding subsidy of RMB3 million for the construction of the technical center. the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB300,000.00 and the balance amount of unfinished final amortization is RMB2,175,000.00.

(11)On March 2014 the company received the introduction of advanced technology import subsidy funds of RMB 143,881.00 from Shenzhen Finance Committee, the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The non-operating income in current period is RMB14,388.09 and the balance amount of unfinished final amortization is RMB71,940.51.

(12). According to the "Shenzhen Municipal Development and Reform Commission Reply for Shenzhen Shengbo Optoelectronic Technology Co., Ltd. application for local matching funds of TFT-LCD polarizing film II project (Line 6) " (Shenzhen DRC [2013]No. 1771), the company obtained TFT-LCD polarizing film II project (line 6) local matching funds of RMB 15,000,000.00 in April 2014.The fund gap will be filled by the Company through raising funds by itself. The subsidy will be amortized over the depreciation period from the day when relevant assets get ready for intended use.

(13). According to "National Development and Reform Commission issued on industrial transformation and upgrading projects (2nd industrial restructuring) notify the central budget for 2014 investment plan" (NDRC Investment [2014] No. 1280), the company obtained TFT- LCD polarizer II project (line 6) state grants of RMB 10,000,000.00 in December 2014.The fund gap will be filled by the Company through raising funds by itself. The subsidy will be amortized over the depreciation period from the day when relevant assets get ready for intended use.

(14). In December 2014, the company received innovation venture capital (matching funding category) for Ping Shan District Development and Finance Bureau of TFT-LCD polarizing film II project (line 6) of RMB 500,000.00.The fund gap will be filled by the Company through raising funds by itself. The subsidy will be amortized over the depreciation period from the day when relevant

assets get ready for intended use;

(15) On Jan. 2015, the company received RMB 5 million of grants for key technology research and development projects of optical compensation film for polarizer from Shenzhen Scientific and Technological Innovation Committee. The company has reached the expected date of use of the assets., the Company planned to amortize the subsidy over 10 years according to the depreciation period of relevant assets. The other income in current period is RMB375,000.00 and the balance amount of unfinished final amortization is RMB4,625,000.00.

(16). According to “Reply on Congregating Development in Emerging Industrial Area Strategic Pilot Implement Scheme of Guangdong Province ”(Reform and Development Office High-Tech [2013] No.2552, On December 2015, the Company received RMB20 million of the pilot project fund(period II project of TFT-LCD polarizer). On October 2016, the Company received RMB 5 million of Shenzhen strategic emerging industries and the future development of industrial matching funds, The company will defer income share transferred in the current profit and loss on the basis of depreciation life as of the date of the predetermined workability state the related assets

(17). According to Reform and Development Commission of Shenzhen Municipality sending the notice of “Reply of National Reform and Development Office on Investing in Petrification and Medicine Project within Central Budget of 2013 for Industry Structure Adjustment Special Project”(Reform and Development Commission of Shenzhen Municipality [2013]No.1449) , the Company received 30 million RMB of new production line of TFT-LCD polarizer project period II and equipment purchase subsidy in August 2015 ,December 2015 and September 2016. The company will defer income share transferred in the current profit and loss on the basis of depreciation life as of the date of the predetermined workability state the related assets reach.

(18). In 2015 and In 2016, the Company received the subsidy funds of 202,608.00 RMB and 34,535.45 RMB on energy-saving reconstruction, amortized by 8-year depreciation life of the relevant asset, the Other income was RMB 29,642.93 at the current period, the ending balance without amortization was RMB 116,101.49.

19. According to the Notice of the Ministry of Industry and Information Technology of the National Development and Reform Commission for Releasing the Central Budgetary Investment Plan of the 2017 of the Technical Transformation of the Electronic Information Industry (NDRC Investment {2017} No. 1649), the company received oversize TV for use in November 2017. In November 2017, the company received an central budgetary investment of RMB 30,000,000.00 of the oversized TV polarizer industry project. The company shall transfer the deferred income to the current profit or loss for the period of depreciation from the date when the relevant assets are ready for their intended use.

20. In 2017, the company received 1,218,640.00 yuan for the old elevator upgrade subsidy, which was apportioned according to the depreciation period of the relevant assets. The current period was included in other income of 276,843.33 yuan, and the unassessed balance at the end of the period was 941,796.67 yuan.

29. Stock capital

	Year-beginning balance	Changed (+, -)					Year-end balance
		Issuance of new share	Bonus shares	Capitali zation of public reserve	Other	Subtotal	
Total shares	506,521,849.00	4,752,300.00				4,752,300.00	511,274,149.00

According to the Proposal on '2017 Restricted Stock Incentive Plan (Draft) and its Abstract of Shenzhen Textile (Group) Co., Ltd.' adopted by the company in the resolution of the 3rd Extraordinary General Meeting of 2017, On December 14, 2017, the company granted 4,752,300 shares of restricted stock to the incentive target, and the grant price was 5.73 yuan/share. A total of 27,230,679.00 yuan of investment funds were received, of which 4,752,300.00 yuan was included in share capital, 22,478,379.00 yuan was included in the capital reserve. Restricted stock incentive plans will be lifted at the rates of 40%, 30%, and 30% for the 12 months, 24 months, and 36 months on the first trading day after 24 months from the date of registration is granted. After the lifting of the restricted sales, the company handles the lifting of sales restrictions for the incentive objects that satisfy the conditions for releasing restrictions on sales, and the restricted stocks held by the incentive objects that do not satisfy the conditions for lifting restrictions on sales are cancelled by the company's repurchase. As of December 31, 2017, the company confirmed that the restricted stock treasury shares with repurchase obligations were RMB 27,230,679.00.

30. Capital reserve

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Share premium	1,826,482,608.54	22,478,379.00		1,848,960,987.54
Other	10,722,643.41	6,317,844.22		17,040,487.63
Total	1,837,205,251.95	28,796,223.22		1,866,001,475.17

The capital (equity) premium increased by RMB 22,478,379.00 in the current period, see Note 5 (29). The increase in other capital reserves includes: The increase in other capital reserves includes: confirmation of 284,491.54 yuan of restricted stock incentive expenses of current period; an increase of 6,033,352.68 yuan of other capital reserve due to changes in other equity of long-term equity investment units.

31. Treasury stock

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Treasury stock		27,230,679.00		27,230,679.00

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Total		27,230,679.00		27,230,679.00

See to Note V(29)

32. Other Comprehensive income

Items	Year-beginning balance	Amount of current period					Year-end balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss in other comprehensive income	Less: Income tax	After - tax attributable to the parent company	After - tax attributable to minority shareholders	
1. Other comprehensive income will be reclassified into income or loss in the future							
Including: remeasurement of net assets or net liabilities of defined benefit plans							
Share of other comprehensive income of the investee that cannot be transferred to profit or loss accounted for using the equity method							
2. Other comprehensive income reclassifiable to profit or loss in subsequent periods	3,392,222.07	-1,269,627.18		-96,108.98	-1,173,518.20	-	2,218,703.87
Including: Share of other comprehensive income of the investee that cannot be transferred to profit or loss accounted for using the equity method							
Gains and losses from changes in fair value of financial assets available for sale	1,789,105.39	-384,435.87		-96,108.98	-288,326.89		1,500,778.50
Held-to-maturity investment that is reclassified as financial							

Items	Year-beginning balance	Amount of current period					Year-end balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss in other comprehensive income	Less: Income tax	After - tax attributable to the parent company	After - tax attributable to minority shareholders	
assets available for sale							
Effective gains(losses) arising from cash flow hedging instruments							
Translation differences of financial statements denominated	1,603,116.68	-885,191.31			-885,191.31		717,925.37
Total of other comprehensive income	3,392,222.07	-1,269,627.18		-96,108.98	-1,173,518.20		2,218,703.87

33.Surplus reserve

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Statutory surplus reserve	73,710,682.05	3,766,360.14		77,477,042.19
Total	73,710,682.05	3,766,360.14		77,477,042.19

The increase in the surplus reserves for the current period is caused by the legal surplus reserves withdrawn as per 10% of the net profits of the parent company.

34.Retained profits

Items	Amount of this period	Amount of last period
Before adjustments: Retained profits at the period end	-81,275,828.76	9,166,137.97
Adjustment: Total unappropriated profits at the beginning of the year		
After adjustments: Retained profits at the period beginning	-81,275,828.76	9,166,137.97
Add: Net profit attributable to owners of the Company for the period	52,776,101.46	-87,270,604.54
Less: Appropriation to statutory surplus reserve	3,766,360.14	3,171,362.19
Appropriation to discretionary surplus reserve		
Appropriation to Common risk provision		
Common stock dividend payable		
Common stock dividends Converted to shares		
Retained profits at the period end	-32,266,087.44	-81,275,828.76

35.Business income, Business cost

(1) Business income, Business cost

Items	Amount of current period	Amount of previous period
Income from Main Business	1,453,285,358.21	1,194,070,877.33
Other Business income	22,260,361.51	4,129,339.09
Total	1,475,545,719.72	1,198,200,216.42
Main business cost	1,294,313,208.94	1,124,006,316.97
Other business cost	5,290,510.43	4,128,171.57

Total	1,299,603,719.37	1,128,134,488.54
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(2) Main business (Industry)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Domestic and foreign trade	490,391,227.85	481,342,760.55	335,055,650.00	331,069,725.53
Manufacturing	869,112,546.94	786,401,813.99	766,658,201.79	766,963,524.67
Property management, leasing	93,781,583.42	26,568,634.40	92,357,025.54	25,973,066.77
Total	1,453,285,358.21	1,294,313,208.94	1,194,070,877.33	1,124,006,316.97

(3) Main business (Production)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Property and rental income	93,781,583.42	26,568,634.40	92,357,025.54	25,973,066.77
Textile income	41,273,987.57	37,280,504.80	29,011,426.03	29,754,708.71
Polaroid income	851,531,250.79	771,786,016.96	798,562,759.96	796,982,437.95
Trade income	466,698,536.43	458,678,052.78	274,139,665.80	271,296,103.54
Total	1,453,285,358.21	1,294,313,208.94	1,194,070,877.33	1,124,006,316.97

(4) Main Business (Area)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Domestic	1,081,489,243.21	937,367,743.11	735,985,879.85	666,419,200.41
Oversea	371,796,115.00	356,945,465.83	458,084,997.48	457,587,116.56
Total	1,453,285,358.21	1,294,313,208.94	1,194,070,877.33	1,124,006,316.97

(5) Operating income from top five clients

Name	Income	Proportion
First	331,163,008.11	22.44%

Second	239,193,499.55	16.22%
Third	160,533,333.31	10.88%
Fourth	94,020,137.88	6.37%
Fifth	53,901,190.74	3.65%
Total	878,811,169.59	59.56%

36. Business tax and subjoin

Items	Amount of current period	Amount of previous period
Business tax	2,582,286.91	1,715,285.95
Urban construction tax	2,614,191.92	1,661,949.35
Education surcharge	1,867,281.00	1,189,198.70
House taxes	5,654,961.18	4,255,454.46
Other	1,244,275.86	1,515,360.09
Total	13,962,996.87	10,337,248.55

According to the No. 53 Notice of SAT on Several Management Problems on Pilot of the Policy to Replace the Business Tax with a Value-Added Tax of SAT at 2016, the company paid a sales tax of 2,582,286.91 yuan for the sale of stock, a city maintenance and construction tax of 180,760.08 yuan, an additional education fee of 129,114.35 yuan for the local education fee.

37. Sales expenses

Items	Amount of current period	Amount of previous period
Wage	3,964,710.67	3,526,911.70
Transportation changes	3,658,484.53	3,597,049.16
Exhibition fee	128,319.69	144,038.99
Advertising expenses	1,028,166.65	1,500,682.28
Business expenses	546,124.92	658,449.42
Samples and product loss	614,890.41	734,568.30
Other	9,940,696.87	10,161,699.85
Total		

38. Administrative expenses

Items	Amount of current period	Amount of previous period
Wage	47,129,961.42	37,908,622.64
Including : Equity incentive fee	356,400.00	
R & D	39,036,089.05	39,308,762.42
Depreciation of fixed assets	7,515,631.05	6,334,069.36
Water and electricity	3,207,271.84	3,691,710.81
Agency expenses	2,463,731.11	3,622,603.75
Intangible assets amortization	1,276,180.92	1,190,516.13
Travel expenses	1,200,930.15	1,263,416.46
Office expenses	1,056,086.57	1,275,950.04
Business entertainment	987,917.92	1,266,522.93
Lawsuit expenses	797,131.31	213,591.27
Repair charge	670,928.38	588,210.55
Property insurance	448,304.56	482,301.29
Low consumables amortization	205,480.20	39,235.00
Board fees	57,031.35	66,038.00
Other	8,303,925.82	7,388,191.76
Tax		2,231,023.75
Low consumables amortization		30,966.96
Total	114,356,601.65	106,901,733.12

39. Financial Expenses

Items	Amount of current period	Amount of previous period
Interest expenses	4,130,427.79	4,387,599.58
Interest income	-34,831,809.25	-25,566,161.61
Exchange loss	-2,979,397.55	17,779,034.00
Fees and other	2,509,618.20	1,721,391.38
Total	-31,171,160.81	-1,678,136.65

40. Loss of assets impairment

Items	Amount of current period	Amount of previous period
I. Losses for bad debts	-2,541,674.78	3,369,678.06
II. Losses for falling price of inventory	43,726,742.67	39,117,206.06
III. Impairment losses on financial assets available for sale	7,622,659.50	
Total	48,807,727.39	42,486,884.12

41. Investment income

(1).Detail

Items	Amount of this period	Amount of last period
Investment income from the disposal of long-term equity investment	1,101,479.62	1,467,403.29
Hold the investment income during from available-for-sale financial assets	2,568,609.75	3,756,010.47
Trust income	49,885,730.58	
Total	53,555,819.95	5,223,413.76

(2).Long-term equity investment income by Equity method

Name	Amount of current period	Amount of previous period
Shenzhen Haohao Property Leasing Co., Ltd.	262,962.99	708,646.69
Shenzhen Xieli Automobile Co., Ltd.		181,746.48
Shenzhen Changlianfa Printing and dyeing Company	138,796.89	96,981.03
Jordan Garment Factory	-196,831.05	-1,007,494.50
Yehui International Co., Ltd.	896,550.79	1,487,523.59
Total	1,101,479.62	1,467,403.29

42. Other income

Name	Amount of current period	Amount of previous period
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Name	Amount of current period	Amount of previous period
Government subsidy	12,567,426.98	
Total	12,567,426.98	

Government subsidy projects:

Items	Amount of this period	Amount of last period	Assets-related/ income -related
Subsidy amortization of the project of TFT-LCD polarizer industrialization	1,300,000.00		Related to assets
National grant funds for new flat panel display industry	1,000,000.00		Related to assets
Grant funds for TFT-LCD polarizer narrow line (line 5) project	500,000.00		Related to assets
Shenzhen polarizing material and technical engineering	500,000.00		Related to assets
Amortization of funds for the Development of key Technology of Optical compensation Film for Polarizer	375,000.00		Related to assets
Subsidy funds to support the introduction of advanced technology	300,000.00		Related to assets
Old Elevator Renovation Fund Subsidy	276,843.33		Related to assets
National grant funds for new flat panel display industry	200,000.00		Related to assets
Imported equipment and technology discount funds	175,090.20		Related to assets
Textile special funds	142,857.15		Related to assets
Innovation entrepreneurship fund amortization of TFT-LCD polarizer period I project for Pingshan New District Development and Finance Bureau	50,000.00		Related to assets
Shenzhen Engineering laboratory polarizing material and technical engineering	50,000.00		Related to assets
Energy saving transformation grant funds amortization	29,642.93		Related to assets
Financing aid amortization of introducing advanced technique	14,388.09		Related to assets
2016 Finance Committee subsidies for productive utilities	4,027,500.00		Related to income

2016 Enterprise R & D funding	2,892,000.00		Related to income
Shenzhen Science & Technology Innovation Committee allocated 2016 annual science and technology award	500,000.00		Related to income
Stable employment subsidies	189,605.28		Related to income
Patent funding	27,000.00		Related to income
Subsidy of the exhibition	17,500.00		Related to income
Total	12,567,426.98		

43. Non-Operation income

1. Detail

Items	Amount of current period	Amount of previous period	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	1,510.00		1,510.00
Including: Gains from disposal of fixed assets	1,510.00		1,510.00
Government Subsidy		9,578,484.46	
Other	786,057.93	5,493,962.69	786,057.93
Total	787,567.93	15,072,447.15	787,567.93

2. Government subsidy

Items	Amount of this period	Amount of last period	Assets-related/ income -related
Grant funds for TFT-LCD polarizer narrow line (line 5) project		500,000.00	Related to assets
Purchase of imported equipment and technology		175,090.20	Related to assets
Textile special funds		142,857.14	Related to assets
Government R & D subsidies		200,000.00	Related to assets

High-tech Industrialization demonstration projects		1,000,000.00	Related to assets
Loan subsidy interest allocated by Finance Commission of Shenzhen Municipality		241,944.44	Related to assets
Subsidy amortization of the project of TFT-LCD polarizer industrialization		1,300,000.00	Related to assets
Innovation entrepreneurship fund amortization of TFT-LCD polarizer period I project for Pingshan New District Development and Finance Bureau		50,000.00	Related to assets
Financing aid amortization of introducing advanced technique		14,388.10	Related to assets
Innovation entrepreneurship subsidy of Pingshan New District Development and Finance Bureau		177,600.00	Related to income
Stable employment subsidies		770,617.05	Related to income
Longgang Bureau of subsidies		20,000.00	Related to income
Subsidy of the exhibition		27,300.00	Related to income
Interest subsidy		38,851.00	Related to income
Patent funding		2,000.00	Related to income
Financial subsidy funds for recycling projects in the park		89,000.00	Related to income
High-tech major projects Special funds		3,940,200.00	Related to income
Shenzhen Engineering laboratory polarizing material and technical engineering		50,000.00	Related to assets
Shenzhen polarizing material and technical engineering		500,000.00	Related to assets
Capital funding for Technology Center		300,000.00	Related to assets
Energy saving transformation grant funds amortization		38,636.53	Related to assets
Total		9,578,484.46	

44. Non-current expenses

Items	Amount of current period	Amount of previous period	The amount of non-operating gains & losses
Total of non-current asset Disposition loss	53,641.44	138,610.37	53,641.44

Incl: loss of fixed assets disposition	53,641.44	138,610.37	53,641.44
Other	1,961,815.52	81.57	1,961,815.52
Total	2,015,456.96	138,691.94	2,015,456.96

45. Income tax expenses

(1) Income tax expenses

Items	Amount of current period	Amount of previous period
Current income tax expense	11,572,753.97	8,465,565.16
Deferred income tax expense	-293,935.56	818,507.24
Total	11,278,818.41	9,284,072.40

(2) Reconciliation of account profit and income tax expenses:

Items	Amount of current period
Total profits	84,940,496.28
Income tax computed in accordance with the applicable tax rate	21,235,124.08
Effect of different tax rate applicable to the subsidiary Company	-7,259,676.43
Influence of income tax before adjustment	19,332.03
Influence of non taxable income	-595,469.40
Impact of non-deductible costs, expenses and losses	359,315.09
Affect the use of deferred tax assets early unconfirmed deductible losses	3,479,680.00
The current period does not affect the deferred tax assets recognized deductible temporary differences or deductible loss	-1,080,138.26
Other	-4,879,348.70
Income tax expense	11,278,818.41

46. Other comprehensive income

(1). Other comprehensive income items and income tax effects and transferred to profit and loss

Items	Amount of current period	Amount of previous period
I. Net amount included in other comprehensive income that cannot be transferred to profit or loss in the future		

Items	Amount of current period	Amount of previous period
I.Share of other comprehensive income of the investee that cannot be transferred to profit or loss accounted for using the equity method		
II. Net amount included in other comprehensive income that can be transferred to profit or loss in the future	-1,173,518.20	180,034.72
1.Share of other comprehensive income of the investee that can be transferred to profit or loss accounted for using the equity method		
Less: Previously recognized in other comprehensive income, Profit or loss in current period		
Subtotal		
2. The income gains (losses) amount of available for sale financial assets	-384,435.87	-1,675,746.10
Less: Recognized in other comprehensive income that tax effect amount	-96,108.98	-418,936.52
Less: Previously recognized in other comprehensive income, Profit or loss in current period		
Subtotal	-288,326.89	-1,256,809.58
3.Translation differences of financial statements denominated in foreign currencies	-885,191.31	1,436,844.30
Less: Previously recognized in other comprehensive income, Profit or loss in current period		
Subtotal	-885,191.31	1,436,844.30
III.Total of other comprehensive income	-1,173,518.20	180,034.72

(2).Adjustment process of accounting profit and income tax expense

Items	Gains and losses from changes in fair value of available for sale financial assets	Foreign currency translation differences of financial statements	Subtotal
I. Beginning balance last year	3,045,914.97	166,272.38	3,212,187.35
II.Changes in the amount last year	-1,256,809.58	1,436,844.30	180,034.72
III.Beginning balance this year	1,789,105.39	1,603,116.68	3,392,222.07
IV.Changes in the amount this year	-288,326.89	-885,191.31	-1,173,518.20
V.The year-end balance	1,500,778.50	717,925.37	2,218,703.87

47.Items of Cash flow statement

(1)Other cash received from business operation

Items	Amount of current period	Amount of previous period
Government Subsidy	39,141,742.28	20,100,103.50
Customs bonds	62,147,586.38	
Bank deposit interest income and other	10,718,233.12	48,207,690.04
Total	112,007,561.78	68,307,793.54

(2).Other cash paid related to operating activities

Other cash paid relating to operating activities this period was 52,781,140.84, mainly for the payment of the cost of sales and administration expenses and Customs bond.

(3).Other Cash received related to investment activities

Items	Amount of current period	Amount of previous period
Principal and income	3,566,066,407.98	819,808,170.47
Temporary transfer of Xieli assets		25,760,086.27
Total	3,566,066,407.98	845,568,256.74

(4)Cash paid related to other investment activities

Items	Amount of current period	Amount of previous period
Financing investment	3,093,000,000.00	1,766,000,000.00
Total	3,093,000,000.00	1,766,000,000.00

48.Supplement Information for cash flow statement

(1) Supplement Information for cash flow statement

Supplement Information	Amount of current period	Amount of previous period
I. Adjusting net profit to cash flow from operating activities		
Net profit	73,661,677.87	-87,270,604.54
Add: Impairment loss provision of assets	-4,484,259.21	-2,760,742.85

Supplement Information	Amount of current period	Amount of previous period
Depreciation of fixed assets, oil and gas assets and consumable biological assets	80,633,240.11	81,816,714.90
Amortization of intangible assets	1,276,180.92	1,190,516.13
Amortization of Long-term deferred expenses	310,697.92	346,972.72
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets		
Loss on scrap of fixed assets	52,131.44	138,610.37
Loss on fair value changes		
Financial cost	-13,705,106.94	-746,916.53
Loss on investment	-53,555,819.95	-5,223,413.76
Decrease in deferred income tax assets	-293,935.56	818,507.24
Increased of deferred income tax liabilities		
Decrease of inventories	17,321,781.84	31,533,751.72
Decrease of operating receivables	24,700,270.54	-76,300,478.05
Increased of operating Payable	-165,297,549.09	1,192,616.81
Other	10,861,987.80	
Net cash flows arising from operating activities	-28,518,702.31	-55,264,465.84
II. Significant investment and financing activities that without cash flows:		
Debt-to-capital conversion		
Convertible loan due within 1 year		
Fixed assets acquired under financial lease		
3. Movement of cash and cash equivalents:		
Ending balance of cash	1,161,240,139.33	930,114,436.57
Less: Beginning balance of cash equivalents	930,114,436.57	748,658,875.60
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		

Supplement Information	Amount of current period	Amount of previous period
Net increase of cash and cash equivalents	231,125,702.76	181,455,560.97

(2)Composition of cash and cash equivalents

Items	Year-end balance	Year-beginning balance
I. Cash	1,161,240,139.33	930,114,436.57
Including: Cash at hand	17,771.09	22,807.86
Demand bank deposit	1,159,202,998.15	928,279,046.07
Demand other monetary funds	2,019,370.09	1,812,582.64
Payments to the central bank for payment		
Depositing performs		
Loan to performs		
II. Cash equivalents		
Including: Debt instrument matured within three months		
III. Balance of cash and cash equivalents at the period end	1,161,240,139.33	930,114,436.57

49.Foreign currency monetary items

(1)Foreign currency monetary items

Items	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary funds			
Including: USD	1,323,907.97	6.5342	8,650,679.46
JPY	2,281,957.00	0.057883	132,087.16
HKD	595,484.74	0.83591	497,766.68
Account receivable			
Including: USD	3,331,963.34	6.5342	21,771,714.86
JPY	4,053,216.00	0.057883	234,612.30
HKD	278,280.00	0.83591	232,617.03

Other receivable			
Including: USD	37,399.02	6.5342	244,372.68
Account payable			
Including: USD	3,427,854.34	6.5342	22,398,285.81
JPY	823,311,943.13	0.057883	47,655,765.20
Other payable			
Including: USD	17,980.00	6.5342	117,484.92
JPY	972,000.00	0.057883	56,262.28
Euro	22,500.00	7.8023	175,551.75
Short - term loans			
Including: USD	1,688,052.20	6.5342	11,030,070.69
JPY	1,340,775,543.00	0.057883	77,608,110.76
Interest payable			
Including: USD	7,781.28	6.5342	50,844.44
JPY	3,075,817.08	0.057883	178,037.52

VIII. Change in consolidation scope

No change of scope of consolidation from last year.

IX. Equity in other entity

1. Equity in subsidiary

(1) Constituted of enterprise group

Subsidiary	Main operation	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Shenzhen Lishi Industry Development Co., Ltd	Shenzhen	Shenzhen	Domestic trade, Property Management	100.00		Establish
Shenzhen Huaqiang Hotel	Shenzhen	Shenzhen	Accommodation, restaurants, business center;	100.00		Establish
Shenfeng Property Management Co., Ltd.	Shenzhen	Shenzhen	Property Management	100.00		Establish

Shenzhen Beauty Century Garment Co., Ltd.	Shenzhen	Shenzhen	Production of fully electronic jacquard knitting whole shape	100.00		Establish
Shenzhen Shengbo Ophotoelectric Technology Co., Ltd	Shenzhen	Shenzhen	Operating import and export business	60.00		Purchase
Shenzhen Shenfang Import & export Co., Ltd.	Shenzhen	Shenzhen	Operating import and export business		100.00	Establish
Shengtou (Hongkong) Co.,Ltd.	Hongkong	Hongkong	Production and sales of polarizer		100.00	Establish

(3).Equity in joint venture arrangement or associated enterprise

1. Joint venture or associated enterprise

Joint venture or associated enterprise	Place of operation	Place of registration	Nature	Holding proportion(%)		The accounting treatment of investment in associates
				Directly	Indirectly	
Shenzhen Haohao Property Leasing Co., Ltd.	Shenzhen	Shenzhen	Property leasing	50.00		Equity method
Shenzhen Changlianfa Printing and dyeing Company	Shenzhen	Shenzhen	Property leasing	40.25		Equity method
Jordan Garment Factory	Jordan	Jordan	Manufacturing	35.00		Equity method
Yehui International Co., Ltd.	Hongkong	Hongkong	Manufacturing	22.75		Equity method

2.Key financial information of significant joint venture or associated enterprise

	Year-end balance/ Amount of current period	Year-beginning balance/ Amount of previous period
Joint venture:		
Total book value of the investment	5,369,450.56	9,083,538.02
Total amount of the pro rata calculation of the following items		
--Net profit	262,962.99	890,393.17
--Other Comprehensive income		
--Total comprehensive income	262,962.99	890,393.17

	Year-end balance/ Amount of current period	Year-beginning balance/ Amount of previous period
Dividends received from joint ventures this period		
Associated enterprise:		
Total book value of the investment	15,011,284.00	15,765,772.98
Total amount of the pro rata calculation of the following items		
--Net profit	838,516.63	577,010.12
--Other Comprehensive income	-885,191.31	1,436,844.30
--Total comprehensive income	-46,674.68	2,013,854.42
Dividends received from joint ventures this period	707,814.30	934,205.65

X. Risks Related to Financial Instruments

The company has the main financial instruments, such as bank deposits, receivables and payables, investments, loans and so on. Please refer to the relevant disclosure in Notes for the details. The risks associated with these financial instruments mainly include credit risk, market risk and liquidity risk. The company's management shall manage and monitor these risks and ensure above risks to be controlled within certain scope.

(I) Credit Risk

The credit risk of the company is primarily attributable to bank deposits and receivables. Of which, the bank deposits are mainly deposited in the medium and large commercial banks with strength, high credibility. For the receivables, the company has developed the relevant policies to control the credit risk, and set up the corresponding debt and credit limit after the credit status of debtor is evaluated based on financial condition of debtor, credit history, external ratings, possibility of guarantee obtained from the third party. Meanwhile, the company shall regularly monitor the debtor's credit history. With regard to the bad credit record for the debtor, the company shall adopt the written reminder, shortening or cancel of credit period to ensure the overall credit risks within the controllable scope.

(II) Market risk

Market risk of financial instrument arises from changes in fair value or future cash flow of financial instruments affected by market price. Market risks includes foreign exchange risk and interest risk.

(1) Interest Rate Risk

The interest rate risk faced by the company is mainly from the bank borrowings. The company is faced the interest rate risk of the cash flow due to the financial liability of the floating interest rate,

and faced the interest rate risk of the fair value due to the financial liability of the fixed interest rate. The company shall determine the relative proportion in the fixed and floating interest rate contracts.

(2) Foreign Exchange Risk

The foreign exchange risks faced by the company are mainly from the financial assets and liabilities based on the price of US dollar and JPY. The company matches the income and expenditure of foreign currency as far as possible in order to reduce the foreign exchange risk.

(III) Liquidity risk

Liquidity risk refers to fund shortage problems when fulfilling obligations settled in cash or other financial assets. The company shall guarantee to have the sufficient funds to repay the debts through monitoring the cash balance, the marketable securities available to be cash and the rolling forecast for the future cash flow.

XI. The disclosure of the fair value

1. Closing fair value of assets and liabilities calculated by fair value

Items	Closing fair value			
	Fir value measurement items at level 1	Fir value measurement items at level 2	Fir value measurement items at level 3	Total
	I. Consistent fair value measurement			
(1).Available for sale financial assets	7,994,294.63			7,994,294.63
1.Equity instrument investment	7,994,294.63			7,994,294.63
Total of Consistent fair value measurement	7,994,294.63			7,994,294.63

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level

The fair value of financial assets available for sale at the end of period is measured based on the closing price of Shenzhen Stock Exchange on December 29,2017.

XII. Related parties and related-party transactions

1.Parent company information of the enterprise

Name	Registered address	Nature	Registered capital	The parent company of the Company's	The parent company of the Company's vote

			(RMB'0000)	shareholding ratio	ratio
Shenzhen Investment Holdings Co.,Ltd.	18/F, Investment Building, Shennan Road, Futian District, Shenzhen	Equity investment , Real-estate Development and Guarantee	2,158,000.00	45.78	48.94

The company is authorized and approved to be state-owned independent company by Shenzhen Government, and it Executes financial contributor function on state-owned enterprise within authorization scope.

The final control of the Company was Shenzhen People's Government state owned assets supervision & Administration Commission.

2.Subsidiaries of the Company

Details refer to the Note VII-1, Interest in the subsidiary

3. Information on the joint ventures and associated enterprises of the Company

Details refer to the Note VII-2, Interests in joint ventures or associates

4.Other Related parties information

Other related party	Relationship to the Company
Shenzhen Shenchao Technology Investment Co., Ltd.	Subject to the same party controls
Shenzhen Tianma Microelectronics Co., Ltd.	Chairman of the Board Is the Vice Chairman of the Company
Shengbo (HK) Co., Ltd.	The Company Executives are Director of the company
Hangzhou Jinjiang Group Co., Ltd.	The controlling party of Shengbo Optoelectronics Shareholder
Kunshan Linlin Optoelectronic Material Co., Ltd.	A subsidiary of Hangzhou Jinjiang Group Co., Ltd.
Zhejiang Jinhao Optoelectronic Material Co., Ltd.	A subsidiary of Hangzhou Jinjiang Group Co., Ltd.
Lan Xi Jinxin Investment Management Co., Ltd.	A subsidiary of Hangzhou Jinjiang Group Co., Ltd.
Zhejiang Hengjie Industry Co., Ltd.	A subsidiary of Hangzhou Jinjiang Group Co., Ltd.
Shenzhen Xiangjiang Trade Co., Ltd.	Sharing Company
Shenzhen Xinfang Knitting Co., Ltd.	Sharing Company

Shenzhen Dailishi Underwear Co., Ltd.	Sharing Company
Anhui Huapeng Textile Co., Ltd.	Sharing Company

5. Related transactions.

1. Sales of goods and vendering of services

Related party	Content	Amount of current period	Amount of previous period
Shenzhen Tianma Microelectronics Co., Ltd.	Sales polarizer sheet	4,835,900.92	1,546,092.92

2. Providing services to related parties

Related party	Contents of related transaction	The amount of the current period (tax included)	The amount of the previous period
Zhejiang Jinhao Optoelectronic Material Co., Ltd.	Project construction service fee	13,000,000.00	
Kunshan Jinlin Optoelectronic Material Co., Ltd.	Project construction service fee	15,000,000.00	
Total		28,000,000.00	

Shenzhen Shengbo Optoelectronics Technology Co., Ltd. (hereinafter referred to as “Shengbo Optoelectronics”), the company's subsidiary, provides construction services for the light guide plate production line (Phase 1) of Kunshan Jinlin Optoelectronic Materials Co., Ltd. , and the liquid crystal reflective film production line project (Phase 1) of Zhejiang Jinhao Optoelectronic Material Co., Ltd. Shengbo Optoelectronics received a total construction service fee of 28,000,000.00 yuan in this period. After deducting the output tax amount, 16,359,506.64 yuan was included in other business income of Shengbo Optoelectronic, and 10,055,587.80 yuan was included in capital reserve of Shengbo Optoelectronic. In addition, Shengbo Optoelectronics invested a total of 127,339,160.50 yuan in these two projects in this period, which was fully recovered by the end of the period.

3. Establishing an industrial fund together with related parties

On November 16, 2017, Shengbo Optoelectronics signed a Partnership Agreement of Changxing Junying Equity Investment Partnership (limited partnership) with Hangzhou Huaiji Investment Management Co., Ltd., Lanxi Jinxin Investment Management Co., Ltd. (hereinafter referred to as Jinxin Investment) and other limited partners, and jointly initiated the establishment of Changxing Junying Equity Investment Partnership (Limited Partnership). The total investment of the industrial fund is 50,000,000.00 yuan, of which, the Jinxin Investment (general partner) subscribed for 6,500,000.00 yuan, accounting for 13.0% of the total; and Shengbo Optoelectronics (limited partner) subscribed for 28,500,000.00 yuan, accounting for 57.00% of the total; others limited partners subscribed for 15,000,000.00 yuan, accounting for 30.00% of the total. As of the end of the deadline, Shengbo Optoelectronics had paid the capital of 28,500,000.00 yuan.

The distribution order of the partnership's income is as follows: (1) Shengbo Optoelectronics

obtains the actual capital contribution amount and expected annualized revenue (the expected annualized return rate is 8%); (2) Jinxin Investment and other limited partners obtain the actual capital contribution amount and expected investment income (excess income out of the annualized rate of return 8%). In addition, according to the Balance Supplement Agreement signed by Shengbo Optoelectronics and Zhejiang Hengjie Industrial Co., Ltd., if Shengbo Optoelectronics cannot obtain investment equity funds after the expiration of the duration of the partnership business, Zhejiang Hengjie Industrial Co., Ltd. unconditionally pays Shengbo Optoelectronics for its loss of the investment principal and expected return differential.

4. Entrusted loans of related party

In order to carry out TFT-LCD polarizer project construction, the company signed an entrusted loan contract with Shenzhen Shenchao Technology Investment Co., Ltd. and Shenzhen Jiangsu Building Branch of Ping An Bank in 2010. The contract stipulates that Shenzhen Shenchao Science & Technology Investment Co., Ltd. entrusts Shenzhen Jiangsu Building Branch of Ping An Bank to loan 200,000,000.00 yuan to the Company. The term of the loan was 108 months from the date the first entrusted loan was issued to the company's account. The entrusted loan interest rate was lowered by 2% based on the 5-year commercial loan interest rate announced and issued by the People's Bank of China. In case of adjustments to the 5-year commercial loan interest rate of the People's Bank of China, from the first day of the next month of the benchmark interest rate adjustment, the entrusted loan interest rate will be lowered by two percentage points according to the adjusted 5-year commercial loan interest rate. As of December 31, 2017, the balance of the company's borrowings was 80,000,000.00 yuan.

5. Rewards for the key management personnel

Items	Amount of current period	Amount of previous period
Rewards for the key management personnel	482.48 million	3.8905 million

6. Receivables and payables of related parties

(1) Receivables

Name	Related party	Amount at year end		Amount at year beginning	
		Balance of Book	Bad debt Provision	Balance of Book	Bad debt Provision
Account receivable	Shenzhen Tianma Microelectronics Co., Ltd.	1,555,500.44	77,775.02	256,427.69	12,821.38
Other Account receivable	Anhui Huapeng Textile Company	1,800,000.00	1,800,000.00	3,600,000.00	270,000.00
Other Account receivable	Shenzhen Dailishi Underwear Co., Ltd.	440,508.46	22,025.42	300,048.12	15,002.41

(2) Payables

Name	Related party	Amount at year end	Amount at year beginning
Other payable	Shenzhen Xinfang Knitting Co., Ltd.	244,789.85	244,789.85
Other payable	Shenzhen Xiangjiang Trade Co., Ltd.	40,000.00	40,000.00
Other payable	Shenzhen Changlianfa Printing and dyeing Co., Ltd.	1,178,449.95	846,503.89
Other payable	Shenzhen Haohao Property Leasing Co., Ltd.	4,104,489.85	4,954,489.85
Other payable	Yehui International Co.,Ltd.	1,135,399.49	1,214,994.65
Other payable	Shengbo (Hongkong) Co., Ltd.	315,000.00	315,000.00
Interest payable	Shenzhen Shenchao Technology Investment Co., Ltd.	45,570,662.08	42,805,384.31

XIII.Share payment

1. Overall situation of share payment

Items	Related content
Total amount of various equity instruments granted by the company during the current period	4.7523 million shares
Total amount of various equity instruments that the company exercises during the period	
Total amount of various equity instruments that have expired in the current period	
The scope of executive price of the company's outstanding share options at the end of the period and the remaining term of the contract	The company issued 4,752,300 restricted stocks at the end of the period, and the grant price was 5.73 yuan/share.
The scope of executive price of the company's other equity instruments at the end of the period and the remaining term of the contract	Restrictions shall be lifted at the rate of 40%, 30%, and 30% respectively after 12 months, 24 months, and 36 months after the first transaction date of 24 months after the completion of the registration. The period of validity of the entire plan shall not exceed 60 months from the date of granting the restricted stock to the date on which the restricted stocks granted to the incentive object are all released from restrictions on sale or cancelled by

Items	Related content
	repurchase.

On December 14, 2017, the company's 3rd Extraordinary General Meeting of Shareholders in 2017 passed the Proposal on 'Shenzhen Textile (Group) Co., Ltd. 2017 Restricted Stock Incentive Plan (Draft) and Abstract'; on December 14, 2017, the board of directors of the company reviewed and passed the Proposal on Adjusting the List of Incentive Objects of Restricted Stock Incentive Plans and the Number of Equity Granted of 2017, and the Proposal on Granting Restrictive Shares to Incentive Objects. On December 14, 2017, the company granted 4,752,300 restricted shares to the incentive object, the grant price was 5.73 yuan/share. Restrictions shall be lifted at the rate of 40%, 30%, and 30% respectively after 12 months, 24 months, and 36 months after the first transaction date of 24 months after the completion of the registration. The company's performance assessment for the restricted shares granted each period is as follows:

Restriction lifting period	Performance assessment goals
The first restriction lifting period	In 2018, the earnings per share shall be no less than 0.07 yuan, and shall not be lower than the 75 fractiles level of the comparable listed companies in the same industry; the growth rate of operating revenue in 2018 compared with 2016 is not less than 70%, and is not lower than the 75 fractiles level of comparable listed companies in the same industry; in 2018, the proportion of optical film business such as polarizers to operating revenue is no less than 70%.
The second restriction lifting period	In 2019, earnings per share shall be no less than 0.08 yuan, and shall not be lower than the 75 fractiles level of the comparable listed companies in the same industry; the growth rate of operating revenue in 2019 compared with 2016 is not less than 130%, and is not lower than the 75 fractiles level of comparable listed companies in the same industry; in 2019, the proportion of optical film business such as polarizers to operating revenue is not less than 75%.
The third restriction lifting period	In 2020, the earnings per share shall be no less than 0.20 yuan, and shall not be lower than the 75 fractiles level of comparable listed companies in the same industry; the growth rate of operating revenue in 2020 is not less than 200% compared to 2016, and is not lower than the 75 fractiles level of comparable listed companies in the same industry. In 2020, the proportion of optical film business such as polarizers to operating revenue will be no less than 80%.

2. Equity-settled share-based payment

Items	Related contents
Determination method of the fair value of equity instruments on the grant date	The closing price of the company's stock on grant date - grant price
Determination basis of the number of vesting equity instruments	On each balance sheet date of the waiting period, it is determined based on the latest information such as the change in the number of people that can be released from restrictions and the completion of performance indicators
The reasons for the significant difference between the current estimate and the previous estimate	
Equity-settled share-based payment is included in the accumulated amount of capital reserve	284,491.54
Total amount of fees confirmed by equity-settled share-based payments in the current period	356,400.00

XIV. Subsequent events

Nil

XV. Post-balance-sheet events

According to the dividend distribution preplan made by the board of directors of the Company, the Company will neither distribute profits nor capitalize capital surplus for the current period.

XVI. Other Important matters

According to the cooperation agreement signed by the company with Hangzhou Jinjiang Group Co., Ltd. and Hangzhou Jinhang Equity Investment Fund Partnership (Limited Partnership), Hangzhou Jinjiang Group Co., Ltd. had made a performance commitment to Shenzhen Shengbo Optoelectronics Technology Co., Ltd. that the 2017 annual performance was as follows: The sales revenue and net profit in 2017 are not less than RMB 1.5 billion/50 million respectively. In principle, the proportion of sales revenue of polarizers and related optical film products to total revenue will not be less than 70% in 2017.

Sales revenue and net profit of Shenzhen Shengbo Optoelectronics Technology Co., Ltd. in 2017 were RMB1.338 billion / RMB53.325 million respectively, and sales ratio of polarizers and related optical film products accounted for 61.89% of total revenue. Therefore, the 2017 net profit index has already reached the performance commitment amount, the two performance indicators of sales revenue and sales revenue of polarizers and related optical film products as a percentage of total revenue were not fulfilled.

XVII. Notes s of main items in financial reports of parent company

(1) Account receivable

1. Classification account receivables.

Classification	Year-end balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion(%)	
Accounts receivable of individual significance and subject to individual impairment assessment					
Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	473,196.00	100.00	23,659.79	5.00	449,536.21
Accounts receivable of individual insignificance but subject to individual impairment assessment					
Total	473,196.00	100.00	23,659.79		449,536.21

Classification	Year-beginning				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion(%)	
Accounts receivable of individual significance and subject to individual impairment assessment					
Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	518,920.00	100.00	25,945.99	5.00	492,974.01
Accounts receivable of individual insignificance but subject to individual impairment assessment					
Total	518,920.00	100.00	25,945.99		492,974.01

In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Balance in year-end		
	Account receivable	Bad debt provision	Proportion(%)

Aging	Balance in year-end		
	Account receivable	Bad debt provision	Proportion(%)
Within 1 year	473,196.00	23,659.79	5.00

2. Other receivable

(1) Category of Other receivable

Classification	Year-end balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion(%)	
Other Accounts receivable of individual significance and subject to individual impairment assessment	13,781,464.60	67.70	13,781,464.60	100.00	
Other Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	6,262,767.01	30.77	480,146.38	7.67	5,782,620.63
Other Accounts receivable of individual insignificance but subject to individual impairment assessment	311,486.35	1.53	311,486.35	100.00	
Total	20,355,717.96	100.00	14,573,097.33		5,782,620.63

Classification	Year-beginning				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion(%)	
Other Accounts receivable of individual significance and subject to individual impairment assessment	11,981,464.60	41.08	11,981,464.60	100.00	
Other Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	16,870,177.62	57.85	4,345,920.87	25.76	12,524,256.75

Classification	Year-beginning				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion(%)	
Other Accounts receivable of individual insignificance but subject to individual impairment assessment	311,486.35	1.07	311,486.35	100.00	
Total	29,163,128.57	100.00	16,638,871.82		12,524,256.75

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

Other receivable (Unit)	Balance at year-end			
	Other receivable	Provision for bad debts	Proportion%	Reason
Jiangxi Xuanli String Co., Ltd.	11,389,044.60	11,389,044.60	100.00	No executable property, unlikely to recover.
Anhui Huapeng Textile Co.,Ltd.	1,800,000.00	1,800,000.00	100.00	Estimated irrecoverable
Shenzhen Tianlong Industry & Trade Co., Ltd.	592,420.00	592,420.00	100.00	Has been concealed, unlikely to recover
Total	13,781,464.60	13,781,464.60		

(2) In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Amount in year-end		
	Other receivable	Bad debt provision	Withdrawal proportion
Within 1 year	4,993,818.23	249,690.91	5.00
1-2 years	1,010,047.30	101,004.73	10.00
Over 3 year	258,901.48	129,450.74	50.00
Total	6,262,767.01	480,146.38	

2.The amount of allowance for bad debt recovered or reversed during the current year is RMB-2,065,774.49.

3. Other accounts receivable classified by the nature of accounts

Category	Year-end balance	Year-beginning balance
Internal current account	5,075,600.00	12,244,280.72
Unit account	15,206,367.96	16,806,675.87
Other	73,750.00	112,171.98
Total	20,355,717.96	29,163,128.57

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

Name	Nature	Year-end balance	Age	Portion in total other receivables(%)	Bad debt provision
					Year-end balance
First	Unit account	11,389,044.60	Over 5 years	55.95	11,389,044.60
Second Third	Internal current account	4,000,000.00	Within 1 year	19.65	200,000.00
		1,000,000.00	1-2 years	4.91	100,000.00
	Unit account	75,600.00	Over 5 years	0.37	37,800.00
		1,800,000.00	1-2 years	8.84	1,800,000.00
Fourth	Unit account	592,420.00	Over 5 years	2.91	592,420.00
		454,759.77	Withn 1 year	2.24	22,737.99
Fifth	Unit account	19,311,824.37		94.87	14,142,002.59
Total					

3. Long-term equity investment

Items	Year-end balance			Year-beginning balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value

Investment to the subsidiary	1,981,050,902.97	16,582,629.30	1,964,468,273.67	1,980,806,395.91	16,582,629.30	1,964,223,766.61
Investment to joint ventures and associated enterprises	20,380,734.56		20,380,734.56	25,115,965.99	266,654.99	24,849,311.00
Total	2,001,431,637.53	16,582,629.30	1,984,849,008.23	2,005,922,361.90	16,849,284.29	1,989,073,077.61

(1) Investment to the subsidiary

Name	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Shenzhen Shengbo Optoelectronic Technology Co., Ltd.	1,924,663,070.03	179,771.15		1,924,842,841.18		14,415,288.09
Shenzhen Lisi Industrial Development Co., Ltd.	8,073,388.25	7,199.55		8,080,587.80		
Shenzhen Beauty Centruy Garment Co., Ltd.	30,867,400.00	27,988.23		30,895,388.23		2,167,341.21
Shenzhen Huaqiang Hotel	15,489,351.08	10,079.36		15,499,430.44		
Shenfang Property Management Co., Ltd.	1,713,186.55	19,468.77		1,732,655.32		
Total	1,980,806,395.91	244,507.06		1,981,050,902.97		16,582,629.30

(2) Investment to joint ventures and associated enterprises

Name	Opening balance	Increase /decrease in reporting period								Closing balance	Closing balance of impairment provision	
		Add investment	Decreased investment	Gain/loss of Investment	Adjustment of other comprehensive income	Other equity changes	Declaration of cash dividends or profit	Withdrawn impairment provision	Other			
I. Joint ventures												
Shenzhen Haohao Property Leasing Co., Ltd.	5,106,487.57			262,962.99							5,369,450.56	
Shenzhen Xieli Automobile Co., Ltd.	3,977,050.45								-3,977,050.45			
Subtotal	9,083,538.02			262,962.99					-3,977,050.45		5,369,450.56	
II. Associated enterprises												
Shenzhen Changlianfa Printing and dyeing Company	1,968,358.12			138,796.89							2,107,155.01	
Jordan Garment Factory	2,574,327.77			-196,831.05	-143,594.08						2,233,902.64	
Yehui International Co., Ltd.	11,223,087.09			896,550.79	-741,597.23		707,814.30				10,670,226.35	
Subtotal	15,765,772.98			838,516.63	-885,191.31		707,814.30				15,011,284.00	

Name	Opening balance	Increase /decrease in reporting period								Closing balance	Closing balance of impairment provision
		Add investment	Decreased investment	Gain/loss of Investment	Adjustment of other comprehensive income	Other equity changes	Declaration of cash dividends or profit	Withdrawn impairment provision	Other		
Total	24,849,311.00			1,101,479.62	-885,191.31		707,814.30		-3,977,050.45	20,380,734.56	

4. Business income and Business cost

(1) Business income and Business cost

Items	Amount of current period	Amount of previous period
Income from Main Business	61,363,107.31	59,795,114.50
Other Business income	4,111,507.05	4,128,171.57
Total	65,474,614.36	63,923,286.07
Cost from Main Business	10,094,014.49	8,626,758.74
Other Business cost	4,111,507.06	4,128,171.57
Total	14,205,521.55	12,754,930.31

(2) Main business (Industry)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Rental industry	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74
Total	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74

(3) Main business (Production)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Rental industry	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74
Total	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74

(4) Main business (Area)

Name	Amount of current period		Amount of previous period	
	Business income	Business cost	Business income	Business cost
Shenzhen	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74
Total	61,363,107.31	10,094,014.49	59,795,114.50	8,626,758.74

(5) Operating income from top five clients

Name	Business Income	Proportion(%)
First	27,344,114.10	41.76%

Second	1,800,057.14	2.75%
Third	1,644,285.71	2.51%
Fourth	1,230,190.72	1.88%
Fifth	1,165,515.60	1.78%
Total	33,184,163.27	50.68%

5. Investment income

1. Detail

Items	Amount of current period	Amount of previous period
Income from long-term equity investment measured by adopting the cost method	19,883,599.84	
Income from long-term equity investment measured by adopting the Equity method	1,101,479.62	1,467,403.29
Investment income received from holding of available-for - sale financial assets	1,734,586.44	3,078,369.95
Total	22,719,665.90	4,545,773.24

6. Supplement information of Cash Flow Statement

Supplement information	Amount of current period	Amount of previous period
I. Adjusting net profit to cash flow from operating activities		
Net profit	37,663,601.39	31,713,621.89
Add : Impairment loss provision of assets	5,554,598.81	-3,107,155.76
Depreciation of fixed assets, oil and gas assets and consumable biological assets	9,163,495.84	8,930,779.65
Amortization of intangible assets	380,740.92	295,076.13
Amortization of long-term deferred expenses		
Loss on disposals of fixed assets, intangible assets and other long-term assets(“- “for gains)		
Loss on discard of fixed assets	15,020.65	117,153.06
Loss on fair value changes		
Financial expenses	-3,413,625.17	-3,555,607.51

Supplement information	Amount of current period	Amount of previous period
Loss on investment	-22,719,665.90	-4,545,773.24
Decrease of deferred income tax assets	489,041.95	776,788.94
Increase of deferred income tax assets		
Decrease in inventories		
Decrease of operating receivable	-2,355,629.65	75,279,729.66
Increase of operating receivable	7,728,160.19	-1,876,721.87
Other	561,892.94	
Net cash flows arising from operating activities	33,067,631.97	104,027,890.95
II. Significant investment and financing activities that without cash flows		
Debt-to - capital conversion		
Convertible loan due within 1 year		
Fixed assets acquired under financial lease		
III. Net Changes of cash and cash equivalents		
Ending balance of cash	413,700,327.95	440,685,610.11
Less: Beginning balance of cash	440,685,610.11	271,582,749.03
Add: End balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-26,985,282.16	169,102,861.08

XVIII. Supplement information

1. Particulars about current non-recurring gains and loss

√ Applicable Not applicable

In RMB

Items	Amount	Notes
Non-current asset disposal gain/loss	-52,131.44	
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	12,567,426.98	

Gain/loss on entrusting others with investment or asset management	49,885,730.58	
Single impairment test for impairment of receivables transferred back to preparation	332,073.93	
Net amount of non-operating income and expense except the aforesaid items	-1,175,757.59	
Other non-recurring Gains/loss items	23,068,858.53	
Less: .Amount of influence of income tax	1,828,395.90	
Amount of influence of minority interests	33,162,149.89	
Total	49,635,655.20	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

Applicable Not applicable

2. Return on net asset and earnings per share

Profit of report period	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share(RMB/share)	Diluted earnings per share(RMB/share)
Net profit attributable to the Common stock shareholders of Company.	2.23%	0.10	0.10
Net profit attributable to the Common stock shareholders of Company after deducting of non-recurring gain/loss.	0.13%	0.01	0.01

3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and

Chinese accounting standards

Applicable Not applicable

(1) Differences of net profit and net assets disclosed in financial reports prepared under overseas and

Chinese accounting standards

Applicable Not applicable

(2) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

4.Other

XII. Documents Available for Inspection

1. Financial statements bearing the seal and signature of legal representative, General Manager and financial controller;

2. The original of the auditor's report bearing the seal of the certified public accountants and the signature of C.P.A.

3. The originals of all the Company's documents and the original manuscripts of announcements publicly disclosed on the newspapers designated by China Securities Regulatory Commission in the report period.

The above documents were completely placed at the Office of Secretaries of the Board of Directors of the Company.

The Director of Board of Shenzhen Textile (Holdings) Co., Ltd.

March 29, 2018