Inogen Inc
Form 8-K
September 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8 K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

September 8, 2016

INOGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-36309	33-0989359
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

326 Bollay Drive

Goleta, California 93117

(Address of principal executive offices, including zip code)

(805) 562-0500

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

CMS Contract Offers Received

On September 8, 2016, Inogen, Inc. (the "Company") received notification that it has been offered respiratory equipment contracts in 10 of the 13 competitive bidding areas by the Centers for Medicare and Medicaid Services ("CMS") as part of the Competitive Bidding Round 1 2017 Re-compete. There is also the potential that the Company will receive additional contracts as the contracting process progresses. Currently, the Company holds respiratory equipment competitive bidding contracts for three of the nine competitive bidding areas under the last Round 1 Re-compete effective from January 1, 2014 through December 31, 2016.

CMS will now begin the contracting process with home healthcare suppliers, and it is expected to publicly announce the contracted suppliers in the fall of 2016. In areas in which the Company does not win contracts, the Company plans to grandfather existing patients, which means the Company will continue to service these patients but will accept the lower reimbursement rates starting January 1, 2017. While the Company will continue to accept new patients in these non-contracted markets for cash-pay and private insurance rentals, the Company's inability to offer Medicare coverage may lead to higher cash sales and lower rentals in those markets.

CMS Competitive Bidding Announcement

On September 8, 2016, CMS also announced single payment reimbursement amounts in connection with Competitive Bidding Round 1 2017 Re-compete. The Round 1 2017 Re-compete applies to 13 competitive bidding areas for seven product categories, including respiratory equipment and related supplies and accessories, which includes oxygen therapy. These new rates are effective from January 1, 2017 through December 31, 2018.

The average amount billed under the E1390 Healthcare Common Procedure Coding System ("HCPCS") code for stationary oxygen declined approximately 18.6% from $95.74 per month to $77.97. The average amount billed under the E1392 HCPCS code for oxygen generating portable equipment ("OGPE"), which is the add-on code used for portable oxygen concentrators, declined approximately 5.3% from $38.08 to $36.06. Therefore, the Company's average gross reimbursement for the typical ambulatory Medicare patient receiving a portable oxygen concentrator in areas covered by Round 1 2017 Re-compete is expected to average $114.03 per month versus $133.82 per month currently, or a reduction of approximately 14.8%. The Company's average gross reimbursement for the typical ambulatory Medicare patient receiving a portable oxygen concentrator in areas covered by Round 1 2017 Re-compete is expected to average $114.03 per month versus $114.74 per month in the areas covered by Round 2 Re-compete currently, or a reduction of approximately 0.6%. These rates are all averages, and as such, the Company's estimates could vary when applied to its specific patient population. The Company estimates that approximately 9% of the Medicare patient population is in the Round 1 2017 Re-compete areas.

The following table sets forth the Medicare standard allowable reimbursement rates and the average of reimbursement rates applicable in Metropolitan Statistical Areas covered by rounds one and two of competitive bidding:

	Round two average 7/1/13-6/30/16	Round one re-compete average 1/1/14-12/31/16	Round two re-compete average 7/1/16-12/31/18	Round one 2017 re-compete average 1/1/17-12/31/18
E1390 (stationary oxygen rentals)	$93.07	$ 95.74	$ 76.84	$ 77.97
E1392 (portable oxygen rentals)	42.72	38.08	37.90	36.06
Total	$135.79	$ 133.82	$ 114.74	$ 114.03

These new Medicare rates will impact the rural and other areas where competitive bidding prices have been applied to non CBAs beginning in January 1, 2016 and fully implemented as of July 1, 2016. As of January 1, 2017, the rates in these areas (which apply to an additional estimated 41% of the Medicare patient population), will be based on the regional average prices under Round 1 2017 Re-compete and Round 2 Re-compete.

Expected Impact on Delivery Model

In addition, the average amounts billed under the E0431 HCPCS code for oxygen tanks declined on average approximately 8.8% from $18.99 per month to $17.32 in the areas currently covered by Round 1. Therefore, the average gross reimbursement for the typical ambulatory oxygen tank patient in areas covered by Round 1 2017 Re-compete would be $95.29 per month on average versus $114.73 per month on average currently, or a reduction of approximately 16.9%. The Company believes the reimbursement premium that applies to portable oxygen concentrators, including the Company's Inogen One product line, versus oxygen tanks will provide further incentive for home healthcare suppliers to adjust their business models to incorporate non-delivery technology.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth in such a filing.

Cautionary Note Concerning Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, statements regarding the impact of reductions in Medicare reimbursement rates; expectations for average reimbursement rates; expectations in connection with competitive bidding reimbursement areas, including the potential to receive additional contracts in competitive bidding reimbursement areas and a potential shift to cash sales in certain markets; expectations regarding the timing of CMS contracted supplier announcements; Inogen’s plan to grandfather existing patients in areas in which Inogen does not win contracts; and the effect of changes in reimbursement rates on the market’s adoption of non-delivery technology. Forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from currently anticipated results, including but not limited to, risks arising from our assessment of the impact from competitive bidding and the CMS rules. In addition, Inogen's business is subject to numerous additional risks and uncertainties, including, among others, risks relating to market acceptance of its products; its ability to successfully launch new products and applications; competition; its sales, marketing and distribution capabilities; its planned sales, marketing, and research and development activities; interruptions or delays in the supply of components or materials for, or manufacturing of, its products; seasonal variations; unanticipated increases in costs or expenses; intellectual property risks if Inogen is unable to secure and maintain patent or other intellectual property protection for the intellectual property used in its products; and risks associated with international operations. Information on these and additional risks, uncertainties, and other information affecting Inogen’s business operating results are contained in Inogen’s Annual Report on Form 10-K for the year ended December 31, 2015 and in Inogen’s subsequent reports on Form 10-Q and Form 8-K. These forward-looking statements speak only as of the date hereof. Inogen disclaims any obligation to update these forward-looking statements except as may be required by law.

SIGNATURES

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

INOGEN, INC.

By: /s/Alison Bauerlein
Alison Bauerlein

Executive Vice President, Finance, Chief Financial Officer, Secretary and Treasurer
Date: September 14, 2016

ew Roman, Times, Serif; margin-top: 0; margin-bottom: 0pt; width: 100%">·certain expatriates or former long-term residents of the United States;

· persons that actually or constructively own 5% or more of our voting shares;

· persons that acquired our ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;

· persons that hold our ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;

· persons whose functional currency is not the U.S. dollar;

· controlled foreign corporations; or

· passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our ordinary shares. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our ordinary shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) by us on our ordinary shares and any consideration received (or deemed received) by a holder in consideration for the sale or other disposition of our ordinary shares will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service , or the IRS or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES. IT IS NOT TAX ADVICE. EACH HOLDER OF OUR ORDINARY SHARES IS URGED TO CONSULT ITS OWN TAX ADVISOR IN RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

U.S. Holders

Taxation of Cash Distributions Paid on Ordinary Shares

Subject to the passive foreign investment company or the PFIC rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our ordinary shares. A cash distribution on our ordinary shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. The portion of such distribution, if any, in excess of such earnings and profits generally will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder's adjusted tax basis in our ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ordinary shares and will be treated as described under "- *Taxation on the Disposition of Ordinary Shares"* below.

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With respect to non-corporate U.S. Holders, such cash dividends may be subject to U.S. federal income tax at the lower applicable regular long term capital gains tax rate (see "-*Taxation on the Disposition of Ordinary Shares*" below) provided that (a) our ordinary shares are readily tradable on an established securities market in the United States or, in the event we are deemed to be a PRC "resident enterprise" under the relevant PRC tax laws, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the U.S.-PRC Tax Treaty, (b) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (c) certain holding period requirements are met. Under published IRS authority, shares are considered for purposes of clause (a) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Capital Market. Although our ordinary shares are currently listed and traded on the NASDAQ Capital Market, U.S. Holders nonetheless should consult their own tax advisors regarding the availability of the lower rate for any cash dividends paid in respect to our ordinary shares.

If a PRC income tax applies to any cash dividends paid to a U.S. Holder on our ordinary shares, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such dividends, a U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Taxation on the Disposition of Ordinary Shares

Upon a sale or other taxable disposition of our ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the ordinary shares.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for our ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

If a PRC income tax applies to any gain from the disposition of our ordinary shares by a U.S. Holder, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any gain, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

Based on the composition (and estimated values) of our assets and the nature of the income of us and our subsidiaries for our 2017 taxable year, we do not believe that we will be treated as a PFIC for such year. However, because we have not performed a definitive analysis as to our PFIC status for our 2017 taxable year, there can be no assurance in respect to our PFIC status for such taxable year. There also can be no assurance with respect to our status as a PFIC for our current taxable year (2017) or any future taxable year. The determination of whether we are or have been a PFIC is primarily factual, and there is little administrative or judicial authority on which to rely to make a determination of PFIC status. Accordingly, the IRS or a court considering the matter may not agree with our analysis of whether we are or were a PFIC during any particular year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ordinary shares, and, in the case of our ordinary shares, the U.S. Holder did not make either a timely qualified electing fund, or QEF, election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our ordinary shares, or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of our ordinary shares; and
- any "excess distribution" made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the ordinary shares).

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we are qualified as a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder generally will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends if we qualified as a PFIC in that taxable year. However, a U.S. Holder may make a QEF election only if we agree to provide certain tax information to such holder annually. At this time, we do not intend to provide U.S. Holders with such information as may be required to make a QEF election effective.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election in respect to such ordinary shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) ordinary shares and for which we are determined to be PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its ordinary shares as long as such shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income for each year that we are treated as a PFIC the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over the adjusted tax basis in its ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ordinary shares over the fair market value of such shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ordinary shares in a taxable year in which we are treated as a PFIC will be treated as ordinary income. Special tax rules may also apply if a U.S. Holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) our ordinary shares and for which we are determined to be PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the NASDAQ Capital Market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. While our ordinary shares currently are listed and traded on the NASDAQ Capital Market, U.S. Holders nonetheless should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our ordinary shares should be deemed to own a portion of the shares of such lower-tier PFIC, and could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) ordinary shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a market-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our ordinary shares should consult their own tax advisors concerning the application of the PFIC rules to our ordinary shares under their particular circumstances.

Additional Taxes

Under current law, U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, our ordinary shares, subject to certain limitations and exceptions. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our ordinary shares.

Non-U.S. Holders

Cash dividends paid to a Non-U.S. Holder in respect to our ordinary shares generally will not be subject to U.S. federal income tax, unless such dividends are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting for U.S federal income tax purposes should apply to cash distributions made on our ordinary shares within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its ordinary shares and adjustments to that tax basis and whether any gain or loss with respect to such ordinary shares is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our ordinary shares.

Moreover, backup withholding of U.S. federal income tax, at a rate of 28%, generally will apply to cash dividends paid on our ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

Other Non-United States Taxation Treatment

The following discussion is a summary of certain anticipated PRC and Cayman Islands tax consequences of an investment in our ordinary shares. The discussion does not deal with all possible tax consequences relating to an investment in our ordinary shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities, insurance companies and tax-exempt entities) may be subject to special rules. In particular, the discussion does not address the tax consequences under state, local and other national tax laws. Accordingly, each prospective investor should consult its own tax advisor regarding the particular tax consequences to it of an investment in our ordinary shares. The following discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change.

China Taxation

There are significant uncertainties under the new corporate income tax law of the PRC, or the New Tax Law, which became effective on January 1, 2008, regarding our PRC enterprise income tax liabilities, such as a tax on any dividends paid to us by our PRC subsidiary. The New Tax Law also contains uncertainties regarding possible PRC withholding tax on dividends we pay to our overseas shareholders and gains realized from the transfer of our shares by our overseas shareholders.

We are a holding company incorporated in the Cayman Islands, which indirectly holds, through Fuwei (BVI), our equity interest in Shandong Fuwei, our subsidiary and actual operating body in the PRC. Our business operations are principally conducted through Shandong Fuwei.

Under the New Tax Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered to be PRC tax resident enterprises for tax purposes and subjected to the tax obligations of a PRC tax resident. If we or Fuwei (BVI) is considered as a PRC tax resident enterprise under the New Tax Law, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

On April 22, 2009, the State Administration of Taxation issued a Notice Regarding Recognition of Overseas Incorporated Enterprises Controlled by PRC Domestic Enterprises as PRC Resident Enterprises Based on the De Facto Management Body Criteria (the "Tax Residency Notice"). Under the Tax Residency Notice, which was retroactively effective as of January 1, 2008, an overseas enterprise will be deemed to be a PRC resident enterprise and thus subject to Enterprise Income Tax of 25% on its global income if it satisfies four conditions: (i) the company's management team responsible for daily operations are located in China, or the location where the management team carries out their responsibilities is in China; (ii) finance and personnel decisions are made or need approval by institutions or people in China; (iii) the company's major property, accounting ledger, company seal and minutes of board meetings and shareholder meetings are kept in China; and (iv) at least half of the members of the board of directors with voting rights or the management team habitually live in China.

Although the Tax Residency Notice applies only to overseas registered enterprises controlled by PRC enterprises, not to those controlled by PRC individuals, the determining criteria set forth in the Tax Residency Notice may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If we are deemed a PRC resident enterprise, we may be subject to the Enterprise Income Tax at 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% Enterprise Income Tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

However, China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent, will normally be subject to PRC tax.

Furthermore, the implementation rules of the New Tax Law provide that (i) if the enterprise that distributes the dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how "domicile" may be interpreted under the New Tax Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and, thus, may be subject to PRC tax.

If dividend payments from Shandong Fuwei and from Fuwei (BVI) to us are subject to PRC withholding tax, our financial condition and results of operations and the amount of dividends available to pay our shareholders may be adversely affected. Also, if dividends we pay to our overseas shareholders or gains realized by such shareholders from the transfer of our shares are subject to PRC tax, it may materially and adversely affect your investment return and the value of your investment in us. There is an income tax treaty in effect between the United States and China, so U.S. shareholders may be entitled to certain benefits under such treaty.

Cayman Island Taxation

The Cayman Islands currently has no exchange control restrictions. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the government of the Cayman Islands, save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) in addition, that no tax is levied on profits, income, gains or appreciation or no tax which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of 20 years from August 24, 2004.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the Securities and Exchange Commission. Specially, we are required to file annually a Form 20-F no later than six month after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at Judiciary Plaza, 100 F. Street, N.E., Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a Web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting requirements pursuant to Section 16 of the Exchange Act.

Documents concerning the Company that are referred to in this document may also be inspected at our office, which is at No. 387 Dongming Road, Weifang Shandong 261061, People’s Republic of China.

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Foreign exchange risk

We are exposed to the risk of foreign currency exchange rate fluctuation. We have never used derivative instruments to hedge our exchange rate risks, do not plan to do so, and may not be successful should we attempt to do so in the future. Nevertheless, we believe such risk is low as no foreign currency liabilities are incurred and the principal operations are limited mainly to the market in China.

Our operating subsidiary, Shandong Fuwei's, functional currency is Renminbi while our functional currency is Hong Kong Dollars. Transactions in other currencies are recorded in Renminbi at the rates of exchange prevailing when the transactions occur. Monetary assets and liabilities denominated in other currencies are converted into Renminbi at rates of exchange in effect at the balance sheet dates. Exchange gains and losses are recorded in our statements of operations as a component of current period earnings.

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The China State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended. Under the Rules, once various procedural requirements are met, Renminbi is convertible for current account transactions, including trade and services, but not for capital account transactions, including direct investment, loan or investment in securities outside China, unless the prior approval of the State Administration of Foreign Exchange of China is obtained. Although the Chinese government regulations now allow greater convertibility of Renminbi for current account transactions, significant restrictions still remain. Currently, we are not involved in foreign exchange transactions as all transactions are conducted in China are in Renminbi and all exporting business is completed in U.S. dollars.

The value of the Renminbi is subject to changes in China's central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rate generally has been stable. The official exchange rate for the conversion of Renminbi into U.S. dollars remained stable until Renminbi was revalued in July 2005 and allowed to fluctuate by reference to a basket of foreign currencies, including the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a band against a basket of foreign currencies.

We conduct substantially all of our operations through Shandong Fuwei, and its financial performance and position are measured in terms of Renminbi. Any appreciation of the Renminbi against the United States dollar would consequently have an adverse effect on our financial performance and asset values when measured in terms of United States dollar. Our solutions are primarily procured, sold and delivered in China for Renminbi. The majority of our revenues are denominated in Renminbi. Should the Renminbi appreciate against United States dollar, such appreciation could have a material adverse effect on our profits and the foreign currency equivalent of such profits repatriated by the Chinese entities to us.

Interest rate risk

We are exposed to interest rate risk arising from having short-term variable rate borrowings from time to time. Our future interest expense would fluctuate in line with any change in our borrowing rates. We do not have any derivative financial instruments and believe our exposure to interest rate risk and other relevant market risks is not material.

Inflation

According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 1.6%, 2.0% and 1.4% in 2017, 2016 and 2015, respectively.

Credit and liquidity risks

We adopt a risk assessment model to our customer credit management system, and we offer different credit terms to our customers based on criteria such as working relationship, payment history, creditworthiness and their financial position. All credit terms are approved by our finance department, in consultation with our sales department. For extension of larger credit limits, approvals have to be sought from our credit committee which is made up of members from our finance department, sales department and the CFO. Our finance department and sales department review our outstanding debtor balances on a monthly basis and follow up with customers when payments are due. We believe that there would not material impact risk to our operations in our credit and liquidity risk from sales and customers and other relevant market risks.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Default, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including the principal executive officer and the principal accounting officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal accounting officer concluded as of the Evaluation Date that our disclosure controls and procedures were ineffective due to the deficiencies described below in "Management's annual report on internal control over financial reporting." The material information required to be included in our Securities and Exchange Commission ("SEC") reports is accumulated and communicated to management (including such officers) as appropriate to allow timely decisions regarding required disclosure and recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to us, including our consolidated subsidiaries.

(b) Management's annual report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. In making its assessment of the effectiveness of the Company's internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on our evaluation, our principal executive officer and principal financial officer have concluded as of the Evaluation Date, our internal controls over financial reporting were ineffective as of December 31, 2017 due to the material weakness described below.

The Public Company Accounting Oversight Board defines a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when:

• a control necessary to meet the control objective is missing; or

• an existing control is not properly designed such that, even if the control operates as designed, the control objective is not always met.

A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

The material weaknesses identified result from inadequate technical accounting staff with knowledge of and experience with US generally accepted accounting principles, pursuant to which we prepare our consolidated financial statements, to support stand-alone external financial reporting under public company or SEC requirements.

We are in the process of developing and implementing a remediation plan to address the deficiencies in the areas of personnel with knowledge of and experience with US generally accepted accounting principles. However, additional measures may be necessary, and the measures we expect to take to improve our internal controls may not be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that such material weakness or other material weaknesses would not result in a material misstatement of our annual or interim financial statements. In addition, other material weaknesses or significant deficiencies may be identified in the future. If we are unable to correct deficiencies in internal controls in a timely manner, our ability to record, process, summarize and report financial information accurately and within the time periods specified in the rules and forms of the SEC will be adversely affected. This failure could negatively affect the market price and trading liquidity of our common stock, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties, and generally materially and adversely impact our business and financial condition.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurances with respect to financial statement preparation and presentation. In addition, any evaluation of effectiveness for future periods is subject to the risk that controls may become inadequate because of changes in conditions in the future.

The Company’s independent auditor, KSP Group, Inc., has audited the consolidated financial statements of the Company for the fiscal year ended December 31, 2017.

(c) Attestation report of the registered public accounting firm.

This Annual Report on Form 20-F does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the company to provide only management's report in this Annual Report.

(d) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. It should be noted that while our management believes that our disclosure controls and procedures provide a reasonable level of assurance; our management does not expect that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Item 16 [Reserved]

Item 16A. Audit Committee Financial Expert

Our Board of Directors has nominated Tee Chuang Khoo, Junying Liu, and Jianguo Zhang as members of the Audit Committee, all of whom are "independent" under the rules of Nasdaq Marketplace Rule 4200(a) (15). In addition, Tee Chuang Khoo qualifies as an audit committee as the financial expert as defined under the applicable rules of the SEC issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002.

Item 16B. Code of Ethics

The Code of Ethics for the members of our Board of Directors and Officers was approved by our Board of Directors on March 27, 2007.

Item 16C. Principal Accountant Fees and Services

Audit Fees

The audit fee of our current independent registered public accounting firm, KSP Group, Inc. (“KSP”) in connection with review and audit fee for 2017 and 2016 was US$142,500 and US$149,000, respectively.

Audit-Related Fees

The audit related fee of KSP including expenses for responding to SEC comments and out-of-pocket expenses, such as traveling and lodging, for the fiscal years ended December 31, 2017 and 2016 amounted to US$1,888 and US$2,587, respectively.

All Other Fees

Not applicable.

Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The policy of our directors who perform the functions customarily performed by an audit committee is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services and other services.

Audit of Financial Statements

KSP has been responsible for the annual audit of financial statements beginning from 2016.

Item 16D. Exemptions from the Listing Standards for Audit Committee

Not applicable.

Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant.

Effective on March 10, 2017, the Company's principal accountant and auditor, Kabani & Company, Inc. ("Kabani") resigned as the Company's independent registered public accounting firm and auditor, as Kabani no longer provides audit services.

Kabani's issued report on the Company's financial statements for the fiscal years ended December 31, 2016 and 2015 did not contain an adverse opinion or disclaimer of opinion, and was prepared using U.S. generally accepted accounting principles applicable to a going concern.

As a result of Kabani's resignation, the Board of Directors of the Company approved the appointment of KSP Group, Inc. ("KSP") as the Company's new independent registered public accounting firm and auditor on March 14, 2017 to fill the vacancy in accordance with the Articles of Association of the Company.

In connection with the audit of the Company's consolidated financial statements for the years ended December 31, 2016 and 2015, and through the subsequent interim period preceding the dismissal of Kabani, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Kabani, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report.

There are no reportable events as defined in Item 16F(a)(1)(v) of Form 20-F.

The Company has provided Kabani a copy of the statements made in response to this Item 16F and has requested Kabani to furnish it with a letter addressed to the Securities and Exchange Commission (the "SEC") stating whether or not Kabani agrees with such statements. A copy of the letter of Kabani was filed as Exhibit 15.1 to our Annual Report on Form 20-F filed with the SEC on April 6, 2017

During the two most recent fiscal years, and the subsequent interim period prior to the engagement of KSP, neither the Company, nor anyone on its behalf, consulted KSP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, where either a written report was provided to the Company or oral advice was provided, that KSP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions) or a reportable event (as described in Item 16F(a)(1)(v) of Form 20-F).

Item 16G. Significant Differences in Corporate Governance Practices.

NASDAQ Marketplace Rules and Home Country Practices

Pursuant to NASDAQ Listing Rule 5615(a)(3), as a foreign private issuer the Company may follow home country corporate governance practices in lieu of the requirements of the Rule 5600 series, provided that the Company (i) complies with certain mandatory sections of the Rule 5600 series, (ii) discloses each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such other requirement and (iii) delivers a letter to NASDAQ from the Company’s Cayman Islands counsel certifying that the corporate governance practices that the Company does follow are not prohibited by Cayman Islands law. The Company’s independent Cayman Islands counsel has certified to NASDAQ that the Company’s corporate governance practices are not prohibited by Cayman Islands law.

Item 16H. Mine Safety Disclosure

Not applicable.

Part III

Item 17. Financial Statements

The Company has elected to provide Financial Statements pursuant to Item 18 (see below).

Item 18. Financial Statements

The following documents are filed as Attachment A hereto and are included as part of this Annual report on Form 20-F.

Audited Consolidated Financial Statements of Fuwei Films (Holdings) Co., Ltd and Subsidiaries

Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2017, 2016 and 2015.

Consolidated Balance Sheets as of December 31, 2017 and 2016.

Consolidated Statements of Cash Flows for the year ended December 31, 2017, 2016 and 2015.

Consolidated Statements of Equity for the year ended December 31, 2017, 2016 and 2015.

Notes to Consolidated Financial Statements.

Item 19. Exhibits.

The following exhibits are filed as part of this Annual Report:

No.	Description
1.2	Form of Amended Memorandum of Association of Fuwei Films (Holdings) Co., Ltd. (2)
1.3	Articles of Association Fuwei Films (Holdings) Co., Ltd. (3)
4.1	Form of Underwriting Agreement.(1)
4.2	Loan Agreement between Bank of Communications and Fuwei Films (Shandong) Co., Ltd. dated January 15, 2007 (3)
4.3	Loan Agreement between Bank of Communications and Fuwei Films (Shandong) Co., Ltd. dated January 15, 2007 (3)
4.4	Asset Purchase Agreement between Fuwei Plastics and Shandong Weifang Auction Firm dated October 9, 2003 (2)
4.5	Purchase Agreement between Beijing Baorui and Weifang Jing Cheng Auction Co., Ltd. dated December 17, 2004 (2)
4.6	Service Agreement between Fuwei Films (Holdings) Co., Ltd. and Xiaoan He (2)
4.7	Employment Agreement between Fuwei Films (Holdings) Co., Ltd. and Xiaoan He (2)
4.8	Employment Agreement between Fuwei Films (Holdings) Co., Ltd. and Xiaoming Wang (2)
4.9	Employment Agreement between Fuwei Films (Holdings) Co., Ltd. and Xiuyong Zhang (2)
4.10	Equipment Contract between Fuwei Films (Holdings) Co., Ltd. and Brückner dated as of June 2005 (2)
4.11	Credit Letter from Communication Bank of China dated May 8, 2006 (2)
4.12	Contract between Fuwei Films (Shandong) Co., Ltd. and Lindauer Dornier GmbH, dated January 20, 2007 (4)
4.13	Amendment to the Contract of January 20, 2007 between Fuwei Films (Shandong) Co., Ltd. and Lindauer Dornier GmbH, dated February 2, 2007 (4)
4.14	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated July 16, 2008 (4)

4.15	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Weifang City Commercial Bank, dated July 18, 2008 (4)
4.16	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Weifang City Commercial Bank, dated December 2, 2008 (4)
4.17	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Weifang City Commercial Bank, dated January 13, 2009 (4)
4.18	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Weifang City Commercial Bank, dated January 16, 2009 (4)
4.19	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated June 9, 2009 (5)
4.20	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated June 9, 2009 (5)
4.21	Loan Contract between Fuwei Films (Shandong) Co., Ltd. and the Weifang Dongfang State-owned Assets Management Co., Ltd., dated November 20, 2009 (5)

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4.22 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Weifang, dated January 13, 2010 (5)

4.23 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated June 7, 2010 (6)

4.24 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated June 7, 2010 (6)

4.25 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated June 7, 2010 (6)

4.26 Contract between Fuwei Films (Shandong) Co., Ltd. and Lindauer Dornier GmbH, dated March 30, 2011 (7)

4.27 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated May 25, 2011 (8)

4.28 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated May 25, 2011 (8)

4.29 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated May 25, 2011 (8)

4.30 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated May 30, 2011 (8)

4.31 Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Bank of Communications, dated April 26, 2011 (8)

4.32 Amendment No. 1 to the Contract between Fuwei Films (Shandong) Co., Ltd. and Lindauer Dornier GmbH, dated July 22, 2011 (9)

4.33 Entrusted Loan Contract between Fuwei Films (Shandong) Co., Ltd. and Weifang High-Tech Investment Co., Ltd. dated October 28, 2011 (10)

4.34 Loan Contract between Fuwei Films (Shandong) Co. Ltd. and Bank of Communications Co., Ltd. dated April 18, 2013. (11)

4.35 Loan Contract between Fuwei Films (Shandong) Co. Ltd. and Bank of Communications Co., Ltd. dated April 19, 2013. (11)

4.36 Loan Contract between Fuwei Films (Shandong) Co. Ltd. and Bank of Communications Co., Ltd. dated April 25, 2013.(11)

4.37 Loan Contract between Fuwei Films (Shandong) Co. Ltd. and Bank of Communications Co., Ltd. dated May 2, 2013. (11)

4.38 Loan Contract between Fuwei Films (Shandong) Co. Ltd. and Bank of Communications Co., Ltd. dated April 23, 2013. (11)

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	Letter of Commitment between Fuwei Films (Shandong) Co. Ltd. and Shandong SNTON Optical Materials Technology Co., Ltd. dated April 1, 2014. (12)
4.40	Use of Capital Agreement between Fuwei Films (Shandong) Co. Ltd. and Shandong SNTON Optical Materials Technology Co., Ltd. dated April 2, 2014. (12)
4.41	Use of Capital Agreement between Fuwei Films (Shandong) Co. Ltd. and Shandong SNTON Group Co., Ltd. dated May 20, 2014. (12)
4.42	Use of Capital Supplemental Agreement for an amount of RMB105,000,000 between Fuwei Films (Shandong) Co. Ltd. and Shandong SNTON Optical Materials Technology Co., Ltd. dated March 9, 2015. (13)
4.43	Use of Capital Supplemental Agreement for an amount of RMB15,000,000 between Fuwei Films (Shandong) Co. Ltd. and Shandong SNTON Group Co., Ltd. dated March 9, 2015. (13)
4.44	Loan Contracts between Fuwei Films (Shandong) Co., Ltd. and Bank of Weifang, dated July 15, 2016. (14)
4.45	Loan Contracts between Fuwei Films (Shandong) Co., Ltd. and Bank of Weifang, dated July 20, 2016. (14)
4.46	Loan Contract No.20170728124 between Fuwei Films (Shandong) Co., Ltd. and Bank of Weifang, dated July 28, 2017 . (15)
8.1	List of the Company's significant subsidiaries, their jurisdiction of incorporation and the names under which they operate business, if different from their name. (3)

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11.1	Code of Ethics for CEO and Senior Financial Officers. (3)
12.1	Certification of Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002. *
12.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002. *
13.1	Certification of Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002. *
15.1	Letter of Kabani (16)
101.INS	XBRL Instance *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation *
101.DEF	XBRL Taxonomy Extension Definition *
101.LAB	XBRL Taxonomy Extension Labels *
101.PRE	XBRL Taxonomy Extension Presentation *

(1) Filed with the Company’s amendment to Registration Statement on Form F-1/A filed with the SEC on December 12, 2006.

(2) Filed with the Company’s Registration Statement on Form F-1 filed with the SEC on November 24, 2006.

(3) Filed with the Company’s Annual Report on Form 20-F for the year ended December 31, 2006 filed with the SEC on April 2, 2007.

(4) Filed with the Company’s Annual Report on Form 20-F for the year December 31, 2008 filed with the SEC on March 30, 2009.

(5) Filed with the Company’s Annual Report on Form 20-F for the year ended December 31, 2009 filed with the SEC on April 21, 2010.

(6) Filed with the Company’s Quarterly Report on Form 6-K for the quarter ended June 30, 2010 filed with the SEC on August 16, 2010.

(7) Filed with the Company’s Quarterly Report on Form 6-K for the quarter ended March 31, 2011 filed with the SEC on May 10, 2011.

(8) Filed with the Company’s Quarterly Report on Form 6-K for the quarter ended June 30, 2011 filed with the SEC on August 10, 2011.

(9) Filed with the Amendment No. 2 to the Company’s Annual Report on Form 20-F/A for the year ended December 31, 2011 filed with the SEC on September 4, 2012. Certain portions of this Exhibit were omitted based upon a request for confidential treatment and the omitted portions have been separately filed with the Securities and Exchange Commission.

(10) Filed with the Company's Annual Report on Form 20-F for the year December 31, 2011 filed with the SEC on April 12, 2012.

(11) Filed with the Company's Quarterly Report on Form 6-K for the quarter ended June 30, 2013 filed with the SEC on August 22, 2013.

(12) Filed with the Company's Quarterly Report on Form 6-K for the quarter ended June 30, 2014 filed with the SEC on August 21, 2014.

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(13) Filed with the Company's Quarterly Report on Form 6-K for the quarter ended March 31, 2015 filed with the SEC on May 21, 2015.

(14) Filed with the Company's Quarterly Report on Form 6-K for the quarter ended September 30, 2016 filed with the SEC on November 28, 2016.

(15) Filed with the Company's Quarterly Report on Form 6-K for the quarter ended September 30, 2017 filed with the SEC on November 28, 2017.

(16) Filed with the Company's Annual Report on Form 20-F for the year December 31, 2016 filed with the SEC on April 4, 2016.

* Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Fuwei Films (Holdings) Co., Ltd.

By: /s/ Zengyong Wang
Name: Zengyong Wang
Title: Chairman, Chief Executive Officer

By: /s/ Benjie Dong
Name: Benjie Dong
Title: Chief Financial Officer

Dated: April 23, 2018

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of

Fuwei Films (Holdings) Co., Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Fuwei Films (Holdings) Co., Ltd. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows for the years ended December 31, 2017, 2016 and 2015, all expressed in Chinese Yuan (Renminbi or RMB), and US Dollar (USD) expressed only for the year ended December 31, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fuwei Films (Holdings) Co., Ltd. and Subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows for the years ended December 31, 2017, 2016 and 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of RMB172,933,000 or USD26,579,315 as of December 31, 2017. As more fully described in Note 3(t) to the consolidated financial statements, the Company has incurred a net loss of RMB46,000,000 or USD7,070,070, and the Company may not have sufficient working capital to meet its planned operating activities over the next twelve months. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note 3(t). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KSP Group, Inc.

Certified Public Accountants

Los Angeles, California

April 23, 2018

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FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2017 and 2016

(amounts in thousands, except share and per share data)

		December 31, 2017		December 31, 2016
	Notes	RMB	US$	RMB
ASSETS				
Current assets				
Cash and cash equivalents		12,963	1,992	13,343
Restricted cash		56,501	8,684	73,421
Accounts and bills receivable, net	4	20,123	3,093	29,453
Inventories	5	24,578	3,778	25,153
Advance to suppliers	9	3,898	599	6,043
Prepayments and other receivables	6	1,404	216	6,489
Deferred tax assets – current	17	1,288	198	1,199
Total current assets		120,755	18,560	155,101
Property, plant and equipment, net	7	371,058	57,031	410,654
Construction in progress	7	366	56	431
Lease prepayments, net	8	16,830	2,587	17,358
Advance to suppliers - long term, net	9	1,570	241	1,861
Deferred tax assets - non current	17	6,901	1,061	8,032
Total assets		517,480	79,536	593,437
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	10	50,000	7,685	60,000
Long-term loan, current portion	10	-	-	3,300
Due to related parties	18	151,074	23,220	131,747
Accounts payables		17,470	2,685	20,581
Notes payable	11	67,900	10,436	100,888
Advance from customers		1,976	304	3,509
Accrued expenses and other payables	12	5,268	810	5,204
Obligations under capital leases-current		-	-	-
Total current liabilities		293,688	45,140	325,229
Deferred tax liabilities	17	2,763	425	2,997
Total liabilities		296,451	45,565	328,226

Equity			
Shareholders' equity			
Registered capital(of US$0.519008 par value; 5,000,000 shares authorized; 3,265,837 issued and outstanding)	13,323	2,048	13,323
Additional paid-in capital	311,907	47,939	311,907
Statutory reserve	37,441	5,755	37,441
Retained earnings	(144,508)	(22,210)	(98,505)
Cumulative translation adjustment	2,866	439	1,045
Total shareholders' equity	221,029	33,971	265,211
Total equity	221,029	33,971	265,211
Total liabilities and equity	517,480	79,536	593,437

See accompanying notes to the consolidated financial statements.

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FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Years Ended December 31, 2017, 2016 and 2015

(amounts in thousands, except share and per share data)

		The Year Ended December 31,							
		2017				2016		2015	
	Notes	RMB		US$		RMB		RMB	
Net sales	13	290,706		44,681		253,926		248,862	
Cost of sales	14,15	263,606		40,516		236,190		248,866	
Gross loss		27,100		4,165		17,736		(4	)
Operating expenses:									
Selling expenses	14,15	14,520		2,232		13,764		14,404	
Administrative expenses		46,514		7,149		46,211		39,559	
Loss on impairment of assets		-		-		-		7,219	
Total operating expenses		61,034		9,381		59,975		61,182	
Operating loss		(33,934	)	(5,216	)	(42,239	)	(61,186	)
Other income (expense):									
- Interest income		725		111		735		1,236	
- Interest expense	16	(9,453	)	(1,453	)	(7,865	)	(8,333	)
- Others income (expense), net		(2,533	)	(389	)	203		6,215	
Total other income (expense)		(11,261	)	(1,731	)	(6,927	)	(882	)
Loss before provision for income taxes		(45,195	)	(6,947	)	(49,166	)	(62,068	)
Income tax (expense) benefit	17	(808	)	(124	)	(5,317	)	(7,000	)
Net loss		(46,003	)	(7,071	)	(54,483	)	(69,068	)
Net income (loss) attributable to noncontrolling interests		-		-		-		(3	)
Net loss attributable to the Company		(46,003	)	(7,071	)	(54,483	)	(69,065	)
Other comprehensive income (loss):									
- Foreign currency translation adjustments attributable to noncontrolling interest		-		-		-		(37	)
- Foreign currency translation adjustments attributable to the Company		1,821		280		(4	)	(150	)

Comprehensive income (loss) attributable to non-controlling interest		-	-	-	(40)
Comprehensive loss attribute to the Company		(44,182)	(6,791)	(54,487)	(69,215)
Net loss per share, Basic and diluted	23	(14.09)	(2.17)	(16.68)	(21.15)
Weighted average number ordinary shares, Basic and diluted		3,265,837	3,265,837	3,265,837	3,265,837

See accompanying notes to the consolidated financial statements

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FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2017, 2016 and 2015

(amounts in thousands, except share data)

	Ordinary Shares								
	Number of shares	Amount RMB	Additional paid-in capital RMB	Statutory reserve RMB	Retained earnings RMB	Accumulated other comprehensive income RMB	Total shareholders' equity RMB	Non-controlling interest RMB	Total equity RMB
Balance as of December 31, 2014	3,265,837	13,323	311,907	37,441	25,043	1,199	388,913	(794)	388,119
Net income (loss)	-	-	-	-	(69,065)	-	(69,065)	(3)	(69,068)
Foreign currency translation adjustment	-	-	-	-	-	(150)	(150)	(37)	(187)
Balance as of December 31, 2015	3,265,837	13,323	311,907	37,441	(44,022)	1,049	319,698	(834)	318,864
Net income (loss)	-	-	-	-	(54,483)	-	(54,483)		(54,483)
Effect of closure for Fuwei Films USA LLC								834	834
Foreign currency translation adjustment	-	-	-	-	-	(4)	(4)	-	(4)
Balance as of December 31, 2016	3,265,837	13,323	311,907	37,441	(98,505)	1,045	265,211	-	265,211

Net income (loss)	-	-	-	-	(46,003)	-	(46,003)	-	(46,003)
Foreign currency translation adjustment	-	-	-	-	-	1,821	1,821	-	1,821
Balance as of December 31, 2017	3,265,837	13,323	311,907	37,441	(144,508)	2,866	221,029	-	221,029
Balance as of December 31, 2017 US$	3,265,837	2,048	47,939	5,755	(22,210)	439	33,971	-	33,971

See accompanying notes to the consolidated financial statements.

FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017, 2016 and 2015

(Amounts in thousands)

	The Years Ended December 31,			
	2017		2016	2015
	RMB	US$	RMB	RMB
Cash flow from operating activities				
Net loss	(46,003)	(7,071)	(54,483)	(69,068)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
- Loss on Long-term assets impairment	-	-	-	7,219
- Depreciation of property, plant and equipment	42,877	6,590	43,193	44,515
- Amortization of intangible assets	528	81	524	524
- Deferred income taxes (benefit)	808	124	5,317	7,000
- Bad debt (recovery) expense	(746)	(115)	2,466	(4,484)
- Inventory provision	1,340	206	(226)	(1,106)
Changes in operating assets and liabilities				
- Investment income recorded on Fuwei Holdings' book	-	-	(1,722)	-
- Accounts and bills receivable	10,075	1,549	(21,873)	(103)
- Inventories	(766)	(118)	4,647	(4,434)
- Advance to suppliers	2,145	330	(403)	2,038
- Prepaid expenses and other current assets	75	12	18	1,347
- Accounts payable	(3,110)	(479)	(12,179)	(9,683)
- Accrued expenses and other payables	128	20	(3,597)	2,446
- Advance from customers	(1,533)	(236)	1,263	(1,145)
- Tax payable	5,009	770	13,827	(2,016)
Net cash provided by (used in) operating activities	10,827	1,663	(23,228)	(26,950)
Cash flow from investing activities				
Purchases of property, plant and equipment	(3,282)	(504)	(11,218)	(222)
Restricted cash related to trade finance	16,921	2,601	(30,198)	4,884
Advanced to suppliers - non current	291	45	(421)	(718)
Amount change in construction in progress	65	10	1,269	(1,334)
Deposit for purchase	-	-	-	21,000
Net cash used in (provided by) investing activities	13,995	2,152	(40,568)	23,610
Cash flow from financing activities				
Principal payments of bank loans	(3,300)	(507)	(3,350)	(3,350)

Proceeds from short-term bank loans	(10,000)	(1,537)	60,000	-
Proceeds from related party	19,327	2,970	(11,333)	30,102
Payment of capital lease obligation	-	-	(302)	(8,260)
Change in notes payable	(32,988)	(5,070)	15,108	(9,759)
Net cash provided by (used in) financing activities	(26,961)	(4,144)	60,123	8,733
Effect of foreign exchange rate changes	1,759	399	2,661	(58)
Net (decrease) increase in cash and cash equivalent	(380)	70	(1,012)	5,335
Cash and cash equivalent				
At beginning of period/year	13,343	1,922	14,355	9,020
At end of period/year	12,963	1,992	13,343	14,355
SUPPLEMENTARY DISCLOSURE:				
Interest paid	9,453	1,453	7,865	8,333
Income tax paid	-	-	-	-
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCIAL ACTIVITIES:				
Account payable for plant and equipment:	1,374	211	1,597	2,075
Obligations for acquired equipment under capital lease:	-	-	-	302

See accompanying notes to the consolidated financial statements

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FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

Notes to Consolidated Financial Statements

(amounts in thousands, except share and per share data)

(1) Principal Activities and Reorganization

Fuwei Films (Holdings) Co., Ltd and its subsidiaries (the “Company” or the “Group”) are principally engaged in the production and distribution of BOPET film, a high quality plastic film widely used in packaging, imaging, electronics, electrical and magnetic products in the People’s Republic of China (the “PRC”). The Company is a holding company incorporated in the Cayman Islands, established on August 9, 2004 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company was established for the purpose of acquiring shares in Fuwei (BVI) Co., Ltd (“Fuwei (BVI)”), an intermediate holding company established for the purpose of acquiring all of the ownership interest in Fuwei Films (Shandong) Co., Ltd.

On August 14, 2013, the Company announced that it had received the first notice from the its controlling shareholder, the Weifang State-owned Assets Operation Administration Company, a wholly-owned subsidiary of Weifang State-owned Asset Management and Supervision Committee (collectively, the “Administration Company”) indicating that the Administration Company had determined to place control over 6,912,503 (or 52.9%) of its outstanding ordinary shares up for sale at a public auction to be held in China. Four public auctions were held in Jinan, Shandong Province, China. The Company learned that they failed due to a lack of bidders registered for the auction. On March 25, 2014, the fifth public auction was held in Jinan, Shandong Province, China. The beneficial ownership of 6,912,503 ordinary shares of the Company previously owned by the Administration Company through Apex Glory Holdings Limited, a British Virgin Islands corporation, was bid by Shandong SNTON Optical Materials Technology Co., Ltd (“Shandong SNTON”) through the public auction. Shandong SNTON got 6,912,503 (or 52.9%) of the Company’s outstanding ordinary shares at a price of RMB101,800 (approximately US$16,573) or approximately US$2.40 per ordinary share.

On May 12, 2014, the Company announced that it had learned that the successful bidder, Shandong SNTON in the fifth public auction of 6,912,503 (or 52.9%) of the Company’s outstanding ordinary shares (the “Shares”) held on March 25, 2014, was entrusted by Hongkong Ruishang International Trade Co., Ltd., a Hong Kong corporation, (“Hongkong Ruishang”) to handle all the formalities and procedure in connection with the public auction. As a result of the entrusted arrangement, the Company believes Hongkong Ruishang is the party controlling the Shares acquired in the fifth public auction. According to publicly available information in the People’s Republic of China, Shandong SNTON is a wholly owned subsidiary of Shandong SNTON Group Co., Ltd. (the “SNTON Group”). Mr. Xiusheng Wang, the chairman of the Board of Directors of Shandong SNTON Group Co., Ltd., is also Hongkong Ruishang’s chairman.

On May 14, 2014, the Company announced that it received a notification from Shandong Fuhua Investment Company Limited. ("Shandong Fuhua") with respect to an entire ownership transfer of the Company's 12.55% outstanding ordinary shares from the Administration Company to Shandong Fuhua. The Administration Company originally held these shares indirectly through an intermediate holding company, Easebright Investments Limited ("Easebright"). As a result of this transfer, Shandong Fuhua indirectly owns 12.55% of the outstanding ordinary shares of the Company through Easebright. Mr. Jingang Yang has been appointed as the director of Easebright.

(2) Basis of Presentation

The Group's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) and we consider the various staff accounting bulletins and other applicable guidance issued by the United States Securities and Exchange Commission (SEC).

This basis of accounting differs in certain material respects from that used in the preparation of the books of account of Shandong Fuwei, the Company's principal subsidiary, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises limited by shares as established by the Ministry of Finance of the PRC ("PRC GAAP"), the accounting standards used in the country of its domicile. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the books of account of the Company's subsidiaries to present them in conformity with U.S. GAAP.

(3) Summary of Significant Accounting Policies and Practices

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its two subsidiaries, including, Fuwei Films (BVI) Co., Ltd., and Fuwei Films (Shandong) Co., Ltd.. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Foreign Currency Transactions

The Group's reporting currency is the Chinese Yuan ("Renminbi" or "RMB").

The Company and Fuwei (BVI) operate in Hong Kong as investment holding companies and their financial records are maintained in Hong Kong dollars, being the functional currency of these two entities. Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and income, expenses, and cash flow items are translated using the average rate for the period. The translation adjustments are recorded in accumulated other comprehensive income in the statements of equity.

Transactions denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet dates. The resulting exchange differences are recorded in the statements of operations.

Commencing from July 21, 2005, the PRC government moved the RMB into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies.

For the convenience of the readers, the RMB amounts for the year of 2017 included in the accompanying consolidated financial statements in our annual report has been translated into U.S. dollars at the rate of US$1.00 = RMB 6.5063, being the noon buy rate for U.S. dollars in effect on December 31, 2017 in the City of New York for cable transfer in RMB per U.S. dollar as certified for custom purposes by the Federal Reserve Bank. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollar at that rate or at any other certain rate on

December 31, 2017, or at any other date.

RMB is not fully convertible into foreign currencies. All foreign exchange transactions involving RMB must take place either through the PBOC or other institutions authorized to buy and sell foreign currency. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC which are determined largely by supply and demand.

(c) Cash and Cash Equivalents and Restricted Cash

For statements of cash flow purposes, the Company considers all cash on hand and in banks, including certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

As of December 31, 2017 and 2016, there were cash and cash equivalents of RMB12,963 (US$1,992) and RMB13,343, respectively.

As of December 31, 2017 and 2016, there were restricted cash of RMB56,501 (US$8,684) and RMB73,421, respectively, as deposit in bank for letters of credit and banker's acceptance bill.

(d) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount after deduction of trade discounts, value added taxes and allowances, if any, and do not bear interest. The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. The Group determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

The Group reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by aging of such balances. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts as of December 31, 2017 and 2016 was RMB2,467 (US379) and RMB3,213, respectively.

(e) Inventories

Inventories are stated at the lower of cost or market value as of balance sheet date. Inventory valuation and cost-flow is determined using Moving Weighted Average Method basis. The Group estimates excess and slow moving inventory based upon assumptions of future demands and market conditions. If actual market conditions are less favorable than projected by management, additional inventory write-downs may be required. Cost of work in progress and finished goods comprises direct material, direct production cost and an allocated portion of production overheads based on normal operating capacity.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for fixed assets impairment.

Depreciation on property, plant and equipment is calculated on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	25 – 30
Plant and equipment	10 – 15
Computer equipment	5
Furniture and fixtures	5
Motor vehicles	5

Depreciation related to abnormal amounts from idle capacity is charged to administrative expenses for the period incurred. Total depreciations for the years ended December 31, 2017, 2016 and 2015 were RMB42,877 (US$6,590), RMB43,193 and RMB44,515 respectively, of which 39.6%, 37.9% and 56.5% was recorded in cost of goods sold and 60.4%, 62.1% and 43.5% was recorded in administrative and selling expenses, respectively.

Construction in progress represented capital expenditure in respect of the BOPET productions line. No depreciation is provided in respect of construction in progress.

(g) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group. Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under capital leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under capital leases. Where the Group acquires the use of assets under capital leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under capital leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

Operating lease charges. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

Sale and leaseback transactions. Gains or losses on equipment sale and leaseback transactions which result in capital leases are deferred and amortized over the terms of the related leases. Gains or losses on equipment sale and leaseback transactions which result in operating leases are recognized immediately if the transactions are established at fair value. Any loss on the sale perceived to be a real economic loss is recognized immediately. However, if a loss is compensated for by future rentals at a below-market price, then the artificial loss is deferred and amortized over the period that the equipment is expected to be used. If the sale price is above fair value, then any gain is deferred and amortized over the useful life of the assets.

(h) Lease Prepayments

Lease prepayments represent the costs of land use rights in the PRC. Land use rights are carried at cost and charged to expense on a straight-line basis over the respective periods of rights of 30 years. The current portion of lease prepayments has been included in prepayments and other receivables in the balance sheet.

(i) Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill is not amortized but is tested for impairment annually, or when circumstances indicate a possible impairment may exist. Impairment testing is performed at a reporting unit level. An impairment loss generally would be recognized when the carrying amount of the reporting unit exceeds the fair value of the reporting unit, with the fair value of the reporting unit determined using a discounted cash flow (DCF) analysis. A number of significant assumptions and estimates are involved in the application of the DCF analysis to forecast operating cash flows, including the discount rate, the internal rate of return, and projections of realizations and costs to produce. Management considers historical experience and all available information at the time the fair values of its reporting units are estimated. Goodwill was determined to be fully impaired during the year ended December 31, 2012.

(j) Impairment of Long-lived Assets

The Company recognizes an impairment loss when circumstances indicate that the carrying value of long-lived assets with finite lives may not be recoverable. Management's policy in determining whether an impairment indicator exists, a triggering event, comprises measurable operating performance criteria at an asset group level as well as qualitative measures. If an analysis is necessitated by the occurrence of a triggering event, the Company uses assumptions, which are predominately identified from the Company's strategic long-range plans, in determining the impairment amount. In the calculation of the fair value of long-lived assets, the Company compares the carrying amount of the asset group with the estimated future cash flows expected to result from the use of the assets. If the carrying amount of the asset group exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset group with their estimated fair value. We estimate the fair value of assets based on market prices (i.e., the amount for which the asset could be bought by or sold to a third party), when available. When market prices are not available, we estimate the fair value of the asset group using discounted expected future cash flows at the Company's weighted-average cost of capital. Management believes its policy is reasonable and is consistently applied. Future expected cash flows are based upon estimates that, if not achieved, may result in significantly different results. Considering the indivisibility of land and plant and the commonality of equipments, staff and technology, we take fixed assets and intangible assests as the group of assets. The accumulated loss on impairment of assets as of December 31, 2017 was RMB7,219 (US$1,114), respectively.

(k) Revenue Recognition

Sales of plastic flexible packaging materials are reported, net of value added taxes ("VAT"), sales returns, trade discounts. The standard terms and conditions under which the Group generally delivers allow a customer the right to return product for refund only if the product does not conform to product specifications; the non-conforming product is initially identified by customer, and the customer notifies the Group about the situation. After receiving the Group's permission, the non-conforming product may be returned for replacement or refund. The Group recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sale price is fixed or determinable.

In the PRC, VAT of 17% on invoice amount is collected in respect of the sales of goods on behalf of tax authorities. The VAT collected is not revenue of the Group; instead, the amount is recorded as a liability on the consolidated balance sheet until such VAT is paid to the authorities.

(l) Research and Development Costs

Research and development expenditures are expensed as incurred. Research and development costs amounted to RMB9,464 (US$1,455), RMB3,577, and RMB3,619 for the year ended December 31, 2017, 2016 and 2015 and such costs were recorded in administrative expenses.

(m) Income Taxes

Income taxes are accounted for under the asset and liability method. Under guidance contained in FASB ASC 740-10, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We follow the recognition and disclosure provisions under guidance contained in FASB ASC 740-10-25. Under this guidance, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. We only recognized deferred tax assets for the loss 2017 after considering the possibility of realizing the benefits under the conservatism principle.

(n) Loss per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of ordinary and dilutive potential ordinary shares outstanding during the year. Diluted potential ordinary shares consist of shares issuable pursuant to stock option plan.

On December 5, 2016, we held an extraordinary general meeting of shareholders pursuant to which a 1-for-4 reverse stock split of our authorized ordinary shares, accompanied by a corresponding decrease in our issued and outstanding ordinary shares and an increase of the par value of each ordinary share from $0.129752 to US$0.519008 (the "Reverse Stock Split"), was approved by our shareholders of record. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the 1-for-4 reverse stock split.

(o) Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates and assumptions including those related to the recoverability of the carrying amount and the estimated useful lives of long-lived assets, valuation allowances for accounts receivable and realizable values for inventories. Changes in facts and circumstances may result in revised estimates.

(p) Non-controlling interest

Non-controlling interest represents the portion of equity that is not attributable to the Company. The net income (loss) attributable to noncontrolling interests are separately presented in the accompanying statements of income and other comprehensive income. Losses attributable to noncontrolling interests in a subsidiary may exceed the interest in the subsidiary's equity. The related noncontrolling interest continues to be attributed its share of losses even if that attribution results in a deficit of the noncontrolling interest balance. In December 2016, Fuwei USA was written off.

(q) Segment Reporting

The Group uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Group’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Group’s reportable segments. Management, including the chief operating decision maker, reviews operating results solely by monthly revenue of BOPET film (but not by sub-product type or geographic area) and operating results of Shandong Fuwei, the operating subsidiary in the PRC. As such, the Group has determined that the Group has a single operating segment.

(r) Contingencies

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, including among others, product liability. The Group recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Group may consider many factors in making these assessments including past history and the specifics of each matter.

(s) Reclassification

Certain reclassifications have been made to the fiscal year 2017 and 2016 consolidated financial statements to conform to the fiscal 2017 consolidated financial statement presentation. These reclassifications had no effect on net loss or cash flows as previously reported.

(t) Going Concern Matters

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, as of December 31, 2017, the Company had a working capital deficiency of RMB172,933 (US$26,579) and accumulated deficit of RMB46,003 (US$7,070) from net losses incurred during the year of 2017. Confronted with the fierce competition in the BOPET industry in China, the Company may still witness losses over the next twelve months. The ability of the Company to operate as a going concern depends upon its ability to obtain outside sources of working capital and/or generate positive cash flow from operations. The Company may not have sufficient working capital to meet its planned operating activities over the next twelve months. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans regarding these matters are described as per follows: The Company accordingly has developed an outside financing plan to meet the need of working capital for our operation or debts. At the same time, the Company will continue implementing cost reductions on both manufacturing costs and operating expenses to improve profit margins. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

(u) Recently Issued Accounting Standards

Revenue Recognition: In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new revenue recognition standard will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We currently anticipate adopting the new standard effective January 1, 2018. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). We currently anticipate adopting the standard using the modified retrospective method. We are still in the process of completing our analysis on the impact this guidance will have on our consolidated financial statements and related disclosures. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

January 1, 2018, we have substantially completed our review of the impact of this guidance across our film-products processing and selling business and revenue-related activities, and do not expect the adoption of this standard to have a material impact on our reported revenues in our consolidated financial statements, revenue recognition processes. We are reviewing our disclosures for revenue recognition and do not anticipate significant changes will be needed to conform to the disclosure requirements of the new guidance.

In 2017, we established a cross-functional implementation team consisting of representatives from across all of our business departments. We utilized a bottoms-up approach to analyze the impact of the standard on our contract portfolio by reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to our revenue contracts. Based on the evaluation for our sales contracts under the ASC 606 requirement of following the five-step actions to judge revenue recognition, we usually recognize our revenue when the film-products have been delivered to our customers and all the risks relating to the goods have been transferred, and rights of payment for delivered goods have been vested as well.

The impact to our results is not material because the analysis of our contracts under the new revenue recognition standard supports the recognition of revenue over the past time.We continue to monitor additional changes, modifications, clarifications or interpretations undertaken by the FASB, which may impact our current conclusions.

Financial Instrument

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is not permitted. Accordingly, the standard is effective for us on September 1, 2018. The Company is currently evaluating the impact that the standard will have on the Company’s consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-2"), which provides guidance on lease amendments to the FASB Accounting Standard Codification. This ASU will be effective for us beginning in May 1, 2019. The Company is currently in the process of evaluating the impact of the adoption of ASU 2016-2 on the Company's consolidated financial statements.

Stock-based Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). ASU 2016-09 changes how companies account for certain aspects of stock-based awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for us in the first quarter of 2018, and earlier adoption is permitted. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss, which will be more decision useful to users of the financial statements. ASU 2016-13 is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is allowed as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is still evaluating the effect that this guidance will have on the Company's consolidated financial statements and related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards group with future effective dates are either not applicable or not significant to the consolidated financial statements of the Company.

(4) Accounts and Bills Receivable, net

Accounts receivable consisted of the following:

	December 31, 2017		December 31, 2016
	RMB	US$	RMB
Accounts receivable	18,588	2,857	17,052
Less: Allowance for doubtful accounts	(2,467)	(379)	(3,213)
	16,121	2,478	13,839
Bills receivable	4,002	615	15,614
	20,123	3,093	29,453

An analysis of the allowance for doubtful accounts for 2017, 2016 and 2015 is as follows:

	December 31, 2017		December 31, 2016	December 31, 2015
	RMB	US$	RMB	RMB
Balance at beginning of year	3,213	494	747	825
Bad debt (recovery) expense	(746)	(115)	2,466	(78)
Write-offs	-	-	-	-
Balance at end of year	2,467	379	3,213	747

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 7 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

(5) Inventories

Inventories consisted of the following:

	December 31, 2017		December 31, 2016
	RMB	US$	RMB
Raw materials	19,626	3,016	21,463
Work-in-progress	1,277	196	1,072
Finished goods	9,195	1,413	6,796
Consumables and spare parts	600	94	602
Allowance for obsolescence	(6,120)	(941)	(4,780)
	24,578	3,778	25,153

(6) Prepayments and Other Receivables

Prepayments and other receivables consisted of the following:

	December 31, 2017		December 31, 2016
	RMB	US$	RMB
Lease prepayments, current portion	524	81	524
Other receivables	880	135	5,965
	1,404	216	6,489

(7) Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	December 31, 2017		December 31, 2016
	RMB	US$	RMB
Buildings	68,319	10,500	68,319
Plant and equipment	803,710	123,528	799,067
Computer equipment	3,075	473	2,484
Furniture and fixtures	13,815	2,123	14,668
Motor vehicles	1,936	298	2,094
	890,855	136,922	886,632
Less: accumulated depreciation	(512,578)	(78,781)	(468,759)
Impairment of plant and equipment	(7,219)	(1,110)	(7,219)
	371,058	57,031	410,654

All of the Group's buildings are located in the PRC. As of December 31, 2017 and 2016, property, plant plus land use rights with carrying value totaling RMB54,598 (US$8,391) and RMB57,144 respectively were pledged to banks as collateral for credit limits and loans(see Note 12).

As of December 31, 2017, the mortgaged floor area of facilities and land use right to the bank is 46,196 square meters and 74,251 square meters, respectively.

(8) Lease Prepayments

The balance represents the lease prepayments of land use rights of the Group as follows:

	December 31, 2017		December 31, 2016
	RMB	US$	RMB
Non-current portion	16,830	2,587	17,358
Current portion - amount charged to expense next year	524	81	524
	17,354	2,668	17,882

As of December 31, 2017, part of prepaid land use rights were pledged to banks as collateral for credit limit in bank (see Note 12).

Land use rights amortization for the year ended December 31, 2017, 2016 and 2015 were RMB524 (US$81), RMB524 and RMB524, respectively.

As of December 31, 2017, prepaid land use rights of the Group included certain parcels of land located in Weifang City, Shandong Province, the PRC, with a net book value of RMB15,623 or US$2,401. The land use rights for land with area of approximately 43,878 square meters, 30,373 square meters will expire in November 2050 and May 2053, respectively.

(9) Advance to suppliers

Historically, we have significant working capital commitments because suppliers of PET resin and additives -based raw materials require us to make prepayments in advance of shipment. Besides, we may make prepayments related to some equipment purchases based on arrangement of contract. Our prepayments to suppliers were recorded either as advances to suppliers, if they are expected to be utilized within 12 months as of balance sheet date, or as long-term prepayments, which was included in the line item “advance to suppliers –long term” in our consolidated balance sheet, if they represented the portion expected to be utilized after 12 months. As of December 31, 2017 and 2016, the current portion of advance to suppliers was RMB3,898 (US$599) and RMB6,043, respectively. The noncurrent portion of advance to suppliers was RMB1,570 (US$241) and RMB1,861, respectively.

(10) SHORT-TERM BORROWINGS AND LONG-TERM LOAN

Short-term borrowings and long-term loan consisted of the following:

Lender	Interest rate per annum		December 31, 2017 RMB	December 31, 2017 US$	December 31, 2016 RMB
BANK LOANS					
Bank of SPD.					
- November 16, 2016 to November16, 2017	5.22	%	-	-	15,000
Bank of Weifang.					
- July 15, 2016 to July 15, 2017	7.5	%	-	-	19,500
- July 15, 2016 to July 15, 2017	7.5	%	-	-	15,000
- July 20, 2016 to July 20, 2017	7.5	%	-	-	6,400
- July 20, 2016 to July 20, 2017	7.5	%	-	-	1,800
- July 20, 2016 to July 20, 2017	7.5	%	-	-	2,300
- July 28, 2017 to July 28, 2018	6.5	%	50,000	7,685	-
Weifang Dongfang State-owned Assets Management Co., Ltd.					
- October 19, 2009 to October 18, 2017	4.41	%	-	-	3,300
			50,000	7,685	63,300
Less: amounts classified as short-term loan			(50,000)	(7,685)	(60,000)
Less: long-term loan, current portion;			-	-	(3,300)
Long-term Loan			-	-	-

Notes:

The principal amounts of the above loans are repayable at the end of the loan period.

In April 2014, we obtained a loan for a total amount of RMB105,000 from Shandong SNTON Optical Materials Technology Co., Ltd. (the “Shandong SNTON”) to pay off certain short-term loans due to Bank of Communications Co., Ltd. The interest shall be calculated at the benchmark rate, plus an additional 20% of the said benchmark rate, for the loan of the same term announced by the People’s Bank of China. The interest must be paid quarterly and settled in full at the end of the year. As of December 31, 2014, the principal of this loan and the interest have not been paid. In March 2015, we entered into a supplemental agreement with Shandong SNTON pursuant to which the parties agreed that we will pay off the principal of this loan plus interest upon availability of new loans from banks or other financial institutions.

In November 2017, SNTON Group provided us with a loan for the amount of RMB20,000.

Bank loans outstanding, which are all denominated in Renminbi, are secured and guaranteed as follows:

	December 31, 2017		December 31, 2016	December 31, 2015
	RMB	US$	RMB	RMB
Secured by:				
Property plant and equipment, Land use right	50,000	7,685	60,000	
Bills receivable	-	-	-	-
Guarantee company	-	-	3,300	6,650
Restricted cash		-		
	50,000	7,685	63,330	6,650

(11) Notes Payable

The credit line amounting to RMB50,000 (US$7,685) granted by Bank of Weifang was secured by a pledge of plant and land use right. The credit lines was used to purchase raw materials. The term of the credit line granted by Bank of Weifang is from July 2017 to July 2018. As of December 31, 2017, the amount of credit line granted by Bank of Weifang was all used.

As of December 31, 2017, Shandong Fuwei had banker's acceptances opened with a maturity from three to six months totaling RMB67,900 (US$10,436) for payment in connection with raw materials on a total deposits of RMB26,450 (US$4,065) and RMB30,000 (US$4,611) at SPD Bank and Bank of Weifang, respectively.

Notes payable consisted of the following:

	December 31, 2017		December 31, 2016
Issuing bank	RMB	US$	RMB
SPD Bank	37,900	5,825	70,920
Bank of Weifang	30,000	4,611	29,968
	67,900	10,436	100,888

(12) Accrued Expenses and Other Payables

Accrued expenses and other payables consisted of the following:

	December 31,2017		December 31,2016
	RMB	US$	RMB
Other payables	5,268	810	5,204
	5,268	810	5,204

(13) Revenues

The Company's revenue is primarily derived from the manufacture and sale of plastic flexible packaging materials.

During the fiscal year ended December 31, 2017, net revenues were RMB290,706 (US$44,681), compared to RMB253,926 during the same period in 2016, representing an increase of RMB36,780 or 12.7%, mainly due to the increase of average sales price by 12.3% caused by the increase in the price of main raw materials. For further analysis of the factors causing revenue increase, the increase of average sales price caused an increase of RMB31,953 and sales volume factor made an increase of RMB4,827.

The following table shows the distribution of the Company's revenue by the geographical location of customers, whereas all the Company's assets are located in the PRC:

	December 31, 2017		December 31, 2016	December 31, 2015
	RMB	US$	RMB	RMB
Sales in China	235,143	36,141	212,129	194,226
Sales in other countries (principally Europe, Asia and North America)	55,563	8,540	41,797	54,636
	290,706	44,681	253,926	248,862

Overseas sales were RMB55,563 (US$8,540,) or 19.1% of total revenues, compared with RMB41,797 or 16.5% of total revenues in 2016. For further analysis of the factors causing revenue increase, the increase of average sales price caused an increase of RMB5,502 and sales volume factor made an increase of RMB8,264.

The Company's revenue by significant types of films for 2017, 2016 and 2015 was as follows:

	December 31, 2017				December 31, 2016			December 31, 2015		
	RMB	US$	% of Total		**RMB**	**% of Total**		**RMB**	**% of Total**	
Stamping and transfer film	116,396	17,891	40.0	%	95,705	37.8	%	103,520	41.6	%
Printing film	24,779	3,808	8.5	%	20,366	8.0	%	29,605	11.9	%
Metallized film	8,431	1,296	2.9	%	7,391	2.9	%	9,010	3.6	%
Specialty film	108,089	16,612	37.2	%	96,091	37.8	%	73,851	29.7	%
Base film for other applications	33,011	5,074	11.4	%	34,373	13.5	%	32,876	13.2	%
	290,706	44,681	100.0	%	253,926	100.0	%	248,862	100.0	%

In 2017, sales of specialty films were RMB108,089 (US$16,612) and 37.2% of our total revenues as compared to RMB96,091 and 37.8% in 2016, which was an increase of RMB11,998, or 12.5%, as compared to the same period in 2016. The increase was largely attributable to the increase in sales volumes for dry films and coated films.

(14) Depreciation and Amortization

Depreciation of property, plant and equipment and amortization of intangible asset is included in the following captions:

	December 31, 2017	December 31, 2016	December 31, 2015

	RMB	US$	RMB	RMB
Cost of goods sold	16,981	2,610	16,354	25,139
Selling expenses	11	2	20	22
Administrative expenses	25,885	3,978	26,819	19,354
	42,877	6,590	43,193	44,515

(15) Freight Costs

The Group records freight costs related to the transporting of the raw materials to the Group's warehouse in cost of raw materials and all other outbound freight costs in selling expenses. For the year ended December 31, 2017, 2016 and 2015, freight costs included in cost of goods sold were RMB4,495 (US$691), RMB3,406 and RMB2,938, respectively, and RMB8,527 (US$1,311), RMB8,177, and RMB7,713, respectively, were included in selling expenses.

(16) Interest Expense

The Group capitalizes interest expense as a component of the cost of construction in progress. The following is a summary of interest cost incurred during the year ended December 31, 2017, 2016 and 2015:

	December 31, 2017		December 31, 2016	December 31, 2015
	RMB	US$	RMB	RMB
Interest cost capitalized	-	-	-	-
Interest cost charged to expense	9,453	1,453	7,865	8,333
	9,453	1,453	7,865	8,333

Interest expense in 2017 was higher than that in 2016, which was mainly due to increased short-term loan.

(17) Income Taxes

Cayman Islands Tax

Under the current Cayman Island laws, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

PRC Tax

Shandong Fuwei, being a Hi-Tech Enterprise in the Weifang Hi-Tech Industrial Zone in Shandong, the PRC, has been granted preferential tax treatments by the Tax Bureau of the PRC. According to the PRC Income Tax Law and various approval documents issued by the Tax Bureau, Shandong Fuwei's profit was taxed at a rate of 15%. In 2014, Fuwei Films failed to be designated as a Hi-Tech Enterprise and it became subject to a standard enterprise income tax at a rate of 25% in 2014 and 2015. In 2016, Shandong Fuwei was designated as a High-and-New Tech Enterprise and as a result, it is entitled to preferential tax treatment at an EIT rate of 15% for the years ended December 31, 2016, 2017 and 2018.

If our subsidiary Shandong Fuwei was not entitled to a reduced enterprise income tax, or EIT, rate of 15% for the year ended December 31, 2013, 2012 and 2011, it would have had an EIT rate of 25%, net income and basic and diluted earnings per share would be reduced by the following amounts:

	2013		2012	2011
	RMB	US$	RMB	RMB
Net income	-	-	-	(2,499)
Earnings per share				
- Basic	-	-	-	(0.19)
- Diluted	-	-	-	(0.19)

The Group had minimal operations in jurisdictions other than the PRC. Net (loss) income before income taxes consists of:

	2017		**2016**	**2015**
	RMB	**US$**	**RMB**	**RMB**
Cayman Islands	(2,406)	(370)	(1,352)	(2,379)

British Virgin Islands	(5)	(1)	(5)	(3)
PRC	(42,784)	(6,576)	(47,796)	(59,677)
U.S.A	-	-	(13)	(9)
	(45,195)	(6,947)	(49,166)	(62,068)

The Company has no material unrecognized tax benefit which would favorably affect the income taxes in future periods and does not believe there will be any significant increases or decreases within the next twelve months. No interest or penalties have been accrued at the date of adoption. As of December 31, 2017, we do not have any accrued liability for uncertain tax positions.

Shandong Fuwei was designated as a High-and-New Tech Enterprise in December 2008 and retained its status as a high-tech enterprise for three years commencing from 2011 enjoying a favorable corporate tax rate during the term from January 1, 2011 to December 31, 2013 pursuant to the Enterprise Income Tax Law. In 2014, Fuwei Films failed to be designated as High-and-New Tech Enterprise. In 2016, Shandong Fuwei was designated as High-and-new Tech Enterprise. Accordingly, the deferred taxes as of December 31, 2017 have been calculated employing the statutory rate of Shandong Fuwei of 15%.

Income tax benefit (expense) consists of:

PRC Income tax	Current RMB	Deferred RMB	Total RMB
Year ended December 31, 2015	-	(7,000)	(7,000)
Year ended December 31, 2016	-	(5,317)	(5,317)
Year ended December 31, 2017	-	(808)	(808)
Year ended December 31, 2017 (US$)	-	(124)	(124)

Income tax expenses reported in the consolidated statements of income differs from the income tax expense amount computed by applying the PRC income tax rate of 25%, 15%, 15% (the statutory tax rate of the Company's principal subsidiary) for the year ended December 31, 2017, 2016 and 2015 for the following reasons:

	2017		2016	2015
	RMB	US$	RMB	RMB
Income (loss) before income taxes	(45,195)	(6,947)	(49,166)	(62,068)
Computed "expected" tax expense	(218)	(34)	(218)	(218)
Non-deductible expenses	-	-	-	-
Non-taxable income	131	20	131	218
Tax holiday	87	13	87	-
Tax effect of deferred tax and tax rates differential	(808)	(124)	(5,317)	(7,000)
Actual income tax benefit (expense)	(808)	(124)	(5,317)	(7,000)

Tax effects of temporary differences that give rise to significant portions of the deferred tax assets (liabilities) as of December 31, 2017 and 2016 are presented below.

	December 31, 2017		**December 31, 2016**
	RMB	**US$**	**RMB**
Current			
Accounts receivable	370	57	482
Other receivables	-	-	-
Inventory impairment	918	141	717
Estimated Loss due to Product Warranty	-	-	-
	1,288	198	1,199
Non-current			
Property, plant and equipment, principally due to differences in depreciation	775	119	917
Construction in progress, principally due to capitalized interest	(2,432)	(373)	(2,656)
Lease prepayments, principally due to differences in charges	(331)	(51)	(341)
Allowance for advanced to supplier-long term	16	2	16
Net loss carryforward	6,110	939	7,099
	4,138	636	5,035
Net deferred income tax assets	5,426	834	6,234

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Considering the level of historical performance of Shandong Fuwei, we only recognized deferred tax assets for the loss of 2017 after considering the possibility of realizing the benefits under the conservatism principle.

(18) Related Party Transactions

Name of party	**Relationship**
Hongkong Ruishang International Trade Co., Ltd. (the "Hongkong Ruishang")	Shareholder of the Company (52.9%)
Shandong Fuhua Investment Company Limited. ("Shandong Fuhua")	Shareholder of the Company (12.54%)
Hongkong Ruishang International Trade Co., Ltd. (the "Hongkong Ruishang")	Subsidiary of Shandong SNTON Group Co., Ltd.("SNTON Group")
Shandong SNTON Optical Materials Technology Co., Ltd.("Shandong SNTON")	Subsidiary of Shandong SNTON Group Co., Ltd.("SNTON Group")

Due to related parties

In April 2014, we obtained a loan for a total amount of RMB105,000 from Shandong SNTON Optical Materials Technology Co., Ltd. (the "Shandong SNTON") to pay off certain short-term loans due to Bank of Communications Co., Ltd. The interest shall be calculated at the benchmark rate, plus an additional 20% of the said benchmark rate, for the loan of the same term announced by the People's Bank of China. The interest must be paid quarterly and settled in full at the end of the year. As of December 31, 2014, the principal of this loan and the interest have not been paid. In March 2015, the Company entered into a supplemental agreement with Shandong SNTON pursuant to which the parties agreed that the Company will pay off the principal of this loan plus interest upon availability of new loans from banks or other financial institutions.

As of December 31, 2017, the principal of this loan from Shandong SNTON was RMB104,708 and the interest was RMB22,930. The interest expense of the loans from Shandong SNTON for the year ended 2017, 2016 and 2015 are RMB22,930, RMB17,373 and RMB11,800, respectively.

As of December 31, 2017, the principal of this loan from Shandong SNTON was RMB104,708 and the interest was RMB22,930.

In November 2017, SNTON Group provided us with a loan for the amount of RMB20,000.

As of December 31, 2017, the total principal of loan from SNTON Group was RMB20,000 and the interest payable was zero.

The interest expenses of the loans from SNTON Group for the year ended 2017, 2016 and 2015 are zero, zero and RMB1,572, respectively.

In 2017, we did not purchase any raw materials or final products from SNTON Group.

In 2016, we did not purchase any raw materials or final products from SNTON Group.

In 2015, we purchased 75.6 Metric Tons of raw materials from SNTON Group for a total amount of RMB414.

In 2017, we purchased 823.76 Metric Tons of final products of BOPET from Shandong SNTON for a total amount of RMB8,397.

In 2016, we purchased 1.05 Metric Tons of raw materials from Shandong SNTON for a total amount of RMB5 and 566 Metric Tons of final products of BOPET for a total amount of RMB4,867.

In 2015, we purchased 1,740 Metric Tons of raw materials from Shandong SNTON for a total amount of RMB9,116 and 780 Metric Tons of final products of BOPET for a total amount of RMB7,041.

The related accounts payable as of December 31, 2017 and 2016 was RMB151,074 and RMB131,747, respectively.

(19) Pension Plan

Pursuant to the relevant PRC regulations, the Group is required to make contributions at a rate of 20% of employees' salaries and wages to a defined contribution retirement scheme organized by the local Social Bureau in respect of the retirement benefits for the Group's employees in the PRC. The total amount of contributions of RMB1,498 (US$230), RMB1,384 and RMB1,238 for the year ended December 31, 2017, 2016 and 2015 respectively, was charged to administrative expenses in the accompanying consolidated statements of income. The Group has no other obligation to make payments in respect of retirement benefits of the employees.

(20) Fair Value of Financial Instruments

Our accounting for Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level one — Quoted market prices in active markets for identical assets or liabilities;

Level two — Inputs other than level one inputs that are either directly or indirectly observable; and

Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value, such as derivative financial instruments and available-for-sale equity securities. The Company had no assets and liabilities measured at fair value on December 31, 2017.

The carrying amount of cash and cash equivalents, trade accounts receivable, prepayments and other receivables, amounts due from related parties, amounts due to related parties, and accrued liabilities and other payables, approximate their fair values because of the short maturity of these instruments.

The carrying amount of bank loans approximate the fair value based on the borrowing rates currently available for bank loans with similar terms and maturity.

(21) Business and Credit Concentrations

(a) Almost all of the Group's customers are located in the PRC. There is no individual customer with gross revenue more than 10% of total gross revenue during the year ended December 31, 2017, 2016 and 2015.

Each amount due from the following customers represented more than 10% of the outstanding accounts receivable on December 31, 2017 and 2016.

	Percentage of accounts receivable outstanding (%)	
	December 31, 2017	
Yunnan Dexin Zhiye Co., Ltd.	19.8	%
Zhuhai City Nengdong Technology Optical Materials Co., Ltd.	16.9	%
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	10.5	%

	Percentage of accounts receivable outstanding (%)	
	December 31, 2016	
Zhuhai City Nengdong Technology Optical Materials Co., Ltd.	24.2	%

(b) The Group purchased a significant portion of PET resin required for the production of BOPET film from Sinopec Yizheng Chemical Fibre Company Limited ("Sinopec Yizheng") and during the year ended December 31, 2017, 2016 and 2015. The Group believes that there are a limited number of suppliers in the PRC with the ability to consistently supply PET resin that meets the Group's quality standards and requirements. Currently, the Group has annual supply agreements with Sinopec Yizheng and pursuant to which Sinopec Yizheng and have agreed to supply fixed quantities of PET resin to the Group on a monthly basis at the prevailing market prices. The terms of such supply agreement are reviewed annually. Although the Group believes that it maintains a good relationship with its major suppliers, there can be no assurance that Sinopec Yizheng and will continue to sell to the Group under normal commercial terms as and when needed.

The following are the vendors that supplied 10% or more of our raw materials for each of the year ended December 31, 2017, 2016 and 2015:

		Percentage of total purchases (%)					
Supplier	Item	2017		2016		2015	
Sinopec Yizheng Chemical Fibre Company Limited	PET resin and Additives	40.5	%	60.3	%	52.0	%
PetroChina Co Ltd East China chemical sales branch	PET resin and Additives	28.6	%	4.9	%	0.0	%
Weifang Power Supply Company.	Electric power	10.3	%	12.3	%	12.8	%

The balance of advance to supplier to Sinopec Yizheng was RMB952 (US$146) as of December 31, 2017.

The balance of advance to supplier to Sinopec Yizheng was RMB2,692 (US$414) as of December 31, 2016.

(c) Financial instruments that potentially subject the Company to concentrations of credit risk are cash and cash equivalents, accounts receivable and other receivables arising from its normal business activities. The Company places its cash and cash equivalents in what it believes to be credit-worthy financial institutions. The Company maintains large sums of cash in two major banks in China. The aggregate balance in such accounts as of December 31, 2017 was RMB9,809 (US $1,508). There is no insurance securing these deposits in China. The Company has a diversified customer base, most of which are in China.

(22) Commitments and Contingencies

(a) Operating lease commitments

Future minimum lease payments under non-cancelable operating leases as of December 31, 2017 are as follows:

	December 31, 2017	
	RMB	US$
Operating lease commitments	143	22

The Company leases warehouses, staff quarters and offices under operating leases. The leases duration is typically for one to three years, with an option to renew. None of the leases includes contingent rentals.

For the year ended December 31, 2017, 2016 and 2015, total rental expenses for non-cancelable operating leases were RMB160 (US$25), RMB291 and RMB206, respectively.

(b) Capital commitments

Capital commitments for purchase of property, plant and equipment as of December 31, 2017 were RMB213 (US$33).

(c) Outstanding bills receivable discounted

As of December 31, 2017, the Company had not retained any recourse obligation in respect of bills receivable discounted with and sold to banks.

(d) Legal Proceedings

From time to time, we may be subject to legal actions and other claims arising in the ordinary course of business. Shandong Fuwei is currently a party to one legal proceeding in China.

On July 9, 2012, a client filed a lawsuit in Beijing Daxing District People's Court against Shandong Fuwei claiming RMB953 plus interest over disputes arising from a Procurement Contract between the parties. Shandong Fuwei raised a jurisdictional objection upon filing its plea, and Beijing Daxing District People's Court overruled the objection. Shandong Fuwei filed an appeal against the judgment in the First Intermediate People's Court of Beijing. The appeal was dismissed on January 23, 2013. On May 15, 2013, Beijing Daxing District People's Court heard the case and adjourned the hearing due to the fact that plaintiff failed to provide sufficient evidence. On June 25, 2013, the case was heard in Beijing Daxing District People's Court again and it was further adjourned due to plaintiff's failure to provide sufficient evidence. The case was then scheduled to be heard on August 7, 2013. However, on the day prior to re-scheduled hearing, Shandong Fuwei was informed by Beijing Daxing District People's Court that the hearing was adjourned further for the same reason that plaintiff failed to provide sufficient evidence. On April 21, 2014, the case was heard, and the plaintiff failed to provide sufficient evidence and the hearing was further adjourned. On May 28, 2014, the case was heard and the plaintiff provided some evidence. On August 25, 2014, the case was heard again. On November 5, 2014, the court accepted the withdrawal application from the plaintiff. On November 26, 2014, the plaintiff filed a second lawsuit in Beijing Daxing District People's Court against Shandong Fuwei over disputes arising from the Procurement Contract between the parties claiming RMB618 plus interest as a result of non- payment. The case was heard on January 26, 2015, where the two parties testified over the relevant evidence. The case was heard on March 3, 2015, October 26, 2015 and May 11, 2016. To date, the case has not been decided.

(23) Earnings (Loss) Per Share

Basic and diluted earnings per share for the period/year ended December 31, 2017, 2016 and 2015 have been calculated as follows:

	2017 RMB	US$	2016 RMB	2015 RMB
Net (loss) income available to ordinary shareholders	(46,003)	(7,071)	(54,483)	(69,065)
Weighted average number of ordinary shares outstanding	3,265,837	3,265,837	3,265,837	3,265,837
Dilutive effect of share options	-	-	-	-
Diluted weighted average number of ordinary shares outstanding	3,265,837	3,265,837	3,265,837	3,265,837
Basic and diluted earnings (loss) per share	(14.09)	(2.17)	(16.68)	(21.15)

(24) Fuwei Films (Holdings) Co., Ltd (Parent Company)

Under PRC regulations, the Company's operating subsidiary, Shandong Fuwei may pay dividends only out of its accumulated profits, if any, determined in accordance with the accounting standards and regulations prevailing in the PRC ("PRC GAAP"). In addition, Shandong Fuwei is required to set aside at least 10% of its accumulated profits each year, if any, to fund the statutory general reserve until the balance of the reserve reaches 50% of its registered capital. The statutory general reserve is not distributable in the form of cash dividends to the Company and can be used to make up cumulative prior year losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by them, provided that the reserve balance after such issue is not less than 25% of the registered capital. Further, Shandong Fuwei is also required to allocate 5% of the profit after tax, determined in accordance with PRC GAAP, to the statutory public welfare fund which is restricted to be used for capital expenditures for staff welfare facilities owned by the Company. The statutory public welfare fund is not available for distribution to equity owners (except in liquidation) and may not be transferred in the form of loans, advances, or cash dividends. As of December 31, 2017, an aggregate amount of RMB37,441 (US$5,755) has been appropriated from retained earnings and set aside for statutory general reserve and public welfare fund, by Shandong Fuwei.

As of December 31, 2017, the amount of restricted assets of Shandong Fuwei, which may not be transferred to the Company in the form of loans, advances or cash dividends by the subsidiaries without the consent of a third party, was approximately 67.5% of the Company's consolidated total assets as discussed above. In addition, the current foreign exchange control policies applicable in the PRC also restrict the transfer of assets or dividends outside the PRC.

The following presents condensed unaudited unconsolidated financial information of the Parent Company only.

Condensed unaudited Balance Sheet as of December 31, 2017 and 2016

	2017 RMB	US$	2016 RMB
Cash and cash equivalents	125	19	226
Other current assets	279,546	42,965	298,188
Investments in subsidiaries	-	-	-
Total assets	279,671	42,984	298,414
Current liabilities	67,388	10,357	67,626
Total shareholders’ equity	212,283	32,627	230,788
Total liabilities and shareholders’ equity	279,671	42,984	298,414

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Condensed unaudited Statements of Operations (For the years ended December 31, 2017, 2016 and 2015)

	2017 RMB	US$	2016 RMB	2015 RMB
Interest income (expenses)	(7)	(1)	(15)	(12)
General and administrative expenses	(2,399)	(369)	(2,662)	(2,367)
Other income	-	-	-	-
Loss before equity in undistributed earnings of subsidiaries	(2,406)	(370)	(2,677)	(2,379)
Equity in earnings of subsidiaries	(43,597)	(6,701)	(51,806)	(66,689)
Net income	(46,003)	(7,071)	(54,483)	(69,068)

Condensed unaudited Statement of Cash Flows (For the year ended December 31, 2017, 2016 and 2015)

	2017 RMB	US$	2016 RMB	2015 RMB
Cash flow from operating activities				
Net income	(46,003)	(7,071)	(54,483)	(69,068)
Adjustment to reconcile net income (loss) to net cash from operating activities:				
- Equity in earnings of subsidiaries	43,597	6,701	51,806	66,689
- Foreign exchange gain	-	-	-	-
Changes in operating assets and liabilities:				
- Other current assets	-	-	-	-
- Other current liabilities	(66)	(10)	142	34
Net cash provided by operating activities	(2,472)	(380)	(2,535)	(2,345)
Cash flow from financing activities				
Payments to related parties	4,762	732	2,750	2,249
Proceeds from related parties	(2,379)	(366)	(10)	(2)
Effect of exchange	(12)	(2)	10	2
Net cash provided by (used in) financing activities	2,371	364	2,750	2,249
Net increase (decrease) in cash	(101)	(16)	215	(95)
Cash:				

At beginning of year	226	35	11	106
At end of year	125	19	226	11

(25) Unaudited Quarterly Data

Quarter Ended	March 31		June 30		September 30		December 31		Total	
Fiscal year 2017	**RMB**	**US$**	**RMB**	**US$**	**RMB**	**US$**	**RMB**	**US$**	**RMB**	**US$**
Revenue	67,944	9,871	70,066	10,335	73,857	11,101	78,839	12,117	290,706	44,681
Gross loss	3,757	546	5,025	741	6,712	1,009	11,606	1,783	27,100	4,165
Net loss	(12,157)	(1,765)	(11,645)	(1,718)	(12,076)	(1,814)	(10,126)	(1,557)	(46,003)	(7,071)
Basic and diluted loss per share	(3.72)	(0.54)	(3.57)	(0.53)	(3.70)	(0.56)	(3.10)	(0.48)	(14.09)	(2.17)

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