



# **Dalian Refrigeration Co., Ltd.**

## **2015 Annual Report**

**March, 2016**

## **Section 1 Important Notice, Table of Contents, and Definitions**

**The directors and the Board of Directors, the supervisors and the Supervisory Board, and Senior staff members of Dalian Refrigeration Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are not any important omissions, fictitious statements or serious misleading carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completeness of the whole contents.**

**Chairman of the Board of Directors of the Company Mr. Ji Zhijian, Financial Majordomo Mr. Ma Yun and the head of Accounting Department Mrs. Mao Chunhua hereby confirm that the financial report of the annual report is true and complete.**

**All the directors have attended this Board meeting of the Company.**

**There is no significant risk having adverse influence on attainment of the Company's future development strategy and business targets. The paragraph "Development Prospect of the Company" in Section 4 of this Annual Report describes major risks the Company may be confronted with, including the risk of fiercer industrial competition, and the risk of backward production equipment and process flow. See the related sections for the countermeasures to be taken by the Company.**

**The profit distribution proposal reviewed and adopted at this Board meeting of the Company is: Based on the total capital stock of 360,164,975 shares, the dividend of RMB 1.00 in cash (including tax) will be distributed for every 10 shares, the total cash dividend is RMB 36.016 million, and the cash dividend for B share is converted and paid in Hong Kong dollars; Based on the total capital stock of 360,164,975 shares, the Company will transfer the capital reserve to increase capital stock, 5 shares for every 10 shares.**

**This report is written respectively in Chinese and in English. In the event of any discrepancy between the two above-mentioned versions, the Chinese version shall prevail.**

# CONTENTS

|  |     |
|--|-----|
| Section 1 Important Notice, Table of Contents, and Definitions .....                             | 2   |
| Section 2 About the Company .....  | 5   |
| Section 3 Summary of Main Accounting Data and Financial Indicators.....                          | 8   |
| Section 4 Board of Directors' Report.....  | 9   |
| Section 5 Important Issues.....  | 21  |
| Section 6 Change in Share Capital and Shareholders' Information .....                            | 29  |
| Section 7 Information on Preferred Stock .....   | 33  |
| Section 8 Information on the Company's Directors, Supervisors, Senior Management and Staff ..... | 34  |
| Section 9 Corporate Governance.....  | 40  |
| Section 10 Financial Report .....  | 43  |
| Section 11 Contents of Reference Documents .....   | 123 |

## Definitions

| Defined item              | Stands for | Meaning  |
|---------------------------|------------|--|
| Reporting period          | Stands for | From Jan. 1, 2015 to Dec. 31, 2015   |
| The Company, this Company | Stands for | Dalian Refrigeration Co., Ltd.   |
| Wuxin Refrigeration       | Stands for | Wuhan New World Refrigeration Industries Co., Ltd., one of the subsidiary of the Company where the Company holds 100% of its shares.   |
| Bingshan Guardian         | Stands for | Dalian Bingshan Guardian Automation Co., Ltd., one of the controlled subsidiaries of this Company, where the Company holds 60% of its shares.  |
| Sanyo High-Efficient      | Stands for | Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. one of the controlled subsidiaries of this Company, where the Company holds 55% of its shares.  |
| Dalian Fuji-Bingshan      | Stands for | Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the mutual shareholding companies of this Company, where the Company holds 49% of its shares.   |
| Panasonic Compressor      | Stands for | Panasonic Compressor (Dalian) Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.  |
| Panasonic Cold-Chain      | Stands for | Panasonic Cold-Chain(Dalian) Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.   |
| Panasonic Refrigeration   | Stands for | Panasonic Refrigeration Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.  |
| Jingxue Freezing          | Stands for | Changzhou Jingxue Freezing Equipment Co., Ltd. one of the mutual shareholding companies with this Company, where the Company holds 29.212% of its shares.  |
| Dalian Fuji-Bingshan      | Stands for | Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the mutual shareholding companies of this Company, where the Company holds 49% of its shares.   |
| Keihin Grand-Ocean        | Stands for | Keihin Grand-Ocean Cooling & Heating Industry (Dalian) Co., Ltd., one of the mutual shareholding companies with this Company, where the Company holds 20% of its shares.   |
| PDM                       | Stands for | The Product Data Management system, a technology managing all information and processes relating to products to provide information management in the whole life of product and establish a parallel collaborative environment for product design and manufacture within the enterprise. |
| ERP                       | Stands for | The Enterprise Resource Planning system, a enterprise information management system oriented to manufacturing industries for the integration management of material resources, financial resources and information resources.  |

## Section 2 About the Company

### I. Company information

|                                       |  |
|---------------------------------------|--|
| Short form of the stock               | DALENG GUFEN; DALENG-B                                       |
| Stock code                            | 000530; 200530   |
| Listed stock exchange                 | Shenzhen Stock Exchange                                      |
| Legal name in Chinese                 | 大连冷冻机股份有限公司  |
| Legal English name and abbreviation   | Dalian Refrigeration Co., Ltd. DRC                           |
| Legal representative                  | Ji Zhijian   |
| Registered address and office address | 888 Xinan Road, Shahekou District, Dalian                    |
| Post code                             | 116033   |
| Internet web site of the Company      | <a href="http://www.daleng.cn">www.daleng.cn</a>             |
| E-mail of the Company                 | <a href="mailto:000530@bingshan.com">000530@bingshan.com</a> |

### II. Contact persons and information

|         | Secretary of the Board of Directors  | Authorized representative for securities affairs   |
|---------|--|--|
| Name    | Song Wenbao  | Song Wenbao (proxy)  |
| Address | DALENG GUFEN Securities & Legal Affairs Department, No. 888, Xinan Road, Shahekou District, Dalian | DALENG GUFEN Securities & Legal Affairs Department, No. 888, Xinan Road, Shahekou District, Dalian |
| Tel.    | 0411-86538130  | 0411-86538130  |
| Fax     | 0411-86654530  | 0411-86654530  |
| E-mail  | <a href="mailto:000530@bingshan.com">000530@bingshan.com</a>                                       | <a href="mailto:000530@bingshan.com">000530@bingshan.com</a>                                       |

### III. Information disclosure and place of preparation for inquiry

|   |   |
|---|---|
| Name of the newspaper designated by the Company for information disclosure                                    | China Securities Daily and Hong Kong Commercial Daily           |
| Address of the website designated by China Securities Regulatory Commission for publishing this Annual Report | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| Place where this Annual Report was prepared for inquiry   | Securities & Legal Affairs Department of the Company            |

### IV. Alteration to the registration

|  |           |
|--|-----------|
| Organization code                                    | No change |
| Change in main business since the Company was listed | No change |
| Changes in the holding shareholder                   | No change |

### V. Other related information

Accounting firm engaged by the Company

|   |   |
|---|---|
| Name of accounting firm                     | Da Hua Certified Public Accountants (Special General Partnership)                 |
| Office location of accounting firm          | 12/F, 7th Building No., 16 Xi Si Huan Zhong Road, HaiDian District Beijing, China |
| Name of signing certified public accountant | Sui Guojun, Wang Shuhuan  |

Sponsor the Company appointed for performance of the consistent supervision duty in the reporting period

☐ Applicable ☒ Not applicable

Financial consultant the Company appointed for performance of the consistent supervision duty in the reporting period

☐ Applicable ☒ Not applicable

## VI. Main accounting data and financial indicators

|   | 2015               | 2014               | Increase/decrease compared with previous year | 2013               |
|---|--------------------|--------------------|---|--------------------|
| Operating revenue   | 1,607,518,439.61   | 1,425,715,596.96   | 12.75%  | 1,535,706,911.25   |
| Net profit attributable to shareholders of listed companies   | 129,947,307.39     | 115,439,722.39     | 12.57%  | 153,006,057.13     |
| Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss | 126,122,809.25     | 105,435,245.61     | 19.62%  | 121,207,821.52     |
| Net cash flow from operating activities   | -50,568,474.38     | 28,495,772.47      | -277.46%                                      | 7,630,456.44       |
| Basic earning per share   | 0.36               | 0.33               | 9.09%   | 0.44               |
| Diluted earnings per share  | 0.36               | 0.33               | 9.09%   | 0.44               |
| Weighted average return on net asset yield  | 6.38%              | 5.98%              | Increase 0.4 percentage point                 | 8.27%              |
|   | At the end of 2015 | At the end of 2014 | Increase/decrease compared with previous year | At the end of 2013 |
| Total assets  | 4,082,499,864.42   | 3,053,930,248.25   | 33.68%  | 2,967,390,234.89   |
| Owner's equity attributable to shareholders of listed companies   | 2,647,609,091.41   | 1,967,027,256.13   | 34.60%  | 1,907,018,190.46   |

### VII.1. Difference of accounting data between as per Chinese accounting standards and as per International Accounting Standards

☐ Applicable ☒ Not applicable

### 2. Difference of accounting data between as per Chinese accounting standards and as per Foreign Accounting Standards

The difference of accounting data between as per Chinese Accounting Standards and as per International Accounting Standards was 0.

## VIII. The quarter main financial indicators

|   | the first quarter | the second quarter | the third quarter | the fourth quarter |
|---|-------------------|--------------------|-------------------|--------------------|
| Operating revenue   | 393,941,332.13    | 317,799,010.00     | 484,517,139.92    | 411,260,957.56     |
| Net profit attributable to shareholders of listed companies   | 22,435,890.92     | 43,041,885.07      | 33,950,019.32     | 31,166,513.94      |
| Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss | 22,373,319.52     | 41,507,008.99      | 33,885,912.04     | 28,356,568.70      |
| Net cash flow from operating activities   | -128,634,794.42   | -1,955,126.95      | -34,878,030.37    | 115,832,707.36     |

**IX. Non-recurring profits and losses and their amounts**

| item   | 2015         | 2014          | 2013          |
|--|--------------|---------------|---------------|
| Disposal gains and losses of non-current asset                         | -61,718.74   | 138,673.21    | 33,844,950.09 |
| Tax returned/reduced by chance   | 499,945.82   | 441,073.42    | 905,596.59    |
| Government subsidies included in current profit or loss                | 1,906,070.56 | 10,166,256.56 | 7,290,805.05  |
| Debt restructuring gains and losses                                    | -586,377.00  |               |               |
| Disposal gains from investments on financial assets available for sale |              | 36,617.40     |               |
| Other non-operating revenue or expense                                 | 2,896,432.61 | 1,594,812.69  | 1,121,112.19  |
| Influence on income tax  | 671,259.97   | 2,021,019.49  | 10,592,590.74 |
| Influence on minority shareholders                                     | 158,595.14   | 351,937.01    | 771,637.57    |
| total  | 3,824,498.14 | 10,004,476.78 | 31,798,235.61 |

## Section 3 The Company's Business profile

### I. The Company's Main business during the reporting period

The Company, as the largest industrial refrigeration equipment production enterprise in China, is committed to developing the business of industrial refrigeration, food freezing and cold storage, central and commercial air-conditioning, refrigeration components and engineering service, have covered the key areas of the refrigeration industrial chain and forged the most complete cold and hot industrial chain in China.

### II. Major changes in main assets

#### 1. Major changes in main assets

| Main assets              | Explain for major changes   |
|--------------------------|---|
| Construction in progress | Significantly increased compared to the same ,mainly due to the new factory construction.   |
| Monetary funds           | Significantly decreased compared to the same, mainly due to the foreign investment increase.  |
| Accounts receivable      | Significantly increased compared to the same,mainly because of the complete sets of Engineering for a larger proportion, the account receivable hasn't expired yet increase larger. |

#### 2. The main overseas assets

☐ Applicable ☒ Not applicable

### III. Analysis of core competence

Boasting the most complete cooling and heating product chain in the industry, the Company can offer to customers the service of package projects from design, manufacture, installation to maintenance to well meet the customized demand of customers.

Having the mature and perfect marketing network and after-sale service network, the Company can offer to customers in more regions the more rapid and considerate high-quality service.

Taking refrigeration and air-conditioning as its main business, the Company effectively combines the independent R&D and the joint ventures and cooperation, interacts positively between the integration of internal resources and business model innovation, and has formed a unique development pattern appropriate to itself and the industry.

In the reporting period, the Company's core competence above-mentioned was improved further.



## Section 4 Management discussion and analysis

### I. Summary

In 2015, despite of various challenges, the Company held confidence to accelerate integration of capital resources, speed up business model innovation and optimize industry chain under the operating policy of “leading innovation and creating value” pursuant to its middle-term development plan with supports from the effective implementation of the first batch of restricted share option scheme, striving to enhance operation management quality, realize operation target.

In 2015, the Company realized operating income of RMB 1,607.52 million, representing 97.43% of the annual plan of RMB 1650 million and a year-on-year increase of 12.75%. The Company realized total profit of RMB 135.95 million, representing 90.63% of the annual plan of RMB150 million and a year-on-year increase of 9.65%. The Company realized net profit attributable to shareholders of listed companies of RMB 129.95 million, with a year-on-year increase of 12.57%.

During the reporting period, the Company mainly focused on food freezing and refrigeration, engineer trading and services sectors to actively respond to market changes, aiming to deliver best value for customers. The Company succeeded in execution of CO<sub>2</sub> cascade refrigeration system-Beida Huangtaihua Project, which provided sample project for the Company to further expand CO<sub>2</sub> market. Riding on this project, it was able to improve the comprehensive solution and special solutions with respect to full-auto logistic refrigerator, safety improvement of ammonia system and pre-refrigeration in manufacturing places, enabling the Company to establish effective connect with market demands and industry requirements.

During the reporting period, the Company accelerated integration of capital resources based on expectation on growth and yield. It acquired 49% equity interests of Wuxin Refrigeration, making the latter to become its wholly owned subsidiary instead of a holding subsidiary. Through this acquisition, it was expected to implement integrated operation and deliver differential products. Besides, it acquired 30% equity interests of Sanyang Gaoxiao, making the latter to become its holding subsidiary instead of an associate calculated under equity method. Through this acquisition where it introduced private capital and innovative technology, the Company strengthened its capability of heat exchange during the cooling and heating industry chain. Furthermore, it improved efficiency through resources integration after it facilitated absorption and combination of Bingshan Lingshe (a holding subsidiary) and Bingshan Metal Processing (a wholly-owned subsidiary). It also expanded cold plate business through acquisition of 29.212% equity interests of Jingxue Refrigeration, which enabled the Company to optimize industry layout and strengthen industry synergism.

During the reporting period, the Company continued to improve sales platform, construct service platform and accelerate business model innovation. The sale platform Dalian Bingshan Group Sales Company Limited actively innovated marketing model, emphasized comprehensive solution to satisfy higher requirements from market and customers, and substantially enhanced its market influence and competitiveness. The service platform Bingshan Technology Service (Dalian) Company has been put into official operation, recording enhancement of service quality, expansion of service market, initial effects of service network construction, substantial increase of accessories income and maintenance income, which remarked new service model for cooling and heating industry and represented the switch of the Company from a refrigerator equipment supplier to refrigeration service

supplier.

During the reporting period, the Company realized successful implementation of information construction projects including PDM and ERP projects, which enabled it to achieve orderly improvement of refined management. Construction of new smart plant is being promoted as scheduled.

During the reporting period, the Company actively facilitated construction of the virtual technology R&D platform under cooperation between the parent company and Wuxin Refrigeration Company, and implemented its plan to jointly develop new products. Design of pre-cooling equipments based on production bases and recycling facilities have been completed and are available for commerce. Wuxin Refrigeration Company succeeded to generate power by expansion of natural gas and to realize commercialization of cooling energy recycle machine sets, realizing recycle of pressure energy from natural gas grid which filled the relevant blank in domestic market.

During the reporting period, its subsidiary Bingshan Jiade continued to develop and upgrade Bingshan IOT Cloud management platform and energy management system, aiming to become the technology leader through construction of technological entry barrier. The FSO series refrigeration fan energy saving controller as jointly designed and manufactured by Bingshan Jiade can help the company to greatly improve its ability of saving refrigeration energy.

During the reporting period, challenged by the reduced demands from traditional air conditioner operators, its associated company Panasonic Compressor actively turned to develop freon system based refrigeration market, targeting for continuous increase of sales of scroll horizontal compressors used by electric buses. R32 scroll compressor was honored as an innovative product in the PRC refrigeration exhibition, which will take the advantage in new coolant switch. Half-closed single compound two stage frequency conversion screw compressor unit has successfully passed certification as scientific achievement, the overall technology of which was leading in international market.

During the reporting period, its associated company Panasonic Refrigeration Link fully implemented value-oriented marketing, transferring from market leader to market creator. It launched comprehensive solutions including intelligent convenience shop and intelligent fresh delivery which filled market blanks. Besides, it developed CO<sub>2</sub> subcritical parallel refrigeration unit and completed upgrade and reform of CO<sub>2</sub> refrigeration systems in certain Metro shops. Through construction of flexible PULL production, it realized flexible production in small quantity with various units, which obviously shortened the production cycle.

During the reporting period, its associated company Panasonic Refrigeration adequately adjusted marketing strategy to divide brominating and lithiation markets in detail, and realized high temperature water double effects and low temperature water single effect parallel refrigeration process for the first time. In relation to VRF market, the company actively developed agents and mini stores to expand selling channels. For the first time also, P-AIMS system was used to monitor energy utilization by air conditioner system, saving more than 10% of energy.

During the reporting period, its associated company Dalian Fushi Bingshan innovated operating system, pursuant to which, it established sales companies and developed beverage operators such as Nongfu Spring and Coca Cola. Under the policy of intelligence, module, diversification and environment-friendly, the Company achieved rapid growth with sales volume of over 23,000 units and substantial increase of selling income and net profit, through

innovation of touch screen machines, goods combination, payment methods and post-sale service Wechat platform. In addition, it also passed high-tech enterprise certification in Dalian, accomplishing monitor review on quality, environment and occupation health & safety system.

During the reporting period, its associated company Keihin Grand-Ocean obtained the qualification of level A supplier for Faw-Volkswagen, which laid firm foundation for it to obtain projects from Volkswagen. Implementation of ERP system assisted the company to improve tracing quality of products.

## II. Analysis of main business

### 1. Summary

See the related content “Section 4 Management discussion and analysis “ the “Summary”

### 2. Sales income and costs

#### (1) Sales income structure

|  | 2015             |                               | 2014             |                               | Year-on-year increase/decrease |
|--|------------------|-------------------------------|------------------|-------------------------------|--------------------------------|
|  | Amount           | Proportion to the Sales costs | Amount           | Proportion to the Sales costs |                                |
| Total sales income                           | 1,607,518,439.61 | 100%                          | 1,425,715,596.96 | 100%                          | 12.75%                         |
| By industry                                  |                  |                               |                  |                               |                                |
| Refrigeration and air-conditioning equipment | 1,590,994,011.67 | 98.97%                        | 1,405,820,529.51 | 98.60%                        | 13.17%                         |
| Others                                       | 16,524,427.94    | 1.03%                         | 19,895,067.45    | 1.40%                         | -16.94%                        |
| By product                                   |                  |                               |                  |                               |                                |
| Refrigeration and air-conditioning equipment | 1,590,994,011.67 | 98.97%                        | 1,405,820,529.51 | 98.60%                        | 13.17%                         |
| Others                                       | 16,524,427.94    | 1.03%                         | 19,895,067.45    | 1.40%                         | -16.94%                        |
| By region                                    |                  |                               |                  |                               |                                |
| Northeast China                              | 1,430,119,702.78 | 88.96%                        | 1,127,931,075.94 | 79.11%                        | 26.79%                         |
| Central China                                | 159,483,265.64   | 9.92%                         | 257,449,316.78   | 18.06%                        | -38.05%                        |
| East China                                   | 17,915,471.19    | 1.12%                         | 40,335,204.24    | 2.83%                         | -55.63%                        |

#### (2) Main business structure

|  | Operating revenue | Operating costs  | Gross profit | Increase/decrease of operating revenues on a year-on-year basis | Increase/decrease of operating costs on a year-on-year basis | Increase/decrease of gross profit on a year-on-year basis |
|--|-------------------|------------------|--------------|---|--|---|
| By industry                                  |                   |                  |              |   |  |   |
| Refrigeration and air-conditioning           | 1,590,994,011.67  | 1,299,526,134.12 | 18.32%       | 13.17%  | 21.98%   | Decrease 5.90 percentage points                           |
| By product                                   |                   |                  |              |   |  |   |
| Refrigeration and air-conditioning equipment | 1,590,994,011.67  | 1,299,526,134.12 | 18.32%       | 13.17%  | 21.98%   | Decrease 5.90 percentage points                           |
| By region                                    |                   |                  |              |   |  |   |
| Northeast China                              | 1,413,595,274.84  | 1,154,152,493.78 | 18.35%       | 26.79%  | 34.87%   | Decrease 5.70 percentage points                           |
| Central China                                | 159,483,265.64    | 130,495,335.59   | 18.18%       | -38.05%   | -33.75%  | Decrease 5.31   |

|            |               |               |        |         |         | percentage points                  |
|------------|---------------|---------------|--------|---------|---------|------------------------------------|
| East China | 17,915,471.19 | 14,878,304.75 | 16.95% | -55.63% | -56.00% | Increase 0.79<br>percentage points |

**(3) Was the Company's sales income on material objects more than that on labor service?**

√ Yes □ No

| Industry category   | Item              | 2015  | 2014  | Year-on-year<br>increase/decrease |
|---|-------------------|-------|-------|-----------------------------------|
| Main refrigeration unit for<br>industrial or commercial use | Sales volume      | 2,475 | 3,127 | -20.85%                           |
|   | Production output | 2,457 | 3,108 | -20.95%                           |
|   | Inventory level   | 418   | 436   | -4.13%                            |

Reason for change in the related data by 30% or higher on a year-on-year basis

□ Applicable √ Not applicable

**(4) Major orders in the hand of the Company**

□ Applicable √ Not applicable

**(5) Sales cost structure**

| Industry<br>category                     | Item                     | 2015             |   | 2014             |                                      | Year-on-year<br>increase/decrease  |
|--|--------------------------|------------------|---|------------------|--------------------------------------|------------------------------------|
|  |                          | Amount           | Proportion to<br>the operating<br>costs | Amount           | Proportion to the<br>operating costs |                                    |
| Refrigeration<br>and<br>air-conditioning | Direct materials         | 1,122,739,260.55 | 85.72%                                  | 908,145,939.09   | 83.60%                               | Increase 2.12<br>percentage points |
|  | Labor wages              | 115,116,769.44   | 8.79%                                   | 95,300,565.63    | 8.80%                                | Decrease 0.01<br>percentage points |
|  | Depreciation             | 25,191,991.42    | 1.92%                                   | 27,658,967.16    | 2.50%                                | Decrease 0.58<br>percentage points |
|  | Utilities                | 15,079,414.99    | 1.15%                                   | 17,302,770.65    | 1.60%                                | Decrease 0.45<br>percentage points |
|  | Others                   | 31,716,375.23    | 2.42%                                   | 38,142,410.20    | 3.50%                                | Decrease 1.08<br>percentage points |
|  | Total operating<br>costs | 1,309,843,811.63 | 100.00%                                 | 1,086,550,652.73 | 100.00%                              |                                    |

**(6) Was the Company's consolidated range change during the reporting period?**

√ Applicable □ Not applicable

During the reporting period, The Company transferred 30 percent equity from Sanyo High-Efficient, this will make the Sanyo High-Efficient from the affiliated company accounted by equity method change to be subsidiary of the company, bring it into the company consolidated statement scope.

During the reporting period, the subsidiary of the Company Bingshan Technical Service (Dalian) Co., Ltd. officially put into operation, bring it into the company consolidated statement scope.

**(7) Major change or adjustment in the Company's products or service in the reporting period**

□ Applicable √ Not applicable

**(8) Information on the Company's major customers and major suppliers**

Information on the Company's major customers

|   |                |
|---|----------------|
| Total sales volume from top five customers (yuan)   | 298,782,035.85 |
| Proportion of the total sales volume from top five customers to the annual sales volume (%) | 18.59%         |

Information on the Company's top five customers

| No. | Name of customer  | Sales volume<br>(yuan) | Proportion to the annual<br>sales volume |
|-----|---|------------------------|--|
| 1   | Panasonic Cold-chain (Dalian) Co., Ltd                      | 71,856,798.06          | 4.47%                                    |
| 2   | Shanghai Qingneng cold-chain equipment engineering Co., Ltd | 71,070,880.35          | 4.42%                                    |

|       |  |                |        |
|-------|--|----------------|--------|
| 3     | Beijing Huashang Bingshan Refrigeration Equipment Co., Ltd.      | 64,232,868.76  | 4.00%  |
| 4     | Dalian TianBao Green Foods Co., Ltd.                             | 50,326,823.24  | 3.13%  |
| 5     | Shenyang Railway Bureau Dalian project construction headquarters | 41,294,665.44  | 2.57%  |
| Total | —  | 298,782,035.85 | 18.59% |

## Information on the Company's major suppliers

|  |                |
|--|----------------|
| Total purchase volume from top five suppliers (yuan)   | 340,996,499.92 |
| Proportion of the total purchase volume from top five suppliers to the annual purchases volume (%) | 32.19%         |

## Information on the Company's top five suppliers

| No.   | Name of supplier  | Purchase volume (yuan) | Proportion to the annual purchase volume |
|-------|---|------------------------|--|
| 1     | Panasonic Cold-chain (Dalian) Co., Ltd                  | 193,000,774.15         | 18.22%                                   |
| 2     | Dalian Bingshan Engineering & Trading Co., Ltd.         | 71,456,746.91          | 6.75%                                    |
| 3     | BAC Dalian Co., Ltd.                                    | 39,198,256.38          | 3.70%                                    |
| 4     | Dalian Bingshan Group Refrigeration Equipment Co., Ltd  | 19,240,996.98          | 1.82%                                    |
| 5     | Wuhan Zhonghui explosion-proof control system Co., Ltd. | 18,099,725.50          | 1.71%                                    |
| Total | —   | 340,996,499.92         | 32.19%                                   |

## 3. Expenses

|                         | 2015           | 2014           | Increase/decrease of gross profit on a year-on-year basis | Explain for major changes   |
|-------------------------|----------------|----------------|---|---|
| selling expenses        | 80,099,755.98  | 123,270,829.61 | -35.02%   | mainly because after the service platform established, the corresponding human cost from original after-sale service business, which reckoned in sales expenses, are calculated in the business costs under the name of Bingshan Technology Service (Dalian) Co., Ltd.; and sales resources of the parent company and subsidiaries are integrated after sales platform established, thus the cost reduced and benefit increased |
| administrative expenses | 187,046,595.49 | 185,701,061.45 | 0.72%   |   |
| financial expenses      | 130,314.66     | -6,114,199.04  | 102.13%   | mainly because the interest on loan increase and the time deposits interest income declined.  |

## 4. R&amp;D expenditure

In the reporting period, the Company had the total R&D expenditure of 80.86 million yuan, accounting for 3.05% of the Company's net assets as of the end of 2015 or 5.03% of the Company's annual operating revenues. There was no remarkable year-on-year change in related data.

## Information on R&amp;D expenditure

|  | 2015   | 2014   | Increase/decrease of gross profit on a year-on-year basis |
|--|--------|--------|---|
| The quantity of the person engaged in R&D            | 265    | 244    | 8.61%   |
| The quantity proportion of the person engaged in R&D | 14.00% | 12.00% | Increase 2.00 percentage points                           |

|   |               |               |                                 |
|---|---------------|---------------|---------------------------------|
| The spending amount on R&D (yuan)                   | 80,858,177.51 | 73,570,000.00 | 9.91%                           |
| R&D spending accounts for the proportion of revenue | 5.03%         | 5.16%         | Decrease 0.13 percentage points |
| The amount of R&D investment (yuan)                 | 0.00          | 0.00          |                                 |

## 5. Cash flows

| Item  | 2015             | 2014             | Year-on-year increase/decrease |
|---|------------------|------------------|--------------------------------|
| Sub-total of cash inflows from operating activities       | 1,240,977,616.64 | 1,128,325,804.20 | 9.98%                          |
| Sub-total of cash outflows from operating activities      | 1,291,546,091.02 | 1,099,830,031.73 | 17.43%                         |
| Net amount of cash flow generated in operating activities | -50,568,474.38   | 28,495,772.47    | -277.46%                       |
| Sub-total of cash inflows from investing activities       | 66,925,062.39    | 67,895,523.90    | -1.43%                         |
| Sub-total of cash outflows from investing activities      | 303,324,669.75   | 63,987,418.04    | 374.04%                        |
| Net amount of cash flow generated in investing activities | -236,399,607.36  | 3,908,105.86     | -6,148.96%                     |
| Sub-total of cash inflows from financing activities       | 222,387,876.63   | 78,354,272.75    | 183.82%                        |
| Sub-total of cash outflows from financing activities      | 189,088,218.64   | 137,330,113.53   | 37.69%                         |
| Net amount of cash flow generated in financing activities | 33,299,657.99    | -58,975,840.78   | 154.88%                        |
| Net increase in cash and cash equivalents                 | -253,833,454.79  | -26,781,570.96   | -847.79%                       |

Reason for change in the related data by 30% or higher on a year-on-year basis

☒ Applicable ☐ Not applicable

1. Net cash flow arising from operation activities have a significant decreased on a y-o-y basis, mainly because the cash paid for purchasing commodities and receiving labor service are increased in the Period;

2. Net cash flow arising from investment activities have a significant decreased on a y-o-y basis, mainly because the equity transfer amount paid in the Period;

3. Net cash flow arising from financing activities have a significant increased on a y-o-y basis, mainly because the equity subscription of the restricted shares from incentive objects are received in the Period.

Reason for remarkable difference between the cash flows from the Company's operating activities in the reporting period and the net annual profit

☒ Applicable ☐ Not applicable

There was a remarkable difference between the net amount of cash flow generated in operating activities of the Company and the net annual profit in the reporting period, mainly due to that the proportion of returns on investment to the total profit of the Company was higher.

## III. Analysis of the non-main business

☐ Applicable ☒ Not applicable

## IV. Analysis of assets & liabilities

### 1. Remarkable change in assets

Monetary unit: RMB yuan

|                             | End of 2015      |                                | End of 2014      |                                | Proportion increase/decrease     |
|-----------------------------|------------------|--------------------------------|------------------|--------------------------------|----------------------------------|
|                             | Amount           | Proportion to the total assets | Amount           | Proportion to the total assets |                                  |
| Monetary funds              | 244,789,824.53   | 6.00%                          | 508,511,466.02   | 16.65%                         | Decrease 10.65 percentage points |
| Accounts receivable         | 671,423,836.87   | 16.45%                         | 438,880,830.12   | 14.37%                         | Increase 2.08 percentage points  |
| Inventories                 | 259,099,149.47   | 6.35%                          | 314,879,106.56   | 10.31%                         | Decrease 3.96 percentage points  |
| Investment property         | 24,497,584.00    | 0.60%                          | 25,108,909.00    | 0.82%                          | Decrease 0.22 percentage points  |
| Long-term equity investment | 1,220,367,767.73 | 29.89%                         | 1,039,229,738.85 | 34.03%                         | Decrease 4.14 percentage points  |
| Fixed assets                | 449,907,430.32   | 11.02%                         | 414,293,269.31   | 13.57%                         | Decrease 2.55 percentage points  |
| Construction in progress    | 137,025,384.58   | 3.36%                          | 18,515,449.46    | 0.61%                          | Increase 2.75 percentage points  |

|                  |               |       |               |       |                                 |
|------------------|---------------|-------|---------------|-------|---------------------------------|
| Short-term loans | 82,600,000.00 | 2.02% | 60,000,000.00 | 1.96% | Increase 0.06 percentage points |
| Long-term loans  | 0.00          |       | 0.00          |       |                                 |

**2. assets & liabilities which are measured by fair value**√ Applicable ☐ Not applicable

Finance asset held available for sales in fair value Changes in fair value included in the rights and interests of the cumulative of the current period is 587,219,831.33yuan, the final number is 719,363,590.50 yuan.

**V. Analysis of investments****1.The overall situation**√ Applicable ☐ Not applicable

| Investment in 2015(yuan) | Investment in 2014(yuan) | Amount of variation |
|--------------------------|--------------------------|---------------------|
| 1,220,494,889.51         | 1,039,229,738.85         | 17.44%              |

**2.The significant equity investment during the reporting period**

During the reporting period, the Company purchased the 29.212 percent equity of Jingxue Freezing with its own fund, the details see the relevant announcement at [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) on July 8, 2015.

**3 The significant non-equity investment during the reporting period**☐ Applicable ☒ Not applicable**4.The financial asset investment****(1) the securities investment**☐ Applicable ☒ Not applicable**(2) Derivative investment**☐ Applicable ☒ Not applicable

During the reporting period, the Company does not exist derivative investment.

**5. The use of funds raised**☐ Applicable ☒ Not applicable

During the reporting period, the Company does not exist the use of funds raised.

**VI. The material assets and equity sale****1. The material assets sale**☐ Applicable ☒ Not applicable**2. The material equity sale**☐ Applicable ☒ Not applicable**VII. Analysis of major subsidiary companies and mutual shareholding companies**√ Applicable ☐ Not applicable



| Company name         | type                  | The main business                  | registered capital  | total assets (ten thousand yuan) | net assets(ten thousand yuan) | Operating income (ten thousand yuan) | Operating profit (ten thousand yuan) | Net profit (ten thousand yuan) |
|----------------------|-----------------------|------------------------------------|---------------------|----------------------------------|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Panasonic Compressor | participating company | Refrigeration and air-conditioning | JPY 6,200 million   | 174,508                          | 115,764                       | 189,436                              | 18,924                               | 16,135                         |
| Fuji Bingshan        | participating company | Refrigeration and air-conditioning | JPY 1,800million    | 42,294                           | 23,116                        | 46,308                               | 6,885                                | 5,854                          |
| Keihin Grand-Ocean   | participating company | Refrigeration and air-conditioning | USD15.11789 million | 38,463                           | 24,304                        | 68,031                               | 10,676                               | 7,937                          |

Subsidiary companies obtained or disposed in the reporting period

√Applicable □ Not applicable

| Name                 | the way of obtained or disposed Subsidiary companies in the reporting period | The impact on overall production and performance  |
|----------------------|--|---|
| Sanyo High-Efficient | Transferee equity  | <p>With need of internal resource integration and the heat ex-changer career development, The Company transfereed 30 percent equity from Sanyo High-Efficient, this will make the Sanyo High-Efficient from the affiliated company accounted by equity method change to be subsidiary of the company, bring it into the company consolidated statement scope.</p> <p>Through the equity integration, the Sanyo High-Efficient will expand the product type, increase the technical strength, and promote internal management. On the basis of strengthen the internal heat ex-changer matching, to develop external market effectively, improve profitability and sustainable development. Thereby, bring good investment returns to the company.</p> |

## VIII. The structured corporate bodies which the Company controlled

□ Applicable √ Not applicable

## IX. Development prospect of the Company

### 1. Industry development trend

The Company operates in cooling air conditioner industry. Currently, cooling air conditioner industry brings increasing influence on national economy, being more important in improving living conditions. Therefore, it receives more and more society concern with higher industrial concentration and more furious market competition. The industry is experiencing rapid development in terms of complete set, module and information. New enterprises continue to enter into this market, thus to continuously introduce new hotspots. Besides, the competing areas, competitors, products and contents are also changing all the time.

Development of this industry experiences new normal. Capacity surplus of middle and low end products will definitely lead to increasingly furious price competition, while there remains huge space for high end products and division of precise market demands. Market demands decide business model of enterprises. As competition will turn to that in project service capability instead of single product, enterprises are urged to promote transformation. Certain international brands including York, GEA and Mayekawa will introduce into domestic market with high end products and technology solutions. Therefore, seeking for active independent innovation by domestic brands



constitutes the main subject of industry development. Market leaders have formed new competition layout through asset acquisition and reorganization.

## 2. opportunities and challenges

### (1) Opportunities

As urbanization accelerates and more national resources are injected to food and sanity areas, cold chain logistics sector records great development. It is expected that freezing and refrigeration markets will keep relatively high increase, resulting in expansion of market demands for our major products. Inventory management in whole sets and energy and safety improvement in freezing stations bring new market demands provide realistic opportunities for the Company to dramatically explore modern service sector. By virtue of new business model, strong technology strength and advantages of intelligent plants, the Company is well prepared to capitalize such opportunities.

### (2) Challenges

As competition environment varies, choices for consumers are getting larger with lower related costs. Increase of competitors and substitutes leads to continuous decline of market occupation. Since competitors release new products to market, our market share will be further reduced.

## 3. Development plan

Under the operation policy of “leading innovation, creating value” and taking its parent and subsidiaries as development core, the Company will promote integrated operation, integrate internal and external resources, upgrade industry chain, innovate business model, strengthen technological innovation, fully advance and expand business scale and development space, raise staff benefits and realize sustainable, healthy and harmonic development, laying firm foundation for construction of a hundred-year enterprise - Bingshan.

## 4. Capital requirements and capital source plan

In 2016, it is predicted that capital required will be financed by own capital and adequate financing.

## 5. Major risks and countermeasures of the Company

### (1) Risk of increasing market competition

The substantial demands for refrigeration air conditioner market in China attract much attention from both domestic and overseas enterprises. While developing the respective advantageous sectors, those enterprises also continue to extent their industry chain, consolidate the established market area, and develop the emerging market, which leads to more dramatic industrial competition.

Countermeasures: adhere to combination between fundamental improvement and mixture development, combination between leading innovation and development cooperation, combination between green development and quality effects, combination between overall optimization and emphasis breakthrough. With food freezing and refrigeration segment and components segment as advanced areas, industrial refrigeration segment as strategic area, central and commercial air conditioner segment, project trading and service segment as major expansion areas, the Company reinforces exploration into new business segments. Through inventory management and production capacity improvement, the Company continues to optimize business structure and strengthen development momentum.

(2) Risk of backward production facilities and craft process

The Company is an old enterprise, also an old plant, where craft process and facilities are hard to catch up the latest development trend and market requirements.

Countermeasures: the Company is enabled to obviously improve its product technology level, production craft level, production and operation efficiency, capability of manufacturing as well as product quality by virtue of business procedure reform, optimization of organization structure, improvement of business layout and introduction of new technology, crafts and equipments during the relocation and reform process, so as to better satisfy competition trend and market requirements.

(3) Risk of relatively high account receivables

Countermeasures: by means of controlling increments and reducing stocks for reinforced management over account receivables, the Company gradually reduces the balance of account receivables to a reasonable level. New account receivables are managed to control through financing lease, decrease or cancellation of deposits and adoption of banking credit tools as deposits. Special solutions are also established to increase settlement of account receivables owed in a long term.

6. Operation plan for 2016

Sales income: RMB 1,800 million, representing an increase of approximately 12% as compared to that of RMB 1607.52 million recorded in 2015.

Total profit: RMB 155.00 million, representing an increase of approximately 14% as compared to that of RMB 135.95 million recorded in 2015.

In 2016, the Company will adhere to the subject of “innovation, improvement and enhancement”, pursuant to which, it will innovation industrial development model, strengthen R&D of technological products, reinforce general plan of relocation and reform, accelerate capital resources integration, speed up fundamental management improvement, optimize competition capability and enhance operation efficiency, to ensure accomplishment of the targets relating to operating income and profit index in 2016.

The major works to be done in 2016:

1. Innovation of industrial development model. Centralized with Dalian, the Company endeavors to build an industrial base integrated with Dalian, Wuhan and Changzhou, expecting to optimize its industrial layout. In addition, with cooling and heating technology as the main line, it insists on prime quality, advanced structure and green development, facilitating the transformation from manufacturer enterprise to productive service provider. In terms of smiling curve, the Company enhances the button of the curve and expands both ends of the curve, aiming for getting closer to a middle and high end manufacturer. Besides, it also strengthens its capability of research and development, project construction and services. Through establishment of project companies, it drives forward products sales by leveraging on project design and project contracting, creating new value for customers.

2. Increase product research and development. With the subject of safety, environment and intelligence, the Company focuses on development of new products and technologies and optimization of old products in accordance with its products development planning. Moreover, research on practical application has been emphasized, so as to deliver differential products based on customers’ needs. The Company increases capital investment in research and development to enhance its comprehensive capability.

3. Consolidate general planning for relocation and reform. Through establishment of detailed relocation plan and guarantee measures, the Company is assured to complete relocation on time and successfully. A pre-relocation capacity reserve plan should be made properly to make sure that market share of the Company would not be affected during relocation.

4. Accelerate capital resources integration. To fully capitalize the financing platform as a listed company, the Company endeavors to enhance its capability in financing and industrial integration. Besides, it shall determine capital relation and optimize quality of resources, to provide quality stocks on a flexible basis. It also seeks for construction of a business entity with the parent as the main investment body and supports from emerging and existing businesses. It targets for improvement and enhancement of industrial chain to deliver increasing products.

5. Speed up fundamental management improvement. Performance access system involving the entire staff and operation process shall be established to strengthen performance management. It shall establish and enhance growth mechanism with respect to management and technical talents both. Through exercise of share option scheme in batches, the Company expects to forge a community with undertakings and benefits. By adherence to operation rules, the Company will further refine operation system documents to strengthen internal control. Emphasis is also made on cash flow operation, account receivables and inventory management. The internal review system relating to satisfaction of customers will be established to further minimize quality losses.

The above operation plan does not represent the profit forecast of 2016 by the listed issuer, and fulfillment of the plan is subject to market conditions, efforts of operation team and other varieties, which means great uncertainties. Investors are advised of particular caution.

#### **X. Record of investigation, communication, interview and other activities in the reporting period**

| Receiving time | Way of receiving    | Received object type | Basic situation index  |
|----------------|---------------------|----------------------|--|
| Jan. 14, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jan. 16, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jan. 16, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jan. 27, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Mar. 17, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Apr. 28, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| May 7, 2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| May 15, 2015   | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jun. 9, 2015   | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jun. 11, 2015  | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jul.1,2015     | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jul.15,2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Jul.31,2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Aug21, 2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Aug25, 2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Aug26, 2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Aug28, 2015    | Field investigation | Institution          | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Sep.16,2015    | Field investigation | Individual           | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |

|   |                     |             |  |
|---|---------------------|-------------|--|
| Sep.23,2015   | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Oct.28,2015   | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Oct.30,2015   | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Nov.20,2015   | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Dec.1,2015  | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Dec.7,2015  | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Dec.22,2015   | Field investigation | Institution | <a href="http://www.cninfo.com.cn">http:// www.cninfo.com.cn</a> |
| Number of reception   | 25                  |             |  |
| amount of reception for Institution   | 79                  |             |  |
| amount of reception for Individual  | 42                  |             |  |
| Whether to disclose, reveal or disclose unpublished significant information | no                  |             |  |

## Section 5 Important Issues

### I Profit distribution and dividend payment

By giving consideration to both the return to shareholders and the Company's long-term development, and in combination of the Company's profit made in the this year, the Company formulated the 2014 annual dividend distribution plan of paying the cash of 1.5 yuan for every 10 shares. Reviewed and adopted at the Company's general meeting, the Company's Board of Directors has implemented the plan in June 2015.

Formulation and implementation of the Company's cash dividend distribution policy in the reporting period complied with the Company's Articles of Association and the general meeting's resolution, and the dividend distribution standard and proportion were defined and clear and the applicable decision-making procedure and system were complete. The independent directors agreed on it and the legal rights and interests of minority shareholders were well protected.

| Special notes to cash dividend payout policy   |     |
|--|-----|
| If the regulations of the Articles of Association or the requirements of the shareholders of the company meeting are met:  | Yes |
| If the dividend payout standard and proportion is definite and clear-cut:  | Yes |
| If relevant decision-making procedure and mechanism is complete:   | Yes |
| If the independent directors have performed their duties and played their due role:  | Yes |
| If small and medium shareholders have the opportunity to sufficiently express their opinions and appeals and if their legal rights and interests are sufficiently protected: | Yes |
| If the condition and procedure for adjusting or changing the cash dividend payout policy is compliant and transparent:   | Yes |

Table of profit distribution plan, plan of share-granting with capital accumulation fund of the Company in recent three years

| Dividend year | Profit distribution plan                                | Plan of share-granting with capital accumulation fund |
|---------------|---|---|
| 2015          | RMB 1 yuan (cash) for every 10 shares (including tax)   | with capital reserve every 10 turn add 5 shares.      |
| 2014          | RMB 1.5 yuan (cash) for every 10 shares (including tax) | None  |
| 2013          | RMB 1.5 yuan (cash) for every 10 shares (including tax) | None  |

| year | Cash dividend amount (tax included) | Dividends in the annual consolidated net income attributable to common shareholders of the Company | Accounted for in the consolidated net income attributable to common shareholders of the Company |
|------|-------------------------------------|--|---|
| 2015 | 36,016,497.50                       | 129,947,307.39   | 27.72%  |
| 2014 | 54,024,746.25                       | 115,439,722.39   | 46.80%  |
| 2013 | 52,502,246.25                       | 153,006,057.13   | 34.31%  |

The Company made profit in the reporting period and the undistributed profit of the parent company was positive but no cash dividend distribution plan was proposed.

☐ Applicable ☒ Not applicable

### II Profit distribution preplan, and preplan of share-granting with capital accumulation fund of the Company

|   |             |
|---|-------------|
| Bonus shares to be presented for every 10 shares (shares)                 | 0           |
| Dividend to be distributed for every 10 shares (RMB yuan) (including tax) | 1           |
| Transferred shares to be presented for every 10 shares (shares)           | 5           |
| Equity base for distribution preplan (shares)                             | 360,164,975 |

|  |               |
|--|---------------|
| Total amount of cash dividend distribution (RMB yuan) (including tax)  | 36,016,497.50 |
| Proportion of cash dividend distribution accounting for total profit distribution (%)  | 100.00%       |
| Cash dividend distribution policy:   |               |
| When the development stage of the company belongs to a growth period with important fund disbursement arrangement(s), the proportion of cash dividend distribution accounting for this profit distribution should reach 20% at minimum when conducting profit distribution.  |               |
| Notes to details about preplan for profit distribution or capital stock increase with capital reserve  |               |
| According to the audit by Da Hua CPAs (Special General Partnership), the net profit made by the parent company of the company in 2015 was RMB126,025 million and 10% of the net profit (RMB 12.603 million) was drawn as the legal surplus reserve. Therefore, the profit distributable to the shareholders in the current year was RMB 113.422 million. Plus the initial undistributed profit of RMB 391.729 million and minus the dividend of RMB 54.025 million of common shares paid in 2014 and the drawn free surplus reserve of RMB 22,379 million (20%), the accumulated profit distributable to the shareholders was RMB 428.747 million. |               |
| The company's profit distribution preplan for 2015:  |               |
| Based on the net profit made by the parent company of the company in 2015 (126.025 million), 20% of the net profit (RMB 25.205 million) will be drawn as the free surplus reserve;   |               |
| Based on the total capital stock of 360,164,975 shares, the dividend of RMB 1.00 in cash (including tax) will be distributed for every 10 shares, the total cash dividend is RMB 36.016 million, and the cash dividend for B share is converted and paid in Hong Kong dollars; Based on the total capital stock of 360,164,975 shares, the Company will transfer the capital reserve to increase capital stock, 5 shares for every 10 shares.  |               |
| The above preplan shall be submitted to the 2015 shareholders' general meeting for review and approval.  |               |

### III Implementation of commitments

#### 1. Commitments of the Company or its shareholders holding 5% or higher of the shares in the reporting period or carried to the reporting period

The implementation for management equity incentive plan is being performed currently.

#### IV. Non-operation capital occupation by holding shareholders and their related parties in the listed company

The company had no capital occupation by the holding shareholders and their related parties in the listed company within this reporting period.

#### V.Explain to the “non standard audit report” from the board of directors, board of supervisors of the Company

☐ Applicable ☒ Not applicable

#### VI. Change in accounting policies, accounting estimates and accounting methods compared with the financial statements of the previous year

☐ Applicable ☒ Not applicable

#### VII. Correction of major accounting mistakes in the reporting period, which should be retroactively restated

☐ Applicable ☒ Not applicable

#### XIII. Change in the range of consolidated statements compared with the financial statements of the previous year

☒ Applicable ☐ Not applicable

During the reporting period, The Company transferred 30 percent equity from Sanyo High-Efficient, this will make the Sanyo High-Efficient from the affiliated company accounted by equity method change to be subsidiary of the company, bring it into the company consolidated statement scope.

During the reporting period, the subsidiary of the Company Bingshan Technical Service (Dalian) Co., Ltd. officially put into operation, bring it into the company consolidated statement scope.

**IX. Engagement and dismissal of the accounting firm**

Currently engaged accounting firm

|   |   |
|---|---|
| Name of domestic accounting firm  | Da Hua Certified Public Accountants (Special General Partnership) |
| Remuneration paid to the domestic accounting firm (in 10 thousand yuan) | 77  |
| Continuous audit service years of the domestic accounting firm          | 3   |
| Name of certified public accountants with the domestic accounting firm  | Sui GuoJun , Wang Shuhuan   |

If the CPA firm retaining was changed in this period

☐ Applicable ☒ Not applicable

Engagement of the Internal control audit certified public accountants , Financial advisor or sponsors

☒ Applicable ☐ Not applicable

In the year 2015, Company hired dahua certified public accountants (special ordinary partnership) as the company internal control audit certified public accountants, internal control audit fee is RMB 300,000.

**X. Facing suspend and terminate listing after the annual report disclosure**☐ Applicable ☒ Not applicable**XI. Bankruptcy restructuring related matters**☐ Applicable ☒ Not applicable**XII. Major lawsuit and arbitration issues**☐ Applicable ☒ Not applicable**XIII. Punishment and rectification**☐ Applicable ☒ Not applicable**XIV the credibility of companies and its controlling shareholder, actual controller**☐ Applicable ☒ Not applicable**XV. The implementation and effect of equity incentive**☒ Applicable ☐ Not applicable

On December 2014, The Company launched the first phase of restricted stock incentive plan, intend to grant 10,150 thousand shares restricted stock to the 41 incentive object. On January, 2015, the CSRC conformed and recorded without objection to the restricted stock incentive plan draft, On February, 2015, the 1st Extraordinary Shareholders' General Meeting of 2015 of the Company examined and adopted the restricted stock incentive plan draft of the Company and its summary; On March 2015 the Board has implemented and completed granting the restricted stock. The details see the series announcement on China Securities, HK Commercial Daily and Cninfo website .

**XVI. Important associated transactions****1. Important associated transactions**

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 664,540 thousand yuan, accounting for 101.37% of the budgeted amount for the year 2015. This included 366,360 thousand yuan, accounting for 100.77% of the budgeted amount for the year 2015, for purchasing supporting products for package projects from associated parties, and 298,180 thousand yuan, accounting for 102.13% of the budgeted amount for the year 2015, from selling supporting parts and components to associated parties.

**2. Associated transactions related to purchases or sales of assets**☐ Applicable ☒ Not applicable

There were no associated transactions related to purchases or sales of assets to the Company in this reporting period.

**3. Important associated transactions with joint external investments**☐ Applicable ☒ Not applicable**4. Current associated rights of credit and liabilities**☐ Applicable ☒ Not applicable

For credits and debts with associated parties, see the Special Description on Use of Funds by Dalian Refrigeration Co., Ltd.'s Holding Shareholder and Other Associated Parties issued by Da Hua Certified Public Accountants.

**5. Other associated transactions**☒ Applicable ☐ Not applicable

According to the 18th meeting of the 6th Board of Directors, 19 percent equity of Wuxin Refrigeration held by Dalian Bingshan Group Co., Ltd. and 30 percent equity of Wuxin Refrigeration, held by Sanyo Electric Co., Ltd was transferred to the Company .

According to the 20th meeting of the 6th Board of Directors, 40 percent equity of Bingshan service held by



Bingshan Engineering & Trading has been transferred to the Company totally.

The details see the series announcement on China Securities, HKCommercial Daily and Cninfo website on June 25, 2015 and August 21, 2015.

## **XVII. Major contract and its performance**

### **1. Hosting, contracting and leasing status**

(1) the hosting status

☐ Applicable ☒ Not applicable

(2) the contracting status

☐ Applicable ☒ Not applicable

(3) the leasing status

Applicable ☐ Not applicable

The company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square meters, and the rental term till 16<sup>th</sup> July, 2029. The annual rent fee is RMB 4.2 million after considering the time value of money.

### **2. Guaranteeing status**

☐ Applicable ☒ Not applicable

### **3. Entrust others to cash assets management**

(1) Trust management

☐ Applicable ☒ Not applicable

(2) Entrusted loans

☐ Applicable ☒ Not applicable

(3) Other important contracts

☐ Applicable ☒ Not applicable

## **XVIII. Other important matters**

☐ Applicable ☒ Not applicable

## **XIX. Other important matters of subsidiary company**

☐ Applicable ☒ Not applicable

## **XX. Social responsibilities**

☒ Applicable ☐ Not applicable

For the specific performance of social responsibilities by the company, refer to the social responsibility report for 2015.

The listed company and its subsidiaries whether belong to heavy pollution industry formulated by the state environmental protection department

☐ Yes ☒ No

## **XXI. Corporate bonds**

☐ Applicable ☒ Not applicable

## **XXII. Index of information announcements for important matters within the reporting period**

| Announcement No. | Item  | Newspaper name and page for publishing                      | Publishing date | Website and path for publishing                                 |
|------------------|---|---|-----------------|---|
| 2015-001         | Public Notice on Receiving Record without Objection from CSRC to the Restricted stock Incentive Plan Draft. | China Securities Daily B030, Hong Kong Commercial Daily A16 | Jan. 10, 2015   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-002         | Announcement of the resolutions at the  | China Securities Daily B060, Hong Kong                      | Jan. 23, 2015   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |



|          |   |  |               |   |
|----------|---|--|---------------|---|
|          | 14 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors  | Commercial Daily A18   |               |   |
| 2015-003 | Notice on convening the 1 <sup>st</sup> extraordinary general meeting in 2015.                              | China Securities Daily B060, Hong Kong<br>Commercial Daily A18 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-004 | Statement of the Independent directors candidates(Dai Dashuang)   | China Securities Daily B060, Hong Kong<br>Commercial Daily A18 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-005 | Statement of the Independent directors candidates(Liu Jiwei)  | China Securities Daily B060, Hong Kong<br>Commercial Daily A18 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-006 | Statement of the Independent directors nominee(To Dai Dashuang)   | China Securities Daily B016, Hong Kong<br>Commercial Daily A14 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-007 | Statement of the Independent directors nominee(To Liu Jiwei)  | China Securities Daily B016, Hong Kong<br>Commercial Daily A14 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-008 | Report on the Independent directors public solicitation of a proxy vote                                     | China Securities Daily B060, Hong Kong<br>Commercial Daily A18 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-009 | Estimated Performance for 2014  | China Securities Daily B016, Hong Kong<br>Commercial Daily A14 | Jan. 23, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-010 | Precautions Notice on Holding the 1 <sup>st</sup> Extraordinary Shareholders' General Meeting of 2015       | China Securities Daily B016, Hong Kong<br>Commercial Daily A14 | Feb. 06, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-011 | Announcement of the resolutions at the 1 <sup>st</sup> extraordinary general meeting in 2015                | China Securities Daily A37, Hong Kong<br>Commercial Daily A10  | Feb. 13, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-012 | Announcement of the resolutions at the 15 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors   | China Securities Daily B002, Hong Kong<br>Commercial Daily B4  | Mar. 05, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-013 | Announcement of the resolutions at the 9 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Supervisors  | China Securities Daily B002, Hong Kong<br>Commercial Daily B4  | Mar. 05, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-014 | Resolution of granting restricted stock to incentive object   | China Securities Daily B002, Hong Kong<br>Commercial Daily B4  | Mar. 05, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-015 | Public Notice on Being Identified as High-tech Enterprise   | China Securities Daily A16, Hong Kong<br>Commercial Daily A10  | Mar. 20, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-016 | Public Notice on Completion of Granting Restricted Stock  | China Securities Daily B007, Hong Kong<br>Commercial Daily A18 | Mar. 25, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-017 | 2014 Annual Report Summary  | China Securities Daily B054, Hong Kong<br>Commercial Daily A18 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-018 | Announcement of the resolutions at the 16 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors   | China Securities Daily B054, Hong Kong<br>Commercial Daily A18 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-019 | Announcement of the resolutions at the 10 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Supervisors | China Securities Daily B054, Hong Kong<br>Commercial Daily A18 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-020 | Notice on convening the 2014 annual   | China Securities Daily B054, Hong Kong                         | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

|          |   |   |               |   |
|----------|---|---|---------------|---|
|          | general meeting   | Commercial Daily A18  |               |   |
| 2015-021 | Announcement of the 2015 annual estimation of routine associated transactions   | China Securities Daily B054, Hong Kong Commercial Daily A18 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-022 | Quarterly Report for the First Quarter, 2015  | China Securities Daily B054, Hong Kong Commercial Daily A18 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-023 | Statement of the Independent directors candidates(Wang Yan)   | China Securities Daily B054, Hong Kong Commercial Daily A19 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-024 | Statement of the Independent directors nominee(To Wang Yan)   | China Securities Daily B054, Hong Kong Commercial Daily A19 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-025 | Public Notice on Not Having Actual Controller   | China Securities Daily B054, Hong Kong Commercial Daily A19 | Apr 24, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-026 | Precautions Notice on Holding the 2014 annual general meeting   | China Securities Daily B054, Hong Kong Commercial Daily A19 | May. 14, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-027 | Announcement of the resolutions at the 2014 annual general meeting  | China Securities Daily B080, Hong Kong Commercial Daily A7  | May. 21, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-028 | Public Notice on Trade Suspension Brought by Planning Private Issuing of A-shares                                     | China Securities Daily B014, Hong Kong Commercial Daily A6  | May. 25, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-029 | Public Notice on Progress of Planning Private Issuing of A-shares Matters   | China Securities Daily B003, Hong Kong Commercial Daily A15 | Jun.01, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-030 | Announcement of the resolutions at the 17 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors             | China Securities Daily B038, Hong Kong Commercial Daily A13 | Jun.05, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-031 | Notice on convening the 2 <sup>st</sup> extraordinary general meeting in 2015.  | China Securities Daily B038, Hong Kong Commercial Daily A13 | Jun.05, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-032 | Public Notice on Related Transaction of Equity Transfer of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. | China Securities Daily B038, Hong Kong Commercial Daily A13 | Jun.05, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-033 | Public Notice on Trade Resumption Brought by Planning Private Issuing of A-shares                                     | China Securities Daily B038, Hong Kong Commercial Daily A13 | Jun.05, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-034 | Public Notice on the completion of the change of business registration.   | China Securities Daily B038, Hong Kong Commercial Daily A13 | Jun.05, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-035 | Public Notice of Dividend Distribution for year of 2014   | China Securities Daily B032, Hong Kong Commercial Daily A17 | Jun.16, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-036 | Precautions Notice on Holding the 2 <sup>nd</sup> Extraordinary Shareholders' General Meeting of 2015                 | China Securities Daily B032, Hong Kong Commercial Daily A17 | Jun.16, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-037 | Announcement of the resolutions at the 2 <sup>st</sup> extraordinary general meeting in 2015                          | China Securities Daily B043, Hong Kong Commercial Daily A7  | Jun.25, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

|          |  |   |               |   |
|----------|--|---|---------------|---|
| 2015-038 | Announcement of the resolutions at the 18 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors  | China Securities Daily B043, Hong Kong Commercial Daily A7  | Jun.25, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-039 | Public Notice on Related Transaction of Equity Transfer of Wuhan New World Refrigeration Industrial Co., Ltd.  | China Securities Daily B043, Hong Kong Commercial Daily A7  | Jun.25, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-040 | Public Notice on Related Transaction of Rental Housing   | China Securities Daily B043, Hong Kong Commercial Daily A7  | Jun.25, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-041 | Public Notice of after the completement of Dividend Distribution for year of 2014 to Adjustment of the reserve price and the number of shares issued for Private Issuing of A-shares | China Securities Daily B014, Hong Kong Commercial Daily A7  | Jun.30, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-042 | Announcement of the resolutions at the 19 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors  | China Securities Daily B007, Hong Kong Commercial Daily A9  | July.08, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-043 | Public Notice on Purchasing the Equity of Changzhou Jingxue Freezing Equipment Co., Ltd.   | China Securities Daily B007, Hong Kong Commercial Daily A9  | July.08, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-044 | Public Notice on Trade Suspension Brought by Significant Event   | China Securities Daily B053, Hong Kong Commercial Daily A16 | July.09, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-045 | The announcement of maintaining company's share price stability  | China Securities Daily B026, Hong Kong Commercial Daily A6  | July.13, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-046 | Public Notice on Trade Resumption Brought by Significant Event   | China Securities Daily B026, Hong Kong Commercial Daily A6  | July.13, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-047 | The announcement of The stock trading abnormal fluctuation   | China Securities Daily B029, Hong Kong Commercial Daily A7  | July.16, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-048 | Public Notice on Progress of Purchasing the Equity of Changzhou Jingxue Freezing Equipment Co., Ltd.   | China Securities Daily B027, Hong Kong Commercial Daily A11 | July.29, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-049 | Public Notice on Progress of Purchasing the Equity of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.   | China Securities Daily B002, Hong Kong Commercial Daily A9  | July.31, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-050 | Receipt Notice of CSRC's Application for Administrative Licensing  | China Securities Daily B002, Hong Kong Commercial Daily A9  | Aug.1, 2015   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-051 | Dalian Refrigeration Co., Ltd. 2015 Semiannual Report Summary  | China Securities Daily B032, Hong Kong Commercial Daily A7  | Aug.21, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-052 | Announcement of the resolutions at the 20 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors  | China Securities Daily B032, Hong Kong Commercial Daily A7  | Aug.21, 2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

|          |   |   |              |   |
|----------|---|---|--------------|---|
|          | Directors   |   |              |   |
| 2015-053 | Public Notice on Related Transaction of Equity Transfer of Bingshan Technical Service (Dalian) Co., Ltd.                              | China Securities Daily B032, Hong Kong Commercial Daily A7  | Aug.21, 2015 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-054 | Public Notice on Progress of Purchasing the Equity of Wuhan New World Refrigeration Industrial Co., Ltd.                              | China Securities Daily B002, Hong Kong Commercial Daily A23 | Sep.10,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-055 | Public Notice on Progress of Purchasing the Equity of Bingshan Technical Service (Dalian) Co., Ltd.                                   | China Securities Daily B003, Hong Kong Commercial Daily A3  | Sep.22,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-056 | Dalian Refrigeration Co., Ltd. QUARTERLY REPORT FOR THIRD QUARTER, 2015   | China Securities Daily B029, Hong Kong Commercial Daily A22 | Oct.22,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-057 | Announcement of the resolutions at the 21st meeting of the 6th Board of Directors   | China Securities Daily B029, Hong Kong Commercial Daily A22 | Oct.22,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-058 | Public Notice on Related Transaction of Financial Assistance Provided by Controlling Shareholder to Subsidiary of the Company         | China Securities Daily B029, Hong Kong Commercial Daily A22 | Oct.22,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-059 | Public Notice on Reply of the Feedback for Non-Public Issuance of Stocks Application  | China Securities Daily B003, Hong Kong Commercial Daily A13 | Nov.11,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-060 | Public Notice on Feedback for Non-Public Issuance of Stocks Application   | China Securities Daily B003, Hong Kong Commercial Daily A13 | Nov.11,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-061 | Public Notice on Passing the Examination of Issuance Examination Committee of CSRC to Application for Non-Public Issuance of A Stocks | China Securities Daily A12, Hong Kong Commercial Daily A20  | Dec.3,2015   | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2015-062 | Public Notice on the controlling shareholder equity changes   | China Securities Daily B003, Hong Kong Commercial Daily A18 | Dec.24,2015  | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

## Section 6 Change in Share Capital and Shareholders' Information

### I. Change in share capital

#### 1. Change in share capital

| items   | Shares<br>(before change) |            | Changes    | Shares<br>(after change) |            |
|---|---------------------------|------------|------------|--------------------------|------------|
|   | number                    | proportion |            | number                   | proportion |
| I. Non-circulating share capital with restricted trade conditions | 19,224,451                | 5.50%      | 10,150,000 | 29,374,451               | 8.16%      |
| 3. Other domestic shares  | 19,224,451                | 5.50%      | 10,150,000 | 29,374,451               | 8.16%      |
| Including: Shares held by domestic legal person                   | 19,213,921                | 5.49%      |            | 19,213,921               | 5.33%      |
| Including: Shares held by domestic natural person                 | 10,530                    | 0.01%      | 10,150,000 | 10,160,530               | 2.82%      |
| II. Circulating share capital                                     | 330,790,524               | 94.50%     |            | 330,790,524              | 91.84%     |
| 1. Domestically listed ordinary shares                            | 215,790,524               | 61.64%     |            | 215,790,524              | 59.91%     |
| 2. Domestically listed foreign shares                             | 115,000,000               | 32.86%     |            | 115,000,000              | 31.93%     |
| III. Total shares   | 350,014,975               | 100.00%    | 10,150,000 | 360,164,975              | 100.00%    |

The reason for the Change in share capital

The Company launched the first phase of restricted stock incentive plan, award the 41 equity incentive objects with restricted shares amounting to 10,150,000 shares.

The approved of the Change in share capital

☒ Applicable ☐ Not applicable

On December 2014, The Company launched the first phase of restricted stock incentive plan, intend to grant 10,150 thousand shares restricted stock to the 41 incentive object. On January, 2015, the CSRC conformed and recorded without objection to the restricted stock incentive plan draft, On February, 2015, the 1st Extraordinary Shareholders' General Meeting of 2015 of the Company examined and adopted the restricted stock incentive plan draft of the Company and its summary; On March 2015 the Board has implemented and completed granting the restricted stock.

2. The restricted shares changes

☐ Applicable ☒ Not applicable

### II. Securities issuance and listing

1. Securities issuance in the report period

☐ Applicable ☒ Not applicable

2. Change in total shares of the Company and structure of shareholders

The Company launched the first phase of restricted stock incentive plan, award the 41 equity incentive objects with restricted shares amounting to 10,150,000 shares. The total equity of the Company was changed from 350,014,975 shares to 360,164,975 shares.

3. Internal staff shares

☐ Applicable ☒ Not applicable

### III. Shareholders and actual controller

1. Number of shareholders and their shareholding

|  |                                       |  |              |  |   |
|--|---------------------------------------|--|--------------|--|---|
| Total number of shareholders in the reporting period                               | 31,566                                | Total number of shareholders as of the last month before disclosure of the annual report   |              |  | 33,200                                    |
| Shareholding of top ten shareholders   |                                       |  |              |  |   |
| Name   | Nature                                | Proportion   | Total number | Number of shares with sale restriction | Number of pledged shares or shares frozen |
| Dalian Bingshan Group Co., Ltd.  | Domestic non-state-owned legal person | 21.34%   | 76,855,683   | 19,213,921                             | 0   |
| Sanyo Electric Co., Ltd.   | Overseas legal person                 | 9.72%  | 35,001,500   | 0                                      | 0   |
| National Social Security Fund 107 Portfolio  | Others                                | 3.04%  | 10,946,061   | 0                                      | 0   |
| Lion flexible configuration hybrid securities investment fund                      | Others                                | 1.39%  | 5,000,000    | 0                                      | 0   |
| Vanguard harmony growth hybrid securities investment fund                          | Others                                | 1.11%  | 3,988,558    | 0                                      | 0   |
| China industry selected hybrid securities investment fund                          | Others                                | 1.07%  | 3,862,484    | 0                                      | 0   |
| Lin Zhenming   | Overseas natural person               | 0.75%  | 2,700,000    | 0                                      | 0   |
| Upthrow morgan manufacturing excellence equity investment funds                    | Others                                | 0.68%  | 2,464,869    | 0                                      | 0   |
| Sun Huiming  | Domestic natural person               | 0.68%  | 2,458,966    | 0                                      | 0   |
| Jiang Youchang   | Domestic natural person               | 0.67%  | 2,417,328    | 0                                      | 0   |
| Shareholding of top ten shareholders without sale restriction                      |                                       |  |              |  |   |
| Name   |                                       | Number of shares without sale restriction  |              | Type of shares                         |   |
| Dalian Bingshan Group Co., Ltd.  |                                       | 57,641,762   |              | RMB denominated ordinary shares        |   |
| Sanyo Electric Co., Ltd.   |                                       | 35,001,500   |              | Domestically listed foreign shares     |   |
| National Social Security Fund 107 Portfolio  |                                       | 10,946,061   |              | RMB denominated ordinary shares        |   |
| Lion flexible configuration hybrid securities investment fund                      |                                       | 5,000,000  |              | RMB denominated ordinary shares        |   |
| Vanguard harmony growth hybrid securities investment fund                          |                                       | 3,988,558  |              | RMB denominated ordinary shares        |   |
| China industry selected hybrid securities investment fund                          |                                       | 3,862,484  |              | RMB denominated ordinary shares        |   |
| Lin Zhenming   |                                       | 2,700,000  |              | Domestically listed foreign shares     |   |
| Upthrow morgan manufacturing excellence equity investment funds                    |                                       | 2,464,869  |              | RMB denominated ordinary shares        |   |
| Sun Huiming  |                                       | 2,458,966  |              | Domestically listed foreign shares     |   |
| Jiang Youchang   |                                       | 2,417,328  |              | RMB denominated ordinary shares        |   |
| Notes to the associated relationship and uniform actions of the above shareholders |                                       | Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity. |              |  |   |

## 2. Controlling shareholder of the Company

| Name of holding shareholder   | Legal representative | Founding date | Unified social credit code | Main business  |
|---|----------------------|---------------|----------------------------|--|
| Dalian Bingshan Group Co., Ltd.   | Motoma Zhero         | Jul. 3, 1985  | 912102002412917931         | Research, development, manufacture, sales, service and installation of industrial refrigeration products, freezing and cold storage products, large-, medium- and small-size air-conditioning products, petrochemical equipment products, electronic and electric control products, home appliance products and environment protection products. |
| Shares held by the holding shareholder in other overseas and domestic listed companies as the holding shareholder or ordinary shareholder in the reporting period | None                 |               |                            |  |

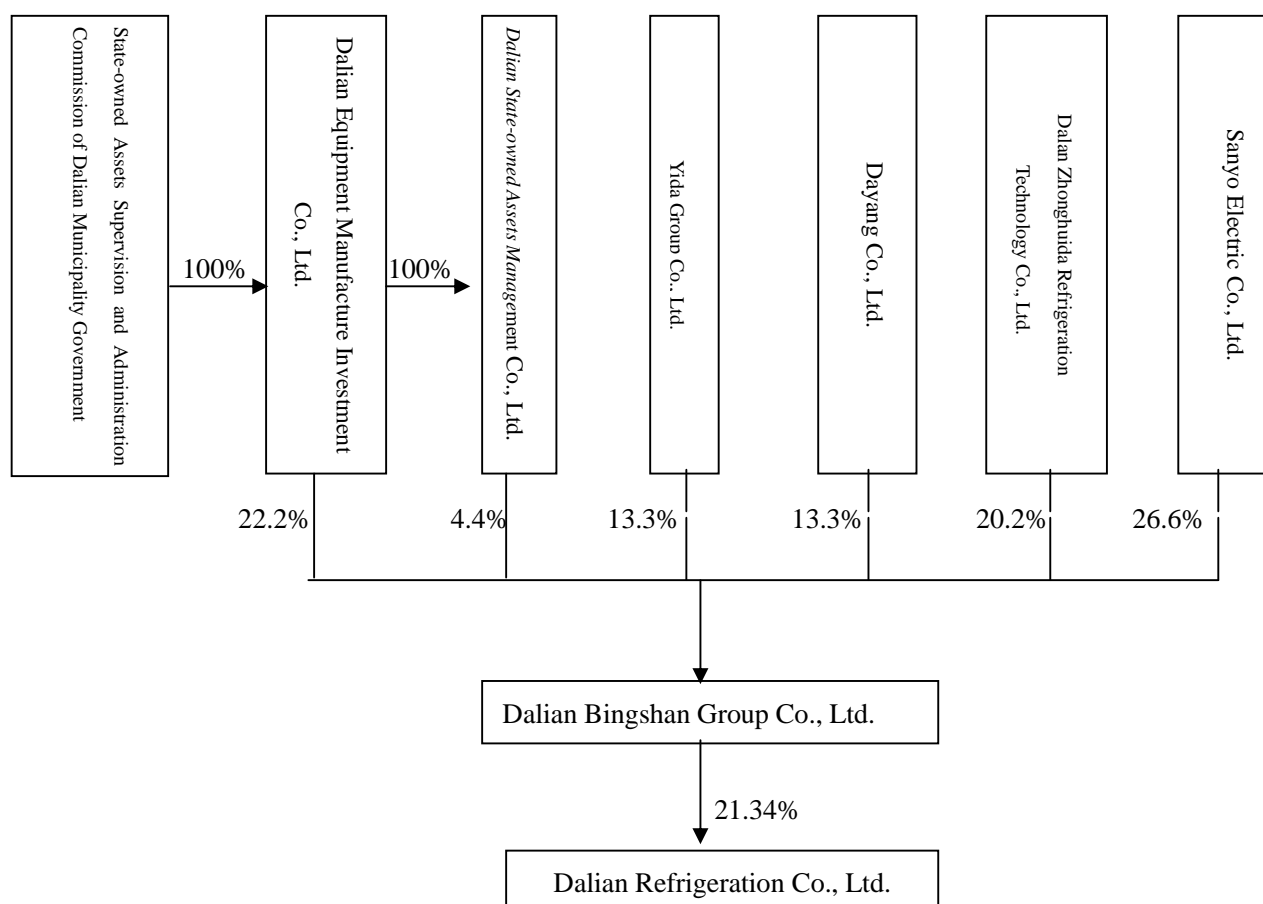
Change in the holding shareholder in the reporting period

☐ Applicable ☒ Not applicable

## 3. Actual controller of the Company

The company has no actual controllers

According to the actual situation of Dalian Refrigeration Co., Ltd. and its controlling shareholders, and compared with the related laws and regulations including Company Law of People's Republic of China, Management Regulation on Listing Company Acquisition and Stock Listing Rules of Shenzhen Stock Exchange, with the confirmation of Liaoning Huaxia law firm, the Company released the Public Notice on Not Having Actual Controller.(No: 2015-025), which was published on B04 of China Securities, A19 of HK Commercial Daily and Cninfo website on April 24 2015.



The actual controller controlled the Company through a trust or other asset management

☐ Applicable ☒ Not applicable

**4. Other legal-person shareholders holding of 10% or more shares**

☐ Applicable ☒ Not applicable

**5. controlling shareholders, actual controllers, restructuring the constraint to the stake and other commitments underweight**

☐ Applicable ☒ Not applicable



## **Section 7 Information on Preferred Stock**

☐ Applicable ☒ Not applicable

In the reporting period, the Company didn't own preferred stock.

## Section 8 Information on the Company's Directors, Supervisors, Senior Management and Staff

### I. Changes in shareholding by directors, supervisors and senior managers

| Name              | Position                         | Office-holding state | Sex | Age | Starting date of office term | Ending date of office term | Shares held at beginning of period (shares) | Increase on holding of shares in this period (shares) | Decrease in holding of shares in this period (share) | Shares held at the end of period (shares) |
|-------------------|----------------------------------|----------------------|-----|-----|------------------------------|----------------------------|---|---|--|---|
| Ji Zhijian        | Chairman                         | Incumbent            | M   | 48  | Mar. 27, 2014                | Jan.22, 2019               |   | 942,300   |  | 942,300                                   |
| Xu Junrao         | Director                         | Incumbent            | F   | 52  | Mar. 27, 2014                | Jan.22, 2019               | 3,900                                       | 659,600   | 0  | 663,500                                   |
| Liu Kai           | Director, GM                     | Incumbent            | M   | 41  | Feb. 5, 2013                 | Jan.22, 2019               |   | 659,600   |  | 659,600                                   |
| Wang Zhiqiang     | Director, DGM                    | Incumbent            | M   | 53  | Feb. 5, 2013                 | Jan.22, 2019               |   | 376,900   |  | 376,900                                   |
| Kobayashi Noriaki | Vice Chairman                    | Incumbent            | M   | 54  | Mar. 27, 2014                | Jan.21 2016                |   |   |  |   |
| Kijima Tadatoshi  | Director                         | Incumbent            | M   | 58  | Mar. 27, 2014                | Jan.22, 2019               |   |   |  |   |
| Dai Dashuang      | Independent director             | Incumbent            | F   | 64  | Feb.13, 2015                 | Jan.22, 2019               |   |   |  |   |
| Liu Jiwei         | Independent director             | Incumbent            | M   | 54  | Feb.13, 2015                 | Jan.22, 2019               |   |   |  |   |
| Wang Yan          | Independent director             | Incumbent            | F   | 52  | May.20 2015                  | Jan.22, 2019               |   |   |  |   |
| Yu Fuchun         | Chairman of Board of Supervisors | Incumbent            | M   | 56  | Feb. 5, 2013                 | Jan.22, 2019               | 10,140                                      | 0   | 0  | 10,140                                    |
| Mao Chunhua       | Supervisor                       | Incumbent            | F   | 50  | Feb. 5, 2013                 | Jan.22, 2019               |   |   |  |   |
| Ma Yun            | Supervisor                       | Incumbent            | M   | 44  | Feb. 5, 2013                 | Jan.22, 2019               |   |   |  |   |
| Fan Yuekun        | DGM                              | Incumbent            | M   | 51  | Otc.22. 2015                 | Jan.22, 2019               |   |   |  |   |
| Rong Yan          | Chief Financial Officer          | Incumbent            | F   | 46  | Feb. 5, 2013                 | Jan21, 2016                |   | 376,900   |  | 376,900                                   |
| Li Wenjiang       | DGM                              | Incumbent            | M   | 49  | Dec. 12, 2013                | Jan21, 2016                |   | 376,900   |  | 376,900                                   |

|              |                      |                |    |    |              |              |        |           |   |           |
|--------------|----------------------|----------------|----|----|--------------|--------------|--------|-----------|---|-----------|
| Song Wenbao  | Board secretary      | Incumbent      | M  | 42 | Feb. 5, 2013 | Jan.22, 2019 |        | 282,800   |   | 282,800   |
| Liu Caiping  | Independent director | Leaving office | F  | 60 | Feb. 5, 2013 | May 19, 2015 |        |           |   |           |
| Wang Huiquan | Independent director | Leaving office | M  | 71 | Feb. 5, 2013 | Feb12, 2015  |        |           |   |           |
| Xing Tiancai | Independent director | Leaving office | M  | 54 | Feb. 5, 2013 | Feb12, 2015  |        |           |   |           |
| Total        | --                   | --             | -- | -- | --           | --           | 14,040 | 3,675,000 | 0 | 3,689,040 |

## II. Changes of directors, supervisors, senior managers of company

| Name         | Position held        | Type   | Date          | Reason  |
|--------------|----------------------|--|---------------|---|
| Wang Huiquan | Independent director | Leaving office                                       | Feb. 12, 2015 | Resigned according to the relevant requirement  |
| Xing Tiancai | Independent director | Leaving office                                       | Feb. 12, 2015 | Resigned according to the relevant requirement  |
| Liu Caiping  | Independent director | Leaving office when expiration of the term of office | May 20, 2015  | expiration of the term of office                |
| Fan Yuekun   | DGM                  | Be employed  | Oct 22, 2015  | Employed by the Company                         |
| Dai Dashuang | Independent director | Be elected   | Feb. 12, 2015 | The general meeting of shareholders by election |
| Liu Jiwei    | Independent director | Be elected   | Feb. 12, 2015 | The general meeting of shareholders by election |
| Wang Yan     | Independent director | Be elected   | May 20, 2015  | The general meeting of shareholders to election |

On January 21, 2016 the Company held the 1st Extraordinary Shareholders' General Meeting of 2016, to carry out the management changing work, The meeting elected Ji Zhijian, Liu Kai, Xu Junrao, Ding Jie, Kudou sinn and Kijima Tadatashi to be the directors of the Company. Elected Dai Dashuang, Liu Jiwei, Wang Yan to be the independent directors of the Company. Elected Yu Fuchun, Mao Chunhua, Dai Yuling to be the supervisors of the Company.

On January 21, 2016 the Company held the 1<sup>st</sup> meeting of the 7<sup>th</sup> Board of Directors, The meeting elected Ji Zhijian as the Chairman of the Board, engaged Fan Yuekun and Wang Zhiqiang as the Deputy General Manager of the Company, engaged Ma Yun as the Chief Financial Officer of the Company, engaged Song Wenbao as the Secretary of the Board of the Company.

## III. Office holding

Professional background, main work experiences and the main duties and responsibilities of incumbent directors, supervisors, senior managers of the company.

| Name              | Position held                    | Professional background  | Main work experience   | main duties and responsibilities                     |
|-------------------|----------------------------------|--|--|--|
| Ji Zhijian        | Chairman                         | doctorate degree in management of the Dalian University of Technology  | Successively acting as director, GM, Chairman of D Panasonic Cold-Chain.; President of Dalian Bingshan Group Co., Ltd.; Chairman of the Company.   | Related responsibilities of the Chairman             |
| Xu Junrao         | Director                         | The MBA and senior account   | Successively acting as the Financial Majordomo, director of the company; Vice President and chief accountant of Dalian Bingshan Group Co., Ltd.  | Related responsibilities of the Director             |
| Liu Kai           | Director, GM                     | graduate from Xi'an Jiaotong University major in mechanical designing and manufacturing and the MBA of Dalian University of Technology | Successively acting as Head of Production Management Dept., Assistant GM, GM and director of the company.  | Related responsibilities of the Director             |
| Wang Zhiqiang     | Director, DGM                    | graduate from Dalian University of Technology, Master Degree   | Successively acting as DGM, Chief Engineer, and director of the company.   | Related responsibilities of the Director             |
| Kobayashi Noriaki | Vice Chairman                    | graduated from Tsuyama University;   | Successively acting as chief of financial dept. in Consumer Product Marketing Division of the company and councilor in Global Consumer Marketing Division of the company   | Related responsibilities of the Vice Chairman        |
| Kijima Tadatoshi  | Director                         | graduated from Osaka Prefecture University;  | Successively acting as manager of home electrochemical operation planning division, the electrochemical residential equipment branch of the company and Executive GM of Hangzhou Panasonic Household Appliances Co., Ltd.  | Related responsibilities of the Director             |
| Dai Dashuang      | Independent director             | professor, international project management appraiser, Chinese registered consulting engineer.   | She serves as professor and doctoral tutor of the school of business administration of Dalian university of Technology, the director of project management research center of Dalian university of technology.   | Related responsibilities of the Independent director |
| Liu Jiwei         | Independent director             | doctor of management, professor of accounting, CPA.  | He has served successively as the director of finance department, professor of the accountancy of Dongbei University of Finance and Economics,   | Related responsibilities of the Independent director |
| Wang Yan          | Independent director             | graduate from China University of Political Science and Law, professor of law  | She has served successively as vice dean of law school of Dongbei University of Finance and Economics, the director of Chinese society of Economic Law ,the president of the Economics law seminar of Liaoning Province law society, and the arbitrator of Dalian Arbitration Commission | Related responsibilities of the Independent director |
| Yu Fuchun         | Chairman of Board of Supervisors | the senior political worker,   | He has served successively as the vice chairman of the Trade Union of the Company  | Related responsibilities of the Supervisor           |

|             |                 |  |   |   |
|-------------|-----------------|--|---|---|
| Mao Chunhua | Supervisor      | Senior Accountant  | Successively acting as Vice Head, and Head of the Financial Dept. of the company.   | Related responsibilities of the Supervisor  |
| Ma Yun      | Supervisor      | The Accountant   | He has served successively as the Deputy chief of the Financial Management Dept. of the Company, the supervisor of the Company, and the Chief Financial Officer of Dalian Bingshan Group Sales Co., Ltd.  | Related responsibilities of the Supervisor  |
| Fan Yuekun  | DGM             | graduated from Tsinghua University with a bachelor degree, major in engineering physics, and MBA of Dalian University of Technology; | he successively served as the general manager of operation & management division and GM assistant of Panasonic Cold-Chain from 2003 to 2013; served as GM of Dalian HURLLY Group Co., Ltd. from June 2013 to July 2015; served as the general manager of operation & management division of the Company since September 2015. serves as the Deputy General Manager of the Company since October 22, 2015. | Assist the GM                               |
| Rong Yan    | CFO             | Senior Accountant  | Successively acting as Head of Financial Management Dept., Operation Planning Head of Panasonic Refrigeration., and Director, Financial Majordomo of the Company.   | Responsible for the financial work          |
| Li Wenjiang | DGM             | graduate from Xi'an Jiaotong University  | Successively acting as Head of Package Design Dept., Vice Chief Engineer, and DGM of the company.   | Responsible for technical marketing work    |
| Song Wenbao | Board secretary | graduate from Zhejiang University, CFA   | Successively acting as representative for securities affairs, board secretary of the company.   | Related responsibilities of Board secretary |

Office holding in shareholder unit

√ Applicable □ Not applicable

| Name of office holder | Shareholder unit name           | Position held in shareholder unit   | If receiving remuneration or allowance from shareholder unit |
|-----------------------|---------------------------------|-------------------------------------|--|
| Ji Zhijian            | Dalian Bingshan Group Co., Ltd. | The President                       | Yes  |
| Xu Junrao             | Dalian Bingshan Group Co., Ltd. | Vice President and chief accountant | Yes  |

Office holding in other units

√ Applicable □ Not applicable

| name       | unit name   | Position held in other unit | If receiving remuneration or allowance from other unit |
|------------|---|-----------------------------|--|
| Ji Zhijian | Panasonic Refrigeration (Dalian) Co., Ltd.;           | Chairman                    | no   |
|            | Panasonic Cold-chain (Dalian) Co., Ltd                | Chairman                    | no   |
|            | Dalian Fuji-Bingshan Vending Machine Co., Ltd.        | Chairman                    | no   |
|            | Bingshan Technology Service (Dalian) Co., Ltd.        | Chairman                    | no   |
|            | Mitsubishi-Bingshan Refrigeration (Dalian) Co., Ltd.  | Chairman                    | no   |
|            | Wuhan New World Refrigeration Industrial Co., Ltd.;   | Chairman                    | no   |
|            | Dalian Zhong Huida Refrigeration technology Co., Ltd. | Chairman                    | no   |
| Liu Kai    | Dalian Bingshan Group Sales Co., Ltd.                 | Chairman                    | no   |

|              |   |                 |     |
|--------------|---|-----------------|-----|
|              | Dalian Bingshan Group Refrigeration Installation Co., Ltd.; | Chairman        | no  |
| Dai Dashuang | Dalian Thermal Power Co., Ltd                               | The independent | yes |
|              | Yingkou Port Liability Co., Ltd                             | The independent | yes |
| Li Wenjiang  | GF Securities Co., Ltd                                      | The independent | yes |
|              | Lingyuan Iron and Steel Co., Ltd                            | The independent | yes |
| Wang Yan     | Dalian international cooperation (group) Co., Ltd           | The independent | yes |

#### IV. Remuneration paid to directors, supervisors, and senior management

Decision-making procedure, decision-making basis and actual payment of remuneration for directors, supervisors and senior management

Decision-making procedure: the Company's remuneration plan for directors and supervisors was proposed by the Company's Remuneration and Evaluation Committee of the Board of Directors, and after approval by the Board of Directors, submitted to the general meeting for adoption and put into effect. The Company's remuneration plan for senior management was put into effect after approval by the Company's Board of Directors.

Decision-making basis: it was decided on the basis of main responsibilities and importance of the concerned position and the remuneration level of similar positions in other similar enterprises and evaluated and rewarded through the Company's examination procedure for assets operation performance.

The total amount of remunerations actually ( pre-tax ) paid by the Company to directors, supervisors, and senior management was 3.7538 million yuan.

Particulars about the annual remuneration of directors, supervisors and senior staff members

| Name              | Annual remuneration and allowance( pre-tax )paid by the Company<br>(ten thousand yuan) |
|-------------------|--|
| Ji Zhijian        | 0  |
| Xu Junrao         | 0  |
| Liu Kai           | 67.99  |
| Wang Zhiqiang     | 53.30  |
| Kobayashi Noriaki | 0  |
| Kijima Tadatoshi  | 0  |
| Dai Dashuang      | 8.00   |
| Li Wenjiang       | 8.00   |
| Wang Yan          | 8.00   |
| Yu Fuchun         | 14.85  |
| Mao Chunhua       | 18.67  |
| Ma Yun            | 28.00  |
| Fan Yuekun        | 22.77  |
| Rong Yan          | 53.30  |
| Li Wenjiang       | 53.30  |
| Song Wenbao       | 39.20  |
| Total             | 375.38   |

Equity incentive plans granted to directors, supervisors and senior management of the Company in the reporting period

√ Applicable □ Not applicable

| name          | position        | Held the restricted stock quantity at the beginning of the period | Unlocked shares during the period | New granted restricted stock during the period | Granted price (yuan/sh are) | Held the restricted stock quantity at the end of the period |
|---------------|-----------------|---|-----------------------------------|--|-----------------------------|---|
| Ji Zhijian    | Chairman        | 0   | 0                                 | 942,300  | 5.56                        | 942,300   |
| Xu Junrao     | Director        | 0   | 0                                 | 659,600  | 5.56                        | 659,600   |
| Liu Kai       | Director, GM    | 0   | 0                                 | 659,600  | 5.56                        | 659,600   |
| Wang Zhiqiang | Director, DGM   | 0   | 0                                 | 376,900  | 5.56                        | 376,900   |
| Rong Yan      | CFO             | 0   | 0                                 | 376,900  | 5.56                        | 376,900   |
| Li Wenjiang   | DGM             | 0   | 0                                 | 376,900  | 5.56                        | 376,900   |
| Song Wenbao   | Board secretary | 0   | 0                                 | 282,800  | 5.56                        | 282,800   |
| total         | --              | 0   | 0                                 | 3,675,000                                      | --                          | 3,675,000   |

## V. Status of the Company's staff

1. As of Dec. 31, 2015 the Company and its major subsidiary had 1,872 enrolled employees, including 1,045 persons engaged in production, accounting for 56%; 265 persons engaged in engineering and technology, accounting for 14%; 270 persons engaged in marketing, accounting for 14%; and 292 persons engaged in management, accounting for 16%.
2. As of Dec. 31, 2015, among enrolled employees of the Company and its major subsidiary, 56 persons have the educational background of Master or higher, accounting for 3%; 505 persons have the educational background of university, accounting for 27%; 562 persons have the educational background of junior college, accounting for 30%; and 749 persons have the educational background of secondary technical school or lower, accounting for 40%.
3. The Company applied the employee job performance wage system with distribution according to positions and performance of an employee.
4. The Company formulated the annual training plan and gave purposeful training to an employee in consideration of his/her post requirement.
5. The pension and medical expense for retired employees of the Company were paid by the social insurance body.

## Section 9 Corporate Governance

### I. Basic situation of corporate governance

Within the reporting period, the company centered around the operation subject as “Leading innovation, Creating value” to further deepen and perfect the normative internal control system and upgrade the governing level of the company continuously.

There were no problems with the Company concerning horizontal competition caused by restructures and other reasons. The main normal associated transactions between the Company and the associated companies included purchasing the supporting products for package projects from the associated companies, and selling the supporting parts and components to the associated companies and providing them with the labor service. Associated transactions between the Company and the associated companies are necessary for normal production and operation and helpful for the Company’s healthy development, and therefore will continue. The Company will strictly follow the related decision-making procedures and fulfill the obligation in information disclosure in order to further regulate associated transactions.

Was there any deviation of the Company's corporate governance from the requirements in the Company Law and China Securities Regulatory Commission's regulations?

☐ Yes ☒ No

There was no deviation of the Company's corporate governance from the requirements in the Company Law and China Securities Regulatory Commission's regulations.

### II. Status of the Company's business, staff, asset, organization and finance separations from the holding shareholder

The Company was separated from the holding shareholder in business, staff, asset, organization and finance, and has the independent and complete business and operation capability.

### III. Horizontal competitions

☐ Applicable ☒ Not applicable

### IV Shareholders’ general meeting convened in the reporting period

#### 1. Annual Shareholders’ general meeting within this reporting period

| Session number of meeting   | The type of the meeting                     | The proportion of participate investors | date         | Disclosing date | Disclosing index  |
|---|---|---|--------------|-----------------|---|
| The 1 <sup>st</sup> Extraordinary Shareholders’ General Meeting of 2015 | extraordinary Shareholders’ general meeting | 1.34%                                   | Jan 21, 2015 | Jan 22, 2015    | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| 2014 Annual Shareholders’ General Meeting                               | Annual Shareholders’ General Meeting        | 0.33%                                   | May 20, 2015 | May 21, 2015    | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| The 2 <sup>nd</sup> Extraordinary Shareholders’ General Meeting of 2015 | extraordinary Shareholders’ general meetin  | 0.13%                                   | Jun 24, 2015 | Jun 25, 2015    | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |

### V. Independent directors’ execution of duties in the reporting period

#### 1. Attendance of independent directors to the meetings of the Board of Directors and general meetings



| Attendance of independent directors to the meetings of the Board of Directors |  |                                   |                                       |                               |                    |   |
|---|--|-----------------------------------|---------------------------------------|-------------------------------|--------------------|---|
| Name of independent director  | Number of due board meetings in the reporting period | Number of attendances on the spot | Number of attendance by communication | Number of attendance by proxy | Number of absences | Failure to attend in person for successive two times or not |
| Dai Dashuang  | 7  | 4                                 | 3                                     | 0                             | 0                  | No  |
| Li Wenjiang   | 7  | 4                                 | 3                                     | 0                             | 0                  | No  |
| Wang Yan  | 5  | 3                                 | 2                                     | 0                             | 0                  | No  |
| Number of attendances as a non-voting delegate                                |  | 3                                 |                                       |                               |                    |   |

## 2. Objections to the related matters of the Company raised by independent directors

The independent directors have raised no objections to the related matters of the Company in the reporting period.

## 3. Other description of independent directors' execution of duties

For details of the Company's independent directors' execution of duties, see the 2015 annual work report of the independent directors of the Company.

# VI.. Execution of duties of the special committees under the Board of Directors in the reporting period

## 1. Execution of duties of the audit committee under the Board of Directors

With performance of its duty according to the Implementation Rules for the Audit Commission under the Board of Directors and the Annual Reporting Work Rules for the Audit Commission, the Audit Commission under the Board of Directors supervised the Company's internal audit system and its implementation, audited the Company's accounting information and its disclosure and assessed the work of the external audit institution.

In the work of evaluation of a normative internal control system of the company, the Auditing Commission brought into play actively the duty of organization, leadership and supervision. According to the company internal control defect recognition standard, it examined and recognized the internal control defect recognition summary table developed by the internal control evaluation work group of the company, and had an examination reading of the internal control evaluation report of the company for 2015, believing that the status quo of the internal control system of the company complies with related requirements and with the actual situation of the company and it is being carried out satisfactorily. The internal control evaluation report of the company for 2015 reflects the above facts accurately.

In the Company's 2015 annual audit work, the Audit Commission conducted positive communication and effective coordination with the audit institution Da Hua Certified Public Accountants. The Audit Commission conducted communication with the person in charge of the project of the audit institution on the audit work plan, schedule, matters that should be noticed in audit and other matters and reached an agreement with them. In the process of audit, they kept close information on the progress of audit work and urged the audit institution many times to ensure the quality and schedule in the audit work. Through serious review of the Company's annual finance report and annual report after completion of the audit work, the Audit Commission believed that the Company's finance report was comprehensive and authentic, and the finance report and other information disclosed by the Company were objective and true, having reflected the true annual financial status of the Company.

The Audit Commission believed that in the 2015 annual audit service for the Company, Da Hua Certified Public Accountants implemented the audit for the Company on the practicing basis of independency, objectivity and fairness and strictly abided by the new accounting standards. They worked out a well-considered plan, allocated all necessary personnel, positively contacted our Audit Commission and independent directors, and completed the 2015 annual audit service for the Company through its industrious and conscientious working. It is suggested that Da Hua Certified Public Accountants should be reengaged as the auditing agency for the company in 2016.

## 2. Execution of duties of the remuneration and evaluation committee under the Board of Directors

With performance of its duty according to the Implementation Rules for the Remuneration and Evaluation Commission under the Board of Directors, the Remuneration and Evaluation Commission under the Board of Directors examined the annual salary and remuneration level of the Company's directors, supervisors and senior executives, and believed that the decision-making procedure for salary and remuneration of the above persons and the paying standard complied with the laws and regulations and the Company's regulations, and the salary and remuneration information disclosed in the Company's Annual Report for 2015 was authentic and exact.

## VII. Work of the Board of Supervisors

Was there any risk with the Company found by the Board of Supervisors in their supervision activities in the reporting period?

☐ Applicable ☒ Not applicable

The Board of Supervisors had no objections to the matters under supervision in the reporting period.

## VIII. Performance evaluation and incentive system for senior management

The Company evaluated and rewarded senior management through the Company's examination procedure for assets operation performance in the reporting period.

## IX. the internal control system

### 1. Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control.

☐ Applicable ☒ Not applicable

There was no material weakness in the internal control found in the reporting period.

### 2. Report on self-evaluation of internal control

| Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control |  |
|---|--|
| There was no material weakness in the internal control found in the reporting period.   |  |
| Date of disclosing the full text of the report on self-evaluation of internal control   | Mar. 30, 2016  |
| Disclosure reference to the full text of the report on self-evaluation of internal control  | For the 2015 annual report on self-evaluation of internal control of the Company, visit the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> . |

### 3. Internal control audit report

| Description of the deliberation opinions in the internal control audit report  |  |
|--|--|
| We think that as of Dec. 31, 2015, Dalian Refrigeration Co., Ltd. had maintained an effective internal control over the financial reports in all material aspects according to Basic Enterprise Internal Control Specification and relevant regulations. |  |
| Date of disclosing the full text of the internal control audit report  | Mar. 30, 2016  |
| Disclosure reference to the full text of the internal control audit report   | For the 2015 annual internal control audit report of the Company, visit the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> . |

Did the accounting firm issue the internal control audit report with nonstandard opinions?

☐ Applicable ☒ Not applicable

Was the internal control audit report issued by the accounting firm consistent with the opinion in the self-evaluation report of the Board of Directors?

☒ Yes ☐ No

## Section 10 Financial Report

### I. Auditor's Report

DHS(2016) No.003393

#### To the Board of Directors of Dalian Refrigeration Company Limited:

We have audited the consolidated and the parent company's financial statements of Dalian Refrigeration Company Limited, which comprise the Balance Sheet as at 31 December 2015, and the Income Statement, Cash Flow Statement and Statement of Changes in Owner's Equity for the year then ended, and the notes to the financial statements.

#### 1.The responsibility of the Company's management

It is the responsibility of Dalian Refrigeration Company Limited's management to prepare and present the financial statements fairly. And the responsibilities include: (1) Prepare the financial statements in conformity with Accounting Standards for Business Enterprises issued by Ministry of Finance, and to be presented fairly. (2) Design, conduct and maintain the internal control related to the financial statements to prevent the big material misstatement with the reason of fraud and mistakes.

#### 2.Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The selected audit procedure depended on the judgment of CPA includes identify the risks of the material misstatements due to the fraud and mistakes. In evaluating the risks, we are only concerned with the internal control systems so as to design an appropriate audit procedure, but not to express our opinion on the effectiveness of the internal control systems. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

#### 3.Auditing opinion

In our opinion, the financial statements are prepared in conformity with Accounting Standards for Business Enterprises and, in all material respects, present fairly the consolidated and the parent company's financial position of Dalian Refrigeration Company Limited as at 31 December 2015, and the results of operations and cash flow for the year then ended.

Da Hua Certified Public Accountants

Chinese CPA: Sui Guojun

(Special General Partnership)

Beijing, China

Chinese CPA: Wang Shuhuan

29 March, 2016

## II. Accounting statement (attached hereunder)

For details see page 123-page132

## III. Notes to the accounting statement

(All amounts in RMB Yuan unless otherwise stated)

### I. General information

Dalian Refrigeration Company Limited (the “Company”) was reorganized from main part of former Dalian Refrigeration Factory, and incorporated in the People’s Republic of China (the “PRC”) on December 18, 1993 as a joint stock limited company. The Company’s domestically listed RMB denominated ordinary shares (“A shares”) and domestically listed foreign investment ordinary shares (“B shares”) were listed on the Shenzhen Stock Exchange in the PRC in December 1993 and March 1998 respectively. The Company together with its subsidiaries is hereinafter collectively referred to as the “Group”. As at 31 December, 2015, the registered capital of the Company was RMB360,164,975.00. The address of the Company’s registered office is No.888 Xinan Road, Shahekou District, Dalian, China. The parent company of the Company is Dalian Bingshan Group Co., Ltd., and there is no ultimate controller.

According to the report on granting the restricted stock to the incentive object deliberated by the 15th Meeting of 6th Session of the Board of Directors of the Company, and the restricted stock plan draft of the Company, the Board has implemented and completed granting the restricted stock. After the completion of granting the restricted stock, the total share capital of the Company will increase to 360,164,975 shares from the original 350,014,975 shares.

The principal activities of the Company are manufacture, sale and installation of refrigeration equipments.

The financial statements was permitted to disclose by the board of directors of the Company on 29 March, 2016.

### II. The scope of consolidation

There are 9 entities included in the current consolidated financial statements, including:

| Names of subsidiaries                                       | Types              | Level | Proportion of shareholding (%) | Proportion of votes (%) |
|---|--------------------|-------|--------------------------------|-------------------------|
| Dalian Bingshan Group Engineering Co., Ltd.                 | Fully owned        | 1     | 100                            | 100                     |
| Dalian Bingshan Group Sales Co., Ltd.                       | Fully owned        | 1     | 100                            | 100                     |
| Dalian Bingshan Air-conditioning Equipment Co., Ltd.        | Holding subsidiary | 1     | 70                             | 70                      |
| Dalian Bingshan Metal Processing Co., Ltd.                  | Fully owned        | 1     | 100                            | 100                     |
| Dalian Bingshan Guardian Automation Co., Ltd.               | Holding subsidiary | 1     | 60                             | 60                      |
| Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. | Holding subsidiary | 1     | 70                             | 70                      |
| Wuhan New World Refrigeration Industrial Co., Ltd.          | Fully owned        | 1     | 100                            | 100                     |
| Bingshan Technical Service (Dalian) Co., Ltd.               | Fully owned        | 1     | 100                            | 100                     |
| Dalian Sanyo High-efficient Refrigeration System Co., Ltd.  | Holding subsidiary | 1     | 55                             | 55                      |

Bingshan Technical Service(Dalian)Co.,Ltd. and Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. were included in the scope of consolidation at the year end.

### III. Basic of preparation of financial statements

#### 1. Basic of preparation of financial statements

The financial statements have been prepared on the basic assumption of going concern and on the accrual basis of accounting. The effects of events and other transactions actually occurred and they have been recorded and measured in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance.

## **2. Going-concern**

The company has the capacity to continually operate within 12 months at least since the end of report period, and hasn't the major issues impacting on the sustainable operation ability.

## **IV. The main accounting policies, accounting estimates and corrections of accounting errors**

### **1. Declaration on following Accounting Standard for Business Enterprises**

Declaration from the Company: The financial statements made by the Company was in accordance with Accounting Standards for Business Enterprises, which reflected the financial position, financial performance and cash flow of the Company truly, objectively and completely.

### **2. Fiscal year**

The Company adopts the calendar year as its fiscal year, i.e. from January 1 to December 31.

### **3. Operating Cycle**

12 months are regarded as one operating cycle in the company, and which is as the division criterion for the liquidity of assets and liabilities.

### **4. Functional currency**

RMB was the functional currency of the Company.

### **5. Accounting method of business combination under the same control and not under the same control**

**A. Each transaction items, conditions and economy influence in confirm with the following one or several conditions, when realizing enterprise combination by steps. Several transaction events were considered as a package deal and conducted accounting method**

- (1) The transaction was set up in the same time or had considered the influence to each others;
- (2) The transaction only stand as a whole, a perfect commercial result can be arrived.
- (3) A transaction incurred depends on at least one transaction occurred;
- (4) A transaction is not economical, however, together with other transaction are economical.

#### **B. Business combination under the same control**

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party (including goodwill formed from the final control party purchase combined party) combining party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the corporate merger and acquisition is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the long-term equity investment and the carrying value of long-term equity investment before the M&A plus the carrying value of the new consideration paid to further get the shares on the date of M&A shall be charged against the capital surplus, and if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of M&A, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed, at which time, the investment shall be accounted on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner's equity in the investee's net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted,

until the investment is disposed, at which time, it shall be carried over to the current profits or losses.

### **C. Business combination not under the same control**

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period. The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The Company shall record, upon recheck, the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profit and loss of the current period.

Where a merger of enterprises not under the same control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of M&A is accounted using the equity method, the sum of the carrying value of the equity investment in the acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes relevant assets or liabilities when the investment is disposed. If the equity investment held before the date of M&A is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of M&A plus the new investment costs shall be the initial investment costs at the date of M&A. The difference between the fair value and carrying value of the held equity and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current investment earnings at the date of M&A.

### **D. Relevant costs incurred from the business combination**

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss for the current year when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

## **6. Basis of consolidation**

### **A. Scope of consolidation**

The scope of consolidated financial statements shall be confirmed based on the control. All subsidiaries (including individual entities controlled by the Company) of the Company shall be included into the consolidated financial statement.

### **B. Consolidation process**

The Company based on the financial statements of itself and its subsidiaries, in line with other relevant information, prepare the consolidated financial statements. The consolidated financial statements the Company prepare was considered the whole enterprise group as a accountant entity, in line with the requirement of presentation, recognition and calculation in ASBE and a uniform accountant policies, reflect the financial situation, operation results and cash flows of the whole enterprise group.

The accounting policies and accounting period adopted by the subsidiaries that are included into the scope of consolidated financial statement consistent with those the Company adopts. If the accounting policies and accounting period adopted by a subsidiary are different from those adopted by the Company, necessary adjustments shall be made to the financial statements under the accounting policies and accounting period adopted by the Company.

Consolidated financial statement shall be prepared by the parent company after the effects of the internal transactions between the Company and its subsidiaries and between its subsidiaries themselves on the consolidated balance sheets, consolidated income statement, consolidated cash flow and consolidated statement of change in owners' equity are offset. If standing at the point of view of enterprise group consolidated financial statement, and its recognition of common trade differ from the accounting entity of Company or subsidiary, adjust it from the point of view of the enterprise group.

Minority shareholders' portions of equities and income in subsidiaries shall be separately stated respectively under owners' equity in the consolidated balance sheet and net profit in the



consolidated income statement. For the deficit of current period exceeding the share in the beginning of owner's equity, the balance shall offset against the minority shareholder's equity. For subsidiary obtained by business combination under same control, adjust the financial statement on the base of book value of assets, liabilities (including goodwill formed by the financial control party purchasing the subsidiary) in financial statement of final control party.

For subsidiary obtained by business combination not under same control, adjust the financial statement on the base of identifiable net assets on purchase date

#### **(1) Increasing the subsidiaries or business**

During the reporting period, for the added subsidiary companies for business combination under the same control, shall adjust the beginning balance of the consolidated balance sheet, and shall involve the incomes, expenses and profits of the subsidiary companies incurred from the beginning of the current period to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies from the beginning of the current period to the reporting period into the consolidated cash flow statement. Meanwhile, relevant items in the statements shall be compared and adjusted with the reporting subject after the consolidation being regarded to have always existed since the control party start to control.

Owing to the reasons such as the additional investment, for the subsidiaries could execute control on the investees under the same control, should be regard as the individuals participated in the combination that to execute adjustment by existing as the current state when the ultimate control party began to control. For the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period. During the reporting period, for the added subsidiary companies for business combination note under the same control, shall adjust the beginning balance of the consolidated balance sheet, and shall involve the incomes, expenses and profits of the subsidiary companies incurred from purchase date to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies from purchase date to the reporting period into the consolidated cash flow statement.

Owing to the reasons such as the additional investment that the subsidiaries could execute the control of the investees under different control, the Company shall re-measure the equity interests in the acquiree held by it before the acquisition date according to the equity interests' fair value on the acquisition date. And the difference between the fair value and the book value is recorded into current investment gains. Where the equity interests in the acquiree held by the Company which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution under the measurement of equity method before the acquisition date involves other comprehensive incomes, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for the period which the acquisition date belongs to, with the exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

#### **(2) Disposal of the subsidiaries or business**

##### **1) General disposing method**

The consolidated cash flow statement shall include the cash flow from the beginning of the current period to the settlement date.

Where the Company loses the control over a former subsidiary due to disposal of some equity investments or other reasons, the Company re-measures the remaining equity investments after the disposal according to the fair value on the date when the control ceases. The consideration obtained in the equity disposal, plus the fair value of the remaining equities, less the Company's share of net assets in the former subsidiary calculated from the acquisition date according to the former shareholding ratio, is recorded into the investment gains for the period when the control ceases.

Other comprehensive incomes in relation to the equity investments in the former subsidiary are restated as investment gains for the period when the control ceases. Where the equity interests in the subsidiary held by the Company which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution when losing control, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for current period, with the

exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

## 2) Step by step disposing the subsidiaries

Where the Company loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, all the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions should be considered as a package deal for accounting treatment:

- a. The transaction was set up in the same time or had considered the influence to each others;
- b. The transaction only stand as a whole, a perfect commercial result can be arrived.
- c. A transaction incurred depends on at least one transaction occurred;
- d. A transaction is not economical, however, together with other transaction are economical.

When disposing each transaction of the Company loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, should be considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company losing control on its subsidiary. When disposing each transaction of the Company loses control on its subsidiaries due to disposal of equity investments not belonging to a package deal, before which losing the control right, should execute the accounting disposal according to the partly dispose the equity investment of the subsidiaries under the situation not losing the control right; when losing the control right, should execute accounting disposal according to the general disposing method disposal of the subsidiaries.

## C. Purchasing minority equities of the subsidiaries

If there is any difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets which began to be calculated from the purchase date (or the combination date) in the subsidiary calculated according to the newly increased shareholding ratio, the stock premium under capital reserve in the balance sheet shall be adjusted according to the said difference. If the stock premium under capital reserve is not sufficient to be offset, the retained profit is adjusted.

## D. Disposing the equity investment of the subsidiaries under the situation not losing the control right

The differences between the disposal income due to the Company's disposal of some equity investments in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated according to the disposed long-term equity investments, the stock premium under capital reserve in the balance sheet shall be adjusted according to the said difference. If the stock premium under capital reserve is not sufficient to be offset, the retained profit is adjusted.

# 7. Joint venture arrangements classification and co-operation accounting treatment

## A. Joint venture arrangements classification

Under the terms of the structure of the company, the legal form of the joint venture arrangements agreed in the joint venture arrangements, other factors such as the relevant facts and circumstances, the joint venture arrangements include co-operation and joint ventures.

The joint venture arrangement unreached by individual entity is divided into common business; joint venture arrangement reached by individual entity usually classified as a joint venture; but there is conclusive evidence that any of the following conditions are satisfied and the division of joint venture arrangements in line with the relevant laws and regulations for the common business:

- (1) The legal form of a joint venture arrangement shows that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.
- (2) Contractual terms of the JV agreement arrangements agrees that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.
- (3) Other relevant facts and circumstances indicate that the joint venture party have rights and bear obligations in respect of the relevant assets and liabilities.

If joint venture parties enjoy almost all outputs associated with the joint venture arrangements, and the settle of the liability arrangement continued reliance on joint venture the joint venture party support.



**B. Accounting treatment of the joint operation**

The Company confirms that the following items share a common interest in the business associated with the Company, and audit in accordance with the provisions of the relevant enterprise accounting standards:

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

The company co-operates to invest or sell assets (excluding the assets constituting the business), before sold to third party, only confirm the part of transaction gains and losses that attributable to other participants. Assets sold in accordance with "Enterprise Accounting Standards No. 8 Impairment of Assets" and other provisions, the Company confirmed all the loss.

The company co-operates to purchase assets (excluding the assets constituting the business), before sold to third party, only confirm the part of transaction gains and losses that attributable to other participants. Assets acquired in accordance with "Enterprise Accounting Standards No. 8 Impairment of Assets" and other provisions, the Company confirmed that part of loss based on shareholdings.

The Company is not entitled to jointly controlled, if the Company co-operate the relevant assets and bear related liabilities, need accounting treatment based upon the above principles.

Otherwise, should be accounted in accordance with the relevant provisions of accounting standards.

**8. The standard for recognizing cash equivalent when making cash flow statement**

Cash equivalent means the highly liquid, very safe investment which can be easily converted into cash, and the company can hold it for a very short time (3 months from the date of purchase).

**9. Method of foreign currency translation****A. Business of foreign currencies**

As for a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the Renminbi at the spot exchange rate of the transaction date. On balance sheet date, the foreign currency monetary items shall be translated as the spot exchange rate on the balance sheet date, the balance occurred thereof shall be recorded into the profits and losses at the current period except that the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of assets eligible for capitalization shall be measured in the light of capitalization principle. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the confirming date of fair value, of which the balance of exchange shall be included into the profit and loss of the current period or capital reserve. If it belongs available for sale foreign currency non-monetary items, the difference form of exchange record into other comprehensive income

**B. Translation for foreign currency financial statements**

All the assets and liabilities items should be translated as CNY according to the basic rate of the spot rate on the balance sheet date; All the equity item except " Undistributed profits" item, other item adopt spot exchange rate to exchange. Income and cost item in profit statement, adopt average exchange rate of opening period and closing period. The translation balance of foreign financial statement incurred in line with the aforesaid translation, recorded into other comprehensive income.

When disposing an overseas business, the Company shall shift the balance, which is presented under the items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this oversea business, into the disposal profits and losses of the current period. When disposing part of equity investment or the decrease of holding of oversea operating share equity proportion but not losing control of the oversea operation due to other reason, the translation reserve related to disposal part of oversea operation will belong to the translation balance of minority shareholders, and not transfer into current profits or losses. When disposing part of equity of joint venture or association enterprise oversea operation, the translation reserve related to the oversea operation will transfer into current profits or losses in line with the disposal

proportion.

## **10. The recognition and measurement of financial instruments and the transfer of the financial instruments**

### **A. Categorization of financial instruments**

The Management team shall divide the financial instruments pursuant to the purpose to acquire the said financial assets or undertake the financial liabilities: the financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial assets and liabilities and the designated financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; the investments which will be held to their maturity; loans and the account receivables; financial assets available for sale; and other financial liabilities.

### **B. Recognition basis and calculation method of financial instrument**

(1) Financial assets (liabilities) measured by fair value and the changes included in the current gains and losses

The financial assets (or financial liabilities) that are measured by fair value with its change s recognized in the current profits and losses, including the transactional financial assets or financial liability and the financial assets or financial liabilities that are directly designated to be measured by fair value with its change recognized in the current losses and profits.

Transactional financial assets or financial liabilities mean the financial assets or financial liabilities that meet any one of the following conditions:

- 1) The purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem it in a short time;
- 2) It is a part of the identifiable combination of financial instrument that the company manages together and there is objective evidence of a recent pattern of short-term profit making;
- 3) It belongs to the derivative financial instrument, but is designated as the derivative instrument of valid arbitrage instrument or belongs to the derivation instrument of financial guarantee contract, or it is connected to the equity instrument investment for which there is no quotation in active market and its fair value cannot be reliably measured, the derivative tool that shall be settled through delivering the equity instrument excluded.

Only if one of the following conditions is met, could the financial assets or financial assets be designated as the financial assets or financial liability that shall be measured by fair value with changes recognized in profit or loss in the period:

- 1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liability;
- 2) The official written document of risk management or investment strategies of the enterprise concerned have described that the said combination of financial assets, the combination of financial liabilities, or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and will be reported to the key management personnel.
- 3) The mixed instruments include one or more embedded derivative instrument, unless the embedded derivative instrument does not materially change the cash flow of the mixed instrument, or it is obvious that the embedded instrument shall not be split from the relevant mixed instrument;
- 4) The mixed instrument that include the embedded derivative instrument that shall be split but cannot be separately measured when it is obtained or on the subsequent date of balance sheet.

For the financial assets or financial liabilities that is measured by fair value with its change recognized in the current profits or losses, the company will use the fair value (deducting the cash dividend that is announced but not issued, or the bond interest that is due but has not be claimed) as the initially recognized amount, and the related transaction costs shall be recognized in the current profits and losses. The interest or cash dividend obtained during the holding period shall be recognized as the investment earning, and at the end of the period, the change in fair value shall be recognized in the current profits and losses. At the time of disposal, the difference between its fair value and the initially recognized amount shall be recognized as the investment earnings, and at the same time, the change in fair value shall be recognized as the profit or loss.

(2) Accounts receivable

The creditor's rights arising from selling goods or providing service by the Company and other creditor's rights to other enterprises held by the company that are not quoted in an active market, including accounts receivable, notes receivable, other receivables, long-term receivables, etc., the

contract or agreement price should be taken as the initial recognition amount. If it has the nature of financing, it shall be recognized by present value.

Difference between the amount received and book value of the receivables shall be included into the profit or loss of the current period upon collection or disposal.

(3) Available-for-sale financial assets

Available-for-sale financial assets were referred to the non-derivative financial assets available for sale, as well as the financial assets other than the other financial asset classes in the initial recognition.

When available-for-sale financial assets are acquired, its initial amount shall be recognized at the fair value (excluding cash dividends that have been declared but not yet distributed or bond interests that have matured but not yet received) plus transaction expense thereof. Interest or cash dividend received in holding period were recognized as investment income. Profits or losses from the change in fair value of available-for-sale financial assets except impairment losses and translation balance from foreign monetary financial assets, directly record into other comprehensive income. When disposing available-for-sale financial assets recorded the difference between the price and the book value of the financial assets into investment profits or losses, meanwhile, roll out the disposal part of the accumulative amount of change in fair value originally and directly recorded into other comprehensive income and record into investment profits or losses.

The equity instrument investment without offer and its fair value without reliable calculation, and derivative financial assets linked to and settled by the equity instruments, measured at cost.

(4) Other financial liabilities

Other financial liabilities shall be initially recognized at fair value plus transaction costs. The subsequent measurement shall be made by adopting amortized costs.

### C. Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards relating to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retains nearly all of the risks and rewards relating to the ownership of the financial asset, it shall not stop recognizing the financial asset.

Substance over form philosophy should be adopted to determine whether the transfer of a financial asset can satisfy the conditions as described in these Standards for de-recognition of a financial asset.

An enterprise shall differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial assets. If the transfer of an entire financial asset satisfies the conditions for stop recognition, the difference between the amounts of the following 2 items shall recorded in the profits and losses of the current period:

- (1) The carrying amount of the transferred financial asset;
- (2) The aggregate consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions for stopping recognition, the carrying amount of the entire financial asset transferred shall be allocated at their respective relevant fair value, between the portion whose recognition has stopped and the portion whose recognition has not stopped, and the difference between the amounts of the following 2 items:

- (1) The carrying amount of the portion whose recognition has stopped;
- (2) The aggregate consideration of the portion whose recognition has stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

The transfer of financial assets does not meet the de-recognition condition, the financial assets shall continue to be recognized, and the consideration received will be recognized as financial liabilities.

### D. Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the

existing financial liability, it shall terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall distribute, on the report day, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

#### **E. Determination of the fair value of financial assets and financial liabilities**

As for the Company's financial assets and liabilities measured at their fair values, where there is an active market, the closing quoted prices in the active market shall be used to determine the fair values thereof. Initially obtained or derivative financial assets or the market transaction price of bared financial liabilities was considered as the basis of fair value; Where there is no active market for a financial assets and financial liabilities, the Company concerned shall adopt value appraisal techniques to determine its fair value. When evaluating, the Company adopt the valuation technique with sufficient useful data and supported by other information which suitable for the current situation, choose a input in concern with the characteristics of assets or liabilities considered in relevant assets or liabilities transaction with the market players, and as much as possible, give prior to using the relevant observable input under the situation that, the observable input value or it is not feasible to obtain, use unobservable input value.

#### **F. Testing method of impairment and withdrawal method of provision for impairment on financial assets (excluding accounts receivable)**

Except for financial assets which are measured at their fair values and of which the variation is included in the current profits and losses, the Company checks the book values of all other financial assets on the balance sheet date. If there is objective evidence proving that a financial asset is impaired, an impairment provision is made.

The objective evidences of impairment provision of financial assets include but not limited to:

- (1) Issuer or debtor had serious financial difficulties.
- (2) The debtor violates the items of the contact, such as violate a treaty or overdue to repay the interest or principal, etc.
- (3) The creditor considering the factors of economy or law makes concession to the debtor who had serious financial difficulty.
- (4) The debtor probably may go out of business or had other financial recombination.
- (5) Due to the issuer had serious financial difficulty; the financial assets cannot continue to trade in the active market.
- (6) The cash flow of a kind of asset in a group of financial assets decrease or not was beyond recognition, however, after conducting the overall evaluation in line with the public data, the estimate cash flow of the group of financial assets actually decrease and gaugeable since initial recognition, if the repay ability of the debtor steadily worsened, or the increase of unemployment rate, the decrease in the price of guaranty or the industry downturn that the district or country the debtor in, etc.
- (7) The great disadvantage change in technology, market, economy or legal environment that operation place that issuer of equity instrument locate at, which lead to the irrecoverable of investment cost of the equity instrument investors.
- (8) The fair value occurred seriously or non-transient decrease.

The specific impairment provision methods of financial assets were as follows:

- (1) Provision for impairment of available-for-sale financial assets:

On balance sheet date, the Company executes individually inspection on each available-for-sale financial statement, if the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 50% (including 50%) or lower than its initial investment cost for the duration time for more than 1 year (including 1 year), which indicates that it had occurred impairment; if the fair value of the equity instruments which invests on the

balance sheet date is lower than its initial investment cost for more than 20% (including 20%) but not reaches at 50%, the Company will comprehensively considerate the other relevant factors such as the price volatility etc. and will judge the equity investment whether had occurred impairment. The aforesaid "cost" recognized in line with the initial investment cost of available for sale financial instrument deducting principal recovered, amount amortized and the impairment losses recorded into profits or losses. "fair value" recognized through the closing price of Securities Exchange at period end unless the investment of available for sale equity instrument was in the restricted stock trade period. For investment of available for sale equity instrument was in the restricted stock trade period, recognized in line with the closing price of Securities Exchange at period end deducting the risk of market player cannot sell the equity instrument, thus, require compensation.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out of the owners' equities and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period. As for the impairment-related losses incurred to a sellable equity instrument investment, should be reversed by equity when the value raised of the equity instruments; however, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

(2) Provision for impairment of the investments which will be held to their maturity

If there's objective evidence that the financial assets are impaired, then the carrying amount of financial assets are reduced to the present value of estimated future cash flows, with the reduced amount recognized to profit or loss for the current period. As for the investments which will be held to their maturity whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period.

#### **G. The offset of financial assets and financial liabilities**

Financial assets and financial liabilities are shown separately in balance sheet. However, if they satisfy the following conditions, shown the net amount in the balance sheet after the offset;

- (1) The Company had legal rights of offsetting the recognition amount, and the legal right is executable in recently.
- (2) The Company plans to settle at net amount, or meanwhile realize the financial assets and pay off the financial liabilities.

### **11. Receivable accounts**

#### **A. Recognition and providing of bad debt provision on individual receivable account with large amount**

|   |  |
|---|--|
| Basis of recognition or standard amount of individual account with large amount | Top 5 of account receivables at year end   |
| Basis of bad debt provision   | Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value. Without bad debt provision needed provided through individually test, bad debt provision will be provided at age analysis method. |

#### **B. Recognition and providing basis of bad debt reserves for group of receivable accounts with similar characteristics of credit risks**

- ① Basis of recognition and providing of bad debt provision



|                                 |  |
|---------------------------------|--|
| Basis of recognition for groups |  |
| Group of inner units            | Accounts receivable due from subsidiaries included in consolidated scope |
| Group by age analysis           | With similar characteristics of credit risks                             |
| Basis of bad debt provision     |  |
| Group of inner units            | Individual identified method   |
| Group by age analysis           | Age analysis method  |

## ② Age analysis

| Ages   | Provision rates for account receivables (%) | Provision rates for other receivables (%) |
|--|---|---|
| Within 1 year, (included, same for the followings) | 5%  | 5%  |
| 1-2 years  | 10%   | 10%                                       |
| 2-3 years  | 30%   | 30%                                       |
| 3-4 years  | 50%   | 50%                                       |
| 4-5 years  | 80%   | 80%                                       |
| Over 5 years                                       | 100%  | 100%                                      |

**C. Other minor amount**

For the receivables which are not individually significant, and which individually significant but are not provided provision individually, in accordance with credit risk characteristics, the method of provision for bad debts is aging analysis method. The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable figures reflecting present economic conditions.

**12. The classification, pricing and accounting methods for inventories; the recognition standard and withdrawal method of the inventories falling price reserves**

A. Classification of the inventories: purchased materials, stocking materials, material cost difference, entrusted processing materials, unfinished products, finished products, working on project and etc.

B. The inventories are priced by the historical cost method, so are the raw material and auxiliary material, the sold material cost is carried over on the basis of first-in first-out method; the product cost is accounted through standard cost method, the difference between the standard cost and historical cost is undertaken by the cost of the finished goods in process, while the cost of sales is carried over on the basis of weighted average method;

C. As for the inventory write-down provided: each kind of inventories at the end of the report period will be measured at the lower of cost or net realizable value, and a provision for inventory write-down will be established for any difference between the cost and the lower net realizable value. The net realizable value refers to the value minus the predicted expense needed in the process of completing the production and sales from the predicted price for sale and the taxes.

D. The inventory system is on the basis of perpetual inventory method.

E. The low-value consumption goods will be amortized by fifty percent amortization method.

**13. Classified as the assets held for sale****A. Recognition criteria for the classification of the assets held for sale**

The company will recognize the combination parts of the enterprise (or non-current assets) which simultaneously meet the following requirements, as the components of the assets held for sale.

(1) The components should be immediately sold under the current condition only according to the usual terms of the parts sold.

(2) The enterprise has made resolution for the disposal of the components, the approval of shareholders' meeting or relevant authority agency if the shareholder's approval is requested by the rules.

(3) The enterprise has signed the irrevocable transfer agreement with the transferee.

(4) The transfer shall be completed within one year.

#### **B. Accounting method for the classification of the assets held for sale**

For the fixed assets held for sale, the company shall adjust the estimated net residual value of the fixed assets in order to make it reflecting the amount after the disposal costs deducted from the fair value, which doesn't exceed the original book value of the fixed assets when the condition of holding for sale is met. The impairment losses of the assets shall be regarded and recorded into the current profits and losses if the original book value is more than the balance of the estimated net residual value after adjusting. The fixed assets held for sale which not withdraw the depreciation or amortization shall be measured according to the lesser one between the balances of the book value or the fair value minus the disposal costs respectively.

The equity investment, intangible assets and other non-current assets held for sale shall be handled as per above mentioned principles, but excluding the deferred income tax assets, the financial assets regulated in —Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments, the investment property and the biological assets measured by the fair value, and the contractual right issued in the insurance contract.

### **14. Long-term equity investment**

#### **A. Investment cost confirmation**

(1) For the long term equity investment from enterprise merger, the detailed accounting policy, please refer to the accounting method of merger of enterprises under or not under the same controller in Note IV / (V). While, the long term equity investment acquired through liability reorganization is booked on the basis of fair value.

(2) The long-term equity investments acquired by other ways

For the long-term equity investment acquired by the cash payment method, the purchase price of actual payment as the initial investment cost, which includes costs, taxes and other necessary expenses directly relevant to the long-term equity investment acquired.

For the long-term equity investment acquired by the issuance of the equity securities, the fair value of the issuance of the equity securities as the initial investment cost. The transaction costs occurred in the issuance or acquirement of own equity instruments can be deducted from the equity for those that can be directly included in the equity transactions.

The non-monetary asset exchange for a commercial real income and assets or the fair value other assets can be reliably measured, the initial investment cost should be determined according to long-term equity investment exchanged through the non-monetary asset exchange, unless there is evidence showing that for the fair value of assets is more reliable; the non-monetary asset exchange which does not meet the above premises, the book value of the exchanged assets to and the relevant fees and taxes to be paid should be the initial investment cost of the long-term equity investment. The initial investment cost of the long-term equity investments obtained through debt restructuring should be determined in accordance with fair value.

#### **B. Follow-up measurements & recognitions of profits or losses**

(1) Cost method

The company can adopt the cost method to account the long-term equity investment controlled by the invested party and follow the initial investment cost to calculate the price and add or take back the investment and adjust the costs of long-term equity investment.

Except for the price of actual payment in acquiring investment or the cash dividends or profits declared but not issued yet included in the consideration, the company shall recognize the cash dividends or profits delivered by the invested party as the current investment returns.

(2) The equity method

The company shall adopt the equity method to account the long-term equity investment of the joint ventures and the cooperative enterprises, and use the measurement of the fair value and record the changes into the profits and losses for the parts of the equity investment of the joint ventures indirectly held by risk investment agency, mutual fund, trust company or other similar bodies including the investment-link-insurance funds.

For the initial investment cost of the long-term equity investment is more than the balance of the shares of the fair value of the identifiable net assets from the invested party in investment, the initial investment cost of the long-term equity investment shouldn't be adjusted. If less, recorded into the current profits and losses.

The investment returns and other comprehensive incomes will be respectively recognized as per the shares of the net profits and losses and other comprehensive returns realized by those shared and

undertaken invested parties after the company acquires the long-term equity investment, and the book value of long-term equity investment shall be adjusted simultaneously. Also, the shared parts shall be calculated according to the profits and cash dividends delivered by the invested party, and the book value of long-term equity investment shall be reduced correspondingly. For other changes in owner's equity of the invested party except for net profits and losses, other comprehensive returns and profits distribution, the book value of long-term equity investment shall be adjusted and the owner's equity should be recorded into.

The shared portions of the net profits and losses of the invested party shall be recognized by the company after the net profits of the invested party are adjusted based on the fair value of the identifiable assets from the invested party when acquiring the investment. Also, the profits and losses of investment are recognized on the basis of the offset of the shared proportion for the internal transaction profits and losses issued but not realized yet between the company and the joint venture and the cooperation enterprises.

The following steps should be taken when the company confirms to share the losses of the invested party: First, offset the book value of the long-term equity investment. Then, offset the book value of the long-term receivables after recognize the investment losses based on the book value of long-term equity of the net investment from the invested party if the book value of the long-term equity investment is insufficient to offset. Last, recognize the estimated loads as per the estimated liability undertaken and record into the current investment losses if additional liability is still needed to undertake based on the provisions of investment contract or agreement after above-mentioned steps.

For the profits realized by the invested party during the future period, the company shall handle based on the opposite steps after deducting the unconfirmed losses undertaken, and resume the recognized investment returns after reduce the confirmed book balance of estimated liabilities and resume other book values of long-term rights and investments of the net investment from the invested party.

### **C. Transformation of accounting method for the long-term equity investment**

#### **(1) The fair value measurement transformed to the equity method**

For the equity investments originally held by the company and having non-control, joint control or major impact on the invested party through the accounting treatment as per the confirmation of financial instrument and the measurement criterion, which can have significant impact or haven't control on the invested party due to the additional investment, the sum of the fair value of the equity investment originally held and the new investment costs based on the recognition of —Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments‖ shall be regarded as the initial investment costs accounted by the equity method.

If the equity investment held originally can be classified as the financial assets for sale, the difference between the fair value and the book value, and the variation in the accumulative fair value of other comprehensive returns recorded originally will be transferred into the current profits and losses accounted by the equity method.

If the initial investment costs accounted by the equity method is less than the difference between the portions of the fair value of the identifiable net assets shared from the invested party on the additional investment date calculated and recognized as per the new shareholding proportion after the additional investment, the book value of long-term equity investment should be adjusted and which shall be recorded into the current nonbusiness incomes.

#### **(2) The fair value measurement or the equity method transformed to the cost method**

For the equity investments originally held by the company and having non-control, joint control or major impact on the invested party through the accounting treatment as per the confirmation of financial instrument and the measurement criterion, or the long-term equity investments in the joint ventures and the cooperative enterprises held originally, which can have control on the invested party under non-common control due to the additional investment, the sum of the book value of the equity investment originally held and the new investment costs in preparation of individual financial statement shall be regarded as the initial investment costs accounted by the cost method.

Other comprehensive returns accounted and recognized for the equity investment held prior to the purchase date by adopting the equity method, should be conducted the accounting treatment according to the same basis of relevant assets or liabilities directly disposed by the invested party.

If the equity investment held before the purchase date is conducted the accounting treatment according to the relevant provisions of —Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments‖, the variation in the accumulative fair value of other comprehensive returns recorded originally shall be transferred to the current profits and



losses accounted by the cost method.

(3) The equity method transformed to the fair value measurement

If the company loses the joint control or major impact on the invested party due to disposal of part of equity investments, the remaining equity after disposed should be accounted according to —Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments<sup>||</sup>, and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of joint control or major impact lost.

Other comprehensive returns accounted and recognized for the original equity investment by adopting the equity method, should be conducted the accounting treatment according to the same basis of relevant assets or liabilities directly disposed by the invested party when stop to account by the equity method.

(4) The cost method transforming to the equity method

If the company loses the control of the invested party due to disposal of part of equity investments, and the remaining equity after disposed can have joint control or major impact on the invested party in preparation of individual financial statement, the equity method shall be adopted to conduct accounting and the remaining equity shall be regarded to use the equity method to account and adjust when acquiring.

(5) The cost method transforming to the fair value measurement

If the company loses the control of the invested party due to disposal of part of equity investments, and the remaining equity after disposed can't have joint control or major impact on the invested party in preparation of individual financial statement, the relevant provisions of —Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments<sup>||</sup> should be followed to conduct the accounting treatment, and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of control lost.

#### **D. Disposal of the long-term equity investment**

The difference between the book value and the price acquired actually in disposal of the long-term equity investment should be recorded into the current profits and losses. The long-term equity investment accounted by the equity method shall be conducted the accounting treatment of part of other original comprehensive returns as per the corresponding proportion on the same basis of the relevant assets or liabilities directly disposed by the invested party when the disposal of the investment.

If the following one or multiply requirements are met for all transaction terms, conditions and economic impact in disposal of the equity investment of subsidiary, the multiply transactions will be regarded as the package deal to conduct the accounting treatment:

(1) These transactions are signed simultaneously or after the consideration of the influence each other.

(2) These transactions should be as a whole to achieve a complete business result.

(3) One transaction occurs depending on the issuance of at least other one transaction.

(4) It is uneconomic for one transaction, but economic with other transactions.

For the control on the original subsidiary lost due to disposal of part of the equity investment or other reasons and the non-package deal, the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

(1) In the individual financial statement, the difference between the book value and the price acquired actually in disposal of the equity shall be recorded into the current profits and losses. If the remaining equity after disposed can have joint control or major impact on the invested party, the equity method shall be adopted to conduct accounting and the remaining equity shall be regarded to use the equity method to account and adjust when acquiring. If the remaining equity after disposed can't have joint control or major impact on the invested party, the relevant provisions of —Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments<sup>||</sup> should be followed to conduct the accounting treatment, and the balance between the fair value and the book value shall be recorded into the current profits and losses on the date of control lost.

(2) In the consolidated financial statements, for all the transactions before the control on subsidiary lost, and the balance between the disposal price and the long-term equity investment respectively minus the net assets from the purchase date or the combination date of subsidiary, the capital reserves (stock premium) shall be adjusted, or the retained earnings shall be adjusted when the capital reserves are insufficient. When the control on the subsidiary lost, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the surplus equity minus the

net assets portion of the original subsidiary calculated from the purchase date a per the original stock proportion shall be recorded into the current investment income after the control lost and offset the business reputation. Other comprehensive returns relevant to the original subsidiary shares investment shall be transferred into the current investment returns when the control lost.

For the package deal for all the transactions in disposal of the equity investment till the control lost, all the transactions will be conducted the accounting treatment as a deal to dispose and the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

(1) In the individual financial statement, all the differences between the book value of the long-term equity investment of the prices disposed and the equity disposed before the control lost shall be recognized as other comprehensive incomes and recorded into the current profits and losses in the control lost.

(2) In consolidated financial statement, all the differences between the net assets portions of subsidiary of the prices disposed and the investment disposed before the control lost shall be recognized as other comprehensive incomes and recorded into the current profits and losses in the control lost.

#### **E. Criteria of the judgment of joint control and significant impact**

If the company controls an arrangement together with other parties according to the relevant agreement, the activity decision-making with significant impact for the arrangement should be achieved after the unanimous agreement gained from the control parties, which is regarded as the joint control of one arrangement with other parties and the arrangement is belong to the cooperative arrangement.

The cooperative arrangement achieved by the independent body which should be as the cooperative enterprises and the equity method shall be adopted to account according to the relevant agreement to judge when the company has rights to the net assets of the independent body. If hasn't rights, the independent body shall be as the joint operation, the company shall recognize the items related to the benefit portions of joint operation and the accounting treatment should be conducted according to the relevant provisions of accounting standards for enterprises.

The significant impact refers to the investor has rights to participate in decision-making for the finance and operation policy of the invested party, but can't control or jointly control the setup of these policies with other parties. The company has made judgment of significant impact on the invested party through the following one or multiply conditions and under comprehensive consideration of all facts and status.

- (1) There are representatives in the board of Directors or equivalent authorities of the invested party.
- (2) Participate in the setup process of finance and operation policies of the invested party.
- (3) There is major transactions occurred among the invested parties.
- (4) Dispatch the management to the invested party.
- (5) Offer the key technical data to the invested party.

### **15. Investment real estates**

The term *Investment real estates* refers to the real estates held for generating rentand/orcapital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation & the right to use any building which has already been rented.

The investment real estates are accounted by the cost, the purchased investment real estates include the cost of the purchase price, related taxes and fees and other expenses which can be directly attributable to the assets; the costs of investment real estate self constructed include the necessary expenses to construct the asset to reach the predicted use state.

The Group adopts the cost method to conduct follow-up measurement on investment real estates are accounted devaluations and amortized. The expected service life, net residual rate and value depreciation rates of investment real estate are the same with fixed assets or intangible assets.

If the investment real estate is changed to self use, since the date of change, investment real estate shall be converted into fixed assets or intangible assets. The function of self-use real estate is to earn rent or capital appreciation, then since the date of change, the fixed assets or intangible assets shall be converted into investment real estate. When the conversion happens, the book value before the conversion will be the book value after the conversion.

When the investment real estate is disposed of, or permanently terminates its use and no economic benefits are expected from its disposal, terminate the confirmation of the investment real estate.

Disposal income of investment property for sale, transfer, disposal of scrap or being destroyed is charged to current profit or loss after deducting its book value and related taxes.

## 16. Fixed assets

### A. Confirmation conditions

Fixed assets refer to physical assets owned for purpose of production, service providing, leasing or management, and operation with service life of more than one year. Fixed assets are recognized when all of the following conditions are satisfied: a. Financial benefits attached to the fixed asset is possibly inflowing to the Company; b. The cost of the fixed asset can be reliable measured.

### B. The initially measurement of fixed assets

The fixed assets of the company shall be initially measured by costs. Of which, the fixed assets costs purchased include purchase price, import duties, other relevant taxes and other expenses that make the fixed assets can be used. The costs of self-constructed fixed assets are the expenses arisen from the construction of the assets reaching the expected use status. The fixed assets invested by the investors shall be recorded into the accounting value according to the value agreed in the investment contract or agreement, but the unfair value agreed in the contract or agreement shall be booked as per the fair value. If the price for purchase of the fixed assets is beyond the usual credit term and delay in payment, and there actually is financial, the cost of fixed assets shall be recognized based on the present value of purchase price. The difference between the price paid actually and the present value of purchase price shall be recorded into the current profits and losses within the credit period except for the capitalization granted.

### C. The subsequent expenditure and disposal of fixed assets

#### (1) Depreciation method of fixed assets

The fixed assets depreciation should be withdrawn within the expected service life according to the recorded value minus the estimated net residual value. For the fixed assets after the impairment provision withdrawn, the amount of depreciation shall be recognized according to the book value after the impairment provision deducted and the usable service life in the future.

The company determines the service life and the estimated net residual value of the fixed assets according to the nature and use of the fixed assets, reviews the service life, the estimated net residual value and depreciation method of the fixed assets at the end of the year, and makes the corresponding adjustment if it is different to the original estimated value.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| Fixed assets            | Estimated lifetime | Annual depreciation rates | Expected residual value rates |
|-------------------------|--------------------|---------------------------|-------------------------------|
| Buildings               | 20-40 years        | 2.25-4.85%                | 3%、5%、10%                     |
| Machinery and equipment | 10-22 years        | 4.09-9.7%                 | 3%、5%、10%                     |
| Motor vehicles          | 4-15 year          | 6-24.25%                  | 3%、5%、10%                     |
| Electric equipments     | 5 years            | 18-19.4%                  | 3%、5%、10%                     |
| Other equipments        | 10-15 years        | 6-9.7%                    | 3%、5%、10%                     |

#### (2) The subsequent expenditure of the fixed assets

The subsequent expenditure relevant to the fixed assets shall be recorded into the costs of the fixed assets if the recognition requirements of the fixed assets are met. If not met, recorded into the current profits and losses when occurring.

#### (3) The disposal of the fixed assets

The fixed assets shall be derecognized when the assets are disposed and can be used or there is no economic benefit from the disposal. The amount of the book value and the relevant taxes deducted from the disposal incomes of the fixed assets sold, transferred, scraped or damaged.

### D. Cognizance evidence and pricing method of financial leasing fixed assets

The fixed assets acquired by the company in line with the following one or several criteria shall be recognized as the fixed assets acquired under finance leases: (1) at the expiration of the lease, the ownership of the leased assets shall be transferred to the company. (2) the company has the option to purchase the leased assets, the purchase price is expected be far lower than the fair value of the leased assets under the implementation of option right, so that it can be reasonably determined that the company shall exercise the option on the acquisition date. (3) the lease term is the majority for

the leased assets even if the ownership no transferred. (4) the present value of the minimum lease payments of the company almost is equal to the fair value of the leased assets on the acquisition date. (5) For the special nature of the leased assets, only the company can use if no major modification made.

For the fixed assets acquired under finance leases, the company takes less of the fair value of the leased asset on the acquisition date and the present value of the minimum lease payments as recorded value. Also, the minimum lease payments are accounted as the recorded value for the long-term payables, and the difference are as the unconfirmed financing fees. The initial direct expenses, such as commission charge, attorney fees, travel expenses and stamp duty attributable to the lease item occurred in the process of the lease negotiation and the signature of lease contract, shall be recorded into the leased assets value. The unrecognized financing charges in each period during the lease term are amortized by effective interest method.

The company adopts the depreciation policy in line with its own fixed assets to count and draw the depreciation of fixed assets acquired under finance leases. If the ownership of lease assets acquired at the expiration of lease can be reasonably confirmed, the depreciation will be recognized in the use life of lease assets. If can't be confirmed, the shorter period between the lease term and the use life of lease assets will be recognized as the depreciation.

## **17. Construction-in-progress**

### **A. Categories of projects under construction**

The company shall measure the self-constructed constructions in progress at the actual cost, which comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use, including materials costs, labor costs, relevant taxes paid, capitalized loans, indirect expense for apportion, etc.. The constructions in progress of the company should be accounted by the project classification.

### **B. Standard and timing for transferring of projects under construction to fixed assets**

All the expenditures that bring the construction in process to the expected condition for use shall be the credit value of the fixed asset. If the fixed asset construction in process has already reached the expected condition for use, but hasn't been made the final account; it shall be carried forward to a fixed asset according to its estimated value based on the budget, cost or actual cost of the construction starting from the date when it reaches the expected condition for use, and the fixed asset shall be depreciated according to the company's depreciation policy for fixed assets. After the final account has been made, the original provisional estimated value shall be adjusted according to the actual cost, but the depreciation which has originally been counted & drawn shall not be adjusted.

## **18. Loan expenses**

### **A. Recognition principles for capitalizing of loan expenses**

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

The assets meeting capital conditions refer to the fixed assets, investment real estates and inventories which are constructed or produced in a long time to reach the predicted use or sale state. When a loan expense satisfies all of the following conditions, it is capitalized: a. Expenditures on assets have taken place, asset expenditures include the assets used to construct or produce the assets which meet the capitalization conditions, and expend by cash or transferring non-cash assets or bearing interest debt; b. Loan costs have taken place; c. The construction or production activities to make assets to reach the intended use or sale of state have begun.

### **B. Duration of capitalization of loan costs**

The capitalization period refers to the period from starting capitalization of loan costs to the stop of capitalization, the period of the break of capitalization of Loan costs is not included.

When the construction or production meets the intended use or sale of state of capitalization conditions, the Loan costs should stop capitalization. When the construction or production meets the conditions of capitalization and can be used individually, the capitalization of the loan costs of the assets should be stopped.

Where each part of a asset under acquisition and construction or production is completed separately

and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

#### **C. Capitalization suspension period**

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recorded into the profits & losses at the current period, till the acquisition and construction or production of the asset restarts.

#### **D. Calculation of the amount of capitalization of loan costs**

Interest expense due to specialized Loan and its auxiliary expenses shall be capitalized before the asset which satisfies the capitalizing conditions reaches its useable or saleable status.

Interest amount of common Loan to be capitalized equals to accumulated asset expense less weighted average of specialized loan part of asset expense multiplies capitalizing rate of common Loan occupied. Capitalizing rate is determined according to weighted average interest of common Loan.

If the Loan has discount or premium, the discount or premium amount should be determined according to actual interests in each accounting period. The interest amount should be adjusted in each period.

### **19. Intangible assets and R&D expenses**

The intangible assets refer to the identifiable non-monetary assets without physical substance owned or controlled by the company, including software, land use rights, knowhow and etc.

#### **A. The initial measurement of intangible assets**

The cost of the purchased intangible assets includes its buying price, relevant tax and the other expenses that are directly attributed to this assets meeting its predetermined objective and other expenses that occur. The buying price of intangible assets is over the deferred payment under normal credit conditions, which has the nature of financing materially, the cost of intangible assets is determined on the basis of the present value of its buying price.

We acquire the mortgaged intangible assets from debtors through debt restructuring and determine the entry value on the basis of the fair value of the intangible assets, we have the balance between the book value of debt restructuring and the fair value of intangible assets used for mortgage charged to the current profit and loss.

The entry value of the non-monetary assets exchanged into by the non-monetary assets are determined on the basis of the fair value of the assets exchanged out if the exchange of non-monetary assets has commercial nature and the assets exchanged into or out can be reliably measured, unless there is authentic evidence indicating that the fair value of assets exchanged into are more reliable; if the non-monetary assets that cannot meet the above prerequisite use the book value of the assets exchanged out and relevant taxes payable as the cost of the non-monetary assets, the profit and loss is not confirmed.

The entry value of the intangible assets acquired by the absorption merger under the control of one company is determined by the book value of the merged party; the entry value of the intangible assets acquired by the absorption merger that is not under the control of one company is determined by the fair value.

The cost of the intangible assets developed internally includes the materials consumed in developing the assets, cost of service, registration fees, other patent used in developing, amortization of concession and interest charges meeting the capitalization conditions and other direct costs that occur before the intangible assets meeting the predetermined objective.

#### **B. Subsequent measurement**

The Company acquired intangible assets at the time of analysis to determine its life, is divided into a finite useful life and intangible assets with indefinite useful life.

(1) The intangible assets that have limited serviceable life are amortized by the straight-line method during the period when the assets can bring about economic interests. The details are as follow:

| Items           | Useful life | Judging by        |
|-----------------|-------------|-------------------|
| Land use rights | 50 years    | Purchase contract |



| Items    | Useful life | Judging by            |
|----------|-------------|-----------------------|
| Software | 5-10 years  | Predicted useful life |

(2)Intangible assets with uncertain service life may not be amortized. However, the Company shall check the service life of intangible assets with uncertain service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be amortized according to the above method.

### **C. The specific standards of the classification of research and development stages of internal R&D projects of the company**

Research stage: the stage of the creative and planned investigation and research activities that is to acquire and understand new scientific or technological knowledge.

Development stage: the stage that the research achievement or other knowledge are applied in some plans or designs for the production of newly or substantially improved materials, devices, products and other activities before the commercial production or usage.

The expenditure of internal research and development projects in the research stage shall be recorded into the current profits and losses when occurring.

### **D. The special standards of the conformation of capitalization for the expenditure in development stage**

The expenditures of internal research and development projects in the development stage shall be recognized as the intangible assets when the following requirements are simultaneously met:

- (1)Complete the intangible assets to make it usable or for sale and have the technical feasibility.
- (2)Have the intention to complete the intangible assets for using or sales.
- (3)The mode for the economic interest produced by the intangible assets includes the evidence of there being the market for the products produced by the intangible assets or for the intangible assets by self, and the usefulness for the assets used internal.
- (4)There are sufficient technical, financial resources and other resources for support to complete the development of the intangible assets and there is ability to use or sell the intangible assets.
- (5)The expenditure belong to the intangible assets in the development stage can be reliably measured.

The expenditure in the development stage but above-mentioned requirements not met, shall be recorded into the current profits and losses when occurring. The development expenses recorded into the profits and losses during previous period shall not be recognized again in the future period. The capitalized expenses in the development stage are shown as the development costs on the balance sheet, and shall be transferred to the intangible assets from the date that the project reaching to the intended use.

## **20. Impairment of long-term assets**

(1) At the end of accounting period, the Company shall check the long-term assets. There may be an impairment of assets when the following signs occur. The recoverable amount shall be estimated and the asset impairment loss shall be made in light of the difference that the recoverable amount of assets is less than the book value when the impairment happens. The signs are stated as follows:

- ① The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- ②The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;
- ③The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- ④Any evidence shows that the assets have become obsolete or have been damaged substantially;
- ⑤ The assets have been or will be left unused, or terminated for use, of disposed ahead of schedule;
- ⑥ Any evidence in the internal report of the enterprise shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount;
- ⑦Other evidence indicates that the impairment of assets has probably occurred.

(2) The evidences to withdraw the impairment provision of long-term investment, fixed assets, construction in process and intangible asset: at the end of the report period, the Company will withdraw the asset impairment provision according to the difference that the recoverable amount of single asset is less than the book value. The recoverable value shall be recognized according to the high one between the net amount of fair value deducting disposal charge and the current value of the expected future cash flow of assets. If the recoverable amount of the single asset cannot be obtained, the recoverable amount shall be recognized on the basis of the asset group to which the asset belongs.

(3) The business reputation formed by merger of enterprises shall be distributed into the related asset group at the end of every year, then the asset group shall have the impairment test to measure the recoverable amount, comparing to the book value, if the recoverable amount of the asset group is less than the book amount, the difference shall first charge against the book value of the business reputation which is apportioned to the asset group; if the book value of the business reputation is not enough to charge against the difference, the uncharged balance shall be distributed by the other assets of the asset group in accordance with the book value.

(4) The recognition of the asset group under impairment test: the related minimum of asset groups that can share the synergetic benefit brought from merger through the prediction of the Company.

(5) The above impairment losses of assets cannot be reversed as soon as they are recognized.

## 21. Long-term amortizable expenses

The long-term amortizable expense refers to all the expenses that occurred and undertaken in the current period or with the amortization limit of more than 1 year for the company. The long-term amortizable expense shall be amortized within the benefit period according to the direct method. The details are as follow:

| Items                        | Amortized years | Notes |
|------------------------------|-----------------|-------|
| Rental expenses              | 30 years        |       |
| Decoration expenses and etc. | 3 years         |       |

## 22. Payroll

The payroll means that the enterprise gives various remunerations for obtaining services providing by the employees or other relevant expenses. It includes the short-term compensation, the welfare after demission, the demission welfare and the welfare of the long-term employees.

### A.The short-term compensation

Employee compensation refers to the reward or compensation of various modes provided by the Company which wants to receive the service offering by the employees or to execute the release of the labor relationship. The employee compensation including the short-term salary, departure benefits, demission benefits and other long-term employee benefits.

The short-term compensation actually happened during the accounting period when the active staff offering the service for the Company should be recognized as liabilities and is included in the current gains and losses or relevant assets cost.

### B.The welfare after demission

The Company divides the departure benefits plan into defined contribution plans and defined benefit plans. Benefits plan of after demission refer to the agreement between the Company and employees on the departure benefits, or the regulations or methods formulated by the Company for providing welfares after demission for the employees. Of which, defined contribution plans refers to the departure benefits plan that the Company no more undertake the further payment obligations after the payment and deposit of the fixed expenses for the independent funds; defined benefit plans refers to the departure benefits plan except for the defined contribution plans.

#### (1) Defined contribution plans

During the accounting period when providing the service for the employees, the Company will recognize the deposited amount as the liabilities which measured by defined contribution plans and include in the current gains and losses or the relevant assets cost.

#### (2) Defined benefit plans

Other long-term employee benefits the Company had not executed the defined contribution plans or met with the conditions of defined benefit plans.

### **C.The demission welfare**

When the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses related to the reorganization of paying the demission welfare, should recognize the payroll liabilities from the demission welfare and include in the current gains and losses.

### **D.The welfare of the long-term employees**

The Company provides the other long-term employee benefit for the employees, and for those met with the defined contribution plans, should be disposed according to the above accounting policies of the defined contribution plans; the others except for the former, should be recognized according to above accounting policies of the defined benefit plans and measure the net liabilities or net assets of other long-term employee benefits.

## **23. Measurement method of estimated debts**

### **A. Recognition of estimated liabilities**

(1)The obligation pertinent to contingencies shall be recognized as estimated debts when the following conditions are satisfied simultaneously:

That obligation is a current obligation of the enterprise;

(2)It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation;

(3)The amount of the obligation can be measured in a reliable way.

The Company shall check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the Company will adjust the book value in accordance with the current best estimate.

### **B. Accounting of estimated liabilities**

Estimated liabilities shall be conducted initial measurement according to the best estimates of related existing liabilities, when the company recognizes the optimum estimation, it shall be in overall consideration of risks, uncertainty and time value of currency and other factors related to contingent matters. When the influence of time value of money is significant, the optimum estimates shall be determined by discounting relevant future cash outflow

The optimum estimates are conducted as follows:

If there is a continuous range (or area) for the necessary expenses and the same result possibility within the range, the optimum estimate is recognized according to the middle value, namely the average of upper limit and lower limit of amount within the range.

If there no exits a continuous range (or area) for the necessary expenses or the different result possibility within the range even if there is a continuous range, and if there are contingent matters related to individual item, the optimum estimate is recognized according to the amount that has most possibility to occur. If there are contingent matters involving multiple items, the optimum estimate is counted and confirmed as per all the possible results and associated probabilities.

It can be recognized separately as assets when estimated liabilities are paid by the company but can be fully or partly compensated by a third party and the compensation mostly sure can be received, which does not exceed the book value of estimated liabilities.

## **24. Share-based compensation**

### **A.Share-based compensation types**

Share-based compensation divides into equity settlement and cash settlement.

### **B.Determining methods for fair value of equity instruments**

The fair value of equity instruments such as options granted and existing in the active market can be determined by reference to the quotations in the active market. Otherwise, it is determined by option pricing model, which should take into account the following factors: a. exercise prices of options;b. validity of options; c. current prices of underlying shares; d. estimated volatility of share prices; e. estimated dividends; f. risk-free interest rate of options within validity.

When determining the equity instruments fair value of the granted date, the company considers the impact of the market conditions and non-vesting conditions as specified in Share-based compensation agreements. If there are non-vesting conditions and employees or any other parties satisfy all non-market vesting conditions (for example, service period), Share-based compensation



can be recognized as costs and expenses for received services.

### **C.Basis of best exercisable equity instruments estimate**

Every balance sheet day during the vesting period, the company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

### **D.Accounting treatment for implementation, amendment and termination of share-based compensation**

Share-based compensation by equity settlement is calculated according to the fair value of granted equity instruments. The Company can count it in costs and expenses by reference to the fair value of the granted date and increase capital reserve accordingly if it can be exercised immediately after being granted. If it cannot be exercised till services or performance meets the conditions during the vesting period, then on every balance sheet date during the vesting period, received services can be counted in related costs or expenses and capital reserve by reference to best estimates of exercisable equity instruments quantity and its fair value of the granted date. No adjustments will be made on already recognized costs or expenses and ownership equity after vesting dates.

For share-based compensation by cash settlement, the fair value is measured by reference to that of the liabilities determined based the shares or other equity instruments the company undertakes. The company can count it as costs and expenses by reference to the fair value of the granted date and increase liabilities accordingly if it can be exercised immediately after being granted. If it cannot be exercised till services or performance meets the conditions during the vesting period, then on every balance sheet date during the vesting period, received services can be counted in related costs or expenses and liabilities by reference to best estimates of exercisable equity instruments quantity and the fair value of the liabilities the company undertakes. On every balance sheet date and settlement date before the related liabilities are cleared, the fair value is re-calculated and the changes are counted in current profit and loss.

### **E.Equity instruments changes and accounting treatment**

If the granted equity instruments are cancelled during the vesting period, the company treats it as accelerated vesting and counts in current profit and loss the amounts that should be recognized during the rest vesting period and recognizes capital reserve accordingly at the same time. If employees or other parties can choose but fail to satisfy non-vesting conditions during the vesting period, the Company sees this as cancellation of granted equity instruments.

## **25. Revenue recognition**

### **A.The recognition of the revenue from selling goods**

The revenue from selling shall be recognized by the following conditions: The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant revenue and costs of selling goods can be measured in a reliable way.

Complete sets of engineering projects, the company selling products and building installation part can separate and can be measured separately, will be treated as part of the sales products as selling goods. Selling products and building installation will not be able to distinguish, or is to distinguish but can't separate metering, will sell the product part and building installation all as building installation part processing.

### **B. Giving of asset using rights**

Income from giving of assets is recognized when satisfying requirements related economic benefit flows in very possibly, income can be measured reliably.

- 1) Amount of interest income is calculated according to the time and actual interest rate of the monetary capital is used by other party.
- 2) Income of using fee is calculated upon the charge period and calculation provided by the related contract or agreement.

### **C.Labor revenues**

When the results of the transaction of the company could be reliable estimated (that is the total revenues and the total costs of labor service could be reliable measured and the completion degree

of the labor service could be reliable with the relevant price accounts could flow in), the company would recognize the realization of the revenues on the settlement date according to the completion percentage method. When the results of the transaction of the company could not be reliably estimated, the company should recognize the revenues on the settlement date according to the labor service cost amount which had occurred and be estimated that could be compensated and include the happened cost in the current gains and losses.

#### **D.Construction contracts**

When the result of the construction contract is able to be evaluated reliably at the balance sheet date, the income and cost of the contract are recognized on completion percentage basis.

If the result of the construction contract is not able to be evaluated reliably, but the contract cost maybe recovered, the income is recognized at the cost actually recovered, and the cost of the contract is recognized as contract expenses of the current period when it is occurred.

1) Contract progress is recognized at the ratio of accumulative actual cost on the predicted complete cost.

2) In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period. If the construction is in process, the balance is accounted as inventory impairment provision; if the contract is not executed, the balance is accounted as expected liability.

#### **E.Assets transfers with buy-back conditions**

If the company signs buy-back agreement with the purchase party when selling products or transferring other assets, it should make a judgment whether the product sale satisfies revenue recognition conditions. As buy-back after sale is financing transaction, the company does not recognize sales revenue when delivering products or assets. During buy-back, interests are put aside and counted in financial expenses based on the differences between buy-back and sales prices.

### **26. Calculation method of government grants**

The government grants related to the proceeds, if those used for compensating the relevant future expenses or losses of the enterprise shall be recognized as deferred income and shall, during the period when the relevant expenses are recognized, recorded in the current profits and losses; or if those used for compensating the relevant expenses or losses that have been incurred to the enterprise shall be directly recorded in the current profits and losses.

The government grants related to the assets shall be recognized as deferred income and shall be distributed averagely in the related asset using period, then counted into current loss and interest. However, government subsidiary according to nominated amount shall be counted into current loss and interest directly.

### **27. Deferred income tax assets/Deferred income tax liability**

Deferred income tax assets and liabilities are calculated and recognized according to the differences (temporary differences) between the taxation base of assets and liabilities and the book value. As at balance sheet dates, both are calculated at applicable tax rates during the period it is anticipated to take the assets back or clear the liabilities.

#### **A.References for confirmation of deferred income tax assets**

The Company recognizes the deferred tax income assets arising from deductible temporary differences to the limit of the deductible losses and taxable income that it probably would achieve to reduce deductible temporary differences and carry forward. However, it does not recognize those arising from the initial measurements of assets or liabilities in the following transactions.

a.Transactions are not business merge; b.It neither affects the accounting profit nor taxable income or deductible losses while transactions being made.

For the deductible temporary differences related to the investments by associated enterprises, which meet the following conditions, deferred tax assets should be recognized accordingly: the temporary differences are probable to revert in the foreseeable future and it is very likely to achieve taxable income to deduct such differences.

#### **B.The confirmation basis of deferred income tax liabilities**

The Company recognizes the payable but not paid yet taxable temporary differences of current or prior periods as deferred tax liabilities, which exclude the following:

(1)The temporary differences that are formed at initial measurement of goodwill;

- (2) Non-business merge transactions or events that neither affect accounting profits nor the temporary differences arising from taxable income (or deductible losses);
- (3) The taxable temporary differences related to the investments by the subsidiaries and associated enterprises, which can revert in a controllable timing but will not revert in the foreseeable future.

## 28. Lease

### A. Accounting of operational leasing

(1) The leasing fees paid for the leased assets by the company shall be recorded as the current expense according to the straight-line method in the whole lease term not excluding the rent free period. The initially direct expense related to the lease transactions paid by the company shall be recognized as the current expense.

When the assets lessor has assumed the lease-related expenses which should be borne by the company, the company shall deduct these expenses from the total amount of rent, amortize in the lease term according to the rents after deducted and record as the current expenses.

(2) The leasing fees received for the leased assets by the company shall be recognized as the lease income according to the straight-line method in the whole lease term not excluding the rent free period. The initially direct expense related to the lease transactions paid by the company shall be recognized as the current expense. For a large of amount, it will be capitalized and recorded as the current revenue based on the same confirmation of lease income during the whole lease period.

When the company has assumed the lease-related expenses which should be borne by the lessee, the company shall deduct these expenses from the total amount of rent and amortize in the lease term according to the rents after deducted.

### B. Accounting Method for Financing Leases

(1) The assets acquired under financing leases: the lower value between the fair value of leased assets and the present value of the minimum lease payments is recognized as the recorded value, the minimum lease payments are recognized as the recorded value of long-term payables, and the difference is recognized as unrecognized finance expense at the inception of the lease.

The company shall adopt the effective interest method to amortize and record as the financial costs during the assets lease term.

(2) Finance leased assets: the company inception of the lease, the finance lease receivables, the difference between the present value and the residual value of its unsecured recognized as unrealized financing income recognized in the respective period of future lease rental income received, initial direct costs related to the transaction with the rental companies, and included in the initial measurement of the finance lease receivable and reduce the amount of revenue recognized over the lease term.

## 29. Other important accounting policies and accounting estimates

### Safety production expenses

The safety production expenses are drawn according to national regulations and accounted to costs of related products and recorded to “special reserves” at the same time. At providing of safety expenses, expense-related costs are deducted from the special reserves. When a safety fund was drawn and composes part of a fixed asset, they are collected under construction-in-process, and recognized to fixed asset when the asset reaches usable status. Meanwhile, the special reserve is deducted by the costs which compose part of the fixed asset, and accumulative depreciation is recognized at the same amount. This fixed asset is not subject to depreciation in the future periods.

## 30. Changes of main accounting policies and estimates

### A. Change of main accounting policies

Not applicable.

### B. Change of main accounting estimates

Not applicable.

## V. Taxation

### 1. Value added tax (‘VAT’)

The Group is subject to VAT, which is a tax charged on top of the selling price at a general rate of 17% or 13% or 6% depending on different kinds of products. An input credit is available whereby

VAT previously paid on purchases of raw materials and semi-finished products can be used to offset the VAT on sales to determine the net VAT payable.

**2. The business tax rate is 5% or 3% of revenue.**

**3. Urban maintenance and construction tax is 7% of turnover tax payable.**

**4. Education surtax is 3% of turnover tax payable.**

**5. Local education surtax is 2% of turnover tax payable.**

#### **6. House tax**

For those on price basis, taxes are paid at 1.2% of the balance of original value of the property after deducting of 30%; for those on rental basis, taxes are paid at 12% of the rental.

#### **7. Income tax**

##### **(1) Income tax rate**

Taxation on profit of subsidiaries and associates is calculated at the applicable rates in accordance with the relevant tax regulations. Certain subsidiaries and associates enjoy preferential income tax policies with approvals from tax authorities. The applicable income tax rates of major entities of the group for 2015 are as follows:

| Names of the entities  | Relationship with the Company | Applicable income tax rate in 2015 |
|--|-------------------------------|------------------------------------|
| The parent company   |                               | 15%                                |
| Dalian Bingshan Group Engineering Co., Ltd.                  | Subsidiary                    | 25%                                |
| Dalian Bingshan Group Sales Co., Ltd.                        | Subsidiary                    | 25%                                |
| Dalian Bingshan Metal Processing Co. Ltd.                    | Subsidiary                    | 25%                                |
| Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.  | Subsidiary                    | 25%                                |
| Dalian Bingshan Air-conditioning Equipment Co. Ltd.          | Subsidiary                    | 25%                                |
| Dalian Bingshan Guardian Automation Co., Ltd.                | Subsidiary                    | 15%                                |
| Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI") | Subsidiary                    | 15%                                |
| Bingshan Technical Service (Dalian) Co., Ltd.                | Subsidiary                    | 25%                                |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.   | Subsidiary                    | 25%                                |

##### **(2) Preferential tax**

The parent company was qualified as high-tech enterprises for term of three years by Dalian Municipal Bureau of Science and Technology, Dalian Municipal Bureau of Finance, the State Administration of Taxation Dalian Municipal Office and Dalian Local Taxation Bureau, therefore enjoys 15% of tax for 2014-2016.

Dalian Bingshan Guardian Automation Co., Ltd. was qualified as high-tech enterprises for term of three years by Dalian Municipal Bureau of Science and Technology, Dalian Municipal Bureau of Finance, the State Administration of Taxation Dalian Municipal Office and Dalian Local Taxation Bureau, therefore enjoys 15% of tax for 2015-2017.

WNWRI was qualified as high-tech enterprises for term of three years by Wuhan Municipal Bureau of Science and Technology, Wuhan Municipal Bureau of Finance, the State Administration of Taxation Wuhan Municipal Office and Wuhan Local Taxation Bureau, therefore enjoys 15% of tax for 2015-2017.

##### **(3) Other**

The employees' individual income tax were withheld by the company.

## VI. Notes to the consolidated financial statements

### 1 Monetary fund

| Items               | 31-12-2015            | 31-12-2014            |
|---------------------|-----------------------|-----------------------|
| Cash on hand        | 57,023.71             | 67,783.07             |
| Cash in bank        | 224,067,110.89        | 457,395,413.41        |
| Other monetary fund | 20,665,689.93         | 51,048,269.54         |
| <b>Total</b>        | <b>244,789,824.53</b> | <b>508,511,466.02</b> |

The restrained amount of monetary fund is shown as below

| Items                                       | 31-12-2015           | 31-12-2014           |
|---|----------------------|----------------------|
| Deposit for bank acceptances                | 18,503,739.86        | 46,780,736.99        |
| Deposit for letter of credit                |                      | 2,860,552.55         |
| Deposit for letter of guarantee             | 2,161,950.07         | 1,406,980.00         |
| Cash in bank for warrant of migrant workers | 2,400,000.00         |                      |
| <b>Total</b>                                | <b>23,065,689.93</b> | <b>51,048,269.54</b> |

The reason of the ending balance decreased 51.68% compared with the beginning balance was increase of investments.

### 2 Notes receivable

| Items            | 31-12-2015           | 31-12-2014           |
|------------------|----------------------|----------------------|
| Bank acceptance  | 47,267,168.02        | 4,111,157.06         |
| Trade acceptance | 24,432,349.66        | 10,744,800.64        |
| <b>Total</b>     | <b>71,699,517.68</b> | <b>14,855,957.70</b> |

(1) There were pledged notes receivable at the end of the current year.

| Items           | Pledged Notes Receivable |
|-----------------|--------------------------|
| Bank acceptance | 27,361,318.86            |
| <b>Total</b>    | <b>27,361,318.86</b>     |

(2) The notes receivable endorsed but not matured at the end of the current year.

| Items            | The derecognition amount | Not derecognition amount |
|------------------|--------------------------|--------------------------|
| Bank acceptance  | 171,962,603.86           |                          |
| Trade acceptance | 884,600.00               |                          |
| <b>Total</b>     | <b>172,847,203.86</b>    |                          |

(3) There were notes transferred to accounts receivable at the end of the current year

| Items            | Notes transferred to accounts receivable at the end of the current year |
|------------------|---|
| Bank acceptance  | 1,644,050.00  |
| Trade acceptance |   |

| Items        | Notes transferred to accounts receivable at the end of the current year |
|--------------|---|
| <b>Total</b> | <b>1,644,050.00</b>   |

(4) The reason of the ending balance of notes receivable increased 382.63% compared with the beginning balance was payments for goods by notes increased.

### 3 Accounts receivable

#### (1) Classification

| Categories   | 31-12-2015     |                |                              |                | Book value     |
|--|----------------|----------------|------------------------------|----------------|----------------|
|  | Balance        |                | Provision for doubtful debts |                |                |
|  | Amount         | Proportion (%) | Amount                       | Proportion (%) |                |
| Major single amount and bad debt provision provided individually |                |                |                              |                |                |
| Bad debt provided on group basis                                 | 801,499,499.03 | 100            | 130,075,662.16               | 16.23          | 671,423,836.87 |
| Minor single amount but bad debt provision provided individually |                |                |                              |                |                |
| Total  | 801,499,499.03 | 100            | 130,075,662.16               | 16.23          | 671,423,836.87 |

Continued:

| Categories   | 31-12-2014     |                |                              |                |                |
|--|----------------|----------------|------------------------------|----------------|----------------|
|  | Balance        |                | Provision for doubtful debts |                | Book value     |
|  | Amount         | Proportion (%) | Amount                       | Proportion (%) |                |
| Major single amount and bad debt provision provided individually |                |                |                              |                |                |
| Bad debt provided on group basis                                 | 555,119,550.49 | 100            | 116,238,720.37               | 20.94          | 438,880,830.12 |
| Minor single amount but bad debt provision provided individually |                |                |                              |                |                |
| Total  | 555,119,550.49 | 100            | 116,238,720.37               | 20.94          | 438,880,830.12 |

Accounts receivable which bad debt provisions are provided on ages basis in the group

| Account ages  | 31-12-2015     |                         |                      |
|---------------|----------------|-------------------------|----------------------|
|               | Amount         | Provision for bad debts | Proportion rates (%) |
| Within 1 year | 500,866,264.92 | 25,043,313.34           | 5                    |
| 1 to 2 years  | 145,419,155.77 | 14,541,915.58           | 10                   |
| 2 to 3 years  | 54,784,001.81  | 16,435,200.54           | 30                   |
| 3 to 4 years  | 45,125,215.48  | 22,562,607.74           | 50                   |
| 4 to 5 years  | 19,061,180.44  | 15,248,944.35           | 80                   |

|              |                       |                       |     |
|--------------|-----------------------|-----------------------|-----|
| Over 5 years | 36,243,680.61         | 36,243,680.61         | 100 |
| <b>Total</b> | <b>801,499,499.03</b> | <b>130,075,662.16</b> |     |

(2) Provision for bad debts accrued, regain or switch back in the period

In the current period, RMB16,302,352.17 were accrued provision for bad debts, and RMB74,884.50 were regained.

Receivable accounts written off before but regained during the current year:

| Companies  | Received amount  | Regained form | Notes                  |
|--|------------------|---------------|------------------------|
| Linan Fengye Food Co., Ltd.                          | 23,453.00        | Bank deposits | Paid by court decision |
| Wuxi Jiuheheng Electromechanical Equipment Co., Ltd. | 5,850.00         | Bank deposits | Keeping Collection     |
| Shandong Dongyue Polymer Material Co., Ltd.          | 7,581.50         | Bank deposits | Keeping Collection     |
| Shandong Qilu Chemical Co., Ltd.                     | 38,000.00        | Bank deposits | Keeping Collection     |
| <b>Total</b>   | <b>74,884.50</b> |               |                        |

(3) Accounts receivable being written-off during the current period

| Items      | Written off amount |
|------------|--------------------|
| 36 Clients | 3,994,506.12       |

The reasons of accounts receivable of the company and Dalian Bingshan Air-conditioning Equipment Co. Ltd. being written-off mainly include termination of operation and disability of payment, small balance being not collected for long time, and disagreement rework charges etc, and the accounts receivable being written-off during the current period was permitted by the board of directors.

(4) Top 5 on amount of accounts receivable

| Companies  | Amount                | Proportion (%) | Provision for bad debts |
|--|-----------------------|----------------|-------------------------|
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 40,803,001.99         | 5.09           | 2,093,750.10            |
| Shenyang Railway Bureau Dalian Engineering Construction Headquarter              | 39,671,502.00         | 4.95           | 1,983,575.10            |
| Shandong Changhua Food Science Co., Ltd.   | 16,025,000.00         | 2.00           | 801,250.00              |
| Yunnan Binghai Investment Co., Ltd.  | 13,917,500.00         | 1.74           | 695,875.00              |
| Beidahuang Taihua Organic Foods Co., Ltd.  | 9,068,326.88          | 1.13           | 453,416.34              |
| <b>Total</b>   | <b>119,485,330.87</b> | <b>14.91</b>   | <b>6,027,866.54</b>     |

(5) The reason of the ending balance of accounts receivable increased 52.99% compared with the beginning balance was accounts receivable aging within 1 year increased.

#### 4 Advances to suppliers

(1) The aging of advances to suppliers

| Account ages  | 31-12-2015    |                | 31-12-2014    |                |
|---------------|---------------|----------------|---------------|----------------|
|               | Amount        | Proportion (%) | Amount        | Proportion (%) |
| Within 1 year | 40,798,252.80 | 92.26          | 18,897,672.41 | 99.18          |
| 1 to 2 years  | 3,420,635.11  | 7.74           | 121,597.34    | 0.64           |
| 2 to 3 years  |               |                | 6,000.00      | 0.03           |



|              |                      |            |                      |            |
|--------------|----------------------|------------|----------------------|------------|
| 3 to 4 years |                      |            | 28,000.00            | 0.15       |
| <b>Total</b> | <b>44,218,887.91</b> | <b>100</b> | <b>19,053,269.75</b> | <b>100</b> |

## (2) Top 5 on amount of advances to suppliers

| Companies  | Amount               | Proportion (%) | Ages      | Reasons              |
|--|----------------------|----------------|-----------|----------------------|
| Dalian Bingshan Engineering & Trading Co., Ltd.                    | 18,068,922.66        | 40.86          | 2015      | Prepayment for goods |
| Shandong Tianbao Air Heat Pump Technology Co., Ltd.                | 4,024,564.80         | 9.10           | 2015      | Prepayment for goods |
| Jiahua Chemistry Co., Ltd.   | 2,213,661.30         | 5.01           | 2014/2015 | Prepayment for goods |
| Heilongjiang Dazhou Refrigeration Equipment Co., Ltd.              | 1,984,600.00         | 4.49           | 2014/2015 | Prepayment for goods |
| National Grid Liaoning Power Co., Ltd. Dalian Power Supply Company | 1,862,304.71         | 4.21           | 2015      | Prepayment for goods |
| <b>Total</b>   | <b>28,154,053.47</b> | <b>63.67</b>   |           |                      |

(3) The reason of the ending balance of advances to suppliers increased 132.08% compared with the beginning balance was amounts advance paid for projects increased.

## 5 Interest receivable

| Items                     | 31-12-2015 | 31-12-2014          |
|---------------------------|------------|---------------------|
| Interest on Term Deposits |            | 4,998,982.40        |
| <b>Total</b>              |            | <b>4,998,982.40</b> |

The reason of the ending balance of interest receivable decreased 100% compared with the beginning balance was interest received.

## 6 Dividends receivable

| Name                                  | 31-12-2015       | 31-12-2014 |
|---------------------------------------|------------------|------------|
| Wuhan Steel and Electricity Co., Ltd. | 44,600.00        |            |
| <b>Total</b>                          | <b>44,600.00</b> |            |

The reason of the ending balance of dividends receivable increased 100% compared with the beginning balance was interest not yet due.

## 7 Other accounts receivable

## (1) Classification

| Items  | 31-12-2015 |                |                              |                | Book value |
|--|------------|----------------|------------------------------|----------------|------------|
|  | Balance    |                | Provision for doubtful debts |                |            |
|  | Amount     | Proportion (%) | Amount                       | Proportion (%) |            |
| Major single amount and bad debt provision provided individually |            |                |                              |                |            |



|  |                      |            |                     |              |                      |
|--|----------------------|------------|---------------------|--------------|----------------------|
| Bad debt provided on group basis                                 | 28,070,768.44        | 100        | 5,315,440.23        | 18.94        | 22,755,328.21        |
| Minor single amount but bad debt provision provided individually |                      |            |                     |              |                      |
| <b>Total</b>   | <b>28,070,768.44</b> | <b>100</b> | <b>5,315,440.23</b> | <b>18.94</b> | <b>22,755,328.21</b> |

Continued:

| Items  | 31-12-2014           |                |                              |                |                      |
|--|----------------------|----------------|------------------------------|----------------|----------------------|
|  | Balance              |                | Provision for doubtful debts |                | Book value           |
|  | Amount               | Proportion (%) | Amount                       | Proportion (%) |                      |
| Major single amount and bad debt provision provided individually |                      |                |                              |                |                      |
| Bad debt provided on group basis                                 | 39,244,121.02        | 100            | 4,977,677.00                 | 12.68          | 34,266,444.02        |
| Minor single amount but bad debt provision provided individually |                      |                |                              |                |                      |
| <b>Total</b>   | <b>39,244,121.02</b> | <b>100</b>     | <b>4,977,677.00</b>          | <b>12.68</b>   | <b>34,266,444.02</b> |

There is no major single amount and bad debt provision provided individually.

Other accounts receivable which bad debt provisions are provided on age basis.

| Account ages  | 31-12-2015           |                         |                      |
|---------------|----------------------|-------------------------|----------------------|
|               | Amount               | Provision for bad debts | Proportion rates (%) |
| Within 1 year | 11,509,483.15        | 575,474.15              | 5                    |
| 1 to 2 years  | 11,036,450.75        | 1,103,645.08            | 10                   |
| 2 to 3 years  | 1,532,283.28         | 459,684.98              | 30                   |
| 3 to 4 years  | 1,329,402.20         | 664,701.10              | 50                   |
| 4 to 5 years  | 756,070.71           | 604,856.57              | 80                   |
| Over 5 years  | 1,907,078.35         | 1,907,078.35            | 100                  |
| <b>Total</b>  | <b>28,070,768.44</b> | <b>5,315,440.23</b>     |                      |

(2) Provision for bad debts accrued, regain or switch back in the period

In the current period, RMB343,990.07 were accrued provision for bad debts, and RMB 5361.66 provision for bad debts increased by change of consolidation scope.

(3) The write-off of other accounts receivable during the current year

| Items     | Written off amounts |
|-----------|---------------------|
| 2 Clients | 11,588.50           |

The write-off other accounts receivable was written off because of not being collected for long time and not being connected.

(4) The nature of other accounts receivable

| Items                               | 31-12-2015    | 31-12-2014    |
|-------------------------------------|---------------|---------------|
| Guarantee deposits                  | 15,948,041.08 | 25,442,507.63 |
| Petty cash                          | 5,883,732.14  | 4,758,015.42  |
| To or fro accounts                  | 1,382,402.17  | 3,954,641.30  |
| Prepayments over settlement periods | 2,624,627.12  | 4,047,765.86  |

| Items        | 31-12-2015           | 31-12-2014           |
|--------------|----------------------|----------------------|
| Others       | 2,231,965.93         | 1,041,190.81         |
| <b>Total</b> | <b>28,070,768.44</b> | <b>39,244,121.02</b> |

## (5) Top 5 on amount of other accounts receivable

| Companies   | Contents                         | Amount               | Ages  | Proportion (%) | Provision for bad debts |
|---|----------------------------------|----------------------|---|----------------|-------------------------|
| Dalian Tianbao Green Foods Co., Ltd.  | Performance bonds                | 8,000,000.00         | 1-2 years   | 28.50          | 800,000.00              |
| Dalian Jinzhou District Building Energy Administration Office               | Guarantee deposits               | 1,852,574.57         | Less than 1 year , 1-2 years, 2-3 years , 4-5 years | 6.60           | 315,242.86              |
| Balikun Jiankun Animal Husbandry Co., Ltd.                                  | Performance bonds                | 1,266,561.00         | Less than 1 year                                    | 4.51           | 63,328.05               |
| Tianjin Construction Team Communication and Service Center                  | Wage deposits of migrant workers | 1,000,000.00         | Over 5 years  | 3.56           | 1,000,000.00            |
| Dalian Construction Project Labour Insurance Expenses Administration Center | Wage deposits of migrant workers | 500,000.00           | 2-3 years   | 1.78           | 150,000.00              |
| <b>Total</b>  |                                  | <b>12,619,135.57</b> |   | <b>44.95</b>   | <b>2,328,570.91</b>     |

(6) The reason of the ending balance of other accounts receivable decreased 33.59% compared with the beginning balance was guarantee deposits decreased.

## 8 Inventories

## (1) Costs

| Items   | 31-12-2015            |   |                       | 31-12-2014            |   |                       |
|---|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
|   | Book balance          | Provision for impairment of inventories | Book value            | Book balance          | Provision for impairment of inventories | Book value            |
| Raw materials                                   | 65,069,599.90         | 6,954,631.11                            | 58,114,968.79         | 51,805,680.92         | 7,463,862.07                            | 44,341,818.85         |
| Materials on consignment for further processing | 2,190,375.70          |   | 2,190,375.70          | 2,394,839.67          |   | 2,394,839.67          |
| Low-value consumptions                          | 134,671.91            |   | 134,671.91            | 81,422.57             |   | 81,422.57             |
| Work-in-progress                                | 71,830,972.13         | 1,148,743.24                            | 70,682,228.89         | 81,736,391.62         | 1,192,940.12                            | 80,543,451.50         |
| Self-manufactured semi-finished products        | 30,014,321.83         | 1,386,950.94                            | 28,627,370.89         | 27,189,545.15         | 2,532,083.34                            | 24,657,461.81         |
| Finished goods                                  | 74,379,267.69         | 2,588,149.42                            | 71,791,118.27         | 124,845,367.55        | 2,884,241.52                            | 121,961,126.03        |
| Constructing projects                           | 27,558,415.02         |   | 27,558,415.02         | 40,898,986.13         |   | 40,898,986.13         |
| <b>Total</b>                                    | <b>271,177,624.18</b> | <b>12,078,474.71</b>                    | <b>259,099,149.47</b> | <b>328,952,233.61</b> | <b>14,073,127.05</b>                    | <b>314,879,106.56</b> |

## (2) Provision for impairment of inventories

| Items                                    | 31-12-2014           | Current year addition |        | Current year disposal |                     |        | 31-12-2015           |
|--|----------------------|-----------------------|--------|-----------------------|---------------------|--------|----------------------|
|  |                      | Provision             | Others | Reversal              | Written-off         | Others |                      |
| Finished goods                           | 2,884,241.52         | 477,284.08            |        |                       | 773,376.18          |        | 2,588,149.42         |
| Raw materials                            | 7,463,862.07         |                       |        |                       | 509,230.96          |        | 6,954,631.11         |
| Work-in-progress                         | 1,192,940.12         |                       |        |                       | 44,196.88           |        | 1,148,743.24         |
| Self-manufactured semi-finished products | 2,532,083.34         |                       |        |                       | 1,145,132.40        |        | 1,386,950.94         |
| <b>Total</b>                             | <b>14,073,127.05</b> | <b>477,284.08</b>     |        |                       | <b>2,471,936.42</b> |        | <b>12,078,474.71</b> |

(3) At the end of current period, the company tested inventories and withdrew provision for the difference between the cost and the lower net realizable value.

## 9 Other current assets

| Items                         | 31-12-2015           | 31-12-2014          |
|-------------------------------|----------------------|---------------------|
| Enterprise income tax prepaid | 2,628,292.68         | 1,400,309.96        |
| Withholdings on VAT           | 13,779,722.47        |                     |
| Prepaid expenses              | 70,696.71            | 934,829.83          |
| <b>Total</b>                  | <b>16,478,711.86</b> | <b>2,335,139.79</b> |

The reason of the ending balance of other current accounts increased 605.68% compared with the beginning balance was withholdings on VAT shifted from taxes payable.

## 10 Available for sale financial assets

| Items                                 | 31-12-2015            |                          |                       | 31-12-2014           |                          |                      |
|---------------------------------------|-----------------------|--------------------------|-----------------------|----------------------|--------------------------|----------------------|
|                                       | Book balance          | Provision for impairment | Book value            | Book balance         | Provision for impairment | Book value           |
| Debt instruments available for sale   |                       |                          |                       |                      |                          |                      |
| Equity instruments available for sale |                       |                          |                       |                      |                          |                      |
| Measured by fair value                | 720,945,755.39        | 1,582,164.89             | 719,363,590.50        |                      |                          |                      |
| Measured by cost                      | 17,554,264.50         | 3,642,605.91             | 13,911,658.59         | 47,653,159.50        | 5,224,770.80             | 42,428,388.70        |
| Others                                |                       |                          |                       |                      |                          |                      |
| <b>Total</b>                          | <b>738,500,019.89</b> | <b>5,224,770.80</b>      | <b>733,275,249.09</b> | <b>47,653,159.50</b> | <b>5,224,770.80</b>      | <b>42,428,388.70</b> |

(1) Equity instruments available for sale measured by fair value at the end of current year

| Items                                  | Equity instruments available for sale | Debt instruments available for sale | Others | Total          |
|--|---------------------------------------|-------------------------------------|--------|----------------|
| Cost                                   | 30,098,895.00                         |                                     |        | 30,098,895.00  |
| Accumulated other comprehensive income | 587,219,831.33                        |                                     |        | 587,219,831.33 |
| Deferred income tax liabilities        | 103,627,029.06                        |                                     |        | 103,627,029.06 |
| Less: provision                        | 1,582,164.89                          |                                     |        | 1,582,164.89   |
| Fair value                             | 719,363,590.50                        |                                     |        | 719,363,590.50 |

(2) Equity instruments available for sale measured by cost at the end of current year

| Names | Shareholding | Book balance |           |           |        |
|-------|--------------|--------------|-----------|-----------|--------|
|       |              | Beginning    | Increased | Decreased | Ending |

| Names  | Shareholdin | Book balance         |                     |                      |                      |
|--|-------------|----------------------|---------------------|----------------------|----------------------|
|  |             | balance              | during current year | during current year  | balance              |
| Liaoning Mike Group Co., Ltd.                                | 3.57%       | 1,020,000.00         |                     |                      | 1,020,000.00         |
| Guotai Junan Securities Co., Ltd.                            | 0.49%       | 30,098,895.00        |                     | 30,098,895.00        |                      |
| Guotai Junan Investment Management Co., Ltd.                 | 0.22%       | 3,057,316.00         |                     |                      | 3,057,316.00         |
| Thermo King Container Temperature Control (Suzhou) Co., Ltd. | 17.8%       | 11,207,806.00        |                     |                      | 11,207,806.00        |
| Wuhan Steel and Electric Co., Ltd.                           | 0.056%      | 1,315,142.50         |                     |                      | 1,315,142.50         |
| Liaoning Enterprises United Industry Company                 | 4.2%        | 105,000.00           |                     |                      | 105,000.00           |
| Zibo Traction Motor Co., Ltd.                                | 0.76%       | 849,000.00           |                     |                      | 849,000.00           |
| <b>Total</b>   |             | <b>47,653,159.50</b> |                     | <b>30,098,895.00</b> | <b>17,554,264.50</b> |

Continued :

| Names  | Provision for impairment |                               |                               |                     | Cash dividends during the current period |
|--|--------------------------|-------------------------------|-------------------------------|---------------------|--|
|  | Beginning balance        | Increased during current year | Decreased during current year | Ending balance      |  |
| Liaoning Mike Group Co., Ltd.                                |                          |                               |                               |                     | 310,000.00                               |
| Guotai Junan Securities Co., Ltd.                            | 1,582,164.89             |                               | 1,582,164.89                  |                     |  |
| Guotai Junan Investment Management Co., Ltd.                 | 2,688,605.91             |                               |                               | 2,688,605.91        |  |
| Thermo King Container Temperature Control (Suzhou) Co., Ltd. |                          |                               |                               |                     |  |
| Wuhan Steel and Electric Co., Ltd.                           |                          |                               |                               |                     |  |
| Liaoning Enterprises United Industry Company                 | 105,000.00               |                               |                               | 105,000.00          |  |
| Zibo Traction Motor Co., Ltd.                                | 849,000.00               |                               |                               | 849,000.00          |  |
| <b>Total</b>   | <b>5,224,770.80</b>      |                               | <b>1,582,164.89</b>           | <b>3,642,605.91</b> |  |

## (3) Changes of the impairment of the available-for-sale financial assets during the current year

| Items   | Equity instruments available for sale | Debt instruments available for sale | Others | Total        |
|---|---------------------------------------|-------------------------------------|--------|--------------|
| Beginning balance                                 | 5,224,770.80                          |                                     |        | 5,224,770.80 |
| Increased during current year                     |                                       |                                     |        |              |
| Included transfer from other comprehensive income |                                       |                                     |        |              |
| Decreased during current year                     |                                       |                                     |        |              |
| Included transfer from fair value rising          |                                       |                                     |        |              |
| Ending balance                                    | 5,224,770.80                          |                                     |        | 5,224,770.80 |

## (4) Relevant notes of the fair value of the available-for-sale equity instruments

Guotai Junan Securities Co., Ltd. was listed by Shanghai Security Exchange on 26 June 2015, and the company held its stock 30,098,895 shares and measured by fair value at the end of current year. The company received its cash dividend RMB 3,009,889.50 during the current year.

The reason of the ending balance of the available-for-sale financial assets increased 1,628.27% compared with the beginning balance was the share of Guotai Junan Securities Co., Ltd. was listed by Shanghai Security Exchange and measured by fair value at the end of current year.

## 11 Long-term equity investments

| Name   | Beginning balance   | Increase/Decrease |           |   |  |                         |  |  |        | Ending balance      | Provision for impairment |
|--|---------------------|-------------------|-----------|---|--|-------------------------|--|--|--------|---------------------|--------------------------|
|  |                     | Increased         | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others |                     |                          |
| I Joint venture  |                     |                   |           |   |  |                         |  |  |        |                     |                          |
| Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd.               | 3,553,919.97        |                   |           | -716,822.16   |  |                         |  |  |        | 2,837,097.81        |                          |
| <b>subtotal</b>  | <b>3,553,919.97</b> |                   |           | <b>-716,822.16</b>                                  |  |                         |  |  |        | <b>2,837,097.81</b> |                          |
| II Associates  |                     |                   |           |   |  |                         |  |  |        |                     |                          |
| Dalian Bingshan International Trading Co., Ltd.                                  | 13,716,985.57       |                   |           | 1,974,116.05  |  |                         |  |  |        | 15,691,101.62       |                          |
| Panasonic Refrigeration (Dalian) Co., Ltd.                                       | 155,826,086.27      |                   |           | 8,600,021.37  |  |                         | 5,200,000.00                             |  |        | 159,226,107.64      |                          |
| Dalian Honjo Chemical Co., Ltd.  | 9,403,913.18        |                   |           | 528,860.67  |  |                         | 1,203,061.37                             |  |        | 8,729,712.48        |                          |
| Panasonic Cold-Chain (Dalian) Co., Ltd.  | 215,573,606.48      |                   |           | 8,145,919.40  |  |                         | 8,000,000.00                             |  |        | 215,719,525.88      |                          |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.                         | 42,333,942.39       |                   |           | 15,873,092.90                                       |  |                         | 9,600,000.00                             |  |        | 48,607,035.29       |                          |
| Panasonic Compressor (Dalian) Co., Ltd.  | 432,515,006.40      |                   |           | 59,377,362.52                                       |  |                         | 34,000,000.00                            |  |        | 457,892,368.92      |                          |
| Dalian Sanyo Meica Electronics Co., Ltd.   | 23,233,848.71       |                   |           | -1,275,779.47                                       |  |                         |  |  |        | 21,958,069.24       |                          |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | 29,294,087.63       |                   |           | -7,017,754.79                                       |  |                         |  |  |        | 22,276,332.84       |                          |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 1,425,989.62        | 1,754,200.00      |           | -1,243,542.64                                       |  |                         |  |  |        | 1,936,646.98        |                          |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.                                   | 89,896,843.61       |                   |           | 28,686,407.19                                       |  |                         | 5,314,796.52                             |  |        | 113,268,454.28      |                          |

| Name   | Beginning balance       | Increase/Decrease     |           |   |  |                         |  |  |                       | Ending balance          | Provision for impairment |
|--|-------------------------|-----------------------|-----------|---|--|-------------------------|--|--|-----------------------|-------------------------|--------------------------|
|  |                         | Increased             | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others                |                         |                          |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. | 22,455,509.02           | 26,993,388.94         |           | -1,161,308.18                                       |  |                         |  |  | -48,287,589.78        |                         |                          |
| Changzhou Jingxue Refrigeration Equipment Co., Ltd.        |                         | 130,000,000.00        |           | 11,722,024.61                                       |  |                         |  |  |                       | 141,722,024.61          |                          |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.             |                         | 2,450,000.00          |           | 2,044,158.79  |  | 2,256.74                |  |  |                       | 4,496,415.53            |                          |
| Wuhan Lanning Energy Science Co., Ltd.                     |                         | 6,000,000.00          |           | 6,874.61  |  |                         |  |  |                       | 6,006,874.61            |                          |
| <b>subtotal</b>  | <b>1,035,675,818.88</b> | <b>167,197,588.94</b> |           | <b>126,260,453.03</b>                               |  | <b>2,256.74</b>         | <b>63,317,857.89</b>                     |  | <b>-48,287,589.78</b> | <b>1,217,530,669.92</b> |                          |
| <b>Total</b>   | <b>1,039,229,738.85</b> | <b>167,197,588.94</b> |           | <b>125,543,630.87</b>                               |  | <b>2,256.74</b>         | <b>63,317,857.89</b>                     |  | <b>-48,287,589.78</b> | <b>1,220,367,767.73</b> |                          |

(1) On 27<sup>th</sup> January, 2015, the Company's Board of Directors decided to increase investment of RMB7,160,000.00 to Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd and increased investment of RMB1,754,200.00 during year of 2015. The shareholders' investment proportion remained unchanged.

(2) According to the 17th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 30% shareholdings of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd., and the transfer price was RMB26,993,388.94. The company held 55% shareholdings of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. as at the end of year 2015.

(3) According to the 19th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 29.212% shareholdings of Changzhou Jingxue Refrigeration Equipment Co., Ltd. with the price of RMB130,000,000.00. The equity as at the transaction was finished as at the end of year 2015.

(4) On 31<sup>st</sup> October, 2014, the Company's Board of Directors decided to establish the join-venture Dalian Fuji Bingshan Vending Machine Co., Ltd. with Japan Fuji Electric Co., Ltd. The company invested RMB 2,450,000.00 and held 49% equity. Dalian Fuji Bingshan Vending Machine Co., Ltd. operated normally at the end of year 2015.

(5) The Board of Directors of Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI") decided to establish the join-venture Wuhan Lanning Energy Science Co., Ltd. with Xi'an Qitong Energy Technology Co., Ltd. and Wu Zhihong and Cheng Xiangrong. WNWRI invested RMB6,000,000.00 and held 27.27% equity. Wuhan Lanning Energy Science Co., Ltd. operated normally at the end of year 2015.

**12 Investment property****(1) Investment property details**

| Items   | Buildings     | Land-use-rights | Construction in progress | Total         |
|---|---------------|-----------------|--------------------------|---------------|
| 1. Original value   |               |                 |                          |               |
| (1)Beginning balance  | 25,259,944.57 |                 |                          | 25,259,944.57 |
| (2)Current year addition  |               |                 |                          |               |
| Outsourcing   |               |                 |                          |               |
| Transferred from Inventories\Fixed asset-original cost\Construction in progress |               |                 |                          |               |
| Enterprise merger increase  |               |                 |                          |               |
| Shareholders invest   |               |                 |                          |               |
| Transferred from other  |               |                 |                          |               |
| (3)Current year disposal  |               |                 |                          |               |
| disposal  |               |                 |                          |               |
| Transferred to other  |               |                 |                          |               |
| (4)Ending balance   | 25,259,944.57 |                 |                          | 25,259,944.57 |
| 2.Accumulated depreciation  |               |                 |                          |               |
| (1)Beginning balance  | 151,035.57    |                 |                          | 151,035.57    |
| (2)Current year addition  | 611,325.00    |                 |                          | 611,325.00    |
| provision or amortization   | 611,325.00    |                 |                          | 611,325.00    |
| Enterprise merger increase  |               |                 |                          |               |
| Transferred from other  |               |                 |                          |               |
| (3)Current year disposal  |               |                 |                          |               |
| disposal  |               |                 |                          |               |
| Transferred to other  |               |                 |                          |               |
| (4)Ending balance   | 762,360.57    |                 |                          | 762,360.57    |
| 3..Provision for impairment   |               |                 |                          |               |
| (1)Beginning balance  |               |                 |                          |               |
| (2)Current year addition  |               |                 |                          |               |
| provision or amortization   |               |                 |                          |               |
| Enterprise merger increase  |               |                 |                          |               |
| Transferred from other  |               |                 |                          |               |
| (3)Current year disposal  |               |                 |                          |               |
| disposal  |               |                 |                          |               |
| Transferred to other  |               |                 |                          |               |
| (4)Ending balance   |               |                 |                          |               |
| 4.Book value  |               |                 |                          |               |
| (1)Ending.Book value  | 24,497,584.00 |                 |                          | 24,497,584.00 |
| (2)Beginning.Book value   | 25,108,909.00 |                 |                          | 25,108,909.00 |

**(2) Investment property without owner's certificates**



| Items  | Book value           | Reasons                    |
|--|----------------------|----------------------------|
| # 6 workshop building on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone | 24,497,584.00        | Final accounts uncompleted |
| <b>Total</b>   | <b>24,497,584.00</b> |                            |

## (3) Explanation of investment property

On 31<sup>st</sup> July, 2014, the company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square metres, and annual rent is RMB 4.2 million since 15<sup>th</sup> August, 2014 to 16<sup>th</sup> July, 2029.

**13 Fixed assets**

## (1) Fixed assets details

| Items                                     | Buildings      | Machinery      | Vehicles      | Other equipments | Total            |
|---|----------------|----------------|---------------|------------------|------------------|
| 1. Original value                         |                |                |               |                  |                  |
| (1) Beginning balance                     | 351,970,071.36 | 568,188,704.97 | 25,291,805.92 | 18,442,757.75    | 963,893,340.00   |
| (2) Current year addition                 | 58,672,776.25  | 41,027,759.55  | 1,898,059.32  | 11,337,061.95    | 112,935,657.07   |
| Purchased                                 | 2,840,310.33   | 5,226,907.04   | 1,138,294.88  | 2,454,249.47     | 11,659,761.72    |
| Transferred from Construction in progress | 19,215,338.06  | 7,366,023.14   | 302,544.44    |                  | 26,883,905.64    |
| Enterprises merger                        | 36,617,127.86  | 28,434,829.37  | 457,220.00    | 8,872,128.72     | 74,381,305.95    |
| Shareholders investment                   |                |                |               |                  |                  |
| Leased in from financing                  |                |                |               |                  |                  |
| Other transferred in                      |                |                |               | 10,683.76        | 10,683.76        |
| (3) Current year reduction                | 89,690.00      | 1,085,989.40   | 1,839,706.89  | 166,807.21       | 3,182,193.50     |
| Disposal                                  | 89,690.00      | 1,075,305.64   | 1,839,706.89  | 166,807.21       | 3,171,509.74     |
| Leased out from financing                 |                |                |               |                  |                  |
| Other transferred out                     |                | 10,683.76      |               |                  | 10,683.76        |
| (4) Ending balance                        | 410,553,157.61 | 608,130,475.12 | 25,350,158.35 | 29,613,012.49    | 1,073,646,803.57 |
| 2. Accumulated depreciation               |                |                |               |                  |                  |
| (1) Beginning balance                     | 121,972,177.31 | 397,048,925.70 | 14,903,060.69 | 13,383,677.27    | 547,307,840.97   |
| (2) Current year addition                 | 22,341,121.11  | 43,869,446.65  | 2,422,979.83  | 7,983,979.68     | 76,617,527.27    |
| Provision                                 | 9,179,716.36   | 25,109,608.86  | 2,011,481.83  | 1,423,804.82     | 37,724,611.87    |
| Enterprises merger increased              | 13,161,404.75  | 18,759,837.79  | 411,498.00    | 6,558,137.38     | 38,890,877.92    |
| Other transferred in                      |                |                |               | 2,037.48         | 2,037.48         |
| (3) Current year disposal                 | 80,721.00      | 954,550.77     | 1,301,353.86  | 141,599.08       | 2,478,224.71     |
| Disposal                                  | 80,721.00      | 952,513.29     | 1,301,353.86  | 141,599.08       | 2,476,187.23     |
| Leased out from financing                 |                |                |               |                  |                  |
| Other transferred out                     |                | 2,037.48       |               |                  | 2,037.48         |
| (4) Ending balance                        | 144,232,577.42 | 439,963,821.58 | 16,024,686.66 | 21,226,057.87    | 621,447,143.53   |
| 3. Provision for impairment               |                |                |               |                  |                  |

| Items                       | Buildings      | Machinery      | Vehicles      | Other equipments | Total          |
|-----------------------------|----------------|----------------|---------------|------------------|----------------|
| (1)Beginning balance        |                | 2,292,229.72   |               |                  | 2,292,229.72   |
| (2)Current year addition    |                |                |               |                  |                |
| Withdrew                    |                |                |               |                  |                |
| Enterprises merger increase |                |                |               |                  |                |
| Other transferred in        |                |                |               |                  |                |
| (3)Current year disposal    |                |                |               |                  |                |
| Disposal                    |                |                |               |                  |                |
| Leased out from financing   |                |                |               |                  |                |
| Other transferred out       |                |                |               |                  |                |
| (4)Ending balance           |                | 2,292,229.72   |               |                  | 2,292,229.72   |
| 4.Net Book value            |                |                |               |                  |                |
| (1)Ending book value        | 266,320,580.19 | 165,874,423.82 | 9,325,471.69  | 8,386,954.62     | 449,907,430.32 |
| (2)Beginning book value     | 229,997,894.05 | 168,847,549.55 | 10,388,745.23 | 5,059,080.48     | 414,293,269.31 |

(2)There were no idle fixed assets during the current period.

(3) Fixed assets without owner's certificates

| Items        | Book value           | Reasons                               |
|--------------|----------------------|---------------------------------------|
| Buildings    | 80,177,930.97        | Final settlement accounts uncompleted |
| <b>Total</b> | <b>80,177,930.97</b> |                                       |

(4) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed RMB55,000,000 from bank and mortgaged with its buildings ,machinery and land-use-rights. Please refer to the note V .19.Except this the company's fixed assets were not replaced or mortgaged.

#### 14 Project in construction

(1)Details

| Items                | Budgets            | Balance of 31-12-2014 | Increased during current year | Transferred into fixed assets during current year | Other decreased during current year | Balance of 31-12-2015 | Sources of funds           | Percentage of completion |
|----------------------|--------------------|-----------------------|-------------------------------|---|-------------------------------------|-----------------------|----------------------------|--------------------------|
| Buildings renovation | 301,450,000        | 17,594,050.11         | 136,878,462.92                | 19,215,338.06                                     |                                     | 135,257,174.97        | Internally generated funds | 45%                      |
| Machinery            | 171,840,000        | 921,399.35            | 8,212,833.40                  | 7,366,023.14                                      |                                     | 1,768,209.61          | Internally generated funds | 5%                       |
| Vehicles             |                    |                       | 302,544.44                    | 302,544.44  |                                     |                       |                            |                          |
| <b>Total</b>         | <b>473,290,000</b> | <b>18,515,449.46</b>  | <b>145,393,840.76</b>         | <b>26,883,905.64</b>                              |                                     | <b>137,025,384.58</b> |                            |                          |

(2) No interests capitalized during the current period.

(3) There was no provision for impairment needed withdrawn.

(4) The reason of the ending balance increased 640.06% compared with the beginning balance was construction of the new factory increased .

**15 Intangible assets****(1) Intangible assets details**

| Items                             | Land-use-rights | Knowhow    | Others        | Total          |
|-----------------------------------|-----------------|------------|---------------|----------------|
| 1. Original value                 |                 |            |               |                |
| (1)Beginning balance              | 176,504,398.53  | 515,224.41 | 10,023,747.44 | 187,043,370.38 |
| (2)Current year addition          | 7,459,504.09    |            | 3,863,235.58  | 11,322,739.67  |
| Purchase                          |                 |            | 2,946,949.54  | 2,946,949.54   |
| Internal research and development |                 |            |               |                |
| Enterprises merger increase       | 7,459,504.09    |            | 916,286.04    | 8,375,790.13   |
| Shareholders invest               |                 |            |               |                |
| Other transferred in              |                 |            |               |                |
| (3)Current year disposal          |                 |            |               |                |
| Disposal                          |                 |            |               |                |
| Other transferred out             |                 |            |               |                |
| (4)Ending balance                 | 183,963,902.62  | 515,224.41 | 13,886,983.02 | 198,366,110.05 |
| 2. Amortization                   |                 |            |               |                |
| (1)Beginning balance              | 28,866,655.89   | 515,224.41 | 3,748,179.83  | 33,130,060.13  |
| (2)Current year addition          | 5,208,475.78    |            | 1,609,771.57  | 6,818,247.35   |
| Provision                         | 3,607,790.69    |            | 900,165.74    | 4,507,956.43   |
| Enterprises merger increase       | 1,600,685.09    |            | 709,605.83    | 2,310,290.92   |
| Other transferred in              |                 |            |               |                |
| (3)Current year disposal          |                 |            |               |                |
| Disposal                          |                 |            |               |                |
| Other transferred out             |                 |            |               |                |
| (4)Ending balance                 | 34,075,131.67   | 515,224.41 | 5,357,951.40  | 39,948,307.48  |
| 3..Provision for impairment       |                 |            |               |                |
| (1)Beginning balance              |                 |            |               |                |
| (2)Current year addition          |                 |            |               |                |
| Withdraw                          |                 |            |               |                |
| Enterprises merger increase       |                 |            |               |                |
| Other transferred in              |                 |            |               |                |
| (3)Current year disposal          |                 |            |               |                |
| Disposal                          |                 |            |               |                |
| Other transferred out             |                 |            |               |                |
| (4)Ending balance                 |                 |            |               |                |
| 4.Net book value                  |                 |            |               |                |
| (1)Ending book value              | 149,888,770.95  |            | 8,529,031.62  | 158,417,802.57 |
| (2)Beginning book value           | 147,637,742.64  |            | 6,275,567.61  | 153,913,310.25 |

(2) There was no Intangible assets increased by internal research and development .

(3) Please refer to the note V.19 for land-use-rights mortgaged by Wuhan New World Refrigeration Industrial Co., Ltd.

### 16 Goodwill

| Name  | 31-12-2014 | Increased during current year |       | Decreased during current year |       | 31-12-2015   |
|---|------------|-------------------------------|-------|-------------------------------|-------|--------------|
|   |            | Enterprises merger increase   | Other | Disposal                      | Other |              |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd |            | 1,440,347.92                  |       |                               |       | 1,440,347.92 |
| <b>Total</b>  |            | 1,440,347.92                  |       |                               |       | 1,440,347.92 |

The Company acquired 30% shares of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. on 31 July, 2015 with consideration of RMB26,993,388.94. On the date of acquisition, the difference with the fair value of identifiable net assets of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. was RMB1,440,347.92, and treated as goodwill in the consolidated financial statements. At the end of 2015, it carried out the impairment test for the goodwill. The recoverable amount was not lower than its book value, and there was no goodwill impairment withdrawn.

### 17 Long-term deferred expenses

| Items                          | 31-12-2014          | Increased during current year | Amortized during current year | Other decrease | 31-12-2015          |
|--------------------------------|---------------------|-------------------------------|-------------------------------|----------------|---------------------|
| Employee's dormitory use right | 2,704,561.98        |                               | 138,478.32                    |                | 2,566,083.66        |
| Renovation and rebuilding      | 3,085,642.38        |                               | 1,291,518.48                  |                | 1,794,123.90        |
| Inspection services            | 83,194.63           |                               | 48,507.24                     |                | 34,687.39           |
| Membership fee of golf club    |                     | 512,875.00                    | 6,875.00                      |                | 506,000.00          |
| Rental expenses                |                     | 1,062,900.00                  | 106,290.00                    |                | 956,610.00          |
| <b>Total</b>                   | <b>5,873,398.99</b> | <b>1,575,775.00</b>           | <b>1,591,669.04</b>           |                | <b>5,857,504.95</b> |

### 18 Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets had not been off-set

| Items                           | 31-12-2015                      |                      | 31-12-2014                      |                          |
|---------------------------------|---------------------------------|----------------------|---------------------------------|--------------------------|
|                                 | Deductible temporary difference | Deferred tax assets  | Deductible temporary difference | Deferred tax liabilities |
| Provision for assets impairment | 107,112,240.49                  | 19,372,358.73        | 98,014,616.89                   | 16,786,587.33            |
| Stock option Incentive expenses | 12,190,520.00                   | 1,828,578.00         |                                 |                          |
| <b>Total</b>                    | <b>119,302,760.49</b>           | <b>21,200,936.73</b> | <b>98,014,616.89</b>            | <b>16,786,587.33</b>     |

(2) Temporary difference which not recognized deferred income tax assets

| Items                    | 31-12-2015    | 31-12-2014    |
|--------------------------|---------------|---------------|
| Provision for impairment | 47,874,337.13 | 44,791,908.06 |

| Items             | 31-12-2015           | 31-12-2014           |
|-------------------|----------------------|----------------------|
| Deductible losses | 15,856,452.86        | 9,725,928.72         |
| <b>Total</b>      | <b>63,730,789.99</b> | <b>54,517,836.78</b> |

The temporary difference was not recognized as deferred income tax assets, because it is uncertain if there will be enough taxable income.

(3) Deductible losses of unrecognized deferred income tax assets will due the following years

| Items        | 31-12-2015           | 31-12-2014          | Notes |
|--------------|----------------------|---------------------|-------|
| 2017         | 975,555.72           | 975,555.72          |       |
| 2018         | 2,350,012.09         | 4,717,859.29        |       |
| 2019         | 4,032,513.71         | 4,032,513.71        |       |
| 2020         | 8,498,371.34         |                     |       |
| <b>Total</b> | <b>15,856,452.86</b> | <b>9,725,928.72</b> |       |

(4) Deferred income tax liabilities before offsetting

| Items   | 31-12-2015                   |                       | 31-12-2014                   |                          |
|---|------------------------------|-----------------------|------------------------------|--------------------------|
|   | Taxable temporary difference | Deferred tax assets   | Taxable temporary difference | Deferred tax liabilities |
| Fair value changes of available-for-sale financial assets | 690,846,860.39               | 103,627,029.06        |                              |                          |
| <b>Total</b>  | <b>690,846,860.39</b>        | <b>103,627,029.06</b> |                              |                          |

## 19 Short-term loans

| Terms of loans | 31-12-2015           | 31-12-2014           |
|----------------|----------------------|----------------------|
| Mortgage loan  | 55,000,000.00        | 60,000,000.00        |
| Fiduciary loan | 27,600,000.00        |                      |
| <b>Total</b>   | <b>82,600,000.00</b> | <b>60,000,000.00</b> |

(1) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short-term loan RMB55,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights.

(2) The reason of the ending balance increased 37.67% compared with the beginning balance was fiduciary loan increased.

## 20 Notes payable

| Items                  | 31-12-2015            | 31-12-2014            |
|------------------------|-----------------------|-----------------------|
| Bank acceptance notes  | 203,432,038.63        | 103,304,788.06        |
| Trade acceptance notes | 30,756,973.09         | 6,241,714.55          |
| <b>Total</b>           | <b>234,189,011.72</b> | <b>109,546,502.61</b> |

The reason of the ending balance increased 113.78% compared with the beginning balance was settlement of purchases by notes payable increased.

## 21 Accounts payable

| Items                 | 31-12-2015     | 31-12-2014     |
|-----------------------|----------------|----------------|
| Payable for materials | 554,938,956.23 | 475,503,139.38 |

|                        |                       |                       |
|------------------------|-----------------------|-----------------------|
| Payable for projects   | 103,608,705.86        | 6,919,723.26          |
| Payable for equipments | 1,850,841.17          | 28,653,675.18         |
| <b>Total</b>           | <b>660,398,503.26</b> | <b>511,076,537.82</b> |

There was no big amount among the accounts payable aged more than 1 year.

## 22 Accounts received in advance

### (1) Details

| Items             | 31-12-2015           | 31-12-2014            |
|-------------------|----------------------|-----------------------|
| Advances on sales | 70,458,014.46        | 137,629,315.42        |
| <b>Total</b>      | <b>70,458,014.46</b> | <b>137,629,315.42</b> |

### (2) Accounts received in advance aged over 1 year

| Items  | 31-12-2015          | Reasons                                      |
|--|---------------------|--|
| China Aviation Planning and Construction Development Co., Ltd. | 3,100,000.00        | Unsettled contract payments on sets projects |
| Jiangsu Ruixiang Chemical Engineering Co., Ltd.                | 2,023,581.40        | Unsettled contract payments on sets projects |
| Inner Mongolia Datang Dingwang Chemical Engineering Co., Ltd.  | 1,962,400.00        | Unsettled contract payments on sets projects |
| <b>Total</b>   | <b>7,085,981.40</b> |  |

(3) The reason of the ending balance decreased 48.81% compared with the beginning balance was accounts received in advance carried down to income increased.

## 23 Payroll payable

### (1) Details

| Items  | 31-12-2014           | Increased during current year | Decreased during current year | 31-12-2015           |
|--|----------------------|-------------------------------|-------------------------------|----------------------|
| Short-term salary                            | 55,993,637.27        | 253,154,322.75                | 257,290,614.73                | 51,857,345.29        |
| Departure welfare-defined contribution plans |                      | 33,589,386.22                 | 33,589,386.22                 |                      |
| Termination benefits                         |                      | 331,302.30                    | 331,302.30                    |                      |
| Other welfare due within 1 year              |                      |                               |                               |                      |
| <b>Total</b>                                 | <b>55,993,637.27</b> | <b>287,075,011.27</b>         | <b>291,211,303.25</b>         | <b>51,857,345.29</b> |

### (2) Short-term salary

| Items  | 31-12-2014    | Increased during current year | Decreased during current year | 31-12-2015    |
|--|---------------|-------------------------------|-------------------------------|---------------|
| 1. Wages and salaries, bonuses, allowances and subsidies | 25,570,229.67 | 208,089,719.04                | 200,463,842.85                | 33,196,105.86 |
| 2. Staff welfare   | 25,205,874.20 | 8,309,358.97                  | 18,104,168.97                 | 15,411,064.20 |
| 3. Social insurance                                      | 1,698,790.15  | 13,545,227.73                 | 14,597,466.66                 | 646,551.22    |
| Including: ① Medical insurance                           |               | 11,527,080.01                 | 11,527,056.01                 | 24.00         |

|   |                      |                       |                       |                      |
|---|----------------------|-----------------------|-----------------------|----------------------|
| ②supplementary medical insurance              |                      |                       |                       |                      |
| ③Work-related injury insurance                |                      | 945,944.69            | 945,943.88            | 0.81                 |
| ④Maternity insurance                          |                      | 454,649.73            | 454,649.73            |                      |
| ⑤Housing subsidies                            | 1,698,790.15         | 617,553.30            | 1,669,817.04          | 646,526.41           |
| 4. Housing funds                              | 2,466,435.12         | 19,165,080.60         | 19,714,079.14         | 1,917,436.58         |
| 5.Labor union fund and employee education fee | 1,052,308.13         | 3,676,572.41          | 4,042,693.11          | 686,187.43           |
| 6. Non-monetary welfare                       |                      | 368,364.00            | 368,364.00            |                      |
| <b>Total</b>                                  | <b>55,993,637.27</b> | <b>253,154,322.75</b> | <b>257,290,614.73</b> | <b>51,857,345.29</b> |

The non- monetary welfare of the current year was amortization of long-term expenses of employees' dormitory use right, dining hall expenses and etc.

### (3) Defined contribution plans

| Items                    | 31-12-2014 | Increased during current year | Decreased during current year | 31-12-2015 |
|--------------------------|------------|-------------------------------|-------------------------------|------------|
| Basic retirement pension |            | 28,928,203.69                 | 28,928,203.69                 |            |
| Unemployment insurance   |            | 1,531,109.20                  | 1,531,109.20                  |            |
| Heating fees             |            | 3,130,073.33                  | 3,130,073.33                  |            |
| <b>Total</b>             |            | <b>33,589,386.22</b>          | <b>33,589,386.22</b>          |            |

The company took part in the government's basic retirement pension and unemployment insurance according to the related legislation, and paid the insurance charges every month and recorded as expenses or costs of assets. There was no other obligation of payment.

(4)There was no amount delay paid at the end of the current year.

## 24 Taxes payable

| Items  | 31-12-2015           | 31-12-2014          |
|--|----------------------|---------------------|
| Value-added tax                                | 6,680,785.40         | -3,127,955.12       |
| Business tax                                   | 1,621,471.10         | 1,991,177.27        |
| Enterprise income tax                          | 4,876,229.11         | 2,568,733.67        |
| Individual income tax                          | 394,393.08           | 396,325.29          |
| City maintenance and construction tax          | 722,295.23           | 291,424.15          |
| Building taxes                                 | 233,857.61           |                     |
| Land use tax                                   | 553,224.98           | 217,274.87          |
| Education surtax                               | 247,975.64           | 110,082.07          |
| Local education surtax                         | 195,855.11           | 67,685.90           |
| Water project fund/River route maintenance fee | 7,682.90             | 11,139.52           |
| Safeguard fund for disables                    | 680.00               | 544.00              |
| Dike maintenance fee                           |                      | 13,509.20           |
| Stamp duty                                     | 167,128.20           | 102,788.87          |
| <b>Total</b>                                   | <b>15,701,578.36</b> | <b>2,642,729.69</b> |



The reason of the ending balance Increased 494.14% compared with the beginning balance was withholdings on VAT shifted from taxes payable to other current assets.

## 25 Dividend payable

| Name of investors         | 31-12-2015        | 31-12-2014        | Reasons                        |
|---------------------------|-------------------|-------------------|--------------------------------|
| Legal person shareholders | 533,156.00        | 533,156.00        | Some shareholders not claimed. |
| <b>Total</b>              | <b>533,156.00</b> | <b>533,156.00</b> |                                |

## 26 Other accounts payable

### (1) Details

| Items                                    | 31-12-2015           | 31-12-2014           |
|--|----------------------|----------------------|
| Obligation of restricted shares buy-back | 39,503,800.00        |                      |
| Loan from non-financial institutes       | 18,200,000.00        | 18,096,524.00        |
| Cash pledge and security deposit         | 14,199,502.52        | 13,721,523.03        |
| Apply for reimbursement and unpaid       | 17,038,250.51        | 14,117,136.22        |
| Cash from related parties                | 627,014.92           | 510,097.66           |
| Receipts under custody                   | 9,255,791.05         | 11,164,903.53        |
| Others                                   | 1,065,931.15         | 2,465,629.60         |
| <b>Total</b>                             | <b>99,890,290.15</b> | <b>60,075,814.04</b> |

### (2) Major amount aging over 1 year

| Name of investors               | 31-12-2015           | Unpaid reason  |
|---------------------------------|----------------------|--|
| Dalian Bingshan Group Co., Ltd. | 10,000,000.00        | Subsidiary company borrowed for removal and reconstruction |
| <b>Total</b>                    | <b>10,000,000.00</b> |  |

The reason of the ending balance increased 66.27% compared with the beginning balance was obligation of restricted shares buy-back confirmed.

## 27 Deferred revenue

| Items                    | 31-12-2014           | Increased during current year | Decreased during current year | 31-12-2015           | Reasons |
|--------------------------|----------------------|-------------------------------|-------------------------------|----------------------|---------|
| Associated with assets   | 51,077,394.00        |                               | 1,699,098.00                  | 49,378,296.00        |         |
| Associated with earnings | 1,696,490.19         |                               | 1,696,490.19                  |                      |         |
| <b>Total</b>             | <b>52,773,884.19</b> |                               | <b>3,395,588.19</b>           | <b>49,378,296.00</b> |         |

Subsidy from government

| Liabilities  | 31-12-2014           | Increased during current year | Converted to non-business incomes during current year | Other decrease | 31-12-2015           | Notes                     |
|--|----------------------|-------------------------------|---|----------------|----------------------|---------------------------|
| Subsidy fund for highly effective heat pump and related system | 4,289,394.00         |                               | 585,098.00  |                | 3,704,296.00         | Associated with the asset |
| Contribution to subsidiary company relocation                  | 46,788,000.00        |                               | 1,114,000.00  |                | 45,674,000.00        | Associated with the asset |
| Big capacity of sea water pre-freeze project of Project 863    | 1,696,490.19         |                               | 1,696,490.19  |                |                      | Associated with earnings  |
| <b>Total</b>   | <b>52,773,884.19</b> |                               | <b>3,395,588.19</b>                                   |                | <b>49,378,296.00</b> |                           |

## 28 Share capitals

| Items  | 31-12-2014            | Issuance of new shares | Shares converted from reserve | Others | 31-12-2015            |
|--|-----------------------|------------------------|-------------------------------|--------|-----------------------|
| <b>I. Non-circulating share capital with restricted trade conditions</b> | <b>19,224,451.00</b>  | <b>10,150,000.00</b>   |                               |        | <b>29,374,451.00</b>  |
| 1. State-owned shares  |                       |                        |                               |        |                       |
| 2. Shares held by domestic legal persons                                 |                       |                        |                               |        |                       |
| 3. Other domestic shares   | 19,213,921.00         |                        |                               |        | 19,213,921.00         |
| Including: Shares held by domestic natural person                        | 10,530.00             | 10,150,000.00          |                               |        | 10,160,530.00         |
| <b>II. Circulating share capital</b>                                     | <b>330,790,524.00</b> |                        |                               |        | <b>330,790,524.00</b> |
| 1. Domestically listed ordinary shares (A-share)                         | 215,790,524.00        |                        |                               |        | 215,790,524.00        |
| 2. Domestically listed ordinary shares (B-share)                         | 115,000,000.00        |                        |                               |        | 115,000,000.00        |
| <b>III. Total</b>  | <b>350,014,975.00</b> | <b>10,150,000.00</b>   |                               |        | <b>360,164,975.00</b> |

The non-circulating share capital of Dalian Bingshan Group Co., Ltd. circulated on 21<sup>st</sup> January, 2011, but Dalian Bingshan Group Co., Ltd. declared that these shares would not be listed to sell in the Shenzhen Stock Exchange within 60 months after the circulating date. Base on the promise, the Company will apply to unlock these shares until the Company practices management equity incentive.

According to the report on granting the restricted stock to the incentive object deliberated by the 15th Meeting of 6th Session of the Board of Directors of the Company, and the restricted stock plan draft of the Company, the Board has implemented and completed granting the restricted stock with total 41 person and 10,150,000 shares.

## 29 Capital surplus

| Items                 | 31-12-2014            | Increased during current year | Decreased during current year | 31-12-2015            |
|-----------------------|-----------------------|-------------------------------|-------------------------------|-----------------------|
| Capital premium       | 515,188,976.98        | 35,784,208.92                 |                               | 550,973,185.90        |
| Other capital surplus | 67,099,029.31         | 12,192,776.74                 |                               | 79,291,806.05         |
| <b>Total</b>          | <b>582,288,006.29</b> | <b>47,976,985.66</b>          |                               | <b>630,264,991.95</b> |

The reason of the ending balance of capital premium increased was capital premium from granting the restricted stock to the incentive object and acquiring minority shareholders' equity of Dalian

Bingshan Metal Processing Co., Ltd., Wuhan New World Refrigeration Industrial Co., Ltd. and Dalian Bingshan Group Sales Co., Ltd.

Other capital surplus was cost of equity incentive plan and capital surplus changes of the invested entities.

### 30 Treasury share

| Items                     | 31-12-2014 | Increased during current year | Decreased during current year | 31-12-2015           |
|---------------------------|------------|-------------------------------|-------------------------------|----------------------|
| Equity incentive buy-back |            | 39,503,800.00                 |                               | 39,503,800.00        |
| <b>Total</b>              |            | <b>39,503,800.00</b>          |                               | <b>39,503,800.00</b> |

The treasury share arises from the execution of equity incentive plan.

### 31 Other comprehensive income

| Items   | 31-12-2014          | 2015                                    |   |                       |   |   | 31-12-2015            |
|---|---------------------|---|---|-----------------------|---|---|-----------------------|
|   |                     | Amount for the period before income tax | Less: Previously recognized in profit or loss in other comprehensive income | Less: income tax      | After-tax attribute to the parent company | After-tax attribute to minority shareholder |                       |
| <b>I. Later can't reclassified into profit and loss of other comprehensive income</b>   |                     |   |   |                       |   |   |                       |
| <b>II. Later reclassified into profit and loss of other comprehensive income</b>  |                     |   |   |                       |   |   |                       |
| 1、 Later reclassified into profit and loss of other comprehensive income of long term investments accounting by equity method | 2,768,286.72        |   |   |                       |   |   | 2,768,286.72          |
| 2、 Changes in fair value recognized in gains and losses of the available-for-sale financial assets                            |                     | 690,846,860.39                          |   | 103,627,029.06        | 587,219,831.33                            |   | 587,219,831.33        |
| 3、 Foreign currency translation differences of financial statements   |                     |   |   |                       |   |   |                       |
| <b>Total</b>  | <b>2,768,286.72</b> | <b>690,846,860.39</b>                   |   | <b>103,627,029.06</b> | <b>587,219,831.33</b>                     |   | <b>589,988,118.05</b> |

The reason of the ending balance increased 21,212.39% compared with the beginning balance was Guotai Junan Securities Co., Ltd. listed by Shanghai Security Exchange and measured by fair value at the end of current year.

**32 Special reserves**

| Items                      | 31-12-2014 | Increased during current year | Decreased during current year | 31-12-2015 |
|----------------------------|------------|-------------------------------|-------------------------------|------------|
| Safety production expenses |            | 1,982,950.50                  | 1,982,950.50                  |            |
| <b>Total</b>               |            | <b>1,982,950.50</b>           | <b>1,982,950.50</b>           |            |

**33 Surplus reserves**

| Items                         | 31-12-2014            | Increased during current year | Decreased during current year | 31-12-2015            |
|-------------------------------|-----------------------|-------------------------------|-------------------------------|-----------------------|
| Statutory surplus reserves    | 272,675,444.95        | 12,602,496.26                 |                               | 285,277,941.21        |
| Discretionary surplus reserve | 273,112,803.04        | 22,378,995.91                 |                               | 295,491,798.95        |
| <b>Total</b>                  | <b>545,788,247.99</b> | <b>34,981,492.17</b>          |                               | <b>580,769,740.16</b> |

The increase of the surplus reserves were because the statutory reserved capital RMB12,602,496.26 was withdrawn on the basis of 10% of the company's net profit of year 2015 and the discretionary surplus reserve RMB22,378,995.91 was withdrawn on the basis of 20% of the company's net profit of 2014 according to the resolution of the General Meeting of Shareholders of year 2014.

**34 Retained earnings**

| Items  | 2015                  | Extraction or allocation proportion |
|--|-----------------------|-------------------------------------|
| Retained earnings at the end of prior year                                     | 486,167,740.13        |                                     |
| Add: Changes in accounting policies  |                       |                                     |
| At beginning of the year after retrospective adjustment                        | 486,167,740.13        |                                     |
| Add: Net profit of the current period  | 129,947,307.39        |                                     |
| Less: Appropriation of statutory surplus reserves                              | 12,602,496.26         | 10% of net profit of year 2015      |
| Appropriation of other reserved capital  | 22,378,995.91         | 20% of net profit of year 2014      |
| Appropriation of employee's welfare and bonus fund in foreign invested company |                       |                                     |
| Employee welfare fund  | 1,183,742.85          |                                     |
| Cash dividends   | 54,024,746.25         | RMB 0.15 per share of year 2014     |
| Dividends transferred to share capital   |                       |                                     |
| <b>Retained earnings at the end of the current year</b>                        | <b>525,925,066.25</b> |                                     |

**35 Total operating income and operating cost**

| Items          | 2015                    |                         | 2014                    |                         |
|----------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                | Income                  | Cost                    | Income                  | Cost                    |
| Key business   | 1,590,994,011.67        | 1,299,526,134.12        | 1,405,820,529.51        | 1,065,329,668.79        |
| Other business | 16,524,427.94           | 10,317,677.51           | 19,895,067.45           | 21,220,983.94           |
| <b>Total</b>   | <b>1,607,518,439.61</b> | <b>1,309,843,811.63</b> | <b>1,425,715,596.96</b> | <b>1,086,550,652.73</b> |

**36 Taxes and surcharges**

| Items                                 | 2015                 | 2014                 |
|---------------------------------------|----------------------|----------------------|
| Business tax                          | 2,923,558.17         | 2,311,815.61         |
| City maintenance and construction tax | 5,537,296.43         | 5,367,351.03         |
| Education surtax                      | 2,376,842.04         | 2,300,699.68         |
| Local education surtax                | 1,584,380.79         | 1,536,768.24         |
| Dike maintenance fee                  | 75,670.03            | 192,113.07           |
| Others                                | 90,505.35            | 810.40               |
| <b>Total</b>                          | <b>12,588,252.81</b> | <b>11,709,558.03</b> |

**37 Selling and distribution expenses**

| Items                             | 2015                 | 2014                  |
|-----------------------------------|----------------------|-----------------------|
| Handle official business expenses | 11,068,186.75        | 10,742,606.13         |
| Salaries and subsidies            | 35,936,748.51        | 53,725,627.39         |
| Depreciation expenses             | 464,268.28           | 503,348.47            |
| Transportations expenses          | 8,803,297.34         | 15,263,039.31         |
| Entertainment expenses            | 7,139,713.17         | 12,113,438.28         |
| Traveling expenses                | 10,734,718.12        | 19,162,210.69         |
| Maintenance and repair expenses   | 3,731,758.17         | 9,767,507.33          |
| Advertisement and bids expenses   | 470,935.68           | 914,413.58            |
| Others                            | 1,750,129.96         | 1,078,638.43          |
| <b>Total</b>                      | <b>80,099,755.98</b> | <b>123,270,829.61</b> |

The reason of the amount of 2015 decreased 35.02% compared with that of 2014 was the Company entrust the after-sales service and repair to Subsidiary of Company.

**38 Administrative expenses**

| Items                                       | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| Handle official business expenses           | 15,237,435.94         | 16,976,681.67         |
| Salaries and subsidies                      | 113,018,720.80        | 106,154,455.88        |
| Depreciation expenses                       | 7,578,564.10          | 7,379,598.57          |
| Transportations expenses                    | 5,006.00              | 353,692.74            |
| Entertainment expenses                      | 3,089,233.55          | 3,703,698.39          |
| Traveling expenses                          | 3,777,397.06          | 2,982,426.76          |
| Maintenance and repair expenses             | 4,705,156.18          | 5,936,182.46          |
| Advertisement expenses                      | 425,141.71            | 786,515.44            |
| Other taxes and fees                        | 9,424,970.21          | 8,667,319.24          |
| Insurance expenses                          | 1,068,219.27          | 2,905,336.91          |
| Research and development expenses           | 17,126,086.75         | 16,744,651.31         |
| Amortization of long term assets            | 4,640,649.75          | 4,454,384.51          |
| Design consultant and test service expenses | 1,755,118.29          | 4,514,765.97          |
| Safety production expenses                  | 2,382,233.92          |                       |
| Others                                      | 2,812,661.96          | 4,141,351.60          |
| <b>Total</b>                                | <b>187,046,595.49</b> | <b>185,701,061.45</b> |

**39 Financial expenses**

| Items                                      | 2015              | 2014                 |
|--|-------------------|----------------------|
| Interest expenses                          | 5,362,949.64      | 4,063,705.65         |
| Less:Interest income                       | -6,592,204.15     | 11,410,822.81        |
| Losses on exchange(Less: Gain on exchange) | 186,879.42        | 688,169.98           |
| Other expenses                             | 1,172,689.75      | 544,748.14           |
| <b>Total</b>                               | <b>130,314.66</b> | <b>-6,114,199.04</b> |

The reason of the amount of 2015 increased 102.13% compared with that of 2014 was interest expenses of loan increased and fixed term deposit decreased.

**40 Impairment losses**

| Items   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| Provision for bad debts   | 16,646,342.24        | 18,965,623.56        |
| Provision for obsolete inventories                                  | 477,284.08           | 189,751.97           |
| Provision for the impairment of available-for-sale financial assets |                      |                      |
| Provision for the impairment of held to maturity investments        |                      |                      |
| Provision for the impairment of long-term equity investments        |                      |                      |
| Provision for the impairment of investing property                  |                      |                      |
| Provision for the impairment of fixed assets                        |                      |                      |
| Provision for the impairment of construction materials              |                      |                      |
| Provision for the impairment of construction in progress            |                      |                      |
| Provision for the impairment of bearer biological assets            |                      |                      |
| Provision for the impairment of oil assets                          |                      |                      |
| Provision for the impairment of intangible assets                   |                      |                      |
| Provision for the impairment of goodwill                            |                      |                      |
| Provision for the impairment of other assets                        |                      |                      |
| <b>Total</b>  | <b>17,123,626.32</b> | <b>19,155,375.53</b> |

**41 Gain/ (loss) from investment****(1) Details**

| Items  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|
| Calculated by equity method                              | 125,543,630.87        | 101,428,429.25        |
| Calculated by cost method                                |                       |                       |
| Gain from disposal associated company                    |                       | 681,816.41            |
| Gain from holding of financial assets available for sale | 3,364,489.50          | 1,793,969.75          |
| Gain from disposal financial assets available for sale   |                       | 36,617.40             |
| <b>Total</b>   | <b>128,908,120.37</b> | <b>103,940,832.81</b> |

(2) There was no severe constrict on the collection of the investment earnings.

**42 Non-business incomes****(1)Details**

| Items                                      | 2015                | 2014                 | The amount recorded in non-recurring gains and losses of current period |
|--|---------------------|----------------------|---|
| Gain on the disposal of non-current assets | 167,463.99          | 390,490.35           | 167,463.99  |
| Penalty and fine income                    | 294,915.22          | 1,138,950.84         | 294,915.22  |
| Subsidy fund from government               | 709,526.19          | 7,457,380.75         | 709,526.19  |
| Deferred income                            | 3,395,588.19        | 5,132,556.41         | 1,696,490.19  |
| Debts need not paid                        | 2,630,968.84        | 563,891.43           | 2,630,968.84  |
| Others                                     | 260,901.11          | 483,180.61           | 260,901.11  |
| <b>Total</b>                               | <b>7,459,363.54</b> | <b>15,166,450.39</b> | <b>5,760,265.54</b>   |

**(2) Subsidy fund from government**

| Items  | 2015      | 2014      | Explanations    |
|--|-----------|-----------|-----------------|
| Subsidy for information construction from Dalian Municipal Bureau of Finance | 42,000.00 |           | Related to gain |
| Aid for patent from Dalian Intellectual Property Service Centre              | 5,000.00  | 1,500.00  | Related to gain |
| Subsidy of economic support policy   |           | 76,300.00 | Related to gain |

| Items  | 2015              | 2014                | Explanations    |
|--|-------------------|---------------------|-----------------|
| Subsidy for social security  | 11,165.00         |                     | Related to gain |
| Subsidy for circular economy project   |                   |                     | Related to gain |
| Award for QC team  |                   |                     | Related to gain |
| Aid for patent from Wuhan Intellectual Property Bureau                         |                   |                     | Related to gain |
| Subsidy and award for patent   |                   |                     | Related to gain |
| Mayor's Quality Award  |                   |                     | Related to gain |
| Financial incentive award for increasing production and sales                  |                   |                     | Related to gain |
| Subsidy for science and technology development                                 |                   |                     | Related to gain |
| Subsidy for small and medium-sized enterprises exploiting international market | 60,000.00         |                     | Related to gain |
| Financial award for export   | 27,318.37         |                     | Related to gain |
| Taxes given back   | 499,945.82        | 726,080.75          | Related to gain |
| Subsidy from Disabled Person Federation and Disabled Person Service Center     | 20,697.00         |                     | Related to gain |
| Economic supportive policy   | 43,400.00         |                     | Related to gain |
| International market developing fund for small and mid size enterprises        |                   | 20,000.00           | Related to gain |
| Subsidy for the first set of important technology equipment                    |                   | 5,600,000.00        | Related to gain |
| Reward for promoting increase of industry of year 2015                         |                   | 1,025,000.00        | Related to gain |
| Subsidy for patent from Wuhan Intellectual Property Bureau                     |                   | 1,500.00            | Related to gain |
| Subsidy for disposal of useless vehicles                                       |                   | 7,000.00            | Related to gain |
| <b>Total</b>   | <b>709,526.19</b> | <b>7,457,380.75</b> |                 |

The reason of current period amount decreased 50.82% compared with last period was subsidy from government decreased.

#### 43 Non-business expenses

| Items                                      | 2015                | 2014              | The amount recorded in non-recurring gains and losses of current period |
|--|---------------------|-------------------|---|
| Loss on the disposal of non-current assets | 229,182.73          | 412,897.02        | 229,182.73  |
| Fines and penalties                        | 8,316.69            | 29,513.98         | 8,316.69  |
| Loss on debt restructuring                 | 586,377.00          |                   |   |
| Others                                     | 282,035.87          | 119,121.64        | 868,412.87  |
| <b>Total</b>                               | <b>1,105,912.29</b> | <b>561,532.64</b> | <b>1,105,912.29</b>   |

The reason of current period amount increased 96.95% compared with last period was strengthened accounts receivable collection and debt restructuring.

#### 44 Income tax expenses

(1) Details:

| Items                       | 2015                | 2014                |
|-----------------------------|---------------------|---------------------|
| Current income tax expense  | 8,782,088.36        | 6,786,355.61        |
| Deferred income tax expense | -4,049,456.17       | 2,682,431.87        |
| <b>Total</b>                | <b>4,732,632.19</b> | <b>9,468,787.48</b> |



## (2) Adjustment process of accounting profit and income tax expense

| Items   | 2015                |
|---|---------------------|
| Total profits   | 135,947,654.34      |
| Current income tax expense accounted by tax and relevant regulations  | 20,392,148.15       |
| Influence of different tax rate suitable to subsidiary  | 3,651,553.71        |
| Influence of income tax before adjustment   | -332,570.54         |
| Influence of non taxable income   | -19,741,494.75      |
| Influence of not deductible costs, expenses and losses  | -754,795.63         |
| Influence of deductible losses of deferred income tax assets derecognized used in previous period                                 | 1,374,188.25        |
| Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period. | 143,603.00          |
| <b>Income tax expenses</b>  | <b>4,732,632.19</b> |

## (3) Other explanation

The reason of current period amount of income tax expense decreased 50.02% compared with last period was deferred income tax decreased.

**45 Relevant information about cash flow statement**

## (1) Other cash received relating to operating activities

| Items   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| Government grants                                   | 989,230.70           | 6,722,800.00         |
| Received travel expense receivable                  | 3,352,659.29         | 1,516,117.27         |
| Deposit received                                    | 25,139,681.07        | 13,940,611.00        |
| Received amount paid on behalf of related companies |                      | 705,562.72           |
| interest income                                     | 11,419,665.11        | 9,972,394.64         |
| Others  | 2,358,819.33         | 4,492,792.37         |
| <b>Total</b>  | <b>43,260,055.50</b> | <b>37,350,278.00</b> |

## (2) Other cash paid relating to operating activities

| Items                        | 2015                  | 2014                  |
|------------------------------|-----------------------|-----------------------|
| Borrowing of travel expense  | 3,325,287.08          | 3,579,202.08          |
| Deposit paid                 | 26,407,383.40         | 26,539,861.00         |
| Expenditure                  | 79,560,411.38         | 99,074,957.27         |
| Payment to related companies | 519,142.61            |                       |
| Bank handling charges        | 1,123,590.67          | 501,204.64            |
| Others                       | 1,311,099.46          | 2,712,084.92          |
| <b>Total</b>                 | <b>112,246,914.60</b> | <b>132,407,309.91</b> |

## (3) Cash receipts related to other financing activities

| Items                     | 2015                 | 2014                 |
|---------------------------|----------------------|----------------------|
| Guarantee money took back | 32,953,876.63        | 10,844,272.75        |
| <b>Total</b>              | <b>32,953,876.63</b> | <b>10,844,272.75</b> |

## (4) Other cash paid relating to financing activities

| Items                                    | 2015                 | 2014                 |
|--|----------------------|----------------------|
| Interests on discount of bill acceptance | 45,446.93            | 83,527.50            |
| Guarantee money paid                     | 20,665,689.93        | 32,953,876.63        |
| <b>Total</b>                             | <b>20,711,136.86</b> | <b>33,037,404.13</b> |

#### 46 Complementary information for consolidated cash flow statement

##### (1) The relationship between the net profit and the net cash flows from operating activities

| Items  | 2015                   | 2014                  |
|--|------------------------|-----------------------|
| 1. Reconciliation from the net profit to the cash flows from operating activities    |                        |                       |
| Net profit   | 131,215,022.15         | 114,519,281.73        |
| Add: Provisions for assets impairment  | 17,123,626.32          | 19,155,375.53         |
| Depreciation of fixed assets   | 38,335,936.87          | 36,829,801.68         |
| Amortization of intangible assets  | 4,507,956.43           | 4,328,566.19          |
| Amortization of long-term deferred expenses  | 1,591,669.04           | 797,209.95            |
| Losses on disposal of fixed assets, intangible assets and other long-term assets     | 11,212.67              | -551,138.66           |
| Losses on scrapping of fixed assets  | 50,506.07              | -144,888.48           |
| Losses on variation of fair value  |                        |                       |
| Finance expenses   | 5,560,290.68           | 4,273,314.16          |
| Investment losses  | -128,908,120.37        | -103,222,399.00       |
| Decrease in deferred tax assets  | -4,049,456.17          | 2,682,431.87          |
| Increase in deferred tax liabilities   |                        |                       |
| Decrease in inventory  | 71,261,447.45          | 14,354,478.23         |
| Decrease in operating receivables  | -114,889,219.96        | -61,319,139.33        |
| Increase in operating payables   | -84,569,865.56         | -3,207,121.40         |
| Others   | 12,190,520.00          |                       |
| <b>Net cash flows from operating activities</b>                                      | <b>-50,568,474.38</b>  | <b>28,495,772.47</b>  |
| 2. Investing and financing activities that do not involve cash receipts and payments |                        |                       |
| Conversion of debt into capital  |                        |                       |
| Convertible bonds to be expired within one year                                      |                        |                       |
| Fixed assets under finance lease   |                        |                       |
| 3. Net increase in cash and cash equivalents   |                        |                       |
| Cash at the end of the period  | 221,724,134.60         | 475,557,589.39        |
| Less: Cash at the beginning of the period  | 475,557,589.39         | 502,339,160.35        |
| Plus: Cash equivalents at the end of the period                                      |                        |                       |
| Less: Cash equivalents at the beginning of the period                                |                        |                       |
| <b>Net increase in cash and cash equivalents</b>                                     | <b>-253,833,454.79</b> | <b>-26,781,570.96</b> |

##### (2) Net cash paid for acquiring subsidiaries and other business units

| Items   | 2015          |
|---|---------------|
| Cash and cash equivalents paid for acquiring subsidiaries             | 26,993,388.94 |
| Including: Dalian Sanyo High-efficient Refrigeration System Co., Ltd. | 26,993,388.94 |
| Less: Cash and cash equivalents from acquired subsidiaries            | 6,528,961.79  |
| Including: Dalian Sanyo High-efficient Refrigeration System Co., Ltd. | 6,528,961.79  |

| Items   | 2015          |
|---|---------------|
| Net cash paid for acquiring subsidiaries and other business units | 20,464,427.15 |

## (3) Cash and cash equivalents

| Items  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|
| 1. Cash  | 221,724,134.60        | 475,557,589.39        |
| Including: cash on hand  | 57,023.71             | 67,783.07             |
| Bank deposits that can be used for payment whenever necessary  | 221,667,110.89        | 457,395,413.41        |
| Other monetary capital that can be used for payment whenever necessary                                       |                       | 18,094,392.91         |
| 2. Cash equivalents  |                       |                       |
| Including: Bonds mature within 3 months  |                       |                       |
| <b>3. Balance of cash and cash equivalents at the end of the year</b>  | <b>221,724,134.60</b> | <b>475,557,589.39</b> |
| Including: Cash or cash equivalents which was restricted in use of the Company and subsidiaries in the group |                       |                       |

## 47 The assets with the ownership or use right restricted

| Items                               | 31-12-2015            | Reasons                                  |
|-------------------------------------|-----------------------|--|
| Monetary fund                       | 23,065,689.93         | Guarantee money                          |
| Available for sale financial assets | 719,363,590.50        | During restricted sale periods           |
| Fixed assets                        | 98,504,280.42         | Subsidiaries' assets mortgaged for loans |
| Intangible assets                   | 53,848,990.00         | Subsidiaries' assets mortgaged for loans |
| <b>Total</b>                        | <b>894,782,550.85</b> |  |

## 48 Foreign currency monetary items

| Items               | Ending balance of Original currency | Exchange rate | Ending balance of RMB equivalent |
|---------------------|-------------------------------------|---------------|----------------------------------|
| Monetary fund       |                                     |               |                                  |
| Included: USD       | 1,962.92                            | 6.4936        | 12,746.41                        |
| EUR                 | 5.60                                | 7.0952        | 39.73                            |
| JPY                 | 229,261.00                          | 0.053875      | 12,351.43                        |
| GBP                 |                                     |               |                                  |
| Accounts receivable |                                     |               |                                  |
| Included: GBP       | 123,632.40                          | 9.6159        | 1,188,836.80                     |
| Accounts payable    |                                     |               |                                  |
| Included: GBP       | 36,399.28                           | 9.6159        | 350,011.84                       |
| Included: USD       | 6,726.55                            | 6.4936        | 43,679.53                        |

## VII. Changes of consolidation scope

## 1. Enterprise combined not under the same control in reporting period

| Name of acquiree   | Time-point of Obtained Equity | Obtained Cost of Equity | Ratio of Obtained Equity (100%) | Method of Obtained Equity | Purchasing Date | Determination Basis on the Purchasing Date | Income of Acquire from the Purchasing Date to the End of the Period | Net Profit of Acquire from the Purchasing Date to the End of the Period |
|--|-------------------------------|-------------------------|---------------------------------|---------------------------|-----------------|--|---|---|
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. | 2015.7.31                     | 26,993,388.94           | 30                              | cash                      | 2015.7.31       | Cash paid and related procedure finished   | 58,355,875.55   | 1,201,817.66  |

## 2. Combined cost and goodwill

| Combined cost  | Dalian Sanyo High-Efficient Refrigeration System Co., Ltd |
|--|---|
| Cash   | 26,993,388.94   |
| Purchasing date fair value of shares held before purchasing date | 21,294,200.84   |
| Total combined cost  | 48,287,589.78   |
| Less: the fair value of identifiable net assets                  | 46,847,241.86   |
| <b>Goodwill</b>  | <b>1,440,347.92</b>                                       |

The Company acquired 30% shares of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. on 31 July, 2015 with consideration of RMB26,993,388.94. On the date of acquisition, the difference with the fair value of identifiable net assets of Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. was RMB1,440,347.92, and treated as goodwill in the consolidated financial statements. At the end of 2015, it carried out the impairment test for the goodwill.

## 3. The identifiable assets and liabilities of acquiree at purchase date

| Items   | Dalian Sanyo High-Efficient Refrigeration System Co., Ltd |                            |
|---|---|----------------------------|
|   | Purchasing date fair value                                | Purchasing date book value |
| Monetary fund   | 6,528,961.79  | 6,528,961.79               |
| Receivable  | 48,374,356.95   | 48,374,356.95              |
| Inventories   | 13,486,838.02   | 13,486,838.02              |
| Other current assets  | 394,944.65  | 394,944.65                 |
| Fixed asset-original cost                                       | 35,490,428.03   | 35,490,428.03              |
| Intangible assets   | 6,065,499.21  | 6,065,499.21               |
| Long-term deferred expenses                                     | 512,875.00  | 512,875.00                 |
| Deferred income tax assets                                      | 364,893.23  | 364,893.23                 |
| Less: Payable   | 24,818,542.60   | 24,818,542.60              |
| Payroll payable   | 1,126,096.85  | 1,126,096.85               |
| Taxes payable   | 97,354.05   | 97,354.05                  |
| Total owner's equity  | 85,176,803.38   | 85,176,803.38              |
| Net assets calculated according to the shareholding proportions | 46,847,241.86   | 46,847,241.86              |

The fair value determination method of the identifiable assets and liabilities:

Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. used net book value as fair value of the identifiable assets and liabilities.

## VIII. Equity in other entities

### 1. Equity in subsidiary

#### A. The structure of the group

| Name of subsidiaries  | Main business address | Registered address | Business nature | Shareholding (%) |           | Obtaining method |
|---|-----------------------|--------------------|-----------------|------------------|-----------|------------------|
|   |                       |                    |                 | Dire ct          | Indire ct |                  |
| Dalian Bingshan Group Refrigeration Installation Co., Ltd. ("Installation Company") | Dalian                | Dalian             | Installation    | 100              |           | Establish        |
| Dalian Bingshan Group Sales Co., Ltd. ("Sales Company")                             | Dalian                | Dalian             | Trading         | 70               | 30        | Establish        |
| Dalian Bingshan Air-Conditioning Equipment Co., Ltd. ("Bingshan Air-Conditioning")  | Dalian                | Dalian             | Manufacturing   | 70               |           | Establish        |
| Dalian Bingshan Metal Processing Co., Ltd. ("Metal Processing")                     | Dalian                | Dalian             | Manufacturing   | 100              |           | Establish        |
| Dalian Bingshan Guardian Automation Co., Ltd.                                       | Dalian                | Dalian             | Manufacturing   | 60               |           | Establish        |
| Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.                         | Dalian                | Dalian             | Manufacturing   | 70               |           | Establish        |
| Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI")                        | Wuhan                 | Wuhan              | Manufacturing   | 100              |           | Purchase         |
| Bingshan technical service (dalian) Co., Ltd.                                       | Dalian                | Dalian             | Services        | 100              |           | Establish        |
| Wuhan New World Refrigeration Air Conditioner Engineering Co., Ltd.                 | Wuhan                 | Wuhan              | Installation    | 5                | 95        | Establish        |
| Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd.                 | Ningbo                | Ningbo             | Installation    |                  | 51        | Establish        |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.                          | Dalian                | Dalian             | Manufacturing   | 55               |           | Combine          |

- ① All the holding proportion in subsidiaries were the same with voting proportion;
- ② The company held over 50% voting proportion in subsidiaries;
- ③ The company could control these subsidiaries;
- ④ The change of the holding proportion in subsidiaries, please refer to the Note II. The scope of consolidation.

#### B. Significant not wholly owned subsidiary

No.

### 2. The transaction of the company with its owner's equity share changed but still controlling the subsidiary

#### A. Explanation to the changes of the subsidiaries' owner's equity share held by the company

(1) According to the 18th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 49% shareholdings of Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI"), and Wuhan New World Refrigeration Industrial Co., Ltd. became wholly owned subsidiary.

(2) According to the 11th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 10% shareholdings of Dalian Bingshan Group Sales Co., Ltd., and transferred 30% shareholdings of Dalian Bingshan Group Sales Co., Ltd. to WNWRI. At the end of the current year the company and WNWRI held 100% shareholdings of Dalian Bingshan Group Sales Co., Ltd.

(3) According to the 12th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 35.75% shareholdings of Dalian Bingshan Metal Processing Co., Ltd. and it became wholly owned subsidiary.

(4) According to the 12th meeting of the 6th session of the Company's Board of Directors, the company decided to establish the joint-venture Bingshan Technical Service (Dalian) Co., Ltd. with Dalian Bingshan International Trade Co., Ltd. The company held 60% equity. According to the 20th meeting of the 6th session of the Company's Board of Directors, the company was transferred 40% shareholdings of Bingshan Technical Service (Dalian) Co., Ltd., and it became wholly owned subsidiary.

**B. Affection of the transactions to minority interests and equity attributable to parent company**

| Item  | Dalian Bingshan Group Sales Co., Ltd. | Wuhan New World Refrigeration Industrial Co., Ltd. | Dalian Bingshan Metal Processing Co., Ltd. | Bingshan technical service (dalian) Co., Ltd. |
|---|---------------------------------------|--|--|---|
| Cash  | 6,843,000.00                          | 66,694,510.81                                      | 9,249,900.00                               | 6,024,000.00                                  |
| <b>Total purchase cost</b>  | <b>6,843,000.00</b>                   | <b>66,694,510.81</b>                               | <b>9,249,900.00</b>                        | <b>6,024,000.00</b>                           |
| Less: Net assets calculated according to the shareholding proportions | 6,806,378.07                          | 55,815,058.96                                      | 9,330,010.7                                | 6,360,172.00                                  |
| Differences   | 36,621.93                             | 10,879,451.85                                      | -80,110.70                                 | -336,172.00                                   |
| Included: Adjusted capital surplus                                    | 36,621.93                             | 10,879,451.85                                      | -80,110.70                                 | -336,172.00                                   |

**3. Equity in joint venture arrangement or associated enterprise**

**A. The important associated enterprise or joint ventures**

| A. The important associated enterprise of joint ventures           |                       |                    |                 |                  |          |                    |
|--|-----------------------|--------------------|-----------------|------------------|----------|--------------------|
| Name of joint ventures or affiliated companies                     | Main business address | Registered address | Business nature | Shareholding (%) |          | Accounting methods |
|  |                       |                    |                 | Direct           | Indirect |                    |
| Associated enterprise:   |                       |                    |                 |                  |          |                    |
| Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd. | Dalian                | Dalian             | Installation    | 50%              |          | Equity method      |
| Joint ventures:  |                       |                    |                 |                  |          |                    |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd            | Dalian                | Dalian             | Manufacturing   | 20%              |          | Equity method      |
| Panasonic Compressor (Dalian) Co., Ltd                             | Dalian                | Dalian             | Manufacturing   | 40%              |          | Equity method      |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.                     | Dalian                | Dalian             | Manufacturing   | 49%              |          | Equity method      |

The company determined important joint venture by its gain from investment to the company over 10% of the company's net profit or the company's proportion of its net assets over 10% of the company's net assets.

- ① All the holding proportion in subsidiaries were the same with voting proportion;
- ② The company had no important influence to joint venture or affiliated company with voting proportion held by the company under 20%;
- ③ There was no associated enterprise or joint venture with voting proportion held by the company over 20%, but the company had no important influence.

**B. The main financial information of important associated enterprise**

Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd.

| Items                                | 31-12-2015/2015     | 31-12-2014/2014      |
|--------------------------------------|---------------------|----------------------|
| Current assets                       | 9,006,060.68        | 11,558,920.00        |
| Including: Cash and cash equivalents | 1,132,033.68        | 2,892,025.92         |
| Non-current assets                   | 471,614.42          | 213,621.85           |
| <b>Assets total</b>                  | <b>9,477,675.10</b> | <b>11,772,541.85</b> |

| Items   | 31-12-2015/2015     | 31-12-2014/2014     |
|---|---------------------|---------------------|
| Current liabilities   | 3,803,479.48        | 4,616,122.53        |
| Non-current liabilities   |                     |                     |
| <b>Total liabilities</b>  | <b>3,803,479.48</b> | <b>4,616,122.53</b> |
| Minority interests  |                     |                     |
| Equity to the parent company  | 5,674,195.62        | 7,156,419.32        |
| Net assets calculated according to the shareholding proportions       | 2,837,097.81        | 3,578,209.66        |
| Adjusting events  |                     |                     |
| —Goodwill   |                     |                     |
| —Unrealized profits of insider tradings                               |                     |                     |
| —Employee's welfare and bonus fund in foreign invested company        |                     | -24,289.69          |
| Book value of equity investment of associated enterprise              | 2,837,097.81        | 3,553,919.97        |
| Fair value of equity investment with public offer                     |                     |                     |
| Operating income  | 1,967,955.20        | 17,925,040.13       |
| Finance expenses  | -2,128.17           | -4,324.02           |
| Income tax  | -561.52             | 309,263.49          |
| Net profit  | -1,482,223.70       | 971,587.74          |
| Other comprehensive income  |                     |                     |
| Total comprehensive income  | -1,482,223.70       | 971,587.74          |
| The dividends received from associated enterprise during current year |                     | 500,000.00          |

### C. The main financial information of important joint ventures

| Items   | 31-12-2015/2015   |  |   |
|---|---|--|---|
|   | Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | Panasonic Compressor (Dalian) Co., Ltd | Dalian Fuji Bingshan Vending Machine Co., Ltd |
| Current assets  | 288,372,485.62  | 1,394,237,128.94                       | 361,305,733.51                                |
| Non-current assets  | 96,260,501.77   | 350,839,627.19                         | 61,629,639.07                                 |
| <b>Total assets</b>   | <b>384,632,987.39</b>                                   | <b>1,745,076,756.13</b>                | <b>422,935,372.58</b>                         |
| Current liabilities   | 141,597,811.02  | 587,437,711.53                         | 188,191,481.16                                |
| Non-current liabilities   |   |  | 3,583,780.65                                  |
| <b>Total liabilities</b>  | <b>141,597,811.02</b>                                   | <b>587,437,711.53</b>                  | <b>191,775,261.81</b>                         |
| Minority interests  |   |  |   |
| Equity to the parent company                                    | 243,035,176.37  | 1,157,639,044.60                       | 231,160,110.77                                |
| Net assets calculated according to the shareholding proportions | 48,607,035.27   | 463,055,617.84                         | 113,268,454.28                                |
| Adjusting events  |   |  |   |
| —Goodwill   |   |  |   |
| —Unrealized profits of insider tradings                         |   |  |   |
| —Employee's welfare and bonus fund in foreign invested company  |   | -5,163,248.92                          |   |



| Items   | 31-12-2015/2015   |  |  |
|---|---|--|--|
|   | Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | Panasonic Compressor (Dalian) Co., Ltd | Dalian Fuji Bingshan Vending Machine Co., Ltd. |
| Book value of equity investment of affiliated companies | 48,607,035.27   | 457,892,368.92                         | 113,268,454.28                                 |
| Fair value of equity investment with public offer       |   |  |  |
| Operating income  | 680,314,218.23  | 1,894,363,146.75                       | 463,077,411.32                                 |
| Net profit  | 79,365,464.49   | 161,351,528.59                         | 58,543,688.14                                  |
| Net profit of discontinuing operation                   |   |  |  |
| Other comprehensive income                              |   |  |  |
| Total comprehensive income                              | 79,365,464.49   | 161,351,528.59                         | 58,543,688.14                                  |
| The current dividends received from joint ventures      | 9,600,000.00  | 34,000,000.00                          | 5,314,796.52                                   |

Continued:

| Items   | 31-12-2014/2014                        |  |  |
|---|--|--|--|
|   | Panasonic Cold-chain (Dalian) Co., Ltd | Panasonic Compressor (Dalian) Co., Ltd | Dalian Fuji Bingshan Vending Machine Co., Ltd. |
| Current assets  | 924,187,273.25                         | 1,533,547,513.54                       | 201,931,675.02                                 |
| Non-current assets  | 322,882,931.13                         | 358,157,107.39                         | 62,589,896.32                                  |
| Total assets  | 1,247,070,204.38                       | 1,891,704,620.93                       | 264,521,571.34                                 |
| Current liabilities   | 717,528,722.26                         | 796,714,218.88                         | 77,636,760.15                                  |
| Non-current liabilities   |  |  | 3,421,865.04                                   |
| Total liabilities   | 717,528,722.26                         | 796,714,218.88                         | 81,058,625.19                                  |
| Minority interests  |  |  |  |
| Equity to the parent company                                    | 529,541,482.12                         | 1,094,990,402.05                       | 183,462,946.15                                 |
| Net assets calculated according to the shareholding proportions | 211,816,592.84                         | 437,996,160.82                         | 89,896,843.61                                  |
| Adjusting events  |  |  |  |
| —Goodwill   | 4,440,630.90                           |  |  |
| —Unrealized profits of insider tradings                         |  |  |  |
| —Employee's welfare and bonus fund in foreign invested company  | -683,617.26                            | -5,481,154.41                          |  |
| Book value of equity investment of affiliated companies         | 215,573,606.48                         | 432,515,006.40                         | 89,896,843.61                                  |
| Fair value of equity investment with public offer               |  |  |  |
| Operating income  | 1,689,304,466.33                       | 2,433,075,590.63                       | 375,618,136.05                                 |
| Net profit  | 21,363,039.25                          | 171,286,075.45                         | 30,204,438.98                                  |
| Net profit of discontinuing operation                           |  |  |  |
| Other comprehensive income                                      |  |  |  |
| Total comprehensive income                                      | 21,363,039.25                          | 171,286,075.45                         | 30,204,438.98                                  |
| The current dividends received from joint ventures              | 8,000,000.00                           | 16,000,000.00                          | 2,161,995.35                                   |

**D.Summary financial information of insignificant joint ventures**

| Items  | 31-12-2015/2015 | 31-12-2014/2014 |
|--|-----------------|-----------------|
| Total book value of investment of affiliated companies                 | 597,762,811.43  | 297,690,362.39  |
| The total of following items according to the shareholding proportions | —               | —               |
| Net profit   | 19,827,582.11   | 16,869,672.64   |
| Other comprehensive income   |                 |                 |
| Total comprehensive income   | 19,827,582.11   | 16,869,672.64   |

**E. No significant restrictions of the ability of joint venture or associated enterprise transfer funds to the company.**

**F.No excess loss of joint venture or associated enterprise.**

**G.No commitment related to joint venture or associated enterprise needed disclose.**

**H.No contingent liabilities related to joint venture or associated enterprise needed disclose.**

**IX. The risk related financial instruments**

The Company faces a variety of financial risks in the course of operation: credit risk, liquidity risk and market risk(mainly exchange risk and interest rate risk). The objective of the company's risk management is to obtain a proper balance between the risks and benefits, reduce the risks' negative impact on the company's operating performance.

**1.Credit risk**

The credit risk of the company included monetary fund, accounts receivable, notes receivable and other accounts receivable etc.The management made credit policies and supervised changes of these credit exposure.

The company's working capital was in bank with higher credit rating, so there was no significant credit risk, nor significant losses due to the default of other entity.

Company mainly faces customer credit risk caused by the credit sale. The Company would make an evaluation on new customers' credit risk before signing new contracts, which includes external credit rating and bank reference letter (when available) under certain circumstances. The Company sets quota on credit sale for each customer and such quota is the maximum amount without additional approvals.As at 31<sup>st</sup> December 2015,the big five customers of accounts receivable was 14.91% of total accounts receivable, and as at 31<sup>st</sup> December 2014 that was 8.10%.

Except guarantee events disclosed in the notes, there was no other credit risk of guarantee of the company.

**2. Liquidity risk**

Liquidity risk was referred to the risk of shortage of funds incurred when the enterprise perform the obligation of settlement by cash or other financial assets.

The financial department of the company continued to monitors the short term or long term capital needs to ensure maintain plenty of cash flow.And the same time they also monitor the condition of bank loan agreements and obtain commitments from banks to provide plenty of fund.

As at 31<sup>st</sup> December 2015, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following:

| Items            | 31-12-2015     |                            |                |           |           |              |
|------------------|----------------|----------------------------|----------------|-----------|-----------|--------------|
|                  | Book value     | Original value of the book | Within 1 year  | 1-2 years | 2-5 years | Over 5 years |
| Monetary fund    | 244,789,824.53 | 244,789,824.53             | 244,789,824.53 |           |           |              |
| Notes receivable | 71,699,517.68  | 71,699,517.68              | 71,699,517.68  |           |           |              |

| Items                               | 31-12-2015              |                            |                         |           |           |                       |
|-------------------------------------|-------------------------|----------------------------|-------------------------|-----------|-----------|-----------------------|
|                                     | Book value              | Original value of the book | Within 1 year           | 1-2 years | 2-5 years | Over 5 years          |
| Accounts receivable                 | 671,423,836.87          | 801,499,499.03             | 671,423,836.87          |           |           |                       |
| Interest receivable                 |                         |                            |                         |           |           |                       |
| Other receivables                   | 22,755,328.21           | 28,070,768.44              | 22,755,328.21           |           |           |                       |
| Available for sale financial assets | 733,275,249.09          | 738,500,019.89             |                         |           |           | 733,275,249.09        |
| <b>Subtotal</b>                     | <b>1,743,943,756.38</b> | <b>1,884,559,629.57</b>    | <b>1,010,668,507.29</b> |           |           | <b>733,275,249.09</b> |
| Short-term borrowings               | 82,600,000.00           | 82,600,000.00              | 82,600,000.00           |           |           |                       |
| Notes payable                       | 234,189,011.72          | 234,189,011.72             | 234,189,011.72          |           |           |                       |
| Accounts payable                    | 660,398,503.26          | 660,398,503.26             | 660,398,503.26          |           |           |                       |
| Employees' compensation payable     | 51,857,345.29           | 51,857,345.29              | 51,857,345.29           |           |           |                       |
| Taxes payable                       | 15,701,578.36           | 15,701,578.36              | 15,701,578.36           |           |           |                       |
| Dividend payable                    | 533,156.00              | 533,156.00                 | 533,156.00              |           |           |                       |
| Other payables                      | 99,890,290.15           | 99,890,290.15              | 99,890,290.15           |           |           |                       |
| <b>Subtotal</b>                     | <b>1,145,169,884.78</b> | <b>1,145,169,884.78</b>    | <b>1,145,169,884.78</b> |           |           |                       |

**Continued:**

| Items                               | 31-12-2014              |                            |                         |           |           |                      |
|-------------------------------------|-------------------------|----------------------------|-------------------------|-----------|-----------|----------------------|
|                                     | Book value              | Original value of the book | Within 1 year           | 1-2 years | 2-5 years | Over 5 years         |
| Monetary fund                       | 508,511,466.02          | 508,511,466.02             | 508,511,466.02          |           |           |                      |
| Notes receivable                    | 14,855,957.70           | 14,855,957.70              | 14,855,957.70           |           |           |                      |
| Accounts receivable                 | 438,880,830.12          | 555,119,550.49             | 438,880,830.12          |           |           |                      |
| Interest receivable                 | 4,998,982.40            | 4,998,982.40               | 4,998,982.40            |           |           |                      |
| Other receivables                   | 34,266,444.02           | 39,244,121.02              | 34,266,444.02           |           |           |                      |
| Available for sale financial assets | 42,428,388.70           | 47,653,159.50              |                         |           |           | 42,428,388.70        |
| <b>Subtotal</b>                     | <b>1,043,942,068.96</b> | <b>1,170,383,237.13</b>    | <b>1,001,513,680.26</b> |           |           | <b>42,428,388.70</b> |
| Short-term borrowings               | 60,000,000.00           | 60,000,000.00              | 60,000,000.00           |           |           |                      |
| Notes payable                       | 109,546,502.61          | 109,546,502.61             | 109,546,502.61          |           |           |                      |
| Accounts payable                    | 511,076,537.82          | 511,076,537.82             | 511,076,537.82          |           |           |                      |
| Employees' compensation payable     | 55,993,637.27           | 55,993,637.27              | 55,993,637.27           |           |           |                      |
| Taxes payable                       | 2,642,729.69            | 2,642,729.69               | 2,642,729.69            |           |           |                      |
| Dividend payable                    | 533,156.00              | 533,156.00                 | 533,156.00              |           |           |                      |
| Other payables                      | 60,075,814.04           | 60,075,814.04              | 60,075,814.04           |           |           |                      |
| <b>Subtotal</b>                     | <b>799,868,377.43</b>   | <b>799,868,377.43</b>      | <b>799,868,377.43</b>   |           |           |                      |

### 3. Market risk

#### A. Exchange rate risk

Most of the company's business located in China, and settled with RMB. But the company defined exchange rate risk of foreign currency assets and future foreign currency transaction (mainly including USD, JPY, HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk.

① During the current year the company didn't buy any forward foreign exchange contract or swap contract.

② As at 31<sup>st</sup> December 2015, the company's foreign currency assets and foreign currency liabilities listed in RMB as following:

| Items                                | 31-12-2015       |                  |                     |              |                     |
|--------------------------------------|------------------|------------------|---------------------|--------------|---------------------|
|                                      | USD              | JPY              | GBP                 | EUR          | Total               |
| Foreign currency financial assets,   |                  |                  |                     |              |                     |
| Monetary fund                        | 12,746.41        | 12,351.43        |                     | 39.73        | 25,137.57           |
| Notes receivable                     |                  |                  | 1,188,836.80        |              | 1,188,836.80        |
| <b>Subtotal</b>                      | <b>12,746.41</b> | <b>12,351.43</b> | <b>1,188,836.80</b> | <b>39.73</b> | <b>1,213,974.37</b> |
| Foreign currency financial liability |                  |                  |                     |              |                     |
| Accounts payable                     | 43,679.53        |                  | 350,011.84          |              | 393,691.37          |
| <b>Subtotal</b>                      | <b>43,679.53</b> |                  | <b>350,011.84</b>   |              | <b>393,691.37</b>   |

Continued:

| Items                                | 31-12-2014       |                 |                     |              |                     |
|--------------------------------------|------------------|-----------------|---------------------|--------------|---------------------|
|                                      | USD              | JPY             | GBP                 | EUR          | Total               |
| Foreign currency financial assets,   |                  |                 |                     |              |                     |
| Monetary fund                        | 91,285.75        | 8,353.65        | 2,283,436.54        | 41.75        | 2,383,117.69        |
| Notes receivable                     |                  |                 | 2,578,861.20        |              | 2,578,861.20        |
| <b>Subtotal</b>                      | <b>91,285.75</b> | <b>8,353.65</b> | <b>4,862,297.74</b> | <b>41.75</b> | <b>4,961,978.89</b> |
| Foreign currency financial liability |                  |                 |                     |              |                     |
| Accounts payable                     |                  |                 | 347,383.81          |              | 347,383.81          |
| <b>Subtotal</b>                      |                  |                 | <b>347,383.81</b>   |              | <b>347,383.81</b>   |

The sensitive analysis:

As at 31<sup>st</sup> December 2015, because the company's foreign currency assets or liabilities were small, the change of foreign exchange rate had little impact to the company's net profit or shareholders' equity.

#### B. Interest rate risk

The interest risk of the Group incurred from bank loan, interest rate risk of a floating interest rate of financial liabilities that lead to the company facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the company facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. As at 31<sup>st</sup> December 2015, the subsidiary of the company Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short term loan RMB 82,600,000.00 with fixed interest rate.

The financial department of the company continuously monitors the interest rates level, and the management would make some adjustment to face interest rate increasing.

The sensitive analysis:

Base on the assumption of interest rate change of 50 BP, the company's net profit of year 2015 will increase or decrease RMB413,000.00

## X. Fair value

### 1. Items measured at fair value

As at 31 December, 2015, some equity investments of available-for-sale financial assets were measured at the fair value.

Fair value level can be classified according to the input value of the lowest level that is significant to whole measurement of fair value:

First level: quote of same assets or liabilities in an active market (unadjusted).

Second level: directly (price) or indirectly (derive from price) use observable input value other than market quote of assets or liabilities in the first level.

Third level: use any input value not based on observable market data in assets or liabilities (unobservable input value).

### 2. Item measured at fair value at the end of current year

| Items   | Fair value at the end of current year |              |             |                       |
|---|---------------------------------------|--------------|-------------|-----------------------|
|   | First level                           | Second level | Third level | Total                 |
| <b>Sub-total of available for sale financial assets</b> | <b>719,363,590.50</b>                 |              |             | <b>719,363,590.50</b> |
| Debt instrument investment                              |                                       |              |             |                       |
| Equity instrument investment                            | 719,363,590.50                        |              |             | 719,363,590.50        |
| Other investment  |                                       |              |             |                       |
| <b>Total assets</b>                                     | <b>719,363,590.50</b>                 |              |             | <b>719,363,590.50</b> |

3. Determined on the basis of continuous first level for fair value measurement according to the closed price of stock market as at the end of year 2015.

4. The above fair value of the company did not changed in different levels.

5. Financial assets and financial liabilities not measured at fair value mainly include: Cash and bank balances, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, long-term payables, etc. The difference between the book value of financial assets and financial liabilities that are not measured at fair value and fair value is small.

## XI. Related Parties Relationships and Transactions

### 1 Information of the company's parent company

| Name of enterprise              | Registered address | Nature of business | Registered capital | The parent company's shareholding | The parent company's voting right |
|---------------------------------|--------------------|--------------------|--------------------|-----------------------------------|-----------------------------------|
| Dalian Bingshan Group Co., Ltd. | Dalian             | Manufacture        | 158,580,000.00     | 21.34%                            | 21.34%                            |

(1) Information of the company's parent company

Dalian Bingshan Group Co., Ltd. Is a sino -foreign joint venture located No.888 Xinan Road, Shahekou District, Dalian, China. The legal representative person of Dalian Bingshan Group Co., Ltd. Is Homma Tetsuro, and the registered capital is RMB158.58 million. The registered business operation period is from 3<sup>rd</sup> July 1985 to 2<sup>nd</sup> July 2035. The business scope include research, development, manufacture, sales, service and installment of refrigeration product, freezing and cooling product, different size of air-conditioners, petrochemical equipment, electronic and electronic control product, home electronic appliance, environment protect equipment and etc. (Business

needed administrative permission must have the administrative license. )

(2) There is no ultimate controller at the end of the current year.

**2 The information of the subsidiaries please refers to VIII.1 of this note.**

**3 The information of the affiliated company and joint venture please refers to VIII.3 of this note.**

The companies had related party transaction with the company during the current period or had transaction balance at the end of last period, including:

| Names of the joint ventures or affiliated companies                             | Relationships with the Company     |
|---|------------------------------------|
| Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd               | Joint venture of the Company       |
| Dalian Bingshan Engineering & Trading Co., Ltd                                  | Associated companie of the Company |
| Panasonic Refrigeration (Dalian) Co., Ltd                                       | Associated companie of the Company |
| Dalian Honjo Chemical Co., Ltd  | Associated companie of the Company |
| Panasonic Cold-chain (Dalian) Co., Ltd  | Associated companie of the Company |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd                         | Associated companie of the Company |
| Panasonic compressor (Dalian) Co., Ltd  | Associated companie of the Company |
| Dalian Sanyo Meica Electronics Co., Ltd   | Associated companie of the Company |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | Associated companie of the Company |
| Dalian Fuji Bingshan Vending Machine Co., Ltd                                   | Associated companie of the Company |
| Daliian Sanyo High-Efficient Refrigeration System Co., Ltd                      | Associated companie of the Company |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd                                     | Associated companie of the Company |
| Changzhou Jingxue Freezing Equipment Co., Ltd.                                  | Associated companie of the Company |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.                                  | Associated companie of the Company |
| Wuhan Lanning Energy Science Co., Ltd.  | Associated companie of subsidiary  |

Daliian Sanyo High-Efficient Refrigeration System Co., Ltd was a Joint venture of the company during January to July of 2015, and its financial information of January to July of 2015 included in the above form.

#### 4 Other type of the related parties

| Names of the related parties                             | Relationships with the Company              |
|--|---|
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd   | Associated company of Dalian Bingshan Group |
| Dalian Third Refrigeration Equipment Factory             | Subsidiary of Dalian Bingshan Group         |
| Beijing Bingshan Serial Refrigeration Equipment Co., Ltd | Subsidiary of Dalian Bingshan Group         |
| Dalian Spindle Cooling Towers Co., Ltd                   | Associated company of Dalian Bingshan Group |
| Dalian Bingshan Metal Technology Co., Ltd                | Associated company of Dalian Bingshan Group |
| Dalian Mahe Level Control Electrical Appliances Co., Ltd | Associated company of Dalian Bingshan Group |
| Linde Engineering (Dalian) Co., Ltd                      | Associated company of Dalian Bingshan Group |
| BAC Dalian Co., Ltd                                      | Joint venture of Dalian Bingshan Group      |
| Linde Engineering (Hangzhou) Co., Ltd                    | Associated company of Dalian Bingshan Group |

#### 5 The transactions between the Company and the related parties

(1) The consolidated financial statements are based on the financial statements of individual subsidiaries which are included in the consolidation scope and prepared after elimination effect of intra-group transaction.

## (2) Purchases of goods from related parties

| Names of the related parties   | Details of transaction | 2015                  | 2014                  |
|--|------------------------|-----------------------|-----------------------|
| Panasonic Refrigeration (Dalian) Co., Ltd.                                       | Purchases of goods     | 15,802,549.92         | 4,862,468.53          |
| Panasonic Cold Chain (Dalian) Co., Ltd.  | Purchases of goods     | 193,000,774.15        | 17,727,279.07         |
| Panasonic Refrigeration (Dalian) Co., Ltd.                                       | Purchases of goods     | 1,170,571.97          | 2,725,666.67          |
| Dalian Sanyo Meica Electronics Co., Ltd  | Purchases of goods     | 266,054.52            | 444,561.67            |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd                           | Purchases of goods     | 19,240,996.98         | 50,692,001.24         |
| Dalian Third Refrigeration Equipment Factory                                     | Purchases of goods     | 9,477,468.27          | 8,322,630.93          |
| Dalian Spindle Cooling Towers Co., Ltd   | Purchases of goods     | 1,649,338.45          | 740,512.80            |
| BAC Dalian Co., Ltd  | Purchases of goods     | 39,198,256.38         | 48,249,141.90         |
| Dalian Bingshan Engineering & Trading Co., Ltd                                   | Purchases of goods     | 71,456,746.91         | 33,445,174.50         |
| Dalian Bingshan Group Materials Trading Co., Ltd                                 | Purchases of goods     |                       | 1,599,625.64          |
| Dalian Bingshan Metal Technology Co., Ltd  | Purchases of goods     | 316,910.80            | 821,259.04            |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd                        | Purchases of goods     | 763,338.56            | 2,008,804.63          |
| Beijing Bingshan Serial Refrigeration Equipment Co., Ltd                         | Purchases of goods     | 341,880.34            | 44,169.93             |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | Purchases of goods     | 1,398,717.87          |                       |
| Dalian Fuji Bingshan Vending Machine Co., Ltd                                    | Purchases of goods     | 242,187.94            |                       |
| Changzhou Jingxue Freezing Equipment Co., Ltd.                                   | Purchases of goods     | 11,909,299.18         |                       |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | Purchases of goods     | 125,734.92            |                       |
| <b>Total</b>   |                        | <b>366,360,827.16</b> | <b>171,683,296.55</b> |

## (3) Sales of goods to related parties

| Names of the related parties                                      | Details of transaction | 2015          | 2014          |
|---|------------------------|---------------|---------------|
| Panasonic Refrigeration (Dalian) Co., Ltd.                        | Sales of goods         | 27,493,069.64 | 7,015,543.66  |
| Panasonic Cold Chain (Dalian) Co., Ltd.                           | Sales of goods         | 71,856,798.06 | 23,234,625.97 |
| Panasonic Refrigeration (Dalian) Co., Ltd.                        | Sales of goods         | 5,196,070.67  | 7,516,298.00  |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd            | Sales of goods         | 776,009.44    | 1,166,100.16  |
| Dalian Third Refrigeration Equipment Factory                      | Sales of goods         | 1,821,581.25  | 5,296,508.27  |
| BAC Dalian Co., Ltd   | Sales of goods         | 96,085.47     | 1,937,329.05  |
| Dalian Bingshan Engineering & Trading Co., Ltd                    | Sales of goods         | 97,111,776.90 | 90,440,496.58 |
| Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd | Sales of goods         | 6,538.47      | 512,915.66    |
| Beijing Bingshan Serial Refrigeration Equipment Co., Ltd          | Sales of goods         | 650,900.00    | 1,249,788.89  |
| Beijing Huashang Bingshan Serial Refrigeration Equipment Co., Ltd | Sales of goods         | 64,232,868.76 | 33,805,364.72 |
| Dalian Fuji Bingshan Vending Machine Co., Ltd                     | Sales of goods         | 18,409,705.00 | 2,991,827.62  |



| Names of the related parties                              | Details of transaction | 2015                  | 2014                  |
|---|------------------------|-----------------------|-----------------------|
| Dalian Mahe Level Control Electrical Appliances Co., Ltd  | Sales of goods         | 52,355.30             | 106,730.07            |
| Dalian Bingshan Metal Technology Co., Ltd                 | Sales of goods         | 84,149.31             | 136,573.08            |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd | Sales of goods         | 421,892.88            | 509,530.14            |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd               | Sales of goods         | 7,621,072.14          | 3,334,001.80          |
| Dalian Honjo Chemical Co., Ltd                            | Sales of goods         |                       | 15,219.80             |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.  | Sales of goods         | 766,404.00            |                       |
| Changzhou Jingxue Freezing Equipment Co., Ltd.            | Sales of goods         | 105,270.84            |                       |
| Dalian Spindle Cooling Towers Co., Ltd                    | Sales of goods         | 1,474,155.53          |                       |
| <b>Total</b>  |                        | <b>298,176,703.66</b> | <b>179,268,853.47</b> |

## (4) Leasing fee from related party

| Lessee   | Leasing assets | Rental income of current year | Rental income of previous year |
|--|----------------|-------------------------------|--------------------------------|
| Dalian Bingshan Group Co., Ltd.                | Offices        | 103,680.00                    | 103,680.00                     |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd.   | Workshops      | 4,200,000.00                  | 1,575,000.00                   |
| Dalian Bingshan Engineering & Trading Co., Ltd | Offices        | 124,740.00                    |                                |
| <b>Total</b>                                   |                | <b>4,428,420.00</b>           | <b>1,678,680.00</b>            |

## Leasing fee to related party

| Leaser                          | Leasing assets | Rental fees of current year | Rental fees of previous year |
|---------------------------------|----------------|-----------------------------|------------------------------|
| Dalian Bingshan Group Co., Ltd. | Offices        | 142,572.00                  | 142,572.00                   |
| <b>Total</b>                    |                | <b>142,572.00</b>           | <b>142,572.00</b>            |

The Company signed a leasing agreement with Dalian Bingshan Group Co., Ltd., and leased 576 m<sup>2</sup> of offices to Dalian Bingshan Group Co., Ltd. The rental of offices is RMB 103,680.00 per year, and the effective period of the contract is 2 years.

The Company rent office and garage of Dalian Bingshan Group Co., Ltd., and the rental is RMB142,572.00 per year for 3 years.

The company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co.,Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co.,Ltd. The rental area is 15,259.04 m<sup>2</sup>, and annual rent is RMB 4.2 million since 15<sup>th</sup> August, 2014 to 16<sup>th</sup> July, 2029.

The Company signed a leasing agreement with Dalian Bingshan International Trade Co., Ltd., and leased 693 m<sup>2</sup> of offices to Dalian Bingshan International Trade Co., Ltd. The rental of offices is RMB 124,740.00 per year, and the effective period of the contract is 2 years.

(5) No guarantee with related companies.

## (6) The borrowing of funds from related party

| Name of the related party       | Amount               | Starting date | Ending date | Explanation                         |
|---------------------------------|----------------------|---------------|-------------|-------------------------------------|
| Dalian Bingshan Group Co., Ltd. | 10,000,000.00        | 2006.09       |             | Borrowed for moving to new location |
| <b>Total</b>                    | <b>10,000,000.00</b> |               |             |                                     |

The Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. borrowed RMB 10,000,000.00 from Dalian Bingshan Group Co., Ltd. for moving to new location, and the interests are counted same as bank loan and interest RMB547,083.33 paid during the current period.

The Company's subsidiary Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI") borrowed RMB 15,500,000.00 from Dalian Bingshan Group Co., Ltd. for construction project, and the interests are counted same as bank loan and interest RMB483,611.11 paid during the current period. At the end of the current year, the loan was paid back.

## 7 Related party asset transfer and debt restructuring

Not applicable.

## 8 Rewards for the key management personnel

| Items   | 2015         | 2014         |
|---|--------------|--------------|
| Total rewards for the key management person ( tax included) | 3,753,800.00 | 3,063,100.00 |

## 9 Other transactions between the Company and the related parties

| Transaction type      | Name of the related party                      | 2015                 | 2014                | Pricing and decision procedure   |
|-----------------------|--|----------------------|---------------------|----------------------------------|
| Shareholding transfer | Dalian Bingshan Group Co., Ltd.                | 25,861,136.84        | 2,281,000.00        | Resolution of Board of Directors |
| Shareholding transfer | Dalian Bingshan Group Import & Export Co., Ltd | 6,024,000.00         |                     | Resolution of Board of Directors |
| <b>Total</b>          |  | <b>31,885,136.84</b> | <b>2,281,000.00</b> |                                  |

(1) According to the 18th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 19% shareholdings of Wuhan New World Refrigeration Industrial Co., Ltd. ("WNWRI") from Dalian Bingshan Group Co., Ltd. with the price of RMB25,861,136.84.

(2) According to the 20th meeting of the 6th session of the Company's Board of Directors, the Company was transferred 40% shareholdings of Bingshan Technical Service (Dalian) Co., Ltd. from Dalian Bingshan International Trade Co., Ltd. with the price of RMB 6,024,000.00.

## 10 Amounts due from/to related parties

(1) Accounts receivable

| Names of the related parties                    | 31-12-2015    |                         | 31-12-2014   |                         |
|---|---------------|-------------------------|--------------|-------------------------|
|   | Amount        | Provision for bad debts | Amount       | Provision for bad debts |
| Panasonic Compressor (Dalian) Co., Ltd.         | 265,820.40    | 27,166.02               | 91,852.00    | 7,367.60                |
| Panasonic Refrigeration (Dalian) Co., Ltd.      | 5,473,096.64  | 273,654.83              | 2,735,787.19 | 136,789.36              |
| Panasonic Cold-chain (Dalian) Co., Ltd.         | 25,195,419.27 | 1,259,770.96            | 2,082,509.89 | 109,302.98              |
| Dalian Bingshan Engineering & Trading Co., Ltd. | 3,410,519.80  | 170,525.99              | 1,155,043.14 | 57,752.16               |

|  |               |              |              |            |
|--|---------------|--------------|--------------|------------|
| BAC Dalian Co., Ltd.   | 112,420.00    | 5,621.00     | 5,600.00     | 280.00     |
| Beijing Bingshan Serial Refrigeration Equipment Co., Ltd.                        | 484,253.52    | 24,212.68    | 378,597.55   | 18,929.88  |
| Dalian Bingshan – P&A Recreation Development Engineering Ltd.                    | 24,430.00     | 2,443.00     | 215,180.00   | 10,759.00  |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 40,803,001.99 | 2,093,750.10 | 3,713,359.64 | 220,467.98 |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.                                   | 10,776,362.22 | 538,818.11   | 318,714.88   | 15,935.74  |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.                       |               |              | 142,907.59   | 7,145.38   |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | 28,989.23     | 1,449.46     | 461,942.00   | 23,097.10  |
| Dalian Spindle Cooling Towers Co., Ltd   | 917,881.08    | 45,894.05    |              |            |
| Dalian Third Refrigeration Equipment Factory                                     | 5,642.60      | 282.13       |              |            |

## (2) Notes receivable

| Names of the related parties  | 31-12-2015    | 31-12-2014   |
|---|---------------|--------------|
| Panasonic Compressor (Dalian) Co., Ltd  | 1,052,980.08  | 1,868,896.93 |
| Dalian Bingshan Group Import & Export Co., Ltd                                  | 9,847,217.00  |              |
| BAC Dalian Co., Ltd   | 100,000.00    |              |
| Panasonic Cold Chain (Dalian) Co., Ltd  | 20,163,705.41 | 1,875,903.71 |
| Panasonic Refrigeration (Dalian) Co., Ltd                                       | 2,909,535.58  | 227,535.94   |
| Beijing Bingshan Serial Refrigeration Equipment Co., Ltd                        | 1,100,000.00  | 2,000,000.00 |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | 4,000,000.00  | 5,000,000.00 |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                   | 6,294,283.14  |              |
| Dalian Spindle Cooling Towers Co., Ltd  | 1,494,656.98  |              |

## (3) Accounts paid in advance

| Names of the related parties   | 31-12-2015    | 31-12-2014   |
|--|---------------|--------------|
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 378,268.10    |              |
| Dalian Bingshan International Trading Co., Ltd                                   | 18,068,922.66 | 2,698,283.12 |
| Changzhou Jingxue Freezing Equipment Co., Ltd.                                   | 268,714.00    |              |

## (4) Other accounts receivable

| Name of the related party               | 31-12-2015 |                         | 31-12-2014 |                         |
|---|------------|-------------------------|------------|-------------------------|
|   | Amount     | Provision for bad debts | Amount     | Provision for bad debts |
| Panasonic Cold-chain (Dalian) Co., Ltd. |            |                         | 137,520.50 | 6,876.03                |

## (5) Notes payable

| Names of the related parties                               | 31-12-2015   | 31-12-2014   |
|--|--------------|--------------|
| Dalian Bingshan Group Co., Ltd.                            |              | 760,794.55   |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd.    | 6,897,040.82 | 8,000,000.00 |
| BAC Dalian Co., Ltd.                                       | 1,600,000.00 | 700,000.00   |
| Dalian Bingshan Group Materials Trading Co., Ltd.          | 1,597,350.00 |              |
| Dalian Bingshan Group Import & Export Co., Ltd.            | 2,543,514.28 | 649,748.52   |
| Dalian Third Refrigeration Equipment Factory               | 2,730,000.00 | 300,000.00   |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. |              | 600,000.00   |
| Dalian Spindle Cooling Towers Co., Ltd.                    | 1,107,249.00 | 52,000.00    |
| Changzhou Jingxue Freezing Equipment Co., Ltd.             | 4,227,728.00 |              |
| Panasonic Compressor (Dalian) Co., Ltd.                    | 136,199.00   |              |
| Dalian Bingshan Metal Processing Co., Ltd.                 | 100,000.00   |              |

## (6) Accounts payable

| Names of the related parties                               | 31-12-2015    | 31-12-2014    |
|--|---------------|---------------|
| Dalian Third Refrigeration Equipment Factory               | 3,437,911.21  | 1,507,966.95  |
| BAC Dalian Co., Ltd.                                       | 40,548,590.02 | 21,593,357.00 |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd.    | 8,860,105.57  | 6,536,438.32  |
| Panasonic Refrigeration (Dalian) Co., Ltd.                 |               | 195,000.00    |
| Panasonic Cold Chain (Dalian) Co., Ltd.                    | 32,804,524.70 | 12,531.00     |
| Dalian Sanyo Meica Electronics Co., Ltd.                   | 114,905.11    | 221,236.85    |
| Dalian Spindle Cooling Towers Co., Ltd.                    | 344,750.00    | 269,499.00    |
| Dalian Bingshan Engineering & Trading Co., Ltd.            | 5,671,660.46  | 2,849,467.19  |
| Panasonic Compressor (Dalian) Co., Ltd.                    | 45,650.00     | 25.50         |
| Changzhou Jingxue Freezing Equipment Co., Ltd.             | 5,742,746.00  |               |
| Dalian Bingshan Metal Technology Co., Ltd.                 | 222,692.68    | 251,907.04    |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd. |               | 792,639.78    |

## (7) Accounts received in advance

| Names of the related parties   | 31-12-2015   | 31-12-2014 |
|--|--------------|------------|
| Dalian Bingshan Engineering & Trading Co., Ltd.                                  | 79,008.70    | 394,474.36 |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 352,929.50   |            |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | 5,850.00     |            |
| Panasonic Cold Chain (Dalian) Co., Ltd.  | 1,466,923.23 |            |

## (8) Other accounts payable

| Names of the related parties   | 31-12-2015    | 31-12-2014    |
|--|---------------|---------------|
| Dalian Bingshan Group Co., Ltd.  | 10,412,056.06 | 10,015,792.27 |
| Dalian Third Refrigeration Equipment Factory                                     | 1,000.00      | 1,000.00      |
| Dalian Bingshan Engineering & Trading Co., Ltd.                                  | 346.00        | 17,441.44     |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | 152,371.59    | 475,863.95    |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 61,241.27     |               |

**11 Related party commitment**

To ease the construction fund demand pressures of Wuhan New World Refrigeration Industry Co., Ltd. a wholly owned subsidiary company, Dalian Bingshan Group Co., Ltd. using its own funds to provide loan to Wuhan New World Refrigeration Industry Co., Ltd. not exceed RMB20 million yuan for not more than 12 months with the same period bank loans interest rates.

**XII. Stock payment****1.The Stock payment overall situation**

|   |   |
|---|---|
| The current total equity instruments granted to the company   | 10,150,000.00   |
| Amount of the equity instruments company right of this line   | 10,150,000.00   |
| Company current total failure of the equity instruments   | 0.00  |
| The granted price and remaining contract term of the restricted shares outstanding at the end of current year | RMB5.56 per share, 3 remaining contract terms were 12 months, 24 months and 36 months |

**2.The Stock payment settled by equity**

|   |   |
|---|---|
| The determined methods of the fair value of the equity instruments granted to date              | Fair value of the stock on the granted date |
| Determine the number of vested equity instruments   | Actual number of exercised                  |
| This estimate and it is estimated that there are significant differences of the previous period | No  |
| Equity-settled share-based payment included in the total amount of capital reserves             | 12,190,520.00                               |
| This period of equity-settled share-based payment confirmation total costs                      | 12,190,520.00                               |

According to the the 13th and 15th Meeting of 6th Session of the Board of Directors of the Company, and the Listed Company Equity Incentive Management Measures (Trial), and the authorization of 1st Extraordinary Shareholders' General Meeting of 2015, the Board convinced that the granting conditions according to restricted stock incentive plan of the Company have been achieved, thus agreed to make the grant day on March 4, 2015, and granted 10,150 ,000 shares restricted stock to the incentive object.

**XIII.Commitments and Contingency**

- 1 No major commitments to be disclosed at the end of year 2015.
- 2 No other contingency needed disclosed at the end of year 2015.

**XIV. Post balance sheet issues****1 Significant events had not adjusted****(1) Issue shares**

The company received the "Reply of Approval for the Non-Public Issuance of A Stocks by Dalian Refrigeration Co., Ltd. from CSRC on December 31, 2015. The company has been approved to issue no more than 38,821,954 new shares. The approval will remain available in six months since the date when it was granted.

**(2)Investment**

Not investment.

**(3)Subsidiary absorbing and merging subsidiary**

Resolution of 15th meeting of 6th session of the Board of directors agreed the Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. plans to absorb and merge Dalian Bingshan Metal Processing Co., Ltd. The benchmark date for absorbing and merging was made on 31<sup>st</sup> December 2014. After absorbing and merging, Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. will be the surviving company. The Company will hold 95% shareholders of Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.Until the report date, the above absorbing and merging was processing.

(4) Significant lawsuit, arbitration and commitment

Not applicable.

(5) Others

The Company received the notice from the controlling shareholder Dalian Bingshan Group Co., Ltd. ("Bingshan Group") on February 22, 2016. Bingshan Group have increased holdings of 1,000,000 A shares of the Company through the Shenzhen stock exchange securities trading system on February 22, 2016, accounting for about 0.28% of the total issued shares of the Company. Before the increased holdings, Bingshan Group held 76,855,683 shares of the Company, accounting for about 21.34% of the total issued shares of the Company. After the increased holdings, Bingshan Group hold 77,855,683 shares of the Company, accounting for about 21.62% of the total issued shares of the Company.

Resolution of 2nd meeting of 7th session of the Board of directors agreed to provide guarantee to Dalian Bingshan Group Co., Ltd. for obtaining Development Fund of National Development Bank. Total amount of the loan was RMB120 million with interest rate 1.2%, and the loan period was 10 years. The fund can only be used for cold chain green intelligent equipment and the development of service industry. When Dalian Bingshan Group Co., Ltd. receives the fund, they will transfer all the fund to the company with the same conditions.

## 2 Information about profit distribution of post balance sheet

| Items  | Amount        |
|--|---------------|
| Dividend proposed to be distributed after balance sheet date | 36,016,497.50 |
| Dividend approved to be distributed by the General Meeting   |               |

Board of directors proposed to withdraw the other reserved capital on the basis of 20% of the Company's net profit and distribute cash dividend of RMB 0.1 per share and using capital surplus RMB0.5 per share to add capital, the cash dividend of B shareholders will be converted to Hong Kong dollar and paid. The dividend was calculated according to the total share capital after share granted i.e. 360,164,975 shares, and it was not recognized as a liability on the financial statements in current report period.

## 3 Significant sales return after balance sheet day

Not applicable.

## 4 There was no other post balance sheet significant events except above mentioned.

## XV. Other important things needed disclosed.

### 1 There was no corrections of prior period accounting errors during the current period.

### 2 Debt restructuring during the current period.

During the reporting period, the company signed a creditor's rights transfer agreement with Dalian Xinghaiwan Development and Construction Management Center and Dalian Ganghe Economic and Trade Co., Ltd., and the company losses RMB586,377.00 in this debt restructuring.

### 3 There was no assets exchange during the current period.

### 4 The Company didn't design employer pension plan.

### 5 There was no discontinuing operation during the current period.

## 6 Segment information

### (1) Standards and accounting policies of reporting segment

The company determines operating segment according to its organization structure, management rules, inside reporting system. The operating segment should satisfy following conditions:

- ① The operating segment could generate income and incur expenses from normal operating activities;
- ② The management could evaluate its operating effect, and then decide resources assignment and its

operating performance;

③The segment's information of financial position and results of operations and cash flow could be obtained.

The company determines reporting segment based on operating segments. The reporting segment should satisfy one of the following conditions:

- ① The operating segment's income should be over 10% of total income;
- ② The number of the operating segment's profit(or loss) should be over 10% of the number of total profit and the number of total losses.

The transfer prices between segments were decided according to the market prices. The expenses of common assets used by segments and other common expenses should be divided among the segments according to the income.

(2) Elements of determining reporting segment and types of reporting segments' products and services

The company determined three reporting segments according to the geographic area, including Northeast China, Central China and East China. The Northeast China segment included the company's head office and subsidiaries located in Dalian. The Central China segment included subsidiary company Wuhan New World Refrigeration Industrial Co., Ltd. And the East China segment included subsidiary's subsidiary company Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd.

(3) The financial information of reporting segments(unit: RMB10 million)

| Items   | 31-12-2015/2015 |               |            |           |            |
|---|-----------------|---------------|------------|-----------|------------|
|   | Northeast China | Central China | East China | Offset    | Total      |
| 1 Operating income  | 187,030.09      | 25,728.41     | 3,817.19   | 55,823.84 | 160,751.85 |
| Including: Income from external transaction                     | 143,011.97      | 15,948.33     | 1,791.55   |           | 160,751.85 |
| Income from internal transaction                                | 44,018.12       | 9,780.08      | 2,025.64   | 55,823.84 |            |
| 2 Selling expenses  | 172,737.59      | 26,680.89     | 3,812.12   | 55,552.28 | 147,678.32 |
| Including: Investment income from associates and joint ventures | 12,566.39       | 0.69          |            |           | 12,567.08  |
| Impairment on assets  | 982.91          | 728.69        | 0.76       |           | 1,712.36   |
| Depreciation and amortization                                   | 3,363.82        | 1,067.73      | 12.01      |           | 4,443.56   |
| 3 Operating profits(loss)                                       | 14,644.95       | -847.98       | 230.17     | 432.38    | 13,594.76  |
| 4 Income tax  | 456.95          | -39.69        | 56.00      |           | 473.26     |
| 5 Net profit(loss)  | 14,188.00       | -808.28       | 174.16     | 432.38    | 13,121.50  |
| 6 Total assets  | 405,212.84      | 49,854.55     | 2,435.96   | 49,253.36 | 408,249.99 |
| 7 Total liabilities   | 121,861.60      | 37,074.47     | 1,827.56   | 23,900.31 | 136,863.32 |
| 8 Other significant non cash items                              | 28,755.40       | 3,088.38      | 44.27      | 1,555.58  | 30,332.47  |
| Capital expenditure   | 28,755.40       | 3,088.38      | 44.27      | 1,555.58  | 30,332.47  |

The accounting policies of every operating segment were the same with described in the note IV. The main accounting policies, accounting estimates and corrections of accounting errors.

**7 There was no significant event which would affect the decision of investor during the current period.**



## XVI. Notes to the financial statements of the parent company

## 1 Accounts receivable

## (1) Classified by accounts nature

| Categories   | 31-12-2015            |                |                             |                |                       |
|--|-----------------------|----------------|-----------------------------|----------------|-----------------------|
|  | Balance               |                | Provision for doubtful debt |                | Book value            |
|  | Amount                | Proportion (%) | Amount                      | Proportion (%) |                       |
| Major single amount and bad debt provision provided individually |                       |                |                             |                |                       |
| Bad debt provided on group basis                                 | 262,260,040.72        | 100            | 65,568,099.85               | 25.00          | 196,691,940.87        |
| Minor single amount but bad debt provision provided individually |                       |                |                             |                |                       |
| <b>Total</b>   | <b>262,260,040.72</b> | <b>100</b>     | <b>65,568,099.85</b>        | <b>25.00</b>   | <b>196,691,940.87</b> |

Continued:

| Categories   | 31-12-2014            |                |                             |                |                       |
|--|-----------------------|----------------|-----------------------------|----------------|-----------------------|
|  | Balance               |                | Provision for doubtful debt |                | Book value            |
|  | Amount                | Proportion (%) | Amount                      | Proportion (%) |                       |
| Major single amount and bad debt provision provided individually |                       |                |                             |                |                       |
| Bad debt provided on group basis                                 | 277,119,839.64        | 100            | 71,812,337.04               | 25.91          | 205,307,502.60        |
| Minor single amount but bad debt provision provided individually |                       |                |                             |                |                       |
| <b>Total</b>   | <b>277,119,839.64</b> | <b>100</b>     | <b>71,812,337.04</b>        | <b>25.91</b>   | <b>205,307,502.60</b> |

Accounts receivable which bad debt provisions are provided on age basis in the group

| Account ages  | 31-12-2015            |                         |                      |
|---------------|-----------------------|-------------------------|----------------------|
|               | Amount                | Provision for bad debts | Proportion rates (%) |
| Within 1 year | 90,757,943.34         | 3,075,608.37            | 5                    |
| 1 to 2 years  | 80,772,588.11         | 8,077,258.81            | 10                   |
| 2 to 3 years  | 32,194,417.23         | 9,658,325.17            | 30                   |
| 3 to 4 years  | 23,806,468.74         | 11,903,234.37           | 50                   |
| 4 to 5 years  | 9,374,750.85          | 7,499,800.68            | 80                   |
| Over 5 years  | 25,353,872.45         | 25,353,872.45           | 100                  |
| <b>Total</b>  | <b>262,260,040.72</b> | <b>65,568,099.85</b>    |                      |

## (2) Provision for bad debts accrued, regain or switch back in the period

In the current period, RMB-4,997,926.80 were accrued provision for bad debts, and no amount was switched back or regained.

## (3) The write-off of accounts receivable during the reporting period

| Items      | Written off amount |
|------------|--------------------|
| 14 clients | 1,246,310.39       |

The reasons of accounts receivable write-off include termination of operation and disability of payment, winning lawsuits but not finding executable assets, small balance not being collected for long time, and disagreement rework charges etc.

(4) Accounts receivable top 5 on amount

| Companies  | Amount               | Proportion(%) | Provision for bad debts |
|--|----------------------|---------------|-------------------------|
| Dalian Bingshan Group Sales Co., Ltd.  | 29,245,775.90        | 11.15         |                         |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 12,971,857.08        | 4.95          | 805,266.16              |
| Beidahuang Taihua Organic Foods Co., Ltd.  | 9,068,326.88         | 3.46          | 453,416.34              |
| COFCO Meat (Suqian) Co., Ltd.  | 7,178,265.85         | 2.74          | 3,557,470.93            |
| Yidu (Shenyang) Cold-chain Logistics Development Co., Ltd.                       | 6,463,166.00         | 2.46          | 608,297.57              |
| <b>Total</b>   | <b>64,927,391.71</b> | <b>24.76</b>  | <b>5,424,451.00</b>     |

## 2 Other accounts receivable

(1) Classified by account nature

| Items  | 31-12-2015           |                |                             |                |                      |
|--|----------------------|----------------|-----------------------------|----------------|----------------------|
|  | Balance              |                | Provision for doubtful debt |                | Book value           |
|  | Amount               | Proportion (%) | Amount                      | Proportion (%) |                      |
| Major single amount and bad debt provision provided individually |                      |                |                             |                |                      |
| Bad debt provided on group basis                                 | 45,196,469.56        | 100            | 1,504,857.11                | 3.33           | 43,691,612.45        |
| Minor single amount but bad debt provision provided individually |                      |                |                             |                |                      |
| <b>Total</b>   | <b>45,196,469.56</b> | <b>100</b>     | <b>1,504,857.11</b>         | <b>3.33</b>    | <b>43,691,612.45</b> |

Continued :

| Items  | 31-12-2014           |                |                             |                |                      |
|--|----------------------|----------------|-----------------------------|----------------|----------------------|
|  | Balance              |                | Provision for doubtful debt |                | Book value           |
|  | Amount               | Proportion (%) | Amount                      | Proportion (%) |                      |
| Major single amount and bad debt provision provided individually |                      |                |                             |                |                      |
| Bad debt provided on group basis                                 | 23,056,627.39        | 100            | 1,790,721.85                | 7.77           | 21,265,905.54        |
| Minor single amount but bad debt provision provided individually |                      |                |                             |                |                      |
| <b>Total</b>   | <b>23,056,627.39</b> | <b>100</b>     | <b>1,790,721.85</b>         | <b>7.77</b>    | <b>21,265,905.54</b> |

Other accounts receivable which bad debt provisions are provided on age basis in the group

| Account ages  | 31-12-2015           |                         |                      |
|---------------|----------------------|-------------------------|----------------------|
|               | Amount               | Provision for bad debts | Proportion rates (%) |
| Within 1 year | 35,185,120.47        | 72,797.27               | 5                    |
| 1 to 2 years  | 8,817,850.99         | 881,785.10              | 10                   |
| 2 to 3 years  | 659,047.48           | 197,714.24              | 30                   |
| 3 to 4 years  | 250,000.00           | 125,000.00              | 50                   |
| 4 to 5 years  | 284,450.62           | 227,560.50              | 80                   |
| <b>Total</b>  | <b>45,196,469.56</b> | <b>1,504,857.11</b>     |                      |

## (2) Provision for bad debts accrued, regain or switch back in the period

In the current period, RMB-274,276.24 were accrued provision for bad debts, and no amount was switched back or regained.

## (3) The write-off of other accounts receivable during the reporting period

| Items     | Written off amount |
|-----------|--------------------|
| 2 clients | 11,588.50          |

## (4) The nature of other accounts receivable

| Items                               | 31-12-2015           | 31-12-2014           |
|-------------------------------------|----------------------|----------------------|
| Guarantee deposits                  | 11,391,139.57        | 20,951,410.09        |
| Petty cash                          | 76,154.99            | 97,241.00            |
| To or fro accounts                  | 33,729,175.00        |                      |
| Prepayments over settlement periods |                      | 2,007,976.30         |
| <b>Total</b>                        | <b>45,196,469.56</b> | <b>23,056,627.39</b> |

## (5) Top 5 on amount of other accounts receivable

| Companies   | Nature                           | Amount               | Ages   | Proportion (%) | Ending balance of provision for bad debts |
|---|----------------------------------|----------------------|--|----------------|---|
| Wuhan New World Refrigeration Industrial Co., Ltd.                          | To or fro accounts               | 33,729,175.00        | Less than 1 year                                   | 74.63          |   |
| Dalian Tianbao Green Foods Co., Ltd.  | Performance bonds                | 8,000,000.00         | 1 to-2 years                                       | 17.70          | 800,000.00                                |
| Dalian Jinzhou District Building Energy Save Administration Office          | Guarantee deposits               | 1,852,574.57         | Less than 1 year , 1-2 years, 2-3 years, 4-5 years | 4.10           | 315,242.86                                |
| Dalian Construction Project Labour Insurance Expenses Administration Center | Wage deposits of migrant workers | 500,000.00           | 2 to 3 years                                       | 1.11           | 150,000.00                                |
| Dalian Detai Ganghua Gas Co., Ltd.  | Guarantee deposits               | 400,000.00           | 1 to 2 years                                       | 0.89           | 40,000.00                                 |
| <b>Total</b>  |                                  | <b>44,481,749.57</b> |  | <b>98.43</b>   | <b>1,305,242.86</b>                       |

(6) The reason of the ending balance of other accounts receivable increased 105.45% compared with the beginning balance was amount due from Wuhan New World Refrigeration Industrial Co.,

Ltd. increased.

### 3 Long-term equity investments

| Nature                                | 31-12-2015              |                          |                         | 31-12-2014              |                          |                         |
|---------------------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
|                                       | Book balance            | Provision for impairment | Book value              | Book balance            | Provision for impairment | Book value              |
| Subsidiaries                          | 246,597,906.16          |                          | 246,597,906.16          | 107,629,071.42          |                          | 107,629,071.42          |
| Joint ventures & affiliated companies | 1,214,360,893.12        |                          | 1,214,360,893.12        | 1,039,229,738.85        |                          | 1,039,229,738.85        |
| <b>Total</b>                          | <b>1,460,958,799.28</b> |                          | <b>1,460,958,799.28</b> | <b>1,146,858,810.27</b> |                          | <b>1,146,858,810.27</b> |

## (1) Subsidiaries

| Names   | Initial cost          | Beginning balance     | Increased during current year | Decreased during current year | Ending balance        | Provision for impairment of the current period | Provision for impairment |
|---|-----------------------|-----------------------|-------------------------------|-------------------------------|-----------------------|--|--------------------------|
| Dalian Bingshan Group Engineering Co., Ltd.                         | 22,749,675.77         | 20,036,841.62         | 2,712,834.15                  |                               | 22,749,675.77         |  |                          |
| Dalian Bingshan Group Sales Co., Ltd.                               | 12,936,700.00         | 12,936,700.00         |                               |                               | 12,936,700.00         |  |                          |
| Dalian Bingshan Metal Processing Co., Ltd.                          | 21,751,244.60         | 12,501,344.60         | 9,249,900.00                  |                               | 21,751,244.60         |  |                          |
| Dalian Bingshan Air-conditioning Equipment Co., Ltd.                | 36,506,570.00         | 36,506,570.00         |                               |                               | 36,506,570.00         |  |                          |
| Dalian Bingshan Guardian Automation Co., Ltd.                       | 1,522,117.80          | 1,522,117.80          |                               |                               | 1,522,117.80          |  |                          |
| Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.         | 5,745,097.40          | 5,745,097.40          |                               |                               | 5,745,097.40          |  |                          |
| Wuhan New World Refrigeration Industrial Co., Ltd.                  | 84,674,910.81         | 17,980,400.00         | 66,694,510.81                 |                               | 84,674,910.81         |  |                          |
| Wuhan New World Refrigeration Air Conditioner Engineering Co., Ltd. | 400,000.00            | 400,000.00            |                               |                               | 400,000.00            |  |                          |
| Bingshan Technical Service (Dalian) Co., Ltd.                       | 12,024,000.00         |                       | 12,024,000.00                 |                               | 12,024,000.00         |  |                          |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.          | 48,287,589.78         |                       | 48,287,589.78                 |                               | 48,287,589.78         |  |                          |
| <b>Total</b>  | <b>246,597,906.16</b> | <b>107,629,071.42</b> | <b>138,968,834.74</b>         |                               | <b>246,597,906.16</b> |  |                          |

## (2) Joint ventures&amp; associated companies

| Names  | Beginning balance   | Increase/Decrease |           |   |  |                         |  |  |        | Ending balance      | Provision for impairment |
|--|---------------------|-------------------|-----------|---|--|-------------------------|--|--|--------|---------------------|--------------------------|
|  |                     | Increased         | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others |                     |                          |
| <b>1. Joint ventures</b>   |                     |                   |           |   |  |                         |  |  |        |                     |                          |
| Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd. | 3,553,919.97        |                   |           | -716,822.16   |  |                         |  |  |        | 2,837,097.81        |                          |
| <b>Subtotal</b>  | <b>3,553,919.97</b> |                   |           | <b>-716,822.16</b>                                  |  |                         |  |  |        | <b>2,837,097.81</b> |                          |
| <b>2. Associated companies</b>                                     |                     |                   |           |   |  |                         |  |  |        |                     |                          |

| Names  | Beginning balance       | Increase/Decrease     |           |   |  |                         |                                       |  |                       | Ending balance          | Provision for impairment |
|--|-------------------------|-----------------------|-----------|---|--|-------------------------|---------------------------------------|--|-----------------------|-------------------------|--------------------------|
|  |                         | Increased             | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced issue | Provision for impairment of the current period | Others                |                         |                          |
| Dalian Bingshan International Trade Co., Ltd.                                    | 13,716,985.57           |                       |           | 1,974,116.05  |  |                         |                                       |  |                       | 15,691,101.62           |                          |
| Panasonic Refrigeration (Dalian) Co., Ltd.                                       | 155,826,086.27          |                       |           | 8,600,021.37  |  |                         | 5,200,000.00                          |  |                       | 159,226,107.64          |                          |
| Dalian Honjo Chemical Co., Ltd.  | 9,403,913.18            |                       |           | 528,860.67  |  |                         | 1,203,061.37                          |  |                       | 8,729,712.48            |                          |
| Panasonic Cold-chain (Dalian) Co., Ltd.  | 215,573,606.48          |                       |           | 8,145,919.40  |  |                         | 8,000,000.00                          |  |                       | 215,719,525.88          |                          |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.                         | 42,333,942.39           |                       |           | 15,873,092.90                                       |  |                         | 9,600,000.00                          |  |                       | 48,607,035.29           |                          |
| Panasonic Compressor (Dalian) Co., Ltd.  | 432,515,006.40          |                       |           | 59,377,362.52                                       |  |                         | 34,000,000.00                         |  |                       | 457,892,368.92          |                          |
| Dalian Sanyo Meica Electronics Co., Ltd.   | 23,233,848.71           |                       |           | -1,275,779.47                                       |  |                         |                                       |  |                       | 21,958,069.24           |                          |
| MHI Bingshan Refrigeration (Dalian) Co., Ltd.                                    | 29,294,087.63           |                       |           | -7,017,754.79                                       |  |                         |                                       |  |                       | 22,276,332.84           |                          |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 1,425,989.62            | 1,754,200.00          |           | -1,243,542.64                                       |  |                         |                                       |  |                       | 1,936,646.98            |                          |
| Dalian Fuji Bingshan Vending Machine Co., Ltd.                                   | 89,896,843.61           |                       |           | 28,686,407.19                                       |  |                         | 5,314,796.52                          |  |                       | 113,268,454.28          |                          |
| Dalian Sanyo High-Efficient Refrigeration System Co., Ltd.                       | 22,455,509.02           | 26,993,388.94         |           | -1,161,308.18                                       |  |                         |                                       |  | -48,287,589.78        |                         |                          |
| Changzhou Jingxue Freezing Equipment Co., Ltd.                                   |                         | 130,000,000.00        |           | 11,722,024.61                                       |  |                         |                                       |  |                       | 141,722,024.61          |                          |
| Beijing Huashang Bingshan Serial Refrigeration Equipment Co., Ltd.               |                         | 2,450,000.00          |           | 2,044,158.79  |  | 2,256.74                |                                       |  |                       | 4,496,415.53            |                          |
| <b>Subtotal</b>  | <b>1,035,675,818.88</b> | <b>161,197,588.94</b> |           | <b>126,253,578.42</b>                               |  | <b>2,256.74</b>         | <b>63,317,857.89</b>                  |  | <b>-48,287,589.78</b> | <b>1,211,523,795.31</b> |                          |
| <b>Total</b>   | <b>1,039,229,738.85</b> | <b>161,197,588.94</b> |           | <b>125,536,756.26</b>                               |  | <b>2,256.74</b>         | <b>63,317,857.89</b>                  |  | <b>-48,287,589.78</b> | <b>1,214,360,893.12</b> |                          |

**4 Total operating income and operating cost**

| Items          | 2015                  |                       | 2014                  |                       |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                | Income                | Cost                  | Income                | Cost                  |
| Key business   | 529,921,896.78        | 439,578,679.65        | 815,254,802.52        | 637,291,434.88        |
| Other business | 11,553,354.87         | 7,030,947.50          | 16,432,936.80         | 18,219,326.55         |
| <b>Total</b>   | <b>541,475,251.65</b> | <b>446,609,627.15</b> | <b>831,687,739.32</b> | <b>655,510,761.43</b> |

**5 Gain/ (loss) from investments**

| Items   | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| Gain arising from dividends of subsidiaries                                 | 3,915,784.39          | 4,135,112.47          |
| Long-term equity investment income accounted for by using the equity method | 125,536,756.26        | 101,428,429.25        |
| Gain on selling equity of associate company                                 |                       | 1,980,516.41          |
| Gain from holding of financial assets available for sale                    | 3,319,889.50          | 1,754,944.75          |
| Gain from disposal financial assets available for sale                      |                       | 36,617.40             |
| <b>Total</b>  | <b>132,772,430.15</b> | <b>109,335,620.28</b> |

**XV. Other supplementary Information****1 Non-recurring profits and losses**

| Non-recurring gains and losses items   | Amount              | Notes |
|--|---------------------|-------|
| 1. Gain/loss from disposal of non-current assets   | -61,718.74          |       |
| 2. Tax return or exemption exceeding authority or without formal authorization documents   | 499,945.82          |       |
| 3. Governmental subsidy written into current gains and losses  | 1,906,070.56        |       |
| 4. Interest from non-financial enterprises written into current gains and losses   |                     |       |
| 5. Gains/Losses on debt restructuring  | -586,377.00         |       |
| 6. Reversal of provision for impairment of long-term assets  |                     |       |
| 7. Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses. |                     |       |
| 8. Other net income and expense from non-operation   | 2,896,432.61        |       |
| <b>Total</b>   | <b>4,654,353.25</b> |       |
| Less: Affected amount of income tax from non-recurring gains and losses  | 671,259.97          |       |
| <b>Net amount of non-recurring gains and losses</b>  | <b>3,983,093.28</b> |       |
| Included: Attributable to minority shareholders' equity  | 158,595.14          |       |
| Attributable to the owners of parent company   | <b>3,824,498.14</b> |       |

**2 Earnings per share**



| Items   | The weighted<br>average ROE(%) | EPS       |             |
|---|--------------------------------|-----------|-------------|
|   |                                | Basic EPS | Diluted EPS |
| Net profit attributable to the Company's ordinary shareholders  | 6.38                           | 0.36      | 0.36        |
| Net profit attributable to the Company's ordinary shareholders after deducting non-recurring gains and losses | 6.19                           | 0.35      | 0.35        |

### 3 The differences between domestic and international accounting standards

There was no significant differences between domestic and international accounting standards among the Company's financial statements of the current period.

## **Section 11 Reference Documents**

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original copy of the auditor's report bearing the seal of the certified public accountants and the signatures and seals of the certified accountants.
3. The original copies of all the Company's documents and the original copies of the bulletins published on the newspapers designated by the China Securities Regulatory Commission in the report period.
4. Time for reference: from Monday to Friday 8:00 - 12:00 (am) 1:00 - 5:00 (pm)  
Liaison persons: Mr. Song Wenbao, Miss Du Yu  
Tel: 0086-411-86538130  
Fax: 0086-411-86654530

Dalian Refrigeration Company Limited

29th March, 2016

**BALANCE SHEET**

Prepared by Dalian Refrigeration Co., Ltd.

December 31, 2015

Unit: RMB Yuan

| Assets  | 31-Dec-2015      |                  | 31-Dec-2014      |                  |
|---|------------------|------------------|------------------|------------------|
|   | Consolidation    | Parent Company   | Consolidation    | Parent Company   |
| Current assets:   |                  |                  |                  |                  |
| Monetary funds  | 244,789,824.53   | 149,314,329.13   | 508,511,466.02   | 407,573,197.89   |
| Financial assets which are measured by fair value and which changes are recorded in current profit and loss |                  |                  |                  |                  |
| Derivative financial assets   |                  |                  |                  |                  |
| Notes receivable  | 71,699,517.68    | 40,690,578.22    | 14,855,957.70    | 15,711,896.93    |
| Accounts receivable   | 671,423,836.87   | 196,691,940.87   | 438,880,830.12   | 205,307,502.60   |
| Accounts in advance   | 44,218,887.91    | 22,523,974.19    | 19,053,269.75    | 8,470,706.14     |
| Interest receivables  |                  |                  | 4,998,982.40     | 4,998,982.40     |
| Dividend receivable   | 44,600.00        |                  | -                | -                |
| Other receivables   | 22,755,328.21    | 43,691,612.45    | 34,266,444.02    | 21,265,905.54    |
| Inventories   | 259,099,149.47   | 122,212,395.56   | 314,879,106.56   | 164,069,128.20   |
| Assets held for sale  |                  |                  |                  |                  |
| Non-current asset due within one year   |                  |                  |                  |                  |
| Other current assets  | 16,478,711.86    | 7,918,692.08     | 2,335,139.79     | 1,659,559.91     |
| Total current assets  | 1,330,509,856.53 | 583,043,522.50   | 1,337,781,196.36 | 829,056,879.61   |
| Non-current assets:   |                  |                  |                  |                  |
| Finance asset held available for sales  | 733,275,249.09   | 731,960,106.59   | 42,428,388.70    | 41,113,246.20    |
| Held-to-maturity investment   |                  |                  |                  |                  |
| Long-term account receivable  |                  |                  |                  |                  |
| Long-term equity investment   | 1,220,367,767.73 | 1,460,958,799.28 | 1,039,229,738.85 | 1,146,858,810.27 |
| Investment property   | 24,497,584.00    | 24,497,584.00    | 25,108,909.00    | 25,108,909.00    |
| Fixed assets  | 449,907,430.32   | 246,435,789.69   | 414,293,269.31   | 239,721,541.76   |
| Construction in progress  | 137,025,384.58   | 109,277,419.44   | 18,515,449.46    | 18,280,777.19    |
| Engineering material  |                  |                  |                  |                  |
| Disposal of fixed asset   |                  |                  |                  |                  |
| Productive biological asset   |                  |                  |                  |                  |
| Oil and gas asset   |                  |                  |                  |                  |
| Intangible assets   | 158,417,802.57   | 90,015,524.05    | 153,913,310.25   | 89,919,836.54    |
| Expense on Research and Development   |                  |                  |                  |                  |
| Goodwill  | 1,440,347.92     |                  |                  |                  |
| Long-term expenses to be apportioned  | 5,857,504.95     | 5,033,031.30     | 5,873,398.99     | 5,537,394.66     |
| Deferred income tax asset   | 21,200,936.73    | 8,675,787.57     | 16,786,587.33    | 8,054,057.26     |
| Other non-current asset   |                  |                  |                  |                  |
| Total non-current asset   | 2,751,990,007.89 | 2,676,854,041.92 | 1,716,149,051.89 | 1,574,594,572.88 |
| Total assets  | 4,082,499,864.42 | 3,259,897,564.42 | 3,053,930,248.25 | 2,403,651,452.49 |

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

**BALANCE SHEET (CONTINUED)**

Prepared by Dalian Refrigeration Co., Ltd.

December 31, 2015

Unit: RMB Yuan

| Liabilities and shareholders' equity                | 31-Dec-2015      |                  | 31-Dec-2014      |                  |
|---|------------------|------------------|------------------|------------------|
|   | Consolidation    | Parent Company   | Consolidation    | Parent Company   |
| Current liabilities:                                |                  |                  |                  |                  |
| Short-term loans                                    | 82,600,000.00    | 27,600,000.00    | 60,000,000.00    |                  |
| Derivative financial liabilities                    |                  |                  |                  |                  |
| Notes payable                                       | 234,189,011.72   | 177,683,261.74   | 109,546,502.61   | 66,979,512.02    |
| Accounts payable                                    | 660,398,503.26   | 293,389,981.61   | 511,076,537.82   | 302,053,679.95   |
| Accounts received in advance                        | 70,458,014.46    | 25,768,511.15    | 137,629,315.42   | 96,325,866.23    |
| Wage payable  | 51,857,345.29    | 11,208,398.45    | 55,993,637.27    | 13,854,152.86    |
| Taxes payable                                       | 15,701,578.36    | 873,038.30       | 2,642,729.69     | -2,710,393.15    |
| Interest payable                                    |                  |                  |                  |                  |
| Dividend payable                                    | 533,156.00       | 533,156.00       | 533,156.00       | 533,156.00       |
| Other accounts payable                              | 99,890,290.15    | 55,807,703.77    | 60,075,814.04    | 49,270,430.42    |
| Liabilities held for sale                           |                  |                  |                  |                  |
| Non-current liabilities due within one year         |                  |                  |                  |                  |
| Other current liabilities                           |                  |                  |                  |                  |
| Total current liabilities                           | 1,215,627,899.24 | 592,864,051.02   | 937,497,692.85   | 526,306,404.33   |
| Non-current liabilities:                            |                  |                  |                  |                  |
| Long-term loans                                     |                  |                  |                  |                  |
| Bonds payable                                       |                  |                  |                  |                  |
| Long-term account payable                           |                  |                  |                  |                  |
| Long-term wage payable                              |                  |                  |                  |                  |
| Special accounts payable                            |                  |                  |                  |                  |
| Projected liabilities                               |                  |                  |                  |                  |
| Deferred income                                     | 49,378,296.00    | 3,704,296.00     | 52,773,884.19    | 5,985,884.19     |
| Deferred income tax liabilities                     | 103,627,029.06   | 103,627,029.06   |                  |                  |
| Other non-current liabilities                       |                  |                  |                  |                  |
| Total non-current liabilities                       | 153,005,325.06   | 107,331,325.06   | 52,773,884.19    | 5,985,884.19     |
| Total liabilities                                   | 1,368,633,224.30 | 700,195,376.08   | 990,271,577.04   | 532,292,288.52   |
| Shareholders' equity                                |                  |                  |                  |                  |
| Share capital                                       | 360,164,975.00   | 360,164,975.00   | 350,014,975.00   | 350,014,975.00   |
| Other equity instruments                            |                  |                  |                  |                  |
| Capital public reserve                              | 630,264,991.95   | 640,764,783.03   | 582,288,006.29   | 582,288,006.29   |
| Specialized reserve                                 | 39,503,800.00    | 39,503,800.00    |                  |                  |
| Other comprehensive income                          | 589,988,118.05   | 588,759,190.43   | 2,768,286.72     | 1,539,359.10     |
| Special preparation                                 |                  |                  |                  |                  |
| Surplus public reserve                              | 580,769,740.16   | 580,769,740.16   | 545,788,247.99   | 545,788,247.99   |
| Retained profit                                     | 525,925,066.25   | 428,747,299.72   | 486,167,740.13   | 391,728,575.59   |
| Translation of foreign currency capital             |                  |                  |                  |                  |
| Total owner's equity attributable to parent company | 2,647,609,091.41 | 2,599,702,188.34 | 1,967,027,256.13 | 1,871,359,163.97 |
| Minority interests                                  | 66,257,548.71    |                  | 96,631,415.08    |                  |
| Total owner's equity                                | 2,713,866,640.12 | 2,599,702,188.34 | 2,063,658,671.21 | 1,871,359,163.97 |
| Total liabilities and shareholder's equity          | 4,082,499,864.42 | 3,259,897,564.42 | 3,053,930,248.25 | 2,403,651,452.49 |

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

## INCOME STATEMENT

Prepared by Dalian Refrigeration Co., Ltd.

January-December, 2015

Unit: RMB Yuan

| Items   | January-December, 2015 |                | January-December, 2014 |                |
|---|------------------------|----------------|------------------------|----------------|
|   | Consolidation          | Parent Company | Consolidation          | Parent Company |
| I. Total sales  | 1,607,518,439.61       | 541,475,251.65 | 1,425,715,596.96       | 831,687,739.32 |
| Including: Operating income   | 1,607,518,439.61       | 541,475,251.65 | 1,425,715,596.96       | 831,687,739.32 |
| II. Total operating cost  | 1,606,832,356.89       | 553,784,280.70 | 1,420,273,278.31       | 835,979,131.98 |
| Including: Operating cost   | 1,309,843,811.63       | 446,609,627.15 | 1,086,550,652.73       | 655,510,761.43 |
| Taxes and associate charges   | 12,588,252.81          | 2,499,783.19   | 11,709,558.03          | 4,827,468.68   |
| Selling and distribution expenses   | 80,099,755.98          | 4,045,795.92   | 123,270,829.61         | 57,137,295.02  |
| Administrative expenses   | 187,046,595.49         | 109,448,960.03 | 185,701,061.45         | 114,245,449.21 |
| Financial expense   | 130,314.66             | -3,914,069.63  | -6,114,199.04          | -10,417,316.17 |
| Impairment loss   | 17,123,626.32          | -4,905,815.96  | 19,155,375.53          | 14,675,473.81  |
| Add: Gain/(loss) from change in fair value  |                        |                |                        |                |
| Gain/(loss) from investment   | 128,908,120.37         | 132,772,430.15 | 103,940,832.81         | 109,335,620.28 |
| Including: income from investment on affiliated enterprise and jointly enterprise   | 125,543,630.87         | 125,536,756.26 | 101,428,429.25         | 101,428,429.25 |
| III. Operating profit   | 129,594,203.09         | 120,463,401.10 | 109,383,151.46         | 105,044,227.62 |
| Add: non-business income  | 7,459,363.54           | 5,314,670.19   | 15,166,450.39          | 12,165,875.28  |
| Including: profit from non-current asset disposal   | 167,463.99             | 108,540.13     | 390,490.35             | 337,665.38     |
| Less: non-business expense  | 1,105,912.29           | 302,694.05     | 561,532.64             | 236,615.58     |
| Including: loss from non-current asset disposal   | 229,182.73             | 49,365.05      | 412,897.02             | 186,615.58     |
| IV. Total profit  | 135,947,654.34         | 125,475,377.24 | 123,988,069.21         | 116,973,487.32 |
| Less: Income tax  | 4,732,632.19           | -549,585.31    | 9,468,787.48           | 5,078,507.78   |
| V. Net profit   | 131,215,022.15         | 126,024,962.55 | 114,519,281.73         | 111,894,979.54 |
| Net profit attributable to parent company   | 129,947,307.39         | 126,024,962.55 | 115,439,722.39         | 111,894,979.54 |
| Minority shareholders' gains and losses   | 1,267,714.76           |                | -920,440.66            |                |
| VI. After-tax net amount of other comprehensive incomes   | 587,219,831.33         | 587,219,831.33 | -15,000.00             | -15,000.00     |
| After-tax net amount of other comprehensive incomes attributable to owners of the Company   | 587,219,831.33         | 587,219,831.33 | -15,000.00             | -15,000.00     |
| (I) Other comprehensive incomes that will not be reclassified into gains and losses   |                        |                |                        |                |
| 1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement   |                        |                |                        |                |
| 2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method |                        |                |                        |                |
| .....   |                        |                |                        |                |
| (II) Other comprehensive incomes that will be reclassified into gains and losses  | 587,219,831.33         | 587,219,831.33 | -15,000.00             | -15,000.00     |
| 1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method   |                        |                | -15,000.00             | -15,000.00     |
| 2. Gains and losses on fair value changes of available-for-sale financial assets  | 587,219,831.33         | 587,219,831.33 |                        |                |
| 3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets                                |                        |                |                        |                |
| 4. Effective hedging gains and losses on cash flows   |                        |                |                        |                |
| 5. Foreign-currency financial statement translation difference  |                        |                |                        |                |
| 6. Other  |                        |                |                        |                |

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| .....   |                |                |                |                |
| After-tax net amount of other comprehensive incomes attributable to minority shareholders |                |                |                |                |
| VII Total comprehensive income  | 718,434,853.48 | 713,244,793.88 | 114,504,281.73 | 111,879,979.54 |
| Total comprehensive income attributable to parent company                                 | 717,167,138.72 | 713,244,793.88 | 115,424,722.39 | 111,879,979.54 |
| Total comprehensive income attributable to minority shareholders                          | 1,267,714.76   |                | -920,440.66    |                |
| VIII. Earnings per share  | --             |                |                |                |
| (I) basic earnings per share  | 0.36           |                | 0.33           |                |
| (II) diluted earnings per share   | 0.36           |                | 0.33           |                |

Legal Representative: Ji Zhijian

Chief Financial Officer: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

## CASH FLOW STATEMENT

Prepared by Dalian Refrigeration Co., Ltd.

January -December, 2015

Unit: RMB Yuan

| Items  | January -December, 2015 |                 | January -December, 2014 |                |
|--|-------------------------|-----------------|-------------------------|----------------|
|  | Consolidation           | Parent Company  | Consolidation           | Parent Company |
| I. Cash flows arising from operating activities:   |                         |                 |                         |                |
| Cash received from selling commodities and providing labor services                              | 1,196,653,392.32        | 389,780,864.03  | 1,090,103,866.93        | 649,803,180.34 |
| Write-back of tax received   | 1,064,168.82            |                 | 871,659.27              |                |
| Other cash received concerning operating activities  | 43,260,055.50           | 24,780,873.67   | 37,350,278.00           | 26,001,801.17  |
| Subtotal of cash inflow arising from operating activities  | 1,240,977,616.64        | 414,561,737.70  | 1,128,325,804.20        | 675,804,981.51 |
| Cash paid for purchasing commodities and receiving labor service                                 | 801,379,413.53          | 286,847,416.04  | 572,248,043.66          | 366,830,223.80 |
| Cash paid to/for staff and workers   | 278,537,533.58          | 110,830,881.99  | 276,307,722.58          | 152,130,182.41 |
| Taxes paid   | 99,382,229.31           | 28,319,534.99   | 118,866,955.58          | 66,753,359.34  |
| Other cash paid concerning operating activities  | 112,246,914.60          | 28,857,855.35   | 132,407,309.91          | 77,470,172.84  |
| Subtotal of cash outflow arising from operating activities                                       | 1,291,546,091.02        | 454,855,688.37  | 1,099,830,031.73        | 663,183,938.39 |
| Net cash flows arising from operating activities   | -50,568,474.38          | -40,293,950.67  | 28,495,772.47           | 12,621,043.12  |
| II. Cash flows arising from investing activities:  |                         |                 |                         |                |
| Cash received from recovering investment   |                         | 6,843,000.00    | 15,286,617.40           | 15,286,617.40  |
| Cash received from investment income   | 66,637,747.39           | 68,332,980.68   | 42,461,536.50           | 43,204,338.19  |
| Net cash received from disposal of fixed, intangible and other long-term assets                  | 287,315.00              | 106,580.00      | 10,147,370.00           | 10,005,000.00  |
| Net cash received from disposal of subsidiaries and other units                                  |                         |                 |                         |                |
| Other cash received concerning investing activities  |                         |                 |                         |                |
| Subtotal of cash inflow from investing activities  | 66,925,062.39           | 75,282,560.68   | 67,895,523.90           | 68,495,955.59  |
| Cash paid for purchasing fixed, intangible and other long-term assets                            | 60,687,631.79           | 38,025,775.39   | 48,206,418.04           | 40,255,232.98  |
| Cash paid for investment   | 222,172,610.81          | 224,885,444.96  | 15,781,000.00           | 15,781,000.00  |
| Net cash received from payment of subsidiaries and other business units                          | 20,464,427.15           | 26,993,388.94   |                         |                |
| Other cash paid concerning investing activities  |                         |                 |                         |                |
| Subtotal of cash outflow from investing activities   | 303,324,669.75          | 289,904,609.29  | 63,987,418.04           | 56,036,232.98  |
| Net cash flows arising from investing activities   | -236,399,607.36         | -214,622,048.61 | 3,908,105.86            | 12,459,722.61  |
| III. Cash flows arising from financing activities  |                         |                 |                         |                |
| Cash received from absorbing investment  | 60,434,000.00           | 56,434,000.00   |                         |                |
| Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries |                         |                 |                         |                |
| Cash received from loans   | 129,000,000.00          | 27,600,000.00   | 67,510,000.00           |                |
| Other cash received concerning financing activities  | 32,953,876.63           | 16,145,665.64   | 10,844,272.75           | 3,499,990.45   |
| Subtotal of cash inflow from financing activities  | 222,387,876.63          | 100,179,665.64  | 78,354,272.75           | 3,499,990.45   |
| Cash paid for settling debts   | 106,500,000.00          |                 | 44,010,000.00           |                |
| Cash paid for dividend and profit distributing or interest paying                                | 61,877,081.78           | 54,732,538.85   | 60,282,709.40           | 52,502,246.10  |
| Including: dividends or profit paid by subsidiaries to minority shareholders                     | 2,502,522.92            |                 | 3,756,741.65            |                |
| Other cash paid concerning financing activities  | 20,711,136.86           | 34,245,194.98   | 33,037,404.13           | 16,145,665.64  |
| Subtotal of cash outflow from financing activities   | 189,088,218.64          | 88,977,733.83   | 137,330,113.53          | 68,647,911.74  |



|  |                 |                 |                |                |
|--|-----------------|-----------------|----------------|----------------|
| Net cash flows arising from financing activities               | 33,299,657.99   | 11,201,931.81   | -58,975,840.78 | -65,147,921.29 |
| IV. Influence on cash due to fluctuation in exchange rate      | -165,031.04     | -274,330.63     | -209,608.51    | 38.62          |
| V. Net increase of cash and cash equivalents                   | -253,833,454.79 | -243,988,398.10 | -26,781,570.96 | -40,067,116.94 |
| Add: Balance of cash and cash equivalents at the period -begin | 475,557,589.39  | 391,427,532.25  | 502,339,160.35 | 431,494,649.19 |
| VI. Balance of cash and cash equivalents at the period-end     | 221,724,134.60  | 147,439,134.15  | 475,557,589.39 | 391,427,532.25 |

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2015.01-12

Unit: RMB Yuan

| Items   | 2015.01-12                                    |                |                        |                            |                 |                 |                  |                 |                         |
|---|---|----------------|------------------------|----------------------------|-----------------|-----------------|------------------|-----------------|-------------------------|
|   | Owners' equity attributable to parent company |                |                        |                            |                 |                 |                  | Minority equity | Total of owners' equity |
|   | share capital                                 | Capital suplus | Lessen: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Retained profits |                 |                         |
| I. balance at the end of last year                                  | 350,014,975.00                                | 582,288,006.29 |                        | 2,768,286.72               |                 | 545,788,247.99  | 486,167,740.13   | 96,631,415.08   | 2,063,658,671.21        |
| 1. Change of accounting policy                                      |   |                |                        |                            |                 |                 |                  |                 |                         |
| 2. Correction of errors in previous period                          |   |                |                        |                            |                 |                 |                  |                 |                         |
| II. Balance at the beginning of this year                           | 350,014,975.00                                | 582,288,006.29 |                        | 2,768,286.72               |                 | 545,788,247.99  | 486,167,740.13   | 96,631,415.08   | 2,063,658,671.21        |
| III. Increase/ decrease of amount in this year ("-" means decrease) | 10,150,000.00                                 | 47,976,985.66  | 39,503,800.00          | 587,219,831.33             |                 | 34,981,492.17   | 39,757,326.12    | -30,373,866.37  | 650,207,968.91          |
| (I) Total comprehensive incomes                                     |   |                |                        | 587,219,831.33             |                 |                 | 129,947,307.39   | 1,267,714.76    | 718,434,853.48          |
| (II) Capital increased and reduced by owners                        | 10,150,000.00                                 | 47,976,985.66  | 39,503,800.00          |                            |                 |                 |                  | -29,139,058.21  | -10,515,872.55          |
| 1. Common shares increased by shareholders                          | 10,150,000.00                                 | 35,784,208.92  | 39,503,800.00          |                            |                 |                 |                  | -29,139,058.21  | -22,708,649.29          |
| 2. Capital increased by holders of other equity instruments         |   |                |                        |                            |                 |                 |                  |                 |                         |
| 3. Amounts of share-based payments recognized in owners' equity     |   | 12,190,520.00  |                        |                            |                 |                 |                  |                 | 12,190,520.00           |
| 4. Other  |   | 2,256.74       |                        |                            |                 |                 |                  |                 | 2,256.74                |
| (III) Profit distribution   |   |                |                        |                            |                 | 34,981,492.17   | -90,189,981.27   | -2,502,522.92   | -57,711,012.02          |
| 1. Withdrawing surplus public reserve                               |   |                |                        |                            |                 | 34,981,492.17   | -34,981,492.17   |                 |                         |
| 2. Distribution to all owners (shareholders)                        |   |                |                        |                            |                 |                 | -54,024,746.25   | -2,502,522.92   | -56,527,269.17          |
| 3. Others   |   |                |                        |                            |                 |                 | -1,183,742.85    |                 | -1,183,742.85           |
| (IV) Internal carrying forward of owners' equity                    |   |                |                        |                            |                 |                 |                  |                 |                         |
| 1. New increase of share capital from capital reserves              |   |                |                        |                            |                 |                 |                  |                 |                         |
| 2. Convert surplus reserves to share capital                        |   |                |                        |                            |                 |                 |                  |                 |                         |
| 3. Surplus reserves make up losses                                  |   |                |                        |                            |                 |                 |                  |                 |                         |
| 4. Others   |   |                |                        |                            |                 |                 |                  |                 |                         |
| (V) Specific reserve  |   |                |                        |                            |                 |                 |                  |                 |                         |
| 1. Withdrawn for the period   |   |                |                        |                            | 1,982,950.50    |                 |                  |                 | 1,982,950.50            |
| 2. Used in the period   |   |                |                        |                            | 1,982,950.50    |                 |                  |                 | 1,982,950.50            |
| (VI) Other  |   |                |                        |                            |                 |                 |                  |                 |                         |
| IV. Balance at the end of this period                               | 360,164,975.00                                | 630,264,991.95 | 39,503,800.00          | 589,988,118.05             |                 | 580,769,740.16  | 525,925,066.25   | 66,257,548.71   | 2,713,866,640.12        |

Legal Representative: Ji Zhijian

Chief Financial Officer: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

| Items   | 2014.01-12                                    |                 |                        |                            |                 |                      |                  |                 |                         |
|---|---|-----------------|------------------------|----------------------------|-----------------|----------------------|------------------|-----------------|-------------------------|
|   | Owners' equity attributable to parent company |                 |                        |                            |                 |                      |                  | Minority equity | Total of owners' equity |
|   | share capital                                 | Capital surplus | Lessen: treasury stock | Other comprehensive income | Surplus reserve | General risk reserve | Retained profits |                 |                         |
| I. balance at the end of last year                                  | 350,014,975.00                                | 584,861,283.21  |                        |                            | 505,533,065.25  |                      | 466,608,867.00   | 102,089,597.39  | 2,009,107,787.85        |
| 1. Change of accounting policy                                      |   | -2,783,286.72   |                        | 2,783,286.72               |                 |                      |                  |                 |                         |
| 2. Correction of errors in previous period                          |   |                 |                        |                            |                 |                      |                  |                 |                         |
| II. Balance at the beginning of this year                           | 350,014,975.00                                | 582,077,996.49  |                        | 2,783,286.72               | 505,533,065.25  |                      | 466,608,867.00   | 102,089,597.39  | 2,009,107,787.85        |
| III. Increase/ decrease of amount in this year ("-" means decrease) |   | 210,009.80      |                        | -15,000.00                 | 40,255,182.74   |                      | 19,558,873.13    | -5,458,182.31   | 54,550,883.36           |
| (I) Total comprehensive incomes                                     |   |                 |                        | -15,000.00                 |                 |                      | 115,439,722.39   | -920,440.66     | 114,504,281.73          |
| (II) Capital increased and reduced by owners                        |   | 210,009.80      |                        |                            |                 |                      |                  | -2,281,000.00   | -2,070,990.20           |
| 1. Common shares increased by shareholders                          |   |                 |                        |                            |                 |                      |                  | -2,281,000.00   | -2,281,000.00           |
| 2. Capital increased by holders of other equity instruments         |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 3. Amounts of share-based payments recognized in owners' equity     |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 4. Other  |   | 210,009.80      |                        |                            |                 |                      |                  |                 | 210,009.80              |
| (III) Profit distribution   |   |                 |                        |                            | 40,255,182.74   |                      | -95,880,849.26   | -2,256,741.65   | -57,882,408.17          |
| 1. Withdrawing surplus public reserve                               |   |                 |                        |                            | 40,225,182.74   |                      | -40,255,182.74   |                 |                         |
| 2. Distribution to all owners (shareholders)                        |   |                 |                        |                            |                 |                      | -52,502,246.25   | -2,256,741.65   | -54,758,987.90          |
| 3. Others   |   |                 |                        |                            |                 |                      | -3,123,420.27    |                 | -3,123,420.27           |
| (IV) Internal carrying forward of owners' equity                    |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 1. New increase of share capital from capital reserves              |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 2. Convert surplus reserves to share capital                        |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 3. Surplus reserves make up losses                                  |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 4. Others   |   |                 |                        |                            |                 |                      |                  |                 |                         |
| (V) Specific reserve  |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 1. Withdrawn for the period   |   |                 |                        |                            |                 |                      |                  |                 |                         |
| 2. Used in the period   |   |                 |                        |                            |                 |                      |                  |                 |                         |
| (VI) Other  |   |                 |                        |                            |                 |                      |                  |                 |                         |
| IV. Balance at the end of this period                               | 350,014,975.00                                | 582,288,006.29  |                        | 2,768,286.72               | 545,788,247.99  |                      | 486,167,740.13   | 96,631,415.08   | 2,063,658,671.21        |

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

## STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2015.01-12

Unit: RMB Yuan

| Items   | 2015.01-12                                    |                         |                 |                        |                            |                     |                 |                  |                         |
|---|---|-------------------------|-----------------|------------------------|----------------------------|---------------------|-----------------|------------------|-------------------------|
|   | Owners' equity attributable to parent company |                         |                 |                        |                            |                     |                 |                  | Total of owners' equity |
|   | share capital                                 | Other equity instrument | Capital surplus | Lessen: treasury stock | Other comprehensive income | Special preparation | Surplus reserve | Retained profits |                         |
| I. balance at the end of last year                                  | 350,014,975.00                                |                         | 582,288,006.29  |                        | 1,539,359.10               |                     | 545,788,247.99  | 391,728,575.59   | 1,871,359,163.97        |
| 1. Change of accounting policy                                      |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 2. Correction of errors in previous period                          |   |                         |                 |                        |                            |                     |                 |                  |                         |
| II. Balance at the beginning of this year                           | 350,014,975.00                                |                         | 582,288,006.29  |                        | 1,539,359.10               |                     | 545,788,247.99  | 391,728,575.59   | 1,871,359,163.97        |
| III. Increase/ decrease of amount in this year ("—" means decrease) | 10,150,000.00                                 |                         | 58,476,776.74   | 39,503,800.00          | 587,219,831.33             |                     | 34,981,492.17   | 37,018,724.13    | 688,343,024.37          |
| (I) Total comprehensive incomes                                     |   |                         |                 |                        | 587,219,831.33             |                     |                 | 126,024,962.55   | 713,244,793.88          |
| (II) Capital increased and reduced by owners                        | 10,150,000.00                                 |                         | 58,476,776.74   | 39,503,800.00          |                            |                     |                 |                  | 29,122,976.74           |
| 1. Common shares increased by shareholders                          | 10,150,000.00                                 |                         | 46,284,000.00   | 39,503,800.00          |                            |                     |                 |                  | 16,930,200.00           |
| 2. Capital increased by holders of other equity instruments         |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 3. Amounts of share-based payments recognized in owners' equity     |   |                         | 12,190,520.00   |                        |                            |                     |                 |                  | 12,190,520.00           |
| 4. Other  |   |                         | 2,256.74        |                        |                            |                     |                 |                  | 2,256.74                |
| (III) Profit distribution   |   |                         |                 |                        |                            |                     | 34,981,492.17   | -89,006,238.42   | -54,024,746.25          |
| 1. Withdrawing surplus public reserve                               |   |                         |                 |                        |                            |                     | 34,981,492.17   | -34,981,492.17   |                         |
| 2. Distribution to all owners (shareholders)                        |   |                         |                 |                        |                            |                     |                 | -54,024,746.25   | -54,024,746.25          |
| 3. Others   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| (IV) Internal carrying forward of owners' equity                    |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 1. New increase of share capital from capital reserves              |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 2. Convert surplus reserves to share capital                        |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 3. Surplus reserves make up losses                                  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 4. Others   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| (V) Specific reserve  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 1. Withdrawn for the period   |   |                         |                 |                        |                            | 1,982,950.50        |                 |                  | 1,982,950.50            |
| 2. Used in the period   |   |                         |                 |                        |                            | 1,982,950.50        |                 |                  | 1,982,950.50            |
| (VI) Other  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| IV. Balance at the end of this period                               | 360,164,975.00                                |                         | 640,764,783.03  | 39,503,800.00          | 588,759,190.43             |                     | 580,769,740.16  | 428,747,299.72   | 2,599,702,188.34        |

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

| Items   | 2014.01-12                                    |                         |                 |                        |                            |                     |                 |                  |                         |
|---|---|-------------------------|-----------------|------------------------|----------------------------|---------------------|-----------------|------------------|-------------------------|
|   | Owners' equity attributable to parent company |                         |                 |                        |                            |                     |                 |                  | Total of owners' equity |
|   | share capital                                 | Other equity instrument | Capital surplus | Lessen: treasury stock | Other comprehensive income | Special preparation | Surplus reserve | Retained profits |                         |
| I. balance at the end of last year                                  | 350,014,975.00                                |                         | 583,632,355.59  |                        |                            |                     | 505,533,065.25  | 372,591,025.04   | 1,811,771,420.88        |
| 1. Change of accounting policy                                      |   |                         | -1,554,359.10   |                        | 1,554,359.10               |                     |                 |                  |                         |
| 2. Correction of errors in previous period                          |   |                         |                 |                        |                            |                     |                 |                  |                         |
| II. Balance at the beginning of this year                           | 350,014,975.00                                |                         | 582,077,996.49  |                        | 1,554,359.10               |                     | 505,533,065.25  | 372,591,025.04   | 1,811,771,420.88        |
| III. Increase/ decrease of amount in this year ("-" means decrease) |   |                         | 210,009.80      |                        | -15,000.00                 |                     | 40,255,182.74   | 19,137,550.55    | 59,587,743.09           |
| (I) Total comprehensive incomes                                     |   |                         |                 |                        | -15,000.00                 |                     |                 | 111,894,979.54   | 111,879,979.54          |
| (II) Capital increased and reduced by owners                        |   |                         | 210,009.80      |                        |                            |                     |                 |                  | 210,009.80              |
| 1. Common shares increased by shareholders                          |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 2. Capital increased by holders of other equity instruments         |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 3. Amounts of share-based payments recognized in owners' equity     |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 4. Other  |   |                         | 210,009.80      |                        |                            |                     |                 |                  | 210,009.80              |
| (III) Profit distribution   |   |                         |                 |                        |                            |                     | 40,255,182.74   | -92,757,428.99   | -52,502,246.25          |
| 1. Withdrawing surplus public reserve                               |   |                         |                 |                        |                            |                     | 40,255,182.74   | -40,255,182.74   |                         |
| 2. Distribution to all owners (shareholders)                        |   |                         |                 |                        |                            |                     |                 | -52,502,246.25   | -52,502,246.25          |
| 3. Others   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| (IV) Internal carrying forward of owners' equity                    |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 1. New increase of share capital from capital reserves              |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 2. Convert surplus reserves to share capital                        |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 3. Surplus reserves make up losses                                  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 4. Others   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| (V) Specific reserve  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 1. Withdrawn for the period   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| 2. Used in the period   |   |                         |                 |                        |                            |                     |                 |                  |                         |
| (VI) Other  |   |                         |                 |                        |                            |                     |                 |                  |                         |
| IV. Balance at the end of this period                               | 350,014,975.00                                |                         | 582,288,006.29  |                        | 1,539,359.10               |                     | 545,788,247.99  | 391,728,575.59   | 1,871,359,163.97        |

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua