Shanghai New Bei Le Biotechnology Co., Ltd.
(Registration No: 91310114784778979B)

Statement by Directors and Financial Statements

Period Ended 30 June 2017

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Statement by Directors

The directors of the company are pleased to present their report together with the audited financial statements of the company for the reporting period ended 30 June 2017.

1. Opinion of the directors

In the opinion of the directors,

(a) The accompanying financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company for the reporting period covered by the financial statements;

(b) At the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

2. Directors in office at date of report

The directors of the company in office at the date of this report are:

The board of directors approved and authorised these financial statements for issue.

....………....   ....………....

Director   Director

[June. 30th, 2017]

Independent Auditor's Report to the Management of
Shanghai New Bei Le Biotechnology Co., Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Shanghai New Bei Le Biotechnology Co., Ltd.
, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the reporting periodF then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards "IFRS", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independent Auditor's Report to the Management of
Shanghai New Bei Le Biotechnology Co., Ltd.
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Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, are properly drawn up and prepared in accordance with International Financial Reporting Standards "IFRS" so as to give a true and fair view of the financial position of the company as at 30 June 2017 and the financial performance, changes in equity and cash flows of the company for the reporting period ended on that date.

Shanghai Ding Mai

Certified Public Accountants Co., Ltd.

[Dec.14th, 2017]

Partner in charge of audit: Yinghao Wu

Partner in charge of audit: Weixia Wu

Shanghai New Bei Le Biotechnology Co., Ltd.
(Registration No: 91310114784778979B)

Statement of Profit or Loss and Other Comprehensive Income
Ended on 30 June 2017

	Notes	30 June 2017 (converted USD)	31 December 2016 (converted USD)
Revenue	4	1,968,321.71	2,874,076.47
Cost of goods sold	5	910,439.70	1,384,657.76
Gross profit			
Other income		2,911.33	
Depreciation and amortization (involved in Admin.exp)	10		
Selling and distribution costs			
Employee benefits expense (involved in Admin.exp)			
Administrative expense	6	142,912.91	240,853.02
Finance cost	7	97.58	192.89
Other expenses	8	13,558.84	6,357.69
Profit before income tax		904,224.01	1,242,015.11
Income tax expense	9	24,604.02	30,537.06
Profit from continuing operation, net of tax (1)		879,619.99	1,211,478.05
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Items that will or may be reclassified to profit or loss:			
Other comprehensive income, net of tax (2)			
Total comprehensive income (=1+2)		879,619.99	1,211,478.05

The accompanying notes form an integral part of these financial statements

Shanghai New Bei Le Biotechnology Co., Ltd.
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Statement of Financial Position (Balance Sheet)
Ended on 30 June 2017

	Notes	30 June 2017 (converted USD)	31 December 2016 (converted USD)
ASSETS			
Non-current assets			
Property, plant and equipment	10	491,142.88	486,274.63
Investment property			
Intangible assets			
Financial assets			
Equity investment			
Total non-current assets		491,142.88	486,274.63
Current assets			
Inventories	12	176,111.54	152,828.65
Trade and other receivables	11	1,570,260.61	1,006,709.99
Cash and cash equivalents	13	118,766.78	11,084.56
Total current assets		1,865,138.93	1,170,623.20
Total assets		**2,356,281.81**	**1,656,897.83**
EQUITY AND LIABILITIES			
Equity			
Paid-in capital (share capital)	14	124,061.78	124,061.78
Additional paid-in capital (capital reserve)			
Undistributed profits		1,880,621.44	1,001,001.45
Converted difference in foreign currency		-225,536.64	30,953.24
Total equity		1,779,146.58	1,156,016.47
Current liabilities			
Taxes payable		476,978.02	401,719.60
Employee benefit liabilities			
Trade and other payables	15	100,157.21	99,161.76
Loans and borrowings			
Other current liabilities			
Total current liabilities		577,135.23	500,881.36
Total Liabilities		577,135.23	500,881.36
Total equity and liabilities		**2,356,281.81**	**1,656,897.83**

The accompanying notes form an integral part of these financial statements.

Shanghai New Bei Le Biotechnology Co., Ltd.
(Registration No: 91310114784778979B)

Statement of Changes in Equity
Ended on 30 June 2017, all amounts presented in Converted USD

	Total Equity	Paid-in Capital (share capital)	Additional paid-in capital (capital reserve)	Undistributed Profit	Converted Difference in foreign currency
Last year:					
Beginning balance at 1 Jan 2016	-18,582.93	124,061.78		-210,476.60	67,831.89
Changes in equity:					
Adjustment to prior periods error corrections					
Total comprehensive income for the year	1,211,478.05			1,211,478.05	
Converted difference	-36,878.65				-36,878.65
Ending balance at 31 Dec 2016	1,156,016.47	124,061.78		1,001,001.45	30,953.24
Current period:					
Beginning balance at 1 Jan 2017	1,156,016.47	124,061.78		1,001,001.45	30,953.24
Changes in equity:					
Adjustment to prior periods error corrections					
Total comprehensive income for the period	879,619.99			879,619.99	
Converted difference	-256,489.88				-256,489.88
Ending balance at 30 Jun 2017	1,779,146.58	124,061.78		1,880,621.44	-225,536.64

The accompanying notes form an integral part of these financial statements.

Shanghai New Bei Le Biotechnology Co., Ltd.
(Registration No: 91310114784778979B)

Statement of Cash Flows
Ended on 30 June 2017

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
<u>Cash flows from operating activities</u>		
Profit after tax	879,619.99	1,211,478.05
Adjustment for:		
Finance cost-interest expense (revenue)		
Finance cost-foreign exchange loss (gain)		
Provision for asset impairment (or reversal of impairment)		
Depreciation of property, plant and equipment	54,147.75	113,146.36
Amortization of intangible assets		
Decrease (increase) of Inventory	-19,522.76	-56,052.76
Loss (Gain) on disposal of PPE, intangible assets, other long-term assets		
Decrease (increase) of Trade and other receivables	-533,091.55	-782,907.56
Increase (decrease) of Trade and other payables	63,931.16	-491,916.72
Converted difference for cash and cash equivalent	1,743.16	-36,878.65
Net cash flows from operating activities	**446,827.75**	**-43,131.28**
<u>Cash flows from investing activities</u>		
Proceeds from Disposal of investment		
Purchase of property, plant, and equipment	48,012.13	
Proceeds from disposal of property, plant, and equipment		16,485.52
Acquisition of intangible assets		
Proceeds from disposal of intangible assets		
Net cash flows from (used in) investing activities	**-48,012.13**	**16,485.52**
<u>Cash flows from financing activities</u>		
Dividend paid	291,133.40	
Interest paid		
Capital contribution from shareholders		
Bank loans raised		
Repayment of bank loans		
Repayment to related companies		
Advance from related companies		
Net cash flows from (used in) financing activities	**-291,133.40**	
Net increase/(decrease) in cash and cash equivalents	**107,682.22**	**-26,645.76**
Cash and cash equivalents, statement of cash flows, beginning balance	11,084.56	37,730.32
Cash and cash equivalents, statement of cash flows, ending balance	118,766.78	11,084.56

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements
30 June 2017

1. General background

The company was incorporated in China with limited liability in Jan 16th, 2006. The registered capital is RMB 1,000,000.00 (equivalent to converted USD 124,061.78). The financial statements are booked in China Yuan (CNY) as the functional currency and converted in USD for the report.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities (scope of business) are: Production of Capsule (production system is accordance with requirements of GMP); food circulation; sales of food additives.

The registered office is: No. 2, Lane 1200, Xie Chun Rd., Huangdu town,
Jiading district, Shanghai, P. R. China
The company legal representative: Lu, Huikang
The former company name: Shanghai Fuentang Biotech CO., LTD

2. Summary of significant accounting policies

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards “IFRS” and the related Interpretations to “IFRS” as issued by the International Accounting Standards Board. The financial statements are prepared on a going concern basis under the historical cost convention except where “IFRS” requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in “IFRS” need not be applied when the effect of applying them is immaterial. The disclosures required by “IFRS” need not be made if the information is immaterial. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by “IFRS”. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an on-going basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

2. Summary of significant accounting policies (cont'd)

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting period arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed.

Income tax

As a local joint venture, the company profit rate was determined at 5%, corporate income tax at 25%, meanwhile privileged on 15% as corporate income taxing subsidy. The income tax is accounted using the direct method that requires the recognition of taxes payable or refundable for the current period.

Foreign currency transactions

The functional currency is the China Yuan as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting period, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting period and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The financial statements are booked in the functional currency andconverted in USD for the report.

As converting/translating Financial Statements dominated in Foreign Currency, the following methods have been applied:

Balance sheet

(1) All asset and liability accounts have been translated using the period-end exchange rates stipulatedby the People's Bank of China;
(2) All equity accounts, except for the "undistributed profit" account, have been translated, using the exchange rates when the transactions occurred;
(3) The "undistributed profit" account is the balance resulted from the translation of the statement of profit distribution.

Profit and loss account and items relating to profit distribution

(1) All accounts in the profit and loss account and those items relating to profit distribution have been translated using the average exchange rate over the period;
(2) The "net profit" account within profit distribution corresponds to net profit reported in the profit and loss account after translation.
(3) The "Undistributed profit at the beginning of period" account within the statement of profit distribution is the balance resulting from the prior years' calculation of "undistributed profit";
(4) The" Undistributed profit" account within the items relating to profit distribution is the sum of all other accounts in this section.

Financial statements of foreign operations—translation from functional currency to presentation currency

The results and financial position of an entity whose functional currency is not the presentation currency should be translated into the presentation currency using (rates provided by the company as follows):
(1) The closing rate at the balance sheet date for all assets and liabilities, RMB 6.7744=USD 1.00 is applied for the date ended on 30 Jun, 2017;
(2) The average rate (RMB 6.8697=USD 1.00) is applied for income and expenses/losses for the date ended on 30 Jun, 2017.
Rates are applied according to China State Administration of Foreign Exchange, referring to the following link: http://www.safe.gov.cn/

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The expected useful life for the assets is as follows:

Classification of PPE	Estimated useful lives	Estimated residual value
Equipment	5 years	5%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting period and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognized as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

2. Summary of significant accounting policies (cont'd)

Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting periods in which they are incurred. The assets are depreciated as owned depreciable assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Impairment of Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting period for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognized in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another IFRS (for example, the revaluation model in IAS 16).

Financial instrument-financial assets

Initial recognition, measurement and derecognition:

An entity shall recognise a financial asset in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument

The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trading date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by "IFRS" relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under International Financial Reporting Standards is as follows:

#1. Financial assets at fair value through profit or loss: As at the end of the reporting period date there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets*:* As at the end of the reporting period date there were no financial assets classified in this category.

#4. Available for sale financial assets: As at the end of the reporting period date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under "IFRS" is as follows:

#1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with "IFRS" and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with "IFRS". All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

#2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method (except that short-duration payables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant). Typically trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorize the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorized within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting period and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting period they occur.

Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting period are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for doubtful trade accounts:
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting period, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting period but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period. The carrying amount is disclosed in the Note on trade and other receivables.

3. Related party relationships and transactions

"IFRS" defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Related party relationships and transactions (cont'd)

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Significant related companytransactions:
In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Transactions and balances of intercompany	30 Jun 2017	31 Dec 2016
Purchases	0	0
Sales	0	0
Accounts receivable	0	0
Accounts payable	0	0
Others receivable	0	0
Others payable	0	0

4. Revenue

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Sale of goods	1,968,321.71	2,874,076.47
	1,968,321.71	2,874,076.47

5. Cost of Goods Sold

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Cost of goods sold	910,439.70	1,384,657.76
	910,439.70	1,384,657.76

Calculation of COGS for Jan-Jun of 2017	Amount in Converted USD
Beginning inventory	152,828.65
Purchase	933,722.59
Ending inventory	176,111.54
Cost of goods sold	910,439.70

6. Administrative Expenses

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Depreciation expense from PPE	54,147.75	150,704.94
Salary and social contribution funds	16,302.35	40,470.00
Rental expense		
Office expense	1,064.91	7,086.62
Travel expense	8,850.28	21,577.68
Freight expense		

Others	11,902.17	21,013.78
	92,267.46	240,853.02

7. Finance Costs/Expense

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Bank interest earned	-112.48	-97.52
Bank fees and charges	210.05	290.41
	97.58	192.89

8. Other Expenses

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Non-operating expenditure		2.26
Business surtax	13,558.84	6,355.43
	13,558.84	6,357.69

9. Corporate Income Tax

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Income tax expense	24,604.02	22,821.55

10. Property, plant and equipment-(converted USD)

	Machinery Equipment	Production Equipment	Electronic Equipment	Total
Cost:				
At 1 Jan 2016	642,632.75	489,849.33	5,928.91	1,138,410.99
Addition:				
Disposals:	55,033.81			
Converted difference	-40,372.65	-30,774.21	-372.47	-71,519.33
At 31 Dec 2016	657,293.91	459,075.12	5,556.44	1,121,925.47
At 31 Dec 2016	657,293.91	459,075.12	5,556.44	1,121,925.47
Purchase:		48,687.57		48,687.57
Converted difference	14,990.54	10,469.87	126.72	25,587.14
Disposals				
At 30 Jun 2017	672,284.45	518,232.56	5,683.16	1,196,200.17
Accumulated depreciation:				
At 1 Jan 2016	199,745.24	317,126.78	5,632.46	522,504.48
Depreciation	58,747.72	87,224.37		145,972.09
Converted difference	-12,548.76	-19,923.12	-353.85	-32,825.73
Disposals:				
At 31 Dec 2016	245,944.20	384,428.03	5,278.61	635,650.84
Depreciation:	31,933.51	22,976.00		54,909.51
Converted difference	5,609.11	8,767.44	120.39	14,496.94
Disposals				
At 30 Jun 2017	283,486.83	416,171.47	5,399.00	705,057.29
Net book value:				
At 31 Dec 2016	411,349.71	74,647.09	277.83	486,274.63
F	388,797.62	102,061.09	284.17	491,142.88

11. Trade and other receivables

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Trade receivables:	969,990.34	806,387.21
Other receivables:	600,270.27	200,322.78
Total trade and other receivables	1,570,260.61	1,006,709.99

Principal balances-trade receivables :

Clients	Balance
Qingdao Huakai	53,016.01
Shanghai Xie Mei Feng	63,764.17
Ningbo Jiakang	66,492.97
Shanghai Yingyue	390,051.52
Shanghai Yibao	54,992.32
Weihai Ziguang	215,539.38
Shanghai Han Er Sheng	63,764.17

Principal balances-other receivables:

Lu Huikang	116,563.01
Yang Xiping	116,563.01
Jiang Changpeng	349,689.00
Total	582,815.01

12. Inventories

Classification	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Raw Materials	176,111.54	123,486.48
Finished Goods		29,342.17
	176,111.54	152,828.65

13. Cash and Cash Equivalents

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Cash on hand	174.84	8,179.82
Balances with banks in current accounts	118,591.94	2,904.74
Cash at end of the period	118,766.78	11,084.56

The interest earning balances are not significant.

14. Paid-in capital (Capital Share)

	30 Jun 2017 (converted USD)	31 Dec 2016 (converted USD)
Beginning balance	124,061.78	124,061.78
Changes for the period		
Ending balance	124,061.78	124,061.78

Notes: Paid-in capital (share capital) is accounted in historical cost in the registered capital and currency. The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.
Capital verification report refers to Shanghai Tongcheng CPA [2006] No. 214

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting period. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, or sell assets to reduce debt.

15. Trade and other payables

	30 June 2017 (converted USD)	31 December 2016 (converted USD)
Trade payables:	100,157.21	99,161.76
Other payables:	0.00	0.00
Total trade and other payables	100,157.21	99,161.76

Principal suppliers:

Suppliers:	Balance
Shanghai Yipin Pigment	510.01
Zhanhua Hengxing Industrial Tech.	88,568.73
Beijing Jiakangyuan Tech	9,181.62
Shanghai Xingxing Consulting	590.46
Shanghai Zhuiri Electric	273.09
Shanghai Minye Consulting	1,033.30

16. **Operating lease payment commitments – as lessee**

under non-cancellable operating leases are as follows:

	30 Jun 2017 (converted USD)
Within one year (rental period ended on 30 June 2018)	28,932.44
One to three years	
More than three years	
Rental payment for July to December of 2017	28,932.44

Notes:

The operating lease payment for July to December of 2017 is RMB 196,000 equivalent to Converted USD 28,932.44

17. **Contingent Liabilities**

There are no significant contingent liabilities for the period ended

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