# Dalian Refrigeration Company Limited

# For the year ended December 31, 2016

# Auditor's Report

信永中和会计师事务所
ShineWing
certified public accountants
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# Auditors' Report

**(English Translation for Reference Only)**

**To the Shareholders of Dalian Refrigeration Company Limited**

We have audited the accompanying financial statements of Dalian Refrigeration Company Limited ("the Company"), which comprises the consolidated and parent company balance sheet as at 31 December. 2016, the consolidated and parent company income statement for the year of 2016, the consolidated and parent company cash flow statement for the year 2016, and the statement of changes in shareholders' equity and parent company for the year then ended, as well as notes to the financial statements.

## Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the consolidated and parent company of the Company as at 31 December 2016, and financial performance and cash flows of the consolidated and parent company of the Company for the year then ended.

ShineWing Certified Public Accountants (Special General Parternship)

Chinese CPA: Lin Li

Beijing・China

Chinese CPA: Wang Dong

21 April, 2017

# Consolidated Balance Sheet

December 31, 2016

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| ITEMS | NOTE | AT END of YEAR | AT BEG. of YEAR |
|---|---|---|---|
| **Current Assets:** | | | |
| Monetary funds | Ⅵ、1 | 679,724,805.76 | 244,789,824.53 |
| Settlement fund | | | |
| Outgoing call loan | | | |
| Fair value through P&L assets | | | |
| Derivative financial assets | | | |
| Notes receivable | Ⅵ、2 | 130,426,225.74 | 71,699,517.68 |
| Accounts receivable | Ⅵ、3 | 759,053,298.97 | 671,423,836.87 |
| Prepayments | Ⅵ、4 | 95,141,043.96 | 44,218,887.91 |
| Insurance receivables | | | |
| Reinsurance Receivable | | | |
| Provision of reinsurance contract reserve receivable | | | |
| Interest receivable | Ⅵ、5 | 723,955.56 | |
| Dividend receivable | Ⅵ、6 | 39,025.00 | 44,600.00 |
| Other receivables | Ⅵ、7 | 52,982,713.89 | 22,755,328.21 |
| Financial assets purchased under agreement to resell | | | |
| Inventories | Ⅵ、8 | 323,863,067.48 | 259,099,149.47 |
| Held for sale assets | | | |
| Non-current assets due within 1-year | | | |
| Other current assets | Ⅵ、9 | 40,470,210.65 | 16,478,711.86 |
| **Total Current Assets** | | 2,082,424,347.01 | 1,330,509,856.53 |
| **Non-Current Assets：** | | | |
| Loan and payment on other's behalf disbursed | | | |
| Available-for-sale financial assets | Ⅵ、10 | 545,565,116.64 | 733,275,249.09 |
| Held-to-maturity investments | | | |
| Long-term receivables | | | |
| Long-term equity investment | Ⅵ、11 | 1,309,741,316.21 | 1,220,367,767.73 |
| Investments properties | Ⅵ、12 | 28,605,652.94 | 24,497,584.00 |
| Fixed assets | Ⅵ、13 | 509,422,197.88 | 449,907,430.32 |
| Construction in process | Ⅵ、14 | 321,646,676.78 | 137,025,384.58 |
| Engineer material | | | |
| Disposal of fixed assets | | | |
| Productive biological assets | | | |
| Oil-gas assets | | | |
| Intangible assets | Ⅵ、15 | 154,714,212.52 | 158,417,802.57 |
| R&D expenses | | | |
| Goodwill | Ⅵ、16 | 1,750,799.49 | 1,440,347.92 |
| Long-term deferred expenses | Ⅵ、17 | 4,448,719.77 | 5,857,504.95 |
| Deferred tax asset | Ⅵ、18 | 25,192,535.02 | 21,200,936.73 |
| Other non-current assets | | | |
| **Total Non-current Assets** | | 2,901,087,227.25 | 2,751,990,007.89 |
| **Total Assets** | | 4,983,511,574.26 | 4,082,499,864.42 |

Legal representative：　　Chief Financial Officer：　　Financial Manager ：

# Consolidated Balance Sheet (continued)

December 31, 2016

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| ITEMS | NOTE | AT END of YEAR | AT BEG. of YEAR |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term borrowings | Ⅵ、19 | 45,000,000.00 | 82,600,000.00 |
| Loans from central bank | | | |
| Deposits received and hold for others | | | |
| Call loan received | | | |
| Fair value through P&L liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | Ⅵ、20 | 179,378,767.96 | 234,189,011.72 |
| Accounts payable | Ⅵ、21 | 839,079,506.68 | 660,398,503.26 |
| Advance received | Ⅵ、22 | 136,231,829.62 | 70,458,014.46 |
| Financial assets sold under agreements to repurchase | | | |
| Fees and commissions payable | | | |
| Employee pay payables | Ⅵ、23 | 49,117,130.73 | 51,857,345.29 |
| Taxes and duties payable | Ⅵ、24 | 18,114,263.03 | 15,701,578.36 |
| Interest payable | | | |
| Dividend payable | Ⅵ、25 | 863,516.60 | 533,156.00 |
| Other payables | Ⅵ、26 | 105,262,888.56 | 99,890,290.15 |
| Amount due to reinsurance | | | |
| Insurance contract provision | | | |
| Entrusted trading of securities | | | |
| Entrusted selling of securities | | | |
| Liability held for sale | | | |
| Non-current liabilities due within 1-year | | | |
| Other current liabilities | | | |
| **Total Current Liabilities** | | 1,373,047,903.18 | 1,215,627,899.24 |
| **Non-current Liabilities:** | | | |
| Long-term borrowings | Ⅵ、27 | 160,000,000.00 | |
| Bonds Payable | | | |
| Including: Preference shares | | | |
| Perpetuity bonds | | | |
| Long-term payables | | | |
| Long-term employee benefit payables | | | |
| Special payables | | | |
| Provisions | | | |
| Deferred income | Ⅵ、28 | 57,396,619.00 | 49,378,296.00 |
| Deferred Tax liabilities | Ⅵ、18 | 75,683,681.95 | 103,627,029.06 |
| Other non-current liabilities | | | |
| **Total Non-current Liabilities** | | 293,080,300.95 | 153,005,325.06 |
| **Total Liabilities** | | 1,666,128,204.13 | 1,368,633,224.30 |
| **Owners Equity(or Shareholders Equity):** | | | |
| Share capital | Ⅵ、29 | 611,776,558.00 | 360,164,975.00 |
| Other equity instrument | | | |
| Including: Preference shares | | | |
| Perpetuity bonds | | | |
| Capital reserve | Ⅵ、30 | 1,022,686,774.25 | 630,264,991.95 |
| Less: Treasury stock | Ⅵ、31 | 67,615,856.00 | 39,503,800.00 |
| Other comprehensive income | Ⅵ、32 | 431,639,323.52 | 589,988,118.05 |
| Chartered reserve | Ⅵ、33 | | |
| Surplus reserves | Ⅵ、34 | 620,578,847.52 | 580,769,740.16 |
| Provision for general risk | | | |
| Undistributed profit | Ⅵ、35 | 628,732,121.63 | 525,925,066.25 |
| Equity attributable to equity holders of the Company | | 3,247,797,768.92 | 2,647,609,091.41 |
| Minority interest | | 69,585,601.21 | 66,257,548.71 |
| **Total Equity** | | 3,317,383,370.13 | 2,713,866,640.12 |
| **Total Liabilities and Equity** | | 4,983,511,574.26 | 4,082,499,864.42 |

Legal representative：　　Chief Financial Officer：　　Financial Manager ：

# Balance Sheet of Parent Company

December 31, 2016

Name of Enterprise： Dalian Refrigeration Company Limited　　　　Amount Unit:RMB

| ITEMS | NOTE | AT END of YEAR | AT BEG. of YEAR |
|---|---|---|---|
| **Current Assets:** | | | |
| Monetary funds | | 496,417,106.54 | 149,314,329.13 |
| Fair value through P&L assets | | | |
| Derivative financial assets | | | |
| Notes receivable | | 90,509,540.07 | 40,690,578.22 |
| Accounts receivable | XVII、1 | 117,575,405.74 | 196,691,940.87 |
| Prepayments | | 96,269,883.15 | 22,523,974.19 |
| Interest receivable | | 723,955.56 | |
| Dividend receivable | | | |
| Other receivables | XVII、2 | 4,368,505.07 | 43,691,612.45 |
| Inventories | | 151,230,744.47 | 122,212,395.56 |
| Held for sale assets | | | |
| Non-current assets due within 1-year | | | |
| Other current assets | | 30,563,139.06 | 7,918,692.08 |
| **Total Current Assets** | | 987,658,279.66 | 583,043,522.50 |
| **Non-Current Assets：** | | | |
| Available-for-sale financial assets | | 544,249,974.14 | 731,960,106.59 |
| Held-to-maturity investments | | | |
| Long-term receivables | | | |
| Long-term equity investment | XVII、3 | 1,713,412,501.09 | 1,460,958,799.28 |
| Investments properties | | 28,605,652.94 | 24,497,584.00 |
| Fixed assets | | 274,262,264.28 | 246,435,789.69 |
| Construction in process | | 320,329,247.78 | 109,277,419.44 |
| Engineer material | | | |
| Disposal of fixed assets | | | |
| Productive biological assets | | | |
| Oil-gas assets | | | |
| Intangible assets | | 88,113,279.88 | 90,015,524.05 |
| R&D expenses | | | |
| Goodwill | | | |
| Long-term deferred expenses | | 3,658,276.80 | 5,033,031.30 |
| Deferred tax asset | | 6,751,619.50 | 8,675,787.57 |
| Other non-current assets | | | |
| **Total Non-current Assets** | | 2,979,382,816.41 | 2,676,854,041.92 |
| **Total Assets** | | 3,967,041,096.07 | 3,259,897,564.42 |

Legal representative：　　　Chief Financial Officer：　　　Financial Manager ：

## Consolidated Balance Sheet (continued)

December 31, 2016

Name of Enterprise： Dalian Refrigeration Company Limited | Amount Unit:RMB

| ITEMS | NOTE | AT END of YEAR | AT BEG. of YEAR |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term borrowings | | | 27,600,000.00 |
| Fair value through P&L liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | | 85,834,371.87 | 177,683,261.74 |
| Accounts payable | | 340,987,669.38 | 293,389,981.61 |
| Advance received | | 74,949,113.25 | 25,768,511.15 |
| Employee payables | | 9,796,460.53 | 11,208,398.45 |
| Taxes and duties payable | | 1,234,137.19 | 873,038.30 |
| Interest payable | | | |
| Dividend payable | | 533,156.00 | 533,156.00 |
| Other payables | | 74,954,775.74 | 55,807,703.77 |
| Liability held for sale | | | |
| Non-current liabilities due within 1-year | | | |
| Other current liabilities | | | |
| **Total Current Liabilities** | | 588,289,683.96 | 592,864,051.02 |
| **Non-current Liabilities:** | | | |
| Long-term borrowings | | 160,000,000.00 | |
| Bonds Payable | | | |
| Including: Preference shares | | | |
| Perpetuity bonds | | | |
| Long-term payables | | | |
| Long-term employee benefit payables | | | |
| Special payables | | | |
| Provisions | | | |
| Deferred income | | 12,836,619.00 | 3,704,296.00 |
| Deferred Tax liabilities | | 75,683,681.95 | 103,627,029.06 |
| Other non-current liabilities | | | |
| **Total Non-current Liabilities** | | 248,520,300.95 | 107,331,325.06 |
| **Total Liabilities** | | 836,809,984.91 | 700,195,376.08 |
| **Owners Equity(or Shareholders Equity):** | | | |
| Share capital | | 611,776,558.00 | 360,164,975.00 |
| Other equity instrument | | | |
| Including: Preference shares | | | |
| Perpetuity bonds | | | |
| Capital reserve | | 1,036,115,161.54 | 640,764,783.03 |
| Less: Treasury stock | | 67,615,856.00 | 39,503,800.00 |
| Other comprehensive income | | 430,413,556.77 | 588,759,190.43 |
| Chartered reserve | | | |
| Surplus reserves | | 620,578,847.52 | 580,769,740.16 |
| Undistributed profit | | 498,962,843.33 | 428,747,299.72 |
| **Total Equity** | | 3,130,231,111.16 | 2,559,702,188.34 |
| **Total Liabilities and Equity** | | 3,967,041,096.07 | 3,259,897,564.42 |

Legal representative： Chief Financial Officer： Financial Manager ：

# Consolidated Income Statement

For the year of 2016

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| Item | Note | Current year | Last year |
|---|---|---|---|
| **Ⅰ、Total operating revenue** | | 1,779,499,226.64 | 1,607,518,439.61 |
| Including: Operating revenue | Ⅵ、36 | 1,779,499,226.64 | 1,607,518,439.61 |
| Interest income | | | |
| Earned premiums | | | |
| Fees and commission income | | | |
| **Ⅱ、Total cost of operation** | | 1,781,121,957.24 | 1,606,832,356.89 |
| Including: Cost of operation | Ⅵ、36 | 1,458,596,336.53 | 1,309,843,811.63 |
| Interest expenses | | | |
| Fees and commission expenses | | | |
| Payments to surrenders of insurance contracts | | | |
| Net amount of insurance claims expenses | | | |
| Net charges of provision for insurance contracts | | | |
| Dividends policy expenses | | | |
| Reinsurance expenses | | | |
| Business taxes and surcharges | Ⅵ、37 | 17,758,961.15 | 12,588,252.81 |
| Selling and distribution expenses | Ⅵ、38 | 81,557,028.64 | 80,099,755.98 |
| Administrative expenses | Ⅵ、39 | 200,962,424.84 | 187,046,595.49 |
| Financial expenses | Ⅵ、40 | 4,595,430.84 | 130,314.66 |
| Loss on impairment of assets | Ⅵ、41 | 17,651,775.24 | 17,123,626.32 |
| Add: Gain arising from the changes in fair value (loss listed with"-") | | | |
| Investment income (Loss listed with "-") | Ⅵ、42 | 173,737,491.57 | 128,908,120.37 |
| Including: income from investments in associates and joint ventures (Loss listed with "-") | | 130,104,484.86 | 125,543,630.87 |
| Exchange gain (Loss listed with "-") | | | |
| **Ⅲ、Operating profit (Loss listed with "-")** | | 172,114,760.97 | 129,594,203.09 |
| Add: Non-operating income | Ⅵ、43 | 39,097,626.70 | 7,459,363.54 |
| Including: Gain from disposal of non-current assets | | 1,182,803.71 | 167,463.99 |
| Less: Non-operating expenses | Ⅵ、44 | 23,033,570.81 | 1,105,912.29 |
| Including: Loss on disposal of non-current assets | | 22,748,252.08 | 229,182.73 |
| **Ⅳ、Total profit (Loss listed with "-")** | | 188,178,816.86 | 135,947,654.34 |
| Less: Income tax expenses | Ⅵ、45 | 6,248,991.14 | 4,732,632.19 |
| **Ⅴ、Net profit (Net loss listed with "-")** | | 181,929,825.72 | 131,215,022.15 |
| Net profit attributable to equity holders(shareholders) of the Company | | 178,632,660.24 | 129,947,307.39 |
| Minority interest | | 3,297,165.48 | 1,267,714.76 |
| **Ⅵ、Other comprehensive income net off tax** | | -158,348,794.53 | 587,219,831.33 |
| Total comprehensive income net off tax attributable to parent Company | | -158,348,794.53 | 587,219,831.33 |
| (Ⅰ)Items that may not be reclassified subsequently to the income statement | | - | - |
| 1.Change in net asset/liability from remeasurment on defined benefit plan | | | |
| 2.Under equity method, proportionate share of other comprehensive income in invested company that may not be reclassified subsequently to the income statement | | | |
| (Ⅱ)Items that may be reclassified subsequently to the income statement | | -158,348,794.53 | 587,219,831.33 |
| 1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement | | -3,160.87 | |
| 2.Avaliable-for-sale financial assets fair value movements | | -158,345,633.66 | 587,219,831.33 |
| 3.Profit/loss on reclassification from held to maturities to avaliable-for-sale financial assets | | | |
| 4.Cash flow hedges effective portion | | | |
| 5.Foreign currency translation difference | | | |
| 6. Others | | | |
| Total comprehensive income net off tax attributable to minority interests | | | |
| **Ⅶ、Total comprehensive income** | | 23,581,031.19 | 718,434,853.48 |
| Total comprehensive income attributable to parent Company | | 20,283,865.71 | 717,167,138.72 |
| Total comprehensive income attributable to minority interest | | 3,297,165.48 | 1,267,714.76 |
| **Ⅷ、Earnings per share** | | | |
| (Ⅰ)Basic earnings per share | | 0.31 | 0.24 |
| (Ⅱ)Diluted earnings per share | | 0.31 | 0.24 |

Legal representative：　　Chief Financial Officer：　　Financial Manager ：

# Income Statement of Parent Company

For the year of 2016

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| Item | Note | Current year | Last year |
|---|---|---|---|
| **Ⅰ、Operating revenue** | XVII、4 | 558,404,871.04 | 541,475,251.65 |
| Less: Cost of operation | XVII、4 | 468,526,965.90 | 446,609,627.15 |
| Business taxes and surcharges | | 5,674,459.53 | 2,499,783.19 |
| Selling and distribution expenses | | 1,292,587.98 | 4,045,795.92 |
| Administrative expenses | | 109,136,561.08 | 109,448,960.03 |
| Financial expenses | | 350,400.16 | -3,914,069.63 |
| Loss on impairment of assets | | -5,320,922.94 | -4,905,815.96 |
| Add: Gain arising from the changes in fair value (loss listed with"-") | | | |
| Investment income (Loss listed with "-") | XVII、5 | 187,574,249.05 | 132,772,430.15 |
| Including: income from investments in associates and joint ventures (Loss listed with "-") | | 131,022,957.13 | 125,536,756.26 |
| **Ⅱ、Operating profit (Loss listed with "-")** | | 166,319,068.38 | 120,463,401.10 |
| Add: Non-operating income | | 4,221,368.65 | 5,314,670.19 |
| Including: Gain from disposal of non-current assets | | 1,137,153.71 | 108,540.13 |
| Less: Non-operating expenses | | 22,575,120.49 | 302,694.05 |
| Including: Loss on disposal of non-current assets | | 22,515,120.49 | 49,365.05 |
| **Ⅲ、Total profit (Loss listed with "-")** | | 147,965,316.54 | 125,475,377.24 |
| Less: Income tax expenses | | 1,924,168.07 | -549,585.31 |
| **Ⅳ、Net profit (Net loss listed with "-")** | | 146,041,148.47 | 126,024,962.55 |
| **Ⅴ、Other comprehensive income net off tax** | | -158,345,633.66 | 587,219,831.33 |
| (Ⅰ)Items that may not be reclassified subsequently to the income statement | | - | - |
| 1.Change in net asset/liability from remeasurment on defined benefit plan | | | |
| 2.Under equity method, proportionate share of other comprehensive income in invested company that may not be reclassified subsequently to the income | | | |
| (Ⅱ)Items that may be reclassified subsequently to the income statement | | -158,345,633.66 | 587,219,831.33 |
| 1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement | | | |
| 2.Avaliable-for-sale financial assets fair value movements | | -158,345,633.66 | 587,219,831.33 |
| 3.Profit/loss on reclassification from held to maturities to avaliable-for-sale financial assets | | | |
| 4.Cash flow hedges effective portion | | | |
| 5.Foreign currency translation difference | | | |
| 6. Others | | | |
| **Ⅵ、Total comprehensive income** | | -12,304,485.19 | 713,244,793.88 |
| **Ⅶ、Earnings per share** | | | |
| (Ⅰ)Basic earnings per share | | | |
| (Ⅱ)Diluted earnings per share | | | |

Legal representative：　　Chief Financial Officer：　　Financial Manager ：

# Consolidated Cash Flow Statement

For the year of 2016

Name of Enterprise：Dalian Refrigeration Company Limited — Amount Unit:RMB

| Item | Note | Current year | Last year |
|---|---|---|---|
| **1. Cash flows from operating activities:** | | | |
| Cash received from sales of goods and rendering of services | | 1,565,037,310.87 | 1,196,653,392.32 |
| Net increase in deposits from customers and inter-banks deposits | | | |
| Net increase in loans from central bank | | | |
| Net increase in loans from other financial institutions | | | |
| Cash receipts of premium of direct insurance contracts | | | |
| Net cash received from reinsurance contracts | | | |
| Net increase in deposits from insurance policy holders and investment | | | |
| Net increase in disposal of financial assets measured in fair value and through P&L | | | |
| Cash receipts of interest, fees and commission | | | |
| Net increase in placement from banks and other financial institution | | | |
| Net increase in sales and repurchase operations | | | |
| Cash received from taxes refund | | 1,513,511.75 | 1,064,168.82 |
| Cash received relating to other operating activities | Ⅵ、47 | 71,225,043.85 | 43,260,055.50 |
| **Sub-total of cash inflows from operating activities** | | 1,637,775,866.47 | 1,240,977,616.64 |
| Cash paid for goods and services | | 1,073,090,356.24 | 801,379,413.53 |
| Net increase in loans and disbursement to customers | | | |
| Net increase in deposit with central bank and inter-banks | | | |
| Cash paid for claims of direct insurance contracts | | | |
| Cash paid for interest, fee and commission | | | |
| Cash paid for dividends of insurance policies | | | |
| Cash paid to and on behalf of employees | | 311,357,113.61 | 278,537,533.58 |
| Payments of taxes and surcharges | | 114,242,935.34 | 99,382,229.31 |
| Cash paid relating to other operating activities | Ⅵ、47 | 146,791,781.50 | 112,246,914.60 |
| **Sub-total of cash outflows from operating activities** | | 1,645,482,186.69 | 1,291,546,091.02 |
| **Net cash flows from operating activities** | | -7,706,320.22 | -50,568,474.38 |
| **2. Cash flows from investment activities:** | | | |
| Cash received from withdraw of investments | | 1,500,000.00 | |
| Cash received from investments income | | 109,727,833.19 | 66,637,747.39 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 1,644,393.77 | 287,315.00 |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Cash received relating to other investing activities | | | |
| **Sub-total of cash inflows from investing activities** | | 112,872,226.96 | 66,925,062.39 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 339,761,289.83 | 60,687,631.79 |
| Cash paid for investments | | 57,404,907.59 | 222,172,610.81 |
| Net increase in pledged deposits | | | |
| Net cash paid to acquire subsidiaries and other business units | | -19,888,482.90 | 20,464,427.15 |
| Cash paid relating to other investing activities | | | |
| **Sub-total of cash outflow from investing activities** | | 377,277,714.52 | 303,324,669.75 |
| **Net cash flows from investing activities** | | -264,405,487.56 | -236,399,607.36 |
| **3. Cash flows from financing activities** | | | |
| Cash received from investment absorption | | 639,016,550.34 | 60,434,000.00 |
| Including: Cash received by subsidiaries from investment absorpotion of non-controlling interest | | 5,390,000.00 | |
| Cash received from loans granted | | 312,380,000.00 | 129,000,000.00 |
| Cash received from issue of bonds | | | |
| Cash received relating to other financing activities | Ⅵ、47 | 20,710,827.68 | 32,953,876.63 |
| **Sub-total of cash inflows from financing activities** | | 972,107,378.02 | 222,387,876.63 |
| Cash paid for settlement of borrowings | | 201,480,000.00 | 106,500,000.00 |
| Cash paid for dividends, profits appropriation or payments of interest | | 42,474,168.02 | 61,877,081.78 |
| Including: Dividens and profits paid to non-controlling interest | | 1,078,000.00 | 2,502,522.92 |
| Cash paid relating to other financing activities | Ⅵ、47 | 21,861,791.59 | 20,711,136.86 |
| **Sub-total of cash outflows from financing activities** | | 265,815,959.61 | 189,088,218.64 |
| **Net cash flows from financing activities** | | 706,291,418.41 | 33,299,657.99 |
| **4. Effect of changes in foreign exchange rate on cash and cash equivalents** | | -155,755.03 | -165,031.04 |
| **5. Net increase in cash and cash equivalents** | | 434,023,855.60 | -253,833,454.79 |
| Add: Cash and cash equivalents at beginning of year | | 221,724,134.60 | 475,557,589.39 |
| **6. Cash and cash equivalents at end of year** | | 655,747,990.20 | 221,724,134.60 |

Legal representative： Chief Financial Officer： Financial Manager ：

## Cash Flow Statement of Parent Company

For the year of 2016

Name of Enterprise：Dalian Refrigeration Company Limited | Amount Unit:RMB

| Item | Note | Current year | Last year |
|---|---|---|---|
| **1.Cash flow from operating activities** | | | |
| Cash receipts from sale of goods or rendering of services | | 573,989,576.16 | 389,780,864.03 |
| Refunds of taxes | | | |
| Other cash receipts in operating activities | | 43,293,827.34 | 24,780,873.67 |
| **Sub-total of cash inflows from operating activities** | | 617,283,403.50 | 414,561,737.70 |
| Cash payments for goods and services acquired | | 417,926,957.89 | 286,847,416.04 |
| Cash payments to and on behalf of employees | | 126,059,533.97 | 110,830,881.99 |
| Tax and duties payments | | 18,159,382.86 | 28,319,534.99 |
| Other cash payments for operating activities | | 38,988,406.65 | 28,857,855.35 |
| **Sub-total of cash outflows from operating activities** | | 601,134,281.37 | 454,855,688.37 |
| **Net cash flows from operating activities** | | 16,149,122.13 | -40,293,950.67 |
| **2.Cash flows from investing activities** | | | |
| Cash received from withdraw of investments | | 4,170,375.54 | 6,843,000.00 |
| Cash receipts from investments income | | 119,993,684.77 | 68,332,980.68 |
| Net cash receipts from disposal of fixed assets, intangible assets and other long-term asse | | 1,328,170.00 | 106,580.00 |
| Net cash receipts from disposal of subsidiaries and other businesses | | | |
| Other cash receipts in investing activities | | | |
| **Sub-total of cash inflows from investing activities** | | 125,492,230.31 | 75,282,560.68 |
| Cash payments for acquired fixed assets, intangible assets and other long-term assets | | 328,899,717.16 | 38,025,775.39 |
| Cash payments for investment | | 168,990,635.74 | 224,885,444.96 |
| Net cash payments for acquisition of subsidiaries and other businesses | | 21,535,918.03 | 26,993,388.94 |
| Other cash payments in investing activities | | | |
| **Sub-total of cash outflows from investing activities** | | 519,426,270.93 | 289,904,609.29 |
| **Net cash flows from investment activities** | | -393,934,040.62 | -214,622,048.61 |
| **3.Cash flows from financing activities** | | | |
| Cash received from capital injection | | 633,626,550.34 | 56,434,000.00 |
| Cash receipts from borrowings | | 240,000,000.00 | 27,600,000.00 |
| Cash receipts from issuing bond | | | |
| Other cash receipts in financing activities | | 720,332.73 | 16,145,665.64 |
| **Sub-total of cash inflows from financing activities** | | 874,346,883.07 | 100,179,665.64 |
| Cash paid for settlement of borrowings | | 107,600,000.00 | |
| Cash paid for dividends, profits appropriation or payments of interest | | 37,733,665.57 | 54,732,538.85 |
| Other cash payments in financing activities | | 3,430,000.00 | 34,245,194.98 |
| **Sub-total of cash outflows from financing activities** | | 148,763,665.57 | 88,977,733.83 |
| **Net cash flows from financing activities** | | 725,583,217.50 | 11,201,931.81 |
| **4.Effect of changes in foreign exchange rate on cash and cash equivalents** | | -20,326.62 | -274,330.63 |
| **5.Net increases in cash and cash equivalents** | | 347,777,972.39 | -243,988,398.10 |
| Add: the beginning balance of cash and cash equivalent | | 147,439,134.15 | 391,427,532.25 |
| **6.The ending balance of cash and cash equivalent** | | 495,217,106.54 | 147,439,134.15 |

Legal representative： Chief Financial Officer： Financial Manager ：

# Consolidated Statement of Changes in Shareholer's Equity

For the Year of 2016

Name of Enterprise: Dalian Refrigeration Company Limited — Amount Unit:RMB

| Item | Current year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the equity holders of the Company | | | | | | | | | | | Minority interests | Total equity |
| | Share capital | Other equity instrument | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk provision | Undistributed profits | | |
| | | Preference share | Perpetuity bond | Others | | | | | | | | | |
| **1. Balance at end of last year** | 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 |
| Add: Changes in accounting policies | | | | | | | | | | | | | - |
| Correction of prior periods errors | | | | | | | | | | | | | - |
| Business combination under the same control | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | - |
| **2. Balance at beginning of current year** | 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 |
| **3. Increase/ Decrease for current year (Decrease listed with** | 251,611,583.00 | - | - | - | 392,421,782.30 | 28,112,056.00 | -158,348,794.53 | - | 39,809,107.36 | - | 102,807,055.38 | 3,328,052.50 | 603,516,730.01 |
| （Ⅰ）Total of comprehensive income | | | | | | | -158,348,794.53 | | | | 178,632,660.24 | 3,297,165.48 | 23,581,031.19 |
| （Ⅱ）Capital contribution and reduction | 71,529,096.00 | - | - | - | 572,504,269.30 | 28,112,056.00 | - | - | - | - | - | 1,108,887.02 | 617,030,196.32 |
| 1.Ordinary share | 71,529,096.00 | | | | 560,231,963.55 | 28,112,056.00 | | | | | | 1,108,887.02 | 604,757,890.57 |
| 2.Capital contributed by other equity instrument holders | | | | | | | | | | | | | - |
| 3.Share-based payments charged to equity | | | | | 12,227,168.00 | | | | | | | | 12,227,168.00 |
| 4.Others | | | | | 45,137.75 | | | | | | | | 45,137.75 |
| （Ⅲ）Profit appropriations | - | - | - | - | - | - | - | - | 39,809,107.36 | - | -75,825,604.86 | -1,078,000.00 | -37,094,497.50 |
| 1.Appropriation of surplus reserves | | | | | | | | | 39,809,107.36 | | -39,809,107.36 | | - |
| 2.Appropriation to general risks provision | | | | | | | | | | | | | - |
| 3.Distribution to equity holders (or shareholders) | | | | | | | | | | | -36,016,497.50 | -1,078,000.00 | -37,094,497.50 |
| 4.Others | | | | | | | | | | | | | - |
| （Ⅳ）Shareholders interests internally transfered | 180,082,487.00 | - | - | - | -180,082,487.00 | - | - | - | - | - | - | - | - |
| 1.Transfer of capital reserve to capital (share capital) | 180,082,487.00 | | | | -180,082,487.00 | | | | | | | | - |
| 2.Transfer of surplus reserves to capital (share capital) | | | | | | | | | | | | | - |
| 3.Surplus reserves making up of losses | | | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | | | - |
| （Ⅴ）Provision and utilisation of special reserves | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.Provision for special reserve | | | | | | | | 1,982,950.50 | | | | | 1,982,950.50 |
| 2.Utilisation of special reserve | | | | | | | | -1,982,950.50 | | | | | -1,982,950.50 |
| （Ⅵ）Others | | | | | | | | | | | | | - |
| **4、Balance at end of current year** | 611,776,558.00 | - | - | - | 1,022,686,774.25 | 67,615,856.00 | 431,639,323.52 | - | 620,578,847.52 | - | 628,732,121.63 | 69,585,601.21 | 3,317,383,370.13 |

Legal representative: Chief Financial Officer: Financial Manager :

# Consolidated Statement of Changes in Shareholer's Equity

For the Year of 2015

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| Item | Last year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the equity holders of the Company | | | | | | | | | | | Minority interests | Total equity |
| | Share capital | Other equity instrument | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk provision | Undistributed profits | | |
| | | Preference share | Perpetuity bond | Others | | | | | | | | | |
| **1. Balance at 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 |
| Add: Changes in accounting policies | | | | | | | | | | | | | - |
| Correction of prior periods errors | | | | | | | | | | | | | - |
| Business combination under the same control | | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | | - |
| **2. Balance at beginning of current 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 |
| **3. Increase/ Decrease for current year (Decrease listed with** | 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 of comprehensive income | | | | | | | 587,219,831.33 | | | | 129,947,307.39 | 1,267,714.76 | 718,434,853.48 |
| （Ⅱ）Capital contribution and reduction | 10,150,000.00 | - | - | - | 47,976,985.66 | 39,503,800.00 | - | - | - | - | - | -29,139,058.21 | -10,515,872.55 |
| 1.Ordinary share | 10,150,000.00 | | | | 35,784,208.92 | 39,503,800.00 | | | | | | -29,139,058.21 | -22,708,649.29 |
| 2.Capital contributed by other equity instrument holders | | | | | | | | | | | | | - |
| 3.Share-based payments charged to equity | | | | | 12,190,520.00 | | | | | | | | 12,190,520.00 |
| 4.Others | | | | | 2,256.74 | | | | | | | | 2,256.74 |
| （Ⅲ）Profit appropriations | - | - | - | - | - | - | - | - | 34,981,492.17 | - | -90,189,981.27 | -2,502,522.92 | -57,711,012.02 |
| 1.Appropriation of surplus reserves | | | | | | | | | 34,981,492.17 | | -34,981,492.17 | | - |
| 2.Appropriation to general risks provision | | | | | | | | | | | | | - |
| 3.Distribution to equity holders (or shareholders) | | | | | | | | | | | -54,024,746.25 | -2,502,522.92 | -56,527,269.17 |
| 4.Others | | | | | | | | | | | -1,183,742.85 | | -1,183,742.85 |
| （Ⅳ）Shareholders interests internally transfered | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.Transfer of capital reserve to capital (share capital) | | | | | | | | | | | | | - |
| 2.Transfer of surplus reserves to capital (share capital) | | | | | | | | | | | | | - |
| 3.Surplus reserves making up of losses | | | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | | | - |
| （Ⅴ）Provision and utilisation of special reserves | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.Provision for special reserve | | | | | | | | 1,982,950.50 | | | | | 1,982,950.50 |
| 2.Utilisation of special reserve | | | | | | | | -1,982,950.50 | | | | | -1,982,950.50 |
| （Ⅵ）Others | | | | | | | | | | | | | - |
| **4、Balance at end of current year** | 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：　　Chief Financial Officer：　　Financial Manager：

# Statement of Changes in Equity of Parent Company

For the Year of 2016

Name of Enterprise：Dalian Refrigeration Company Limited — Amount Unit:RMB

| Item | Current year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instrument | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Undistributed profits | Total equity |
| | | Preference share | Perpetuity bond | Others | | | | | | | |
| **1. Balance at end of last year** | 360,164,975.00 | | | | 640,764,783.03 | 39,503,800.00 | 588,759,190.43 | | 580,769,740.16 | 428,747,299.72 | 2,559,702,188.34 |
| Add: Changes in accounting policies | | | | | | | | | | | - |
| Correction of prior periods errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| **2. Balance at beginning of current year** | 360,164,975.00 | - | - | - | 640,764,783.03 | 39,503,800.00 | 588,759,190.43 | - | 580,769,740.16 | 428,747,299.72 | 2,559,702,188.34 |
| **3. Increase/ Decrease for current year (Decrease listed with** | 251,611,583.00 | - | - | - | 395,350,378.51 | 28,112,056.00 | -158,345,633.66 | - | 39,809,107.36 | 70,215,543.61 | 570,528,922.82 |
| （Ⅰ）Total of comprehensive income | | | | | | | -158,345,633.66 | | | 146,041,148.47 | -12,304,485.19 |
| （Ⅱ）Capital contribution and reduction | 71,529,096.00 | - | - | - | 575,432,865.51 | 28,112,056.00 | - | - | - | - | 618,849,905.51 |
| 1.Ordinary share | 71,529,096.00 | | | | 563,160,559.76 | 28,112,056.00 | | | | | 606,577,599.76 |
| 2.Capital contributed by other equity instrument holders | | | | | | | | | | | - |
| 3.Share-based payments charged to equity | | | | | 12,227,168.00 | | | | | | 12,227,168.00 |
| 4.Others | | | | | 45,137.75 | | | | | | 45,137.75 |
| （Ⅲ）Profit appropriations | - | - | - | - | - | - | - | - | 39,809,107.36 | -75,825,604.86 | -36,016,497.50 |
| 1.Appropriation of surplus reserves | | | | | | | | | 39,809,107.36 | -39,809,107.36 | - |
| 2.Distribution to equity holders (or shareholders) | | | | | | | | | | -36,016,497.50 | -36,016,497.50 |
| 3.Others | | | | | | | | | | | - |
| （Ⅳ）Shareholders interests internally transfered | 180,082,487.00 | - | - | - | -180,082,487.00 | - | - | - | - | - | - |
| 1.Transfer of capital reserve to capital (share capital) | 180,082,487.00 | | | | -180,082,487.00 | | | | | | - |
| 2.Transfer of surplus reserves to capital (share capital) | | | | | | | | | | | - |
| 3.Surplus reserves making up of losses | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | - |
| （Ⅴ）Provision and utilisation of special reserves | - | - | - | - | - | - | - | - | - | - | - |
| 1.Provision for special reserve | | | | | | | | 1,982,950.50 | | | 1,982,950.50 |
| 2.Utilisation of special reserve | | | | | | | | -1,982,950.50 | | | -1,982,950.50 |
| （Ⅵ）Others | | | | | | | | | | | - |
| **4、Balance at end of current year** | 611,776,558.00 | - | - | - | 1,036,115,161.54 | 67,615,856.00 | 430,413,556.77 | - | 620,578,847.52 | 498,962,843.33 | 3,130,231,111.16 |

Legal representative： Chief Financial Officer： Financial Manager：

# Statement of Changes in Equity of Parent Company

For the Year of 2015

Name of Enterprise：Dalian Refrigeration Company Limited　　Amount Unit:RMB

| Item | Last year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instrument | | | Capital reserves | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Undistributed profits | Total equity |
| | | Preference share | Perpetuity bond | Others | | | | | | | |
| **1. Balance at 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 |
| Add: Changes in accounting policies | | | | | | | | | | | - |
| Correction of prior periods errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| **2. Balance at beginning of current 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 |
| **3. Increase/ Decrease for current year (Decrease listed with** | 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 of comprehensive income | | | | | | | 587,219,831.33 | | | 126,024,962.55 | 713,244,793.88 |
| （Ⅱ）Capital contribution and reduction | 10,150,000.00 | - | - | - | 58,476,776.74 | 39,503,800.00 | - | - | - | - | 29,122,976.74 |
| 1.Ordinary share | 10,150,000.00 | | | | 46,284,000.00 | 39,503,800.00 | | | | | 16,930,200.00 |
| 2.Capital contributed by other equity instrument holders | | | | | | | | | | | - |
| 3.Share-based payments charged to equity | | | | | 12,190,520.00 | | | | | | 12,190,520.00 |
| 4.Others | | | | | 2,256.74 | | | | | | 2,256.74 |
| （Ⅲ）Profit appropriations | - | - | - | - | - | - | - | - | 34,981,492.17 | -89,006,238.42 | -54,024,746.25 |
| 1.Appropriation of surplus reserves | | | | | | | | | 34,981,492.17 | -34,981,492.17 | - |
| 2.Distribution to equity holders (or shareholders) | | | | | | | | | | -54,024,746.25 | -54,024,746.25 |
| 3.Others | | | | | | | | | | | - |
| （Ⅳ）Shareholders interests internally transfered | - | - | - | - | - | - | - | - | - | - | - |
| 1.Transfer of capital reserve to capital (share capital) | | | | | | | | | | | - |
| 2.Transfer of surplus reserves to capital (share capital) | | | | | | | | | | | - |
| 3.Surplus reserves making up of losses | | | | | | | | | | | - |
| 4.Others | | | | | | | | | | | - |
| （Ⅴ）Provision and utilisation of special reserves | - | - | - | - | - | - | - | - | - | - | - |
| 1.Provision for special reserve | | | | | | | | 1,982,950.50 | | | 1,982,950.50 |
| 2.Utilisation of special reserve | | | | | | | | -1,982,950.50 | | | -1,982,950.50 |
| （Ⅵ）Others | | | | | | | | | | | - |
| **4、Balance at end of current year** | 360,164,975.00 | - | - | - | 640,764,783.03 | 39,503,800.00 | 588,759,190.43 | - | 580,769,740.16 | 428,747,299.72 | 2,559,702,188.34 |

Legal representative：　　Chief Financial Officer：　　Financial Manager：

## I. General Information

Dalian Refrigeration Company Limited (the "Company") was reorganized and reformed from main part of former Dalian Refrigeration Factory. On December 8, 1993, the company went to the public as a listed company at Shenzhen Stock Exchange Market. On March 20, 1998, the company successfully went to the public at B share market and listed at Shenzhen Stock Exchange Market.

The general meeting for 2015 fiscal yearheld on 21st April 2016 approved the profit distribution policy for the year of 2015, which agrees the profit distribution basing on the total 360,164,975 number of shares as share capital, paid out cash dividend of 1Yuan for every 10 shares(before tax) and share dividend of 5 common shares for every 10 sharesthrough capital reserve. The policy stated above was fully implemented on 5th May 2016, and the registered capital was altered to 540,247,462.00Yuan.

The 17$^{th}$meeting of the 6$^{th}$ generation of board was held on 4$^{th}$ June 2015 and the 2$^{nd}$ interim shareholders' meeting was held on 24th June 2015, meeting deliberated and passed the proposal of non-public offering of 'A shares'. China's Securities Regulatory Commission issued SFC license [2015]3137 on 30$^{th}$ December, 2015, approving that new non-public offering cannot exceeded 38,821,954 number of shares. The company implemented the post meeting procedures for China's Securities Regulatory Commission, which is regarding adjustment of bottom price and the number of the shares issued after the implementation of profit distribution policy of 2015 in May, 2016, and accordingly revised the upper limit of non-public offering of share to58,645,096 number of new 'A shares'. The company issued the non-public offering of 58,645,096 number of 'A shares' to 7 investors, and as a result, the total number of shares of the company is changed to 598,892,558 shares, and the par value is 1yuan per share andthe total share capital is 598,892,558.00Yuan. The sharecapital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]000457 on 31st May 2016.

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3$^{rd}$provisional general meeting held on 13th September 2016, the 9$^{th}$ meeting of the 7$^{th}$ generation of board deliberated and passed the 'Proposal aboutgranting the restricted shares to incentive targets' on September 20$^{th}$, 2016 and set 20$^{th}$ September 2016 as share granted date, and granted 12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22$^{nd}$November, 2016, the company has actually received the new registered share capital of 72,420,220,00Yuan subscribed by incentive targets, within this amount, in fact, 12,884,000Yuan are newly increased registered share capital, and 59,524,080.00Yuan is the excessive part of the actual subscribed capital over newly increased registered share capital as share premium and record into capital reserve. The sharecapital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23rdNovember, 2016.

The address of the Company's registered office as same as head 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 regulated by the relevant law, regulations and rules.

The company falls into industrial manufacturing sector, mainly engaged in industrial refrigeration, refrigerated and frozen foodstorage, and manufacture and installation of central air-conditioning and refrigeration equipment. The scope of business includes refrigeration equipment, valve, fixings refrigeration equipment, supported products processing and system design of air-conditioning. The company also offers technical consultation, technical services, commercial trade and material supply and marketing.

## II. The scope of consolidation

There are 13 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. | Subsidiary | 1 | 100 | 100 |
| Dalian Bingshan Group Sales Co., Ltd. | Subsidiary | 1 | 100 | 100 |
| Dalian Bingshan Air-conditioning Equipment Co., Ltd. | Subsidiary | 1 | 70 | 70 |
| Dalian Bingshan JiaDe Automation Co., Ltd. | Subsidiary | 1 | 100 | 100 |
| Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd. | Subsidiary | 1 | 100 | 100 |
| Wuhan New World Refrigeration Industrial Co., Ltd. | Subsidiary | 1 | 100 | 100 |
| Bingshan Technical Service（Dalian）Co.,Ltd. | Subsidiary | 1 | 100 | 100 |
| Dalian Niweisi LengNuan | Subsidiary | 1 | 55 | 55 |

| Names of subsidiaries | Types | Level | Proportion of shareholding （%） | Proportion of votes（%） |
|---|---|---|---|---|
| Techonoligy Co., Ltd. | | | | |
| Dalian Xinminghua Electrical Technology Co., Ltd | Subsidiary | 1 | 100 | 100 |
| Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd | Sub-subsidiary | 2 | 100 | 100 |
| Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd | Sub-subsidiary | 2 | 100 | 100 |
| Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd | Sub-subsidiary | 2 | 51 | 51 |
| Shanghai Bingshan Technical Service Co., Ltd | Sub-subsidiary | 2 | 51 | 51 |

This year, there are 3 more entities were included in the scope of consolidation, they are Dalian Xinminghua Electrical Technology Co., Ltd, Dalian Bingshan BaoanLeisure Industrial Engineering Co., Ltd, and Shanghai Bingshan Technical Service Co., Ltd, and one entity which is Dalian Bingshan Metal Processing Co., Ltd is excluded at the year end.

The 5$^{th}$meeting of the 7$^{th}$ generation of board of directors approved to increase the share capital of fully owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd, by cash of 50,000,000Yuan. The proportion of capital contribution would remain unchanged after the capital increase, which is still 100%. The 8$^{th}$meeting of the 7$^{th}$ generation of board of directors approved to increase the share capital of Dalian Bingshan Group Engineering Co., Ltd by cash of 21,000,000Yuan. The proportion of capital contribution would remain unchanged after the capital increase, which is still 100%.The proportion of shares held in Dalian Bingshan Group Engineering Co., Ltd is still 100% when preparing the consolidated financial report.

At the 5$^{th}$meeting of the 7$^{th}$ generation of board of directors, the company and Hong Kong BaoAn Water Project Co., Ltd both respectively transferred 50% shareholdings of Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd to the fully owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd.After that, the company would not hold any shares of Dalian Bingshan Group Engineering Co., Ltd any longer, and the fully owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd would have 100% shareholdings of Dalian Bingshan BaoAn Leisure Industrial Engineering Co., Ltd. The transactions stated above have been completed by 31$^{st}$, December 2016.

The board meeting of directors held on 15th April 2016 approved to have 30% shareholdings of Dalian Bingshan Group Sales Co., Ltd, which was transferred by the fully owned subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd. Therefore, Dalian Bingshan Group Sales Co has become the fully owned subsidiary of the Company. The transactions stated above has completed by 31st December 2016. Hence, the Company holds 100% shareholdings of Dalian Bingshan Group Sales Co., Ltd when preparing the consolidated statements.

The board meeting of directors held on 27th January 2016 approved to have 40% shareholdings of holding subsidiary, Dalian Bingshan JiaDe Automation Co., Ltd, hence, Dalian Bingshan JiaDe Automation Co., Lmt has become the Company's fully owned subsidiary. The transaction stated above has completed by 31st December 2016. Hence, the Company holds 100% shareholdings of Dalian Bingshan JiaDe Automation Co., Ltd when preparing the consolidated statements.

The 15thmeeting of the 6th generation of board approved that Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd, a holding subsidiary, acquired Dalian Bingshan Metal Processing Co., Ltd which is a fully owned subsidiary. Before the merger, the Company held 70% shareholding of Dalian Bingshan Quick Freezing Equipment Co., Ltd., and held 100% shareholding of Dalian Bingshan Metal Processing Co., Ltd. After the merger, Dalian Bingshan Quick Freezing Equipment Co., Ltd would be the survival company, and the shareholding held by the Company increased from 70% to 95%. The 6thmeeting of the 7th generation of board of directors approved to accept the 5% of shareholding transfer from Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd, a holding subsidiary, hence, Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd has become the fully owned subsidiary after transfer. The transaction stated above has completed by 31st December 2016. Hence, the Company holds 100% shareholding of Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd when preparing the consolidated statements. In the meanwhile, the Company increased the share capital of Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd by cash of 30,000,000Yuan. The proportion of capital contribution would not be changed after the capital increase, which is still 100%.

The meeting of directors held on 15th April 2016 decided to transfer 5% shareholding of Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd to the fully owned subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd. Therefore, the Company indirectly held 100% shareholding of Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd.

The 3rdmeeting of the 7th generation of board of directors approved to accept the 70% of shareholding transfer from Dalian Xinminghua electrical technology Co., Ltd., , a holding subsidiary, hence, Dalian Xinminghua electrical technology Co., Ltd., has become the fully owned subsidiary after transfer. The transaction stated above has been completed by 31st December 2016. Hence, the Company holds 100% shareholding of Dalian Xinminghua electrical technology Co., Ltd when preparing the consolidated statements.

The board meeting of Dalian Bingshan Group Engineering Co., Ltd, a subsidiary of the company, approved Dalian Bingshan Group Engineering Co., Ltd and Shanghai QingNeng Cold Chain Equipment Co., Ltd jointly invested and constructed Shanghai Bingshan Technical Service Co., Ltd. Dalian Bingshan Group Engineering Co., Ltd invested 5,100,000Yuan, and held 51% shareholding. Shanghai Bingshan Technical Service Co., Ltd has been formally operated by 31st December 2016.

The original name of Dalian Bingshan Group Engineering Co., Ltd was Dalian Bingshan Group Refrigerated air-conditioning Installation Co., Ltd, and was renamed as Dalian Bingshan Group Engineering Co., Ltd on 19th January 2016. Enterprise business license was obtained and the registration number is 9121020024236769XQ.

The original name of Dalian Niweisi LengNuan Techonoligy Co., Ltd was Dalian Sanyo High-efficient Refrigeration System Co., Ltd, and was renamed as Dalian Niweisi LengNuan Techonoligy Co., Ltd on 3rd May, 2016. Enterprise business license was obtained with the registration number of 9121021378733517XF.

The original name of Dalian Xinminghua electrical technology Co., Ltd was Dalian Sanyo Minghua Electrical Co., Ltd, and was renamed as Dalian Xinminghua Electrical Technology Co., Ltd on 27th October, 2016. Enterprise business license was obtained with the registration number of 91210213604820915Y.

For the specific information of entity change in the consolidation scope, see the notes of VII. The Change of Scope of Consolidation and VIII. The Equity in Other Entities.

## III. Financial Statements Preparation Basis

（1） Preparing basis

The Company’s financial statements are prepared on the basis of going concern assumption, according to the actual occurred transactions and events and in accordance with ‘Accounting Standards for Business Enterprises’ and relevant regulations, and also based on the note IV “Significant Accounting Policies, Accounting Estimates”.

**（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. Significant Accounting Policies and Accounting Estimates

### 1. Declaration for compliance with accounting standards for business enterprises

The financial statements are prepared by the Group according to the requirements of Accounting Standard for Business Enterprise, and reflect the relative information for the financial position, operating performance, cash flow of the Group truly and fully.

### 2. Accounting period

The Groupadopts the Gregorian calendar year as accounting period, i.e. from Jan 1 to Dec 31.

### 3.Operating cycle

Normal operating cycle refers to the duration starting from purchasing the assets for manufactuing up to cash or cash equivelant realisation. The group sets twelve months for one operating cycle and as the liquidity criterion for assets and liability.

### 4. Funcitonal currency

The Group adopts RMB as functional currency.

### 5. Accounting for business combination under same control and not under same control

As an acquirer, the assets and liabilities that The Group obtained in a business combination under the same control should be measured on the basis of their carrying amount in the consolidated financial statements 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, the capital surplus shall be adjusted. If the capital surplus is not sufficient to be offset, the retained earnings shall be adjusted.

For a business combination not under same control, the asset, liability and contingent liabilityobtained from the acquirer shall be measured at the fair value on the acquisition date. The combination cost shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquire, and sum of all direct expenses(if the combination is achieved in stages, the combination cost shall be the sum of individual transaction). The difference when combination cost exceeds proportionate share of the fair value of identifiable net assets of acquiree should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration , after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquire, the difference should be recognized as non-operating income.

**6. Method of preparation of consolidated financial statements**

All subsidiaries controlled by the Group and structured entities are within the consolidation scope.

If subsidiaries adopt different accounting policy or have different accounting period from the parent company, appropriated adjustments shall be made in accordance with the Group policy in preparation of the consolidated financial statements.

All significant intragroup transactions, outstanding balances and unrealized profit shall be eliminated in full when preparing the consolidated financial statements. Portion of the subsidiary's equity not belonging to the parent, profit, loss for the current period, portion of other comprehensive income and total comprehensive belonging to minority interest, shall be presented separately in the consolidated financial statements under "minority interest of equity", "minority interest of profit and loss", "other comprehensive income attributed to minority interest" and "total comprehensive income attributed to minority interest" title.

If a subsidiary is acquired under common control, its operation results and cash flow shall be consolidated since the beginning of the consolidation period. When preparing the comparative consolidated financial statements, adjustments shall be made to relevant items of comparative figures as regarded that reporting entity established through consolidation has been always there since the point when the ultimate controlling party starts to have the control.

If a business consolidation under common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation under common control is finally achieved in stages, when preparing the consolidated financialstatements, adjustments shall be made for the current consolidation status as if consolidation has always been there since the point when the ultimate controlling party starts to control. In preparation of comparative figures, assetand liability of the acquiree shall be consolidated into the Group's comparative financial statements, but to the extent no earlier than the point when the Group and acquiree are both under ultimate control and relevant items under equity in comparative financial statements shall be adjusted for net asset increased in combination. To avoid the duplicated computation of net asset of acquiree, for long-term equity investment held by the Group before the consolidation, relevant profit and loss, other comprehensive income and movement in other net asset, recognized for the period between the combination date and later date when original shareholding is obtained and when the Group and the acquiree are under common control of same ultimate controlling party, shall be respectively used for writing down the opening balance of retained earnings of comparative financial statements and profit and loss for the current period.

If a subsidiary is acquired not under common control, its operation results and cash flow shall be consolidated since the beginning of the consolidation period. In preparation of the consolidated financial statements, adjustments shall be made to subsidiary's financial statements based on the fair value of its all identifiable assets, liability or contingent liability on the acquisition date.

If a business consolidation under non-common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation not under common control is finally achieved in stages, when preparing the consolidated financialstatements, the acquirer shall remeasure itspreviously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss as investment income for the current period. Other comprehensive income, under equitymethod accounting rising from the interest held in acquiree in relation to the period before theacquisition, and changes in the value of its other equity other than net profit or loss, other comprehensive income and profit appropriation shall be transferred to investment gain or loss for the period in which the acquisitionincurs, excluding the other comprehensive income from the movement on the remeasurement of ne asset or liability of defined benefit plan.

When the Group partially disposes of the long –term equity investment in subsidiary without losing the control over it, in the consolidatedfinancial statements, the difference, between disposals price and respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted for capital surplus or share premium, no enough capital surplus, then adjusted for retained earnings.

When the Group partially disposes of the long –term equity investment in subsidiary and lose the control over it, in preparation of consolidated financialstatements, remaining share of interest in the subsidiary shall be remeasured on the date of losing control. Sum of the share disposal consideration and fair value of remaining portion of shareholding minus the share of the net assets in the subsidiary held based on the previous shareholding percentage since the acquisition date or combination date, the balance of above is recognized as investment gain/loss for the period and goodwill shall be written off accordingly. Other comprehensive income relevant to share investment in subsidiary shall be transferred to investment gain /loss for the period on the date of losing control.

When the Group partially disposes of the long –term equity investment in subsidiary and lose the control over it by stages, if all disposing transactions are bundled, each individual transaction shall be seen as a transaction of disposal of a subsidiary by losing control. The difference between the disposal price and the share of the net assets in the subsidiary held before the date of losing control, shall be recognize as other comprehensive income until the date of losing control where it is transferred into investment gain/ loss for the current period.

**7. Joint arrangement classification and joint operation accounting**

The Group's joint arrangement includes joint operation and joint venture. For joint operation, the Group as a joint operator shall recognize its own assets and its share of any assets held jointly, its liabilities and its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the jointoperation; andits expenses, including its share of any expenses incurred jointly. When an entity enters into a transaction with a joint operation in which it is ajoint operator, such as a sale or contribution of assets, it is conducting thetransaction with the other parties to the joint operation and, as such, the jointoperator shall recognize gains and losses resulting from such a transaction onlyto the extent of the other parties' interests in the joint operation.

**8. Cash and cash equivalent**

The cash listed on the cash flow statements of the Group refers to cash on hand and bank deposit. The cash equivalents refer to short-term (normally with original maturities of three months or less) and liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

**9. Translation of foreign currency**

(1) Foreign currency transaction

Foreign currency transactions are translated at the spot exchange rate issued by People's Bank of China ("PBOC") on the 1st day of the month when the transactions incurred. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the balance sheet day. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses.

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the ower's equity items except "undistributed profit", others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the other comprehensive income title. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

**10. Financial assets and financial liabilities**

A financial asset or liability shall be recognised when the entity becomes a party to the contractual provisions of a financial instrument.

(1) Financial assets

1)Classification, recognition and measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss include trading financial assets and those financial assets initially designated as fair value through profit and loss. When meeting one of the following conditions, the company shall classify the assets into trading financial asset: it is acquired principally for the purpose of selling in the near term and is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; it is a derivative(except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract, or linked to the investments in equity instruments that do not have a quoted price in an active market,no fair value can be reliably measured and must be settled by delivery of such an equity instrument.When meeting one of the following conditions, the financial assets can be classified as the assets initially designated as fair value through profit and loss: it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;or the financial instrument portfolio is managed and its performance is evaluated and provided internally on that basis to the entity's key management personnel on a fair value basis, in accordance with a documented risk management or investment strategy; or it is a hybrid instrument embedded by one or more instruments except for a embedded derivate that does not significantly modify the cash flows or it is clear that separation of the embedded derivative(s) is prohibited; it is a hybrid instrument that is required to be separated but unable to be measured separately either at acquisition or at the end of a subsequent financial reporting period. They are measured at fair value subsequently. Change on fair value shall be recognized in the profit and loss. Interest or cash dividends received during the period in which such financial assets are held, are recognised as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognised as 'Gain or loss on Investment' and adjust the gain or loss from changes in fair value accordingly.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method.The amortisation, impairment and any gain or loss from derecognition shall be recognized in the profit and loss for the current year.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition. This category includes the derivative financial assets that linked to the investments in equity instruments without a quoted price in an active market, no fair value can be reliably measured and must be settled by delivery of such an equity instrument, and shall be measured at cost subsequently. Others have a quoted price in an active market or fair value can be measured reliably although no quoted price available, they shall be measured at fair value. Any change on fair value shall be recognized in other comprehensive income and subsequently be measured at fair value. Except impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity until such financial assets is derecognized and the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period. Interests for the period in which the assets are held as investment in debt instrument is calculated using the effective interest method and is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. Equity instruments that a quoted price is not applicable in an active market and no fair value can be reliably measured, shall be measured at cost.

2)Recognition and measurement of transfer of financial assets

A financial asset is derecognised when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the entity transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the entity has given up its control of the financial asset although the entity neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognises such financial asset to the extent of its continuous involvement and recognises the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

3) Impairment of financial assets

The Group assesses the carrying amount of financial assets other than financial assets at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss accounts.

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 is invested 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.

Ifobjective evidence shows that impairment for available-for-sale financial assets will occur,the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized as impairment loss, although the financial assets are not derecognized. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the financial asset after deducting the principals taken back and amortised amount, the current fair value and the impairment losses originally recorded into the profits and losses account.

For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is reversed and directly recognized in equity. However, the impairment 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 linked to the equity instrument and which shall be settled throguh the equity instrument, can not be reversed.

2) Provision for impairment ofheld-to-maturity financial assets

If there is objective evidence that the value of a financial asset carried at amortized cost has impaired, the amount of loss is measured at the difference between the asset’s carrying amount and the present value of estimated future cash flows. If there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement, but to the extent where the reversed amount can not exceed the amortised cost on the reversing day if no impaiment provided before.

(2) Financial liabilities

1) Classification, basis for recognition and measurement

Financial liabilities of an entity are classified at initial recognition as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition （relevant basis for classification shall be disclosed by reference to financial assets）. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liability is measured at amortized cost by adopting the effective rate method.

2) Financial liability derecognition

A financial liability is derecognized when the underlying present obligations or part of it are discharged. Existing financial liability shall be derecognized and new financial liability shall be recognized when the entity sign the agreement with creditor to undertake the new financial liability in replacement of existing financial liability, and the terms of agreement are different in substance. Any significant amendment to the agreement as a whole or part o it is made, then the existing liabilities or part of it shall be derecognized and financial liability after terms amendment shall be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

3) Fair value measurement of financial asset and financial liability

If there is an acitve market for the financial assets and liability measured at fair value, the fair value is measured at the quoted price in the active market; originally obtained or derived financial assets or liability is measured at market trade price.If no active market exists for the financial asset or liability, applicable valuation techniques is used for fair value measurement. When valuating, the price in the most advantageous market shall be used for fair value measurement and applicable valuation techniques which enough data is available for and supported by other information shall be adopted, and the group chooses the input with same characters of asset or liability as considered by market participant and try to give priority in use of observable input. Unobservable input shall be used when observable inputcan not be obtained or it is infeasible to be obtained.

**11. Provision for bad debts of receivables**

The Group shall review the carrying amount of receivables fully at the balance sheet date. The Group shall calculate the full provision for bad debts for the following receivables: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time . Other solid evidences indicates that the receivables cound not be paid or be of a slim chance.

The allowance method is applied to the potential loss of bad debt. The Group should make the impairment test individually or grouply and accure the bad debt provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

(1) Individually significant amounts of accounts receivable accrued bad debt provision as per portfolio

| | |
|---|---|
| Judgment basis or amount standards of individually significant amounts | Top 5 of account receivables at year end |
| The accruing method of the receivables with individually significant amounts | The bad debt provisions shall be accrued based on the difference between current value of future cash flow and the carrying amounts. |

(2) Accounts receivable accrued bad debt provision by credit risk portfolio

| The basis of portfolio | |
|---|---|
| Inter-company | Accounts receivable due from subsidiaries included in consolidated scope |
| Accounting aging | Other than accounts receivable due from subsidiaries included in consolidated scope and individual receivable with significant amount without impariment, use the accounting aging of the receivables |

| The basis of bad debt provision | |
|---|---|
| Inter-company | Individual identified method |
| Accounting aging | Age analysis method |

1) The percentage of provision for bad debts based on the age of receivables as followings:

| **Accounting aging** | **Accrual percentage of the receivables (%)** | **Accrual percentage of other receivables (%)** |
|---|---|---|
| Within 1 year | 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 |

2) The other methods is applied to accrualing of bad debts provision

| | |
|---|---|
| Related parties | No bad debt provision is needed, unless the related party is unable to pay back |
| Risk-free | No bad debt provision is needed |

(3) Individually insignificant amount accountsreceivable but accrued bad debt provision as per portfolio

| | |
|---|---|
| Accrual reason | The individual amount is not significant, but the accrued bad debt provision on the basis of portfolio can not reflect its risk characteristic |
| Accrual method | The bad debt provisions should be accrued based on the difference between current value of future cash flow and the carrying amount. |

**12. Inventories**

Inventories are materials purchasing, raw material, variance of cost materials, low-valuable consumable, materials processed on commission,working-in-progress, semi-finished goods, varianceof semi-finished goods,and finished goods, engineering construction etc.

The inventories are processed on perpetual inventory system, and are measured at their actual cost on acquistion. Weighted average cost method is taken for measuring the inventory dispatched or used. Low value consumables and packaging materials is recognized in the income statement by one-off method.

After year end thorough inventory check, at the balance sheet date inventory impairment should be provided or adjustedaccording to invenotry category. For the finished goods, raw material held for sale etc which shall be sold directly, the net realizable value should be confirmed at the estimated selling price less estimated selling expenses and related tax and expenses. The raw material held for production, its realizable value should be confirmed at the estimated selling price of finished goods less estimated cost of completion, estimated selling expenses and related tax. The net realizable value of inventories held for execution of sale contracts or labor contracts shall be calculated based on the contract price. If the quantities of inventories in the Group are more than quantities if inventories subscribed in the sales contracts, the net realizable value of the excessive part of the inventories should be calculated based on the general selling price.When the impariment indicators disappear, impairment provision shall be reversed and

**13. Long-term equity investment**

Long term equity investments are the investment in subsidiary, in associated company and in joint venture.

Joint control is the contractual agreement sharing of control over an economic activity by all participants or participants' combination and decisions or policies relating to the operating activity of the entity require the unanimous consent of the parties sharing the control.

Significant influence exists when the entity directly or indirectly owned 20% or more but less than 50% shares with voting rights in the investee company.If holding less than 20% voting rights, the entity shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body ofthe investee, participation in financial or operating activities policy-making processes,material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

When control exists over an investee, the investee is a subsidiary of an entity. The initial investment cost for long-term equity investment acquired through business combination under common control, is the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company. If the carrying amount of net assets at the combination date in the acquired company is negative, investment shall be recognized at zero.

If the equity of investee under common control is acquired by stages and business combination incursin the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. For example, if the equity of investee under common control is acquired by stages and business combination incursin the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company since acquisition is determined as for the initial cost of long-term equity investment. The difference between the cost initially recognized and carrying amount of long-term equity investment prior to the business combination plus the newly paid consideration for further share acquired, and capital reserve shall be adjusted accordingly. If no enough capital reserve is available for adjustment, retain earnings shall be adjusted.

If long-term equity investment is acquired through business combination not under common control, initial investment cost shall be the combination cost.

If the equity of investee not under common control is acquired by stages and business combination incursin the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. If the equity investment of investee not under common control is acquired by stages and business combination incursin the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount of the equity investment held previously plus newly increased investment cost are taken as the initial investment cost under cost model. If equity investment is held under equity method before the acquisition date, other comprehensive income under equity method previously shall not be adjusted accordingly. When disposing of the investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Equity held prior to acquisition date as available for sale financial assets under fair value model, accumulated change on fair value previously recorded in other comprehensive shall be transferred into investment gain/loss for the period.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

The Group adopts cost method to account for investment in subsidiary and equity method for investment in joint venture and affiliate.

Long-term equity investment subsequently measured under cost model shall increase the carrying amount of investment by adjusting the fair value of additional investment and relevant transaction expenses. Cash dividend or profit declared by investee shall be recognized as investment gain/loss for the period based on the proportion share in the investee.

Long-term equity investment subsequently measured under equity method shall be adjusted for its carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee's net profits or losses based on the fair value of the investee's individual identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures according to the shareholding attributable to the entity and accounted for as investment income and loss based on such basis.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

Where the entity has no longer joint control or significant influence in the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for as available for sale financial assets, and the difference between the fair value of remaining investment at the date of losing joint control or significant influence and its carrying amount shall be recognized in the profit or loss for the year. Other comprehensive income recognized from previous equity investment under equity model shall be accounted for on the same basis as the investee directly disposing of related assets or liability when stopping using under equity model.

Where the entity has no longer control over the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for using equity method providing remaining joint control or significant influence over the investee company. The difference between carrying amount of disposed investment and consideration received actually shall be recognised in the profit and loss for the period as investment gain or loss, and investment shall be adjusted accordingly as if it was accounted for under equity model since acquisition. Where the entity has on longer joint control or significant influence in the investee as a result of disposal, the investment shall be changed to be accounted for as available for sale financial assets, and difference between the carrying amount and disposal consideration shall be recognized in profit and loss for the period, and the difference between the fair value of remaining investment at the date of losing control and its carrying amount shall be recognized in the profit or loss for the year as investment gain or loss.

If the entity loses its control through partially disposal of investment by stages and it's not a bundled transaction, the entity shall account for all transactions separately. If it's a bundled transaction, the entity shall regard all transactions as one disposal of subsidiary by losing control, but the difference between disposal consideration and carrying amount of the equity investment disposed prior to losing control, which arises from each individual transaction shall be recognized as other comprehensive income until being transferred into profit and loss for the period by the time of losing control.

**14. Investment property**

The investment property includes property and building and measured at cost model

| Category | Useful life (years) | Estimated net residual value rate (%) | Annual depreciation rate |
|---|---|---|---|
| Housing and Buildings | 40 | 3% | 2.43% |

**15. Fixed assets**

Recognition criteria of fixed assets: defined as the tangible assets which are held for the purpose of producing goods, rendering services, leasing or for operation & management, and have more than one year of useful life.

Fixed assets shall be recognized when the economic benefit probably flows into the Group and its cost can be measured reliably. Fixed assets include: building, machinery, transportation equipment, electronic equipment and others.

All fixed assets shall be depreciated unless the fixed assets had been fully depreciated and are still being used and land is separately measuered. Straight-line depreciation method is adopted by the Group. Estimated net residual value rate, useful life, depreciation rate as follows:

| No | Category | Useful life (years) | Estimated net residual value rate (%) | Annual depreciation rate |
|---|---|---|---|---|
| 1 | Housing and Buildings | 20-40 | 3%,5%,10% | 2.25-4.85% |
| 2 | Machinery equipment | 10-22 | 3%,5%,10% | 4.09-9.7% |
| 3 | Transportation equipment | 4-15 | 3%,5%,10% | 6-24.25% |
| 4 | Electronic equipment | 5 | 3%,5%,10% | 18-19.4% |
| 5 | Others equipment | 10-15 | 3%,5%,10% | 6-9.7% |

The Group should review the estimated useful life, estimated net residual value and depreciation method at the end of each year. If any change has occurred, it shall be regarded as a change in the accounting estimates.

### 16. Construction in progress

The criteria and time spot of constructions in progress's being transferred to fixed assets: Constructions in progress are carried down to fixed assets on their actual costs when completing and achieving estimated usable status. The fixed assets that have been completed and reached estimated usable status but have not yet been through completion and settlement procedures are charged to an account according to their estimate values; adjustment will be conducted upon confirmation of their actual values. The Group should withdraw depreciation in the next month after completion.

### 17. Borrowing costs

The borrowing cost includes the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings. The borrowing costs incurred which can be directly attribute to the fixed assets, investments properties, inventories requesting over 1 year purchasing or manufacturing so to come into the expected condition of use or available for sale shall start to be capitalized when expenditure for the assets is being occurred, borrowing cost has occurred, necessary construction for bringing the assets into expected condition for use is in progress. The borrowing costs shall stop to be capitalized when the assets come into the expected condition of use or available for sale. The borrowing costs subsequently incurred should be recorded into profit and loss when occurred. The borrowing costs should temporarily stop being capitalized when there is an unusual stoppage of over consecutive 3 months during the purchase or produce of the capitalized assets, until the purchase or produce of the asset restart.

The borrowing costs of special borrowings, deducting the interest revenue of unused borrowings kept in the bank or the investment income from transient investment should be capitalized. The capitalized amount of common borrowings should be calculated as follows: average assets expenditure of the accumulated assets expenditure excess the special borrowing, multiplied by the capital rate. The capital rate is the weighted average rate of the common borrowings.

### 18. Intangible assets

The intangible assets of the Group refer to land use right and software. For acquired intangible assets, the actual cost are measured at actual price paid and relevant other expenses. The cost invested into intangible assets by investors shall be determined according to the stated value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

Land use right shall be amortized evenly within the amortization period since the remised date.ERP system softwareand other intangible assets are amortized over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization charge is included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets. At the end of the year, for definite life of intangible assets, their estimated useful life and amortization method shall be assessed. Any change shall be treated as change on accounting estimate.

**19. Impairment of long-term assets**

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment property, fixed assets, construction in progress and intangible assets with definite usefullife may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and intangible asset with infinite useful life are tested for impairment annually no matter there is any indication of impairment or not.

Estimate of recoverable amount is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount shall be impaired and the difference is recognised as an impairment loss and charged to profit or loss for the period. Once an impairment loss on the assets is recognised, it is not reversed in a subsequent period.

After assets impairment loss is recognized,depreciation and amortisation of the impaired asset shall be adjusted in the following period so that the adjusted carrying amount(less expected residual value) can be depreciated and amortised systematically within the remaining life.

When assessing goodwill for impairment, the carrying amount of goodwill shall be allocated evenly to the assets group or assets portfolio. When testing the assets group or assets portfolio including goodwill, if there is any indication of impairment , ignoring the goodwill and testing the assets group or assets portfolio alone so to work out the recoverable amount and comparing to its carrying amount and recognize the impairment loss. After that, testing the assets group or assets portfolio with goodwill together, comparing the carrying amount of the assets group or assets portfolio(including goodwill allocation) with recoverable amount , goodwill impairment shall be recognized when the recoverable amount is lower than its carrying amount.

**20. Long-term deferred expenses**

Long-term deferred expenses of the Group refer to leasing expenses, redecoration expense and others. The expenses should be amortized evenly over the beneficial period. If the deferred expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss.Leasing expenses will be amortized within 10 years and 30years; redecoration expense and others will be amortized within 3 years.

**21. Employee benefits**

Employee's benefit comprises short-term benefit, post-employment benefit, termination benefit and other long-term employee's benefit.

Short-term benefit includes salary, bonus, allowance, welfare, social insurance, housing funds, labour union expense, staff training expense, during the period in which the service rendered by the employees, the actually incurred short term employee benefits shall be recognized as liability and shall be recognized in P&L or related cost of assets based on benefit objective allocated from the service rendered by employees.

Post-employment benefits include the basic pension scheme and unemployment insurance etc. Based on the risk and obligation borne by the Group, post-employment benefits are classified into defined contribution plan and defined benefit plan. For defined contribution plan, liability shall be recognized based on the contributed amount made by the Group to separate entity at the balance sheet date in exchange of employee service for the period and it shall be recorded into current profit and loss account or relevant cost of assets in accordance with beneficial objective.

Termination benefits are employee's benefit payable as a result of either an entity's decision to terminate an employee's employment before the contract due date or an employee's decision to accept voluntary redundancy in exchange for those benefits. An entity shall recognize the termination benefits as a liability and an expense at the earlier date when the entity cannot unilateral withdraw the termination benefits due to employment termination plan or due to redundancy suggestion, or when the entity can recognize the restructuring cost or expense arising from paying termination benefits.

Other long-term employee's benefit refers to all other employee benefits other than short-term benefit, post-employment benefit and termination benefit.

If other long-term employee's benefit is qualified as defined contribution plan, contribution made shall be recognized as liabilities accordingly for the period in which the service are rendered by the employee and recognized in the profit or loss for the current period or relevant cost of assets. Except other long-term employee’s benefit mentioned above, obligation arising from defined benefit plan shall be recognized in the profit or loss for the current period or relevant cost of assets in accordance with the period when the service are rendered by the employee.

## 22. Contingent liabilities

When the company has transactions such as commitment to externals, discounting the trade acceptance, unsettled litigation or arbitration which meets the following criterion, provision should be recognized: It is the Company's present obligation; carrying out the obligation will probably cause the Company's economic benefit outflow; the obligation can be reliably measured.

Provision is originally measured on the best estimate of outflow for paying off the present obligations, and to consider the risk, uncertainty, time value of monetary relevant to contingent items. If the time value of monetary is significant, the best estimate will be determined by discounted cash outflow in the future. At each balance sheet date, the book value of provision is reviewed and adjustment will be made on the book value if there is any change, in order to reflect the current best estimate.

When compensation from the 3rd party is expected for full or partial contingent liability settlement, the compensation shall be recognized as an asset separately and measured at no more than the book value of contingent liability.

## 23. Share based payment

An equity-settled share-based payment in exchange for the employee’s services is measured at the fair value at the date when the equity instruments are granted to the employee. Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognised as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments, accordingly increase capital reserve.

A cash-settled share-based payment is measured at the fair value at the date at which the Group incurred liabilities that are determined based on the price of the shares or other equity instruments. If it is immediately vested, the fair value of the liabilities at the date of grant is recognised as relevant cost or expense, and corresponding liabilities. If it is exercisable only when the vesting period of service is expired or the prescribed conditions are achieve, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

The fair value of the liabilities is re-measured at each balance sheet date. Any changes are recognised in the profit or loss for the year.

If the granted equity instrumentsare cancelled within the vesting period, the equity instrument shall be treated as accelerated vesting and the balance linked to the remaining vesting period shall be recognized in the profit or loss account, accordingly be recognized in the capital reserve. 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.

**24. Principle of recognition of revenue**

The revenue of the Group is mainly from selling goods, providing labour services and abalienating the right of use assets and construction contracts. Recognition standards for revenue are as below:

（1） The revenue from selling goods:Company has transferred all the significant risks and rewards of the ownership of the goods to the buyers, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The relative sale proceeds have been reliably measured, respective economic benefit probably inflow to the company, and the incurred or incurring cost can be reliably measured, and then the revenue can be recognized.

In the reporting period, revenue recognition point and principle: goods is dispatched from warehouse, client has no dispute on thequantity and quality of the goods, client collected or authorized the agent to collect the good and sales amount is confirmed, have collected or expected to collect the payment, cost of goods can be reliably measured, risk and reward is transferred so the revenue is recognized.

Complete sets of engineering projects, if selling products and building installation part can be separated and can be measured separately, selling products will be treated as sales of products.Selling products and building installation will not be able to be distinguished, or can be distinguished but can't be separately measured, selling products and building installation will be all treated as building installation.

（2） Income from abalienating the right of use assets is recognized when satisfying requirementsrelated 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 used by other party.

2) Income of using fee is calculated upon the charge period and calculation provided by the related contract or agreement.

（3） The service revenue should be recognized when the outcome of the services can be estimated reliably.

The outcome of the services can be estimated reliably means the following conditions must be satisfied at the same time:

1) Amount can be measured reliably

2) Relevant economic benefit probably flow into the company

3) The stage of completion of the service can be estimated reliably

4) Cost incurred or expect to incur in the transaction can be measured reliably

Total service income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Service revenue for the current period shall be recognized based on the figure worked out on the total income multiply by the percentage of completion of the service after deducting the service revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total cost multiply by the percentage of completion of the service after deducting the service cost recognized in the prior period.

At the balance sheet date, if outcome of the service can not be estimated reliably, the treatment shall apply respectively

1) Costs incurred may be probably recovered, revenue is recognized only to the extent of costs incurred that are expected to be recoverable, and costs shall be recognized as an expense in the period in which they are incurred

2) Costs incurred are not probable of being recovered, then these cost incurred are recognized as an expense immediately, no revenue shall be recognized.

   In the case that selling goods and rendering service are both included in the agreements or contracts, when selling products and rendering service part can be separated and can be measured separately, selling products will be treated as sales of products.Selling products and rendering service will not be able to be distinguished, or can be distinguished but can't be separately measured; selling products and rendering service will be all treated as rendering service.

（4） Revenue from construction contract

1) 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.

The result of the fixed price of construction contract can be estimated reliably means the following conditions must be satisfied at the same time:

① Amount can be measured reliably

② Relevant economic benefit probably flow into the company

③ Cost actually incurred can be well distinguished and measured reliably

④ The stage of completion and the cost expected to incur for the completion of the contract can be estimated reliably

The result of the cost plus of construction contract can be estimated reliably means the following conditions must be satisfied at the same time:

① Relevant economic benefit probably flow into the company

② Cost actually incurred can be well distinguished and measured reliably

Total construction contract income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Construction contract income for the current period shall be recognized based on the figure worked out on the total contracted income multiply by the percentage of completion of the construction after deducting the revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total expected cost multiply by the percentage of completion of the construction after deducting the construction e cost recognized in the prior period. Construction contract income is recognized to the extend where the change of the contract, claim for compensation and bonus can bring the income and can be measured reliably.

2) If the result of the construction contract is not able to be evaluated reliably, the treatment shall apply respectively

① If 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.

② If contract cost may not be recovered, the cost of the contract shall be recognized as contract expenses when incurred, and no contract revenue shall be recognized.

3) In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period immediately.

**.25. Government grants**

A government grant is a monetary asset or non-monetary asset granted by government without consideration. It shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount or conclusive evidence indicates relevant conditions for financial support are met and expect to probably receive the fund, it is measured at the amount receivable. Where a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1 Yuan.

Assets-related government grants are recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognized as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period.

**26. Deferred tax assets and deferred tax liabilities**

The deferred income tax assets or the deferred income tax liabilities should be recognized according to the differences (temporary difference) between the carrying amount of the assets or liabilities and its tax base. Deferred tax assets shall be respectively recognised for deductible tax losses that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years. No deferred tax liabilities shall be recognized forany temporary difference arising from goodwill initially recognition. No deferred tax assets or liabilities shall be recognized for any difference arising from assets or liabilities initial recognition on non-businesscombination with no effect on either accounting profit or taxable profit (or deductible tax loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the deductible temporary difference, deductible loss and tax reduction.

**27.Lease**

The clause of the lease agreement states that all risk and rewards related to the leased asset has been transferred to the leasee in nature, then the lease is regarded as financing lease, others are recognized as operating lease.

（1） Operating lease accounting

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.

（2） Financing lease accounting

(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.

**28. Other significant accounting policy and estimate**

Safety production cost

The company accrued the safety production cost in accordance with state regulation and recognized in the cost of product or profit or loss for the current period as well as "special reserve'. When using the accrued safety production cost, if it is expense, special reserve shall be offset directly and any excessive proportion shall be directly recorded into profit and loss account; if it is related to asset, "construction in progress" account shall be used for collecting expense and then fixe asset will be recognized when the safety project is completed and reach the condition available for use. Meanwhile, special reserve shall be offset based on the cost of fixed asset and depreciation shall be recognized at the same amount. No depreciation shall be made any longer in the following period.

**29. Changes in Accounting Policies, Accounting Estimates**

(1) Change in significant accounting policies

In accordance withthe announcement of Caikuai No.22 [2016] by National Finance Department regarding "Accounting on Value Added Tax" on 3rd December, 2016 and and interpreation of "Accounting on Value Added Tax", "business tax and surtax" account is adjusted to "tax and surtax" after full implemenation of chang form business tax to VAT. This account is for recording consumption tax, city maintenance and construction tax , resource tax, education tax and surtax, propety tax, land use tax, vehicle and vessle tax and stampt duty tax and duties etc. Any transaction incurred between 1st May, 2016 and the announcment date shall be adjusted accordingly due to the effect on the asset, liability and income statement ; any transaction incurred between 1st January, 2016 and 30th April, 2016, no need for retrospective adjustment and neither for the comparative figures.

Due to the issue mentioned above, the Company and its subsidiaries reclassified the tax and duties of 7,482,432.20Yuan in the administration expense account and the tax and duties of 78,200.00Yuan in the operating cost , in total, 7,560,632.20Yuan into tax and surtax account for presentation and no effect on the current year's net profit and net assets.

(2) Changes in accounting estimate

None

**V. Taxation**

1. The main applicable tax and rate to the Group as follows:

| Tax | Tax base | Tax rate |
|---|---|---|
| Value-added tax (VAT) | Sales revenue or Purchase | 17%,13%,11%,6%,5% |
| Business tax | Revenue from property lease, examination fee, surcharge | 3%,5% |

| | | |
|---|---|---|
| City construction tax | Value-added tax payables, business tax | 7% |
| Education surcharge | Value-added tax payables, business tax | 3% |
| Local education surcharge | Value-added tax payables, business tax | 2% |
| Enterprise income tax(EIT) | Current period taxable profit | 15%,25% |
| Real estate tax | 70% of cost of own property or revenue from leasing property | 1.2% or 12% |
| Land use tax | Land using right area | Fixed amount per square meter |

Notes for tax entities with different EIT rate

| Tax entities | EIT rate |
|---|---|
| Dalian Bingshan Group Engineering Co., Ltd. | 15% |
| Dalian Bingshan Group Sales Co., Ltd. | 25% |
| Dalian Bingshan Air-conditioning Equipment Co., Ltd. | 25% |
| Dalian Bingshan JiaDe Automation Co., Ltd. | 15% |
| Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd. | 25% |
| Wuhan New World Refrigeration Industrial Co., Ltd. | 15% |
| Bingshan Technical Service （Dalian） Co.,Ltd. | 25% |
| Dalian Niweisi LengNuan Techonoligy Co., Ltd. | 25% |
| Dalian Xinminghua Electrical Technology Co., Ltd | 25% |

2. Tax preference

The company obtained the qualification of high and new technology enterprises on 29th September, 2014 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau.The Certificate No is GF201421200004, and the validity duration is three years.According to the tax law, the company can be grantedfor the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Bingshan JiaDe Automation Co., Ltd. obtained the qualification of high and new technology enterprises on 21st September, 2015 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau.The Certificate No is GR201521200115, and the validity duration is three years.According to the tax law, the company can be grantedfor the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd obtained the qualification of high and new technology enterprises on 28th October, 2015 approved by Hubei

Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau.The Certificate No is GR201542000772, and the validity duration is three years.According to the tax law, the company can be grantedfor the preferential tax policy of enterprise income tax rate of 15% in three years

## VI. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, “opening” refers to January 1, 2016; “closing” refers to December 31, 2016; “current period” refers to the period from January 1, 2016to December 31, 2016; and “last period” refers to the period from January 1, 2015 to December 31, 2015; with the currency unit RMB.

1. Cash and cash in bank

| **Item** | **Closing Balance** | **Opening Balance** |
|---|---|---|
| Cash on hand | 83,511.72 | 57,023.71 |
| Cash in bank | 655,664,478.48 | 224,067,110.89 |
| Other cash and cash equivalents | 23,976,815.56 | 20,665,689.93 |
| **Total** | **679,724,805.76** | **244,789,824.53** |
| Including: sum of deposits overseas | | |

The restrained cash and cash in bank is shown as below

| **Item** | **Closing Balance** | **Opening Balance** |
|---|---|---|
| Deposit for bank acceptances | 18,512,681.41 | 18,503,739.86 |
| Deposit for letter of credit | | |
| Deposit for letter of guarantee | 3,064,134.15 | 2,161,950.07 |
| Cash in bank for warrant of migrant workers | 2,400,000.00 | 2,400,000.00 |
| **Total** | **23,976,815.56** | **23,065,689.93** |

The closing balance of the cash and cash in bank increased177.68% comparing with the opening balance because of the capital increasing from non-public share issued.

2. Notes receivable

(1) Category of notes receivable

| **Items** | **Closing Balance** | **Opening Balance** |
|---|---|---|
| Bank acceptance notes | 42,349,987.02 | 47,267,168.02 |

| | | |
|---|---:|---:|
| Commercialacceptance notes | 88,076,238.72 | 24,432,349.66 |
| **Total** | **130,426,225.74** | **71,699,517.68** |

(2) Pledged notes receivable up to December 31, 2016.

| **Items** | **Closing pledged amount** |
|---|---:|
| Bank acceptance notes | 15,532,736.64 |
| Commercialacceptance notes | |
| **Total** | **15,532,736.64** |

(3) Notes receivable endorsed or discounted but not mature at the end of year

| **Item** | **Closing amount no more recognized** | **Closing amount still recognized** |
|---|---:|---:|
| Bank acceptance notes | 147,781,322.57 | |
| Commercialacceptance notes | 9,908,754.00 | |
| **Total** | **157,690,076.57** | |

(4) No notes receivable transferred to accounts receivable due to defaulting at the end of year

The closing balance of the notes receivable increased 81.91% compared with the opening balance because of the increasing notes received

3. Accounts receivable

(1) Category of accounts receivable

| **Items** | **Closing Balance** | | | | |
|---|---|---|---|---|---|
| | **Booking balance** | | **Provision** | | **Booking balance** |
| | **Amount** | **%** | **Amount** | **%** | |
| Accountsreceivable with significant individual amount and separate bad debt provision | | | | | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 905,954,797.18 | 100.00 | 146,901,498.21 | 16.22 | 759,053,298.97 |

| | | | | | |
|---|---|---|---|---|---|
| Related party | | | | | |
| Risk-free portfolio | | | | | |
| Accounts receivable with insignificant individual amount and separate bad debt provision | | | | | |
| **Total** | **905,954,797.18** | **100.00** | **146,901,498.21** | **16.22** | **759,053,298.97** |

(Continued)

| Items | Opening balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Accountsreceivable with significant individual amount and separate bad debt provision | | | | | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 801,499,499.03 | 100.00 | 130,075,662.16 | 16.23 | 671,423,836.87 |
| Related party | | | | | |
| Risk-free portfolio | | | | | |
| Accounts receivable with insignificant individual amount and separate bad debt provision | | | | | |
| **Total** | **801,499,499.03** | **100.00** | **130,075,662.16** | **16.23** | **671,423,836.87** |

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

2) Accounts receivable with the bad debt provisions under accounting aging analysis method

| Aging | Closing Balance | | |
|---|---|---|---|
| | Accounts receivable | Provision for bad debts | Drawing proportion (%) |
| Within1 year | 500,555,590.68 | 25,027,779.50 | 5 |
| 1 to 2 years | 230,303,186.71 | 23,030,318.69 | 10 |
| 2 to 3 years | 76,923,413.03 | 23,077,023.91 | 30 |
| 3 to 4 years | 34,426,228.56 | 17,213,114.28 | 50 |
| 4 to 5years | 25,965,581.90 | 20,772,465.53 | 80 |
| Over 5 years | 37,780,796.30 | 37,780,796.30 | 100 |
| **Total** | **905,954,797.18** | **146,901,498.21** | |

(2)Bad debt provision accrued and written-off (withdraw)

The bad debt provision has been accrued at the amount of 15,557,909.70 Yuan during the report period and the increase of 1,167,926.35Yuan because of the merger. Bad debt reversal or withdrawn incurred at the amount of 100,000.00 Yuan during the year.

Including：Significant bad debt reversalor withdrawn in current period

| Companies | Received amount | Regained form | Reasons |
|---|---|---|---|
| Dalian Jinguang ME Mechanical Engineering Co., Ltd | 100,000.00 | Bank deposits | Company keeps urging |
| **Total** | **100,000.00** | | |

(3) No accounts receivable written off in current period

(4) The top five significant accounts receivable categorized by debtors

| Company | Closing Balance | Aging | % of the total AR | Closing Balance of Provision |
|---|---|---|---|---|
| Panasonic Cold-Chain (Dalian) Co., Ltd. | 47,410,594.36 | Within 1 year, 1-2 years | 5.23 | 2,422,031.17 |
| AB-InBev Sedrin Brewery Co.,Ltd | 45,255,600.00 | Within 1 year | 5.00 | 2,262,780.00 |
| BeijingHuashang BingshanRefrigeration and Air-conditioning Machinery Co., Ltd. | 38,284,385.35 | Within 1 year, 1-2 years, 3-4 years, over 5 years | 4.23 | 3,543,453.36 |
| Xinyi Yuanda construction and Installation Engineering | 31,300,000.00 | Within 1 year | 3.45 | 1,565,000.00 |

| Company | Closing Balance | Aging | % of the total AR | Closing Balance of Provision |
|---|---|---|---|---|
| Co., Ltd. | | | | |
| Xilingol Grandfarm MeatCo., Ltd. | 20,340,000.00 | Within 1 year, 1-2 years | 2.25 | 1,371,202.35 |
| **Total** | **182,590,579.71** | | **20.16** | **11,164,466.88** |

4. Advances to suppliers

(1) Aging of advances to suppliers

| Items | Closing Balance | | Opening Balance | |
|---|---|---|---|---|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 89,812,017.45 | 94.40 | 40,798,252.80 | 92.26 |
| 1 to 2 years | 4,861,645.81 | 5.11 | 3,420,635.11 | 7.74 |
| 2 to 3 years | 467,380.70 | 0.49 | | |
| **Total** | **95,141,043.96** | **100.00** | **44,218,887.91** | **100.00** |

(2) The top five significant advances to supplierscategorized by debtors

| Company | Closing Balance | Aging | % of the total advances to suppliers |
|---|---|---|---|
| Dalian Bingshan International Trading Co.,Ltd. | 14,610,882.17 | Within 1 year, 1-2 years | 15.36 |
| Shenyang Debao Hongtai Agricultural Development Co., Ltd. | 13,206,355.64 | Within 1 year | 13.88 |
| Oritcranes (Liaoning) Co., Ltd. | 10,368,000.00 | Within 1 year | 10.90 |
| Dalian HOLLEY coating equipment Co., Ltd. | 9,600,000.00 | Within 1 year | 10.09 |
| Shanghai industrial automation equipment Co., Ltd. | 9,147,900.00 | Within 1 year | 9.62 |
| **Total** | **56,933,137.81** | | **59.85** |

The closing balance of the advances to supplierincreased115.16% comparing with the opening balance because of the increasing advanced engineering payments.

5. Interest receivable

(1) Interest receivable

| Items | Closing Balance | Opening Balance |
|---|---|---|
| Interest on Term deposits | 723,955.56 | |
| **Total** | **723,955.56** | |

The closing balance of the interest receivable increased 100% comparing with opening balance because of company'sundue term deposit interest increase.

6. Dividends receivable

(1) Dividends receivable

| Company | Closing Balance | Opening Balance |
|---|---|---|
| Wuhan Steel and Electricity Co., Ltd. | 39,025.00 | 44,600.00 |
| **Total** | **39,025.00** | **44,600.00** |

7. Other receivables

(1) The categories of other receivable

| Items | Closing Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Other receivableswith significant individual amount and separatebad debt provision | – | – | – | – | – |
| Other receivables identified bad debt provision based on the characters of credit risk portfolio | 60,376,356.44 | 100.00 | 7,393,642.55 | 12.25 | 52,982,713.89 |
| Related party | | | | | |
| Risk-free portfolio | | | | | |
| Other receivableswith significant individual amount and separate bad debt provision | | | | | |
| **Total** | **60,376,356.44** | **100.00** | **7,393,642.55** | **12.25** | **52,982,713.89** |

(Continued)

| Items | Opening Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Other receivables with significant individual amount and separate bad debt provision | – | – | – | – | – |
| Other receivables identified bad debt provision based on the characters of credit risk portfolio | 28,070,768.44 | 100.00 | 5,315,440.23 | 18.94 | 22,755,328.21 |
| Related party | | | | | |
| Risk-free portfolio | | | | | |
| Other receivableswith significant individual amount and separate bad debt provision | | | | | |
| **Total** | **28,070,768.44** | **100.00** | **5,315,440.23** | **18.94** | **22,755,328.21** |

1) There is no significant single amount and bad debt provision provided individually.

2) Other receivables accrued the bad debt provisions under accounting aging analysis method

| Aging | Closing Balance | | |
|---|---|---|---|
| | Other receivables | Provision for bad debts | Drawing proportion (%) |
| Within 1 year | 43,626,635.22 | 2,181,326.84 | 5 |
| 1-2 years | 9,111,683.00 | 911,168.30 | 10 |
| 2-3 years | 3,413,474.12 | 1,024,042.25 | 30 |
| 3-4 years | 1,389,178.28 | 694,589.14 | 50 |
| 4-5 years | 1,264,349.00 | 1,011,479.20 | 80 |
| Over 5 years | 1,571,036.82 | 1,571,036.82 | 100 |
| **Total** | **60,376,356.44** | **7,393,642.55** | |

(2) Bad debt provision accrued or reversed

The bad debt provision has been accruedat the amount of 2,093,865.54 Yuan during the report periodand the amount increases 86,541.32Yuan because of the consolidation. No bad debt reversal or withdrawn incurred during the year.

(3) Other receivables written off in current period

| Item | Written-off Amount |
|---|---|
| Other receivables written off (2 client) | 102,204.54 |

Including：Key other receivables written off

| Companies | Category | Written-off amount | Reasons | Written-off Procedures | Produced by Related party transactions or not |
|---|---|---|---|---|---|
| Chongqing mansite Co. Ltd. | Deposit | 50,530.00 | Client has been deregistered | Authorized by Board | No |
| Shi Feng | Petty cash | 51,674.54 | Fund can't be collected | Authorized by Board | No |
| **Total** | | **102,204.54** | | | |

(4) Other receivables categorized by nature

| Nature | Closing Balance | Opening Balance |
|---|---|---|
| Guarantee deposits | 34,105,614.48 | 15,948,041.08 |
| Petty cash | 8,869,550.55 | 5,883,732.14 |
| Accounts payable | 15,371,514.59 | 4,007,029.29 |
| Others | 2,029,676.82 | 2,231,965.93 |
| **Total** | **60,376,356.44** | **28,070,768.44** |

(5)Other receivables from the top 5 debtors

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|---|---|---|---|---|
| Shenyang Debao Hongtai Agricultural Development Co., Ltd. | Performance bond | 12,000,000.00 | Within 1 year | 19.88 | 600,000.00 |
| Shenyang Debao Jiahong Agricultural Technology Co., Ltd. | Performance bond | 10,000,000.00 | Within 1 year | 16.56 | 500,000.00 |
| Nanjing Yurun | Debtor | 6,069,414.23 | Within1year, | 10.05 | 306,470.71 |

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|---|---|---|---|---|
| Food Co., Ltd. | transferred to be collected | | 1–2years | | |
| Dalian Delta HK& China Gas Co., Ltd. | Deposit | 2,830,000.00 | Within 1year,2 – 3 years | 4.69 | 216,500.00 |
| Jiahua Chemical Ltd. | Payable | 1,913,661.30 | 1 – 2 years,2 – 3 years | 3.17 | 258,671.04 |
| **Total** | | **32,813,075.53** | | **54.35** | **1,881,641.75** |

The closing balance of the other receivables increased 132.84% comparing with the opening balance because of performance deposit.

8. Inventories

(1) Categories of inventories

| Item | Closing Balance | | |
|---|---|---|---|
| | Book value | Provision for decline | Net book value |
| Raw materials | 68,988,506.23 | 1,070,944.56 | 67,917,561.67 |
| Working in progress | 88,255,287.69 | | 88,255,287.69 |
| Finished goods | 92,718,030.69 | 320,000.00 | 92,398,030.69 |
| Low-value consumable | 209,949.86 | | 209,949.86 |
| Self-manufactured semi-finished products | 31,999,705.01 | | 31,999,705.01 |
| Constructing projects | 40,729,017.13 | | 40,729,017.13 |
| Materials on consignment for further processing | 2,353,515.43 | | 2,353,515.43 |
| **Total** | **325,254,012.04** | **1,390,944.56** | **323,863,067.48** |

(Continue)

| Item | Opening Balance | | |
|---|---|---|---|
| | Book value | Provision for decline | Net book value |
| Raw materials | 65,069,599.90 | 6,954,631.11 | 58,114,968.79 |
| Working in progress | 71,830,972.13 | 1,148,743.24 | 70,682,228.89 |
| Finished goods | 74,379,267.69 | 2,588,149.42 | 71,791,118.27 |
| Low-value consumable | 134,671.91 | | 134,671.91 |
| Self-manufactured semi-finished products | 30,014,321.83 | 1,386,950.94 | 28,627,370.89 |

| Item | Opening Balance | | |
|---|---|---|---|
| | Book value | Provision for decline | Net book value |
| Constructing projects | 27,558,415.02 | | 27,558,415.02 |
| Materials on consignment for further processing | 2,190,375.70 | | 2,190,375.70 |
| **Total** | **271,177,624.18** | **12,078,474.71** | **259,099,149.47** |

(2) Provision for decline in the value of inventories

| Item | Opening Balance | Increase | | Decrease | | Closing Balance |
|---|---|---|---|---|---|---|
| | | Accrual | Other | Reverse/ Written- off | Others transferred | |
| Raw materials | 6,954,631.11 | | | 5,883,686.55 | | 1,070,944.56 |
| Working in progress | 1,148,743.24 | | | 1,148,743.24 | | |
| Finished goods | 2,588,149.42 | | | 2,268,149.42 | | 320,000.00 |
| Self-manufactured semi-finished products | 1,386,950.94 | | | 1,386,950.94 | | |
| **Total** | **12,078,474.71** | | | **10,687,530.15** | | **1,390,944.56** |

(3) Accrual for provision for decline in the value of inventories

| Item | Basis for net realizable value recognition | Reasons for reverse/write-off |
|---|---|---|
| Raw materials | Lower of cost and NRV | Sold within the year |
| Working in progress | Lower of cost and NRV | Sold within the year |
| Finished goods | Lower of cost and NRV | Sold within the year |
| Self-manufactured semi-finished products | Lower of cost and NRV | Sold within the year |

9. Other current assets

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Prepaid income tax presented at net amount after offsetting | 734,482.13 | 2,628,292.68 |
| VAT to be deducted | 39,380,207.14 | 13,779,722.47 |
| Prepaid expenses | 355,521.38 | 70,696.71 |

| | | |
|---|---|---|
| **Total** | **40,470,210.65** | **16,478,711.86** |

The closing balance of the other current assets increased 145.59% comparing with the opening balance because the VAT to be deducted increased.

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Item | Closing Balance | | | Opening Balance | | |
|---|---|---|---|---|---|---|
| | Booking balance | Provision | Carrying amount | Booking balance | Provision | Carrying amount |
| Available-for-sale debt instruments | | | | | | |
| Available-for-sale equity instruments | 550,711,039.12 | 5,145,922.48 | 545,565,116.64 | 738,500,019.89 | 5,224,770.80 | 733,275,249.09 |
| Measured as fair value method | 533,156,774.62 | 1,503,316.57 | 531,653,458.05 | 720,945,755.39 | 1,582,164.89 | 719,363,590.50 |
| Measured as cost method | 17,554,264.50 | 3,642,605.91 | 13,911,658.59 | 17,554,264.50 | 3,642,605.91 | 13,911,658.59 |
| Others | | | | | | |
| **Total** | **550,711,039.12** | **5,145,922.48** | **545,565,116.64** | **738,500,019.89** | **5,224,770.80** | **733,275,249.09** |

(2) Available-for-sale financial assets measured at fair value method

| Items | Equity instruments available for sale | Debt instruments available for sale | Others | Total |
|---|---|---|---|---|
| Cost | 28,598,895.00 | | | 28,598,895.00 |
| Fair value | 533,156,774.62 | | | 533,156,774.62 |
| FV accumulated change recognized in other comprehensive income | 504,557,879.62 | | | 504,557,879.62 |
| Provision for impairment | 1,503,316.57 | | | 1,503,316.57 |

(3) Available-for-sale financial assets measured at cost method

| Investee | Proportion of shareholding in the investee(%) | BookValue | | | |
|---|---|---|---|---|---|
| | | Opening Balance | Increase | Decrease | Closing Balance |
| Zibo traction motor co., ltd. | 0.76 | 849,000.00 | | | 849,000.00 |
| Liaoning Mike group Limited by Share Ltd | 3.57 | 1,020,000.00 | | | 1,020,000.00 |
| Guotai Junan investment management company | 0.22 | 3,057,316.00 | | | 3,057,316.00 |
| Cold King container temperature control Co., Ltd. | 17.80 | 11,207,806.00 | | | 11,207,806.00 |
| Liaoning enterprises Industrial Co., Ltd. | 4.20 | 105,000.00 | | | 105,000.00 |
| Wuhan steel electric Limited | 0.06 | 1,315,142.50 | | | 1,315,142.50 |
| **Total** | | **17,554,264.50** | | | **17,554,264.50** |

(Continue)

| Investee | Provision for impairment | | | | Cash dividend |
|---|---|---|---|---|---|
| | Opening Balance | Increase | Decrease | Closing Balance | |
| Zibo traction motor co., ltd. | 849,000.00 | | | 849,000.00 | |
| Liaoning Mike group Limited by Share Ltd | | | | | 310,000.00 |
| Guotai Junan investment management company | 2,688,605.91 | | | 2,688,605.91 | |
| Cold King container temperature control Co., Ltd. | | | | | |
| Liaoning enterprises Industrial Co., Ltd. | 105,000.00 | | | 105,000.00 | |
| Wuhan steel electric Limited | | | | | 39,025.00 |
| **Total** | **3,642,605.91** | | | **3,642,605.91** | **349,025.00** |

(4)Provision for available-for-sale financial assets impairment

| Category | 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 | | | | |
| Including: transfer from other comprehensive income | | | | |

| Category | Equity instruments available for sale | Debt instruments available for sale | Others | Total |
|---|---|---|---|---|
| Decreased during current year | 78,848.32 | | | 78,848.32 |
| Including: transfer from fair value rising | | | | |
| Ending balance | 5,145,922.48 | | | 5,145,922.48 |

(5) Other explanatory on available-for-sale financial assets

Guotai Junan Securities Co., Ltd. was listed on Shanghai Stock Security Exchange on 26th June 2015, and until 31st December, 2016, the company held 28,598,895 numbers of shares of Guotai Junan Securities Co., Ltd which was measured at fair value at the year end. The company received cash dividend RMB 15,651,425.40Yuan.

The closing balance of the available-for-sale financial assets decreased 25.60% comparing with the beginning balance because the company sold small portion of the shares and share price fell in comparison with 31st December, 2015. .

11.Long-term equity investments

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Change of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others | | |
| **I. Joint venture** | | | | | | | | | | | |
| Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd | 2,837,097.81 | | 2,524,548.42 | -312,549.39 | | | | | | | |
| **Subtotal** | **2,837,097.81** | | **2,524,548.42** | **-312,549.39** | | | | | | | |
| **II. Associates** | | | | | | | | | | | |
| Dalian Bingshan International Trading Co.,Ltd. | 15,691,101.62 | | | 1,137,313.10 | | | | | | 16,828,414.72 | |
| Panasonic Refrigeration (Dalian) Co., Ltd. | 159,226,107.64 | | | 3,399,533.51 | | | 5,200,000.00 | | | 157,425,641.15 | |
| Dalian Honjo Chemical Co., Ltd. | 8,729,712.48 | | | 1,441,499.53 | | | 528,860.67 | | | 9,642,351.34 | |
| Panasonic Cold-Chain (Dalian) Co., Ltd. | 215,719,525.88 | | | 9,967,711.38 | | | 8,000,000.00 | | | 217,687,237.26 | |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd. | 48,607,035.29 | | | 18,545,378.50 | | | 14,200,000.00 | | | 52,952,413.79 | |

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Change of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others | | |
| Panasonic Compressor (Dalian) Co., Ltd. | 457,892,368.92 | | | 58,511,025.07 | | | 32,400,000.00 | | | 484,003,393.99 | |
| Dalian Xinminghua Electrical Technology Co., Ltd | 21,958,069.24 | 21,535,918.03 | | 272,256.45 | | | | | -43,766,243.72 | | |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 22,276,332.84 | | | -9,257,540.79 | | | | | | 13,018,792.05 | |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 1,936,646.98 | | | -1,167,183.71 | | | | | | 769,463.27 | |
| Dalian Fuji Bingshan Vending Machine Co., Ltd. | 113,268,454.28 | 21,995,198.40 | | 25,523,542.13 | | | | | | 160,787,194.81 | |
| Changzhou Jingxue Refrigeration Equipment Co., Ltd. | 141,722,024.61 | | | 15,648,082.81 | | | 5,842,400.00 | | | 151,527,707.42 | |
| Dalian Fuji Iceberg Vending Machine Sales Co., Ltd | 4,496,415.53 | | | 4,913,591.03 | | | | | | 9,410,006.56 | |
| Wuhan Lanning Energy Science Co., Ltd. | 6,006,874.61 | | | 125,158.72 | | | | | | 6,132,033.33 | |

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Change of other equity | Cash bonus or profits announced to issue | Provision for impairment of the current period | Others | | |
| Wuhan Sikafu Power Control Equipment Co., Ltd | | 7,200,000.00 | | -1,043,630.99 | | | | | | 6,156,369.01 | |
| Panasonic cold Machine System (Dalian) Co., Ltd | | 21,000,000.00 | | 2,400,297.51 | | | | | | 23,400,297.51 | |
| **Subtotal** | **1,217,530,669.92** | **71,731,116.43** | | **130,417,034.25** | | | **66,171,260.67** | | **-43,766,243.72** | **1,309,741,316.21** | |
| **Total** | **1,220,367,767.73** | **71,731,116.43** | **2,524,548.42** | **130,104,484.86** | | | **66,171,260.67** | | **-43,766,243.72** | **1,309,741,316.21** | |

1、At the 5th meeting of the 7th generation of board of directors, the company and Hong Kong BaoAn Water Project Co., Ltd both respectively transferred 50% shareholdings of Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd to the fully owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd.The company received payment for the share transferred of2.835million Yuan. After that, the company would not hold any shares of Dalian Bingshan Group Engineering Co., Ltd any longer, and the fully owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd would have 100% shareholdings of Dalian Bingshan BaoAn Leisure Industrial Engineering Co., Ltd. The transactions stated above have been completed by 31st, December 2016.

2、The 8th meeting of the 7th generation of board of directors approved to increase capital to the affiliated company of Dalian Fuji ice Vending machine co., LTD by cash. The capital increasing limit is 2.2 billion Japanese Yen. The payments have been paid by both parties based on the original contribution percentage within two terms, first term, increases 0.68 billion Japanese Yen which should be paid before 30th September 2016; the second term is 1.52 billion Japanese Yen which should be paid before 30th June 2019. The company owns 49% of the shareholding of the Dalian Fuji Company, the first term,the company need to increase the capital of 0.3332 billion Japanese Yen ( The company paid the first term fund on 30th September 2016 using currency rate on that date which equals RMB21,995,195.40 Yuan); The second term, need to increase the capital 0.7448 million Japanese Yen. The percentage of the shareholding of the Dalian Fuji ice Vending held by the company doesn't change after the capital increase.

3、The company has made the decision at the 5thmeeting of the 7th generation of board to jointly invest in Panasonic Cold Machine System (Dalian) Co., Ltd with Panasonic Electric (China) Co., Ltd、Panasonic Cold Chain (Dalian) Co., Ltd and Panasonic Compressor (Dalian) Co., Ltd. The company has invested 21 million Yuanpresenting of 20% of shareholding. Until 31st December, 2016, Panasonic Cold Machine System (Dalian) Co., Ltd has officially put into operation.

4、The 3rdmeeting of the 7th generation of board of directors approved to accept the 70% of shareholding transfer from Dalian Xinminghua Electrical Technology Co., Ltd, a holding subsidiary, hence, Dalian Xinminghua Electrical Technology Co., Ltd., has become the fully owned subsidiary after transfer. The transaction stated above has been completed by 31st December 2016.

5、The company's subsidiary, Wuhan New World Refrigeration Industry Co., Ltd has made the decision at the board meeting to invest 7.2million Yuan in the form of cashto set up Wuhan Kraft Power Control Equipment Co., Ltd together with Wuhan Kraft Technology Co., Ltd. After investment, the company holds 36% of shareholding. By the end of 2016, Wuhan Kraft Power Control Equipment Co., Ltd has been put into operation.

12. Investment property

(1) Investment property measured as cost method

| Item | Property& Building | Land-use-rights | Construction in progress | Total |
|---|---|---|---|---|
| **I. Initial Cost** | | | | |
| 1. Opening Balance | 25,259,944.57 | | | 25,259,944.57 |
| 2. Increase | 4,771,309.78 | | | 4,771,309.78 |
| (1) Outsourcing | | | | |
| (2) Transferred from Construction in progress | 4,771,309.78 | | | 4,771,309.78 |
| (3) Acquired from business combination | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2)Transferred to other | | | | |
| 4. Closing Balance | 30,031,254.35 | | | 30,031,254.35 |
| **II. Accumulated Depreciation** | | | | |
| 1. Opening Balance | 762,360.57 | | | 762,360.57 |
| 2. Increase | | | | |
| (1)Provision or amortization | 663,240.84 | | | 663,240.84 |
| (2) Acquired from business combination | | | | |
| (3)Other transfer | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2) Transferred to other | | | | |
| 4. Closing Balance | 1,425,601.41 | | | 1,425,601.41 |
| **III. Impairment Reserve** | | | | |
| 1. Opening Balance | | | | |
| 2. Increase | | | | |
| (1)Provision or amortization | | | | |
| (2)Acquired from business combination | | | | |
| (3)Other transfer | | | | |

| | | | | |
|---|---|---|---|---|
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2) Transferred to other | | | | |
| 4. Closing Balance | | | | |
| **IV. Book Value** | | | | |
| **1. Closing book value** | **28,605,652.94** | | | **28,605,652.94** |
| **2. Opening book value** | **24,497,584.00** | | | **24,497,584.00** |

(2) Investment property without owner's certificates

| Items | Book value | Reasons |
|---|---|---|
| # 6 building of workshop on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone | 28,605,652.94 | Final inspection uncompleted |

(3) Explanationof investment property

On 31st July,2014, the company signed supplemental rental contract with MHI Bingshan Refrigeration (Dalian) Co.,Ltd., and rent out # 6 building of workshop 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 with the expiry date on 16th July, 2029.

13. Fixed assets

(1) Fixed assets detail

| Item | Property& buildings | Machinery Equipment | Transportation Equipment | Other Equipment | Total |
|---|---|---|---|---|---|
| **I. Initial Cost** | | | | | |
| 1. Opening Balance | 410,553,157.61 | 608,130,475.12 | 25,350,158.35 | 29,613,012.49 | 1,073,646,803.57 |
| 2. Increase | 48,140,843.34 | 103,322,919.40 | 2,128,279.80 | 22,728,853.15 | 176,320,895.69 |
| (1) Purchase | 6,927,234.11 | 5,413,344.07 | 1,781,602.61 | 16,297,877.42 | 30,420,058.21 |
| (2) Transferred from construction-in-progress | 39,889,868.48 | 64,029,238.05 | | 586,797.87 | 104,505,904.40 |
| (3) Acquired from business combination | 1,323,740.75 | 33,880,337.28 | 346,677.19 | 5,844,177.86 | 41,394,933.08 |

| Item | Property& buildings | Machinery Equipment | Transportation Equipment | Other Equipment | Total |
|---|---|---|---|---|---|
| (4) Transferred from other | | | | | |
| 3. Decrease | 6,927,234.11 | 196,102,240.87 | 6,531,288.58 | 4,456,002.34 | 214,016,765.90 |
| (1) Disposal | 6,927,234.11 | 196,102,240.87 | 6,531,288.58 | 4,456,002.34 | 214,016,765.90 |
| (2) Transferred to other | | | | | |
| 4. Closing Balance | 451,766,766.84 | 515,351,153.65 | 20,947,149.57 | 47,885,863.30 | 1,035,950,933.36 |
| **II. Accumulated Depreciation** | | | | | |
| 1. Opening Balance | 144,232,577.42 | 439,963,821.58 | 16,024,686.66 | 21,226,057.87 | 621,447,143.53 |
| 2. Increase | 11,632,470.98 | 41,200,770.06 | 1,978,520.63 | 17,957,394.90 | 72,769,156.57 |
| (1)Accrued | 10,722,658.11 | 14,688,361.58 | 1,674,659.92 | 13,382,377.67 | 40,468,057.28 |
| (2) Acquired from business combination | 909,812.87 | 26,512,408.48 | 303,860.71 | 4,575,017.23 | 32,301,099.29 |
| (3) Transferred from other | | | | | |
| 3. Decrease | 0.00 | 160,970,717.69 | 4,350,522.72 | 2,921,351.96 | 168,242,592.37 |
| (1) Disposal | 0.00 | 160,970,717.69 | 4,350,522.72 | 2,921,351.96 | 168,242,592.37 |
| (2) Transferred to other | | | | | |
| 4. Closing Balance | 155,865,048.40 | 320,193,873.95 | 13,652,684.57 | 36,262,100.81 | 525,973,707.73 |
| **III. Impairment Reserve** | | | | | |
| 1. Opening Balance | | 2,292,229.72 | | | 2,292,229.72 |
| 2. Increase | | | | | |
| (1)Accrued | | | | | |

| Item | Property& buildings | Machinery Equipment | Transportation Equipment | Other Equipment | Total |
|---|---|---|---|---|---|
| (2) Acquired from business combination | | | | | |
| (3) Transferred from other | | | | | |
| 3. Decrease | | 1,737,201.97 | | | 1,737,201.97 |
| (1) Disposal | | 1,737,201.97 | | | 1,737,201.97 |
| (2) Transferred to other | | | | | |
| 4. Closing Balance | | 555,027.75 | | | 555,027.75 |
| **IV. Book Value** | | | | | |
| **1. Closing book value** | 295,901,718.44 | 194,602,251.95 | 7,294,465.00 | 11,623,762.49 | 509,422,197.88 |
| **2. Opening book value** | 266,320,580.19 | 165,874,423.82 | 9,325,471.69 | 8,386,954.62 | 449,907,430.32 |

(2) Noidle fixed assets until December 31, 2016.

(3) No fixed assets leases out underfinancing lease until December 31, 2016.

(4) No fixed assets leases out under operating lease until December 31, 2016.

(5) Fixed assets as pending certificate of ownership

| Item | Book value | Reason for Pending |
|---|---|---|
| Properties | 109,327,159.04 | Final inspection uncompleted |

(6) Others

Wuhan New World Refrigeration Industry Co., Ltd, a fully owned subsidiary of the company borrowed 45million Yuan from bank by pledging the property &building, plant &machinery, and land using right, refer to the note VI. 19 short term borrowing for details. There are no any other fixed assets exchange and pledged guarantee.

14. Construction-in-progress

(1) Construction in progress details

| Item | Closing Balance | | | Opening Balance | | |
|---|---|---|---|---|---|---|
| | Book Balance | Provision | Book Value | Book Balance | Provision | Book Value |
| Buildings reconstruction | 250,913,095.82 | | 250,913,095.82 | 135,257,174.97 | | 135,257,174.97 |
| Improvement of machinery | 70,072,395.96 | | 70,072,395.96 | 1,768,209.61 | | 1,768,209.61 |
| Official furniture | 661,185.00 | | 661,185.00 | | | |
| **Total** | **321,646,676.78** | | **321,646,676.78** | **137,025,384.58** | | **137,025,384.58** |

(2) Change in the significant construction in progress

| Name | Opening Balance | Increase | Decrease | | Closing Balance |
|---|---|---|---|---|---|
| | | | Transfer to fixed assets | Other decrease | |
| Buildings reconstruction | 135,257,174.97 | 152,452,837.34 | 40,171,932.58 | 4,771,309.78 | 242,766,769.95 |
| Improvement of machinery | 1,768,209.61 | 77,622,090.88 | 1,171,578.66 | | 78,218,721.83 |
| Official furniture | | 661,185.00 | | | 661,185.00 |
| Energy station project | | 63,162,393.16 | 63,162,393.16 | | |
| **Total** | **137,025,384.58** | **293,898,506.38** | **104,505,904.40** | **4,771,309.78** | **321,646,676.78** |

(Continued)

| Name | Budget | Percent of investment against budget(%) | Accumulated capitalized interest | Including: Accumulated capitalized interest | Interest capitalization rate(%) | Source of funds |
|---|---|---|---|---|---|---|
| Buildings reconstruction | 351,685,931.96 | 81.82 | 82 | | | Self financing |
| Improvement of machinery | 94,113,060.83 | 83.11 | 83 | 933,333.34 | 1.20 | Loan/Self financing |
| Official furniture | 1,104,701.13 | 59.85 | 60 | | | Self financing |
| Energy station project | 63,162,393.16 | 100.00 | 100 | | | Self financing |
| **Total** | **510,066,087.08** | | | **933,333.34** | **1.20** | — |

(3) There was no provision for impairment at the end of the year.

(4) The reason of the closing balance increased134.74% comparing with the opening balance was new plant construction increased.

15. Intangible assets

(1) Intangible assets list

| **Item** | **Land use right** | **Knowhow** | **Others** | **Total** |
|---|---|---|---|---|
| **I. Initial Cost** | | | | |
| 1. Opening Balance | 183,963,902.62 | 515,224.41 | 13,886,983.02 | 198,366,110.05 |
| 2. Increase | | | | |
| (1) Purchase | | | 1,293,467.29 | |
| (2) Transferred from construction-in-progress | | | | |
| (3) Acquired from business combination | | | | |
| (4) Transferred from other | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2) Transferred to other | | | | |
| 4. Closing Balance | 183,963,902.62 | 515,224.41 | 15,180,450.31 | 199,659,577.34 |
| **II. Accumulated amortisation** | | | | |
| 1. Opening Balance | 34,075,131.67 | 515,224.41 | 5,357,951.40 | 39,948,307.48 |
| 2. Increase | 3,716,577.10 | | 1,280,480.24 | 4,997,057.34 |
| (1)Accrued | 3,716,577.10 | | 1,280,480.24 | 4,997,057.34 |
| (2) Acquired from business combination | | | | |
| (3) Transferred from other | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2) Transferred to other | | | | |
| 4. Closing Balance | 37,791,708.77 | 515,224.41 | 6,638,431.64 | 44,945,364.82 |
| **III. Impairment Reserve** | | | | |

| **Item** | **Land use right** | **Knowhow** | **Others** | **Total** |
|---|---|---|---|---|
| 1. Opening Balance | | | | |
| 2. Increase | | | | |
| (1)Accrued | | | | |
| (2) Acquired from business combination | | | | |
| (3) Transferred from other | | | | |
| 3. Decrease | | | | |
| (1) Disposal | | | | |
| (2) Transferred to other | | | | |
| 4. Closing Balance | | | | |
| **IV. Book Value** | | | | |
| **1. Closing book value** | **146,172,193.85** | | **8,542,018.67** | **154,714,212.52** |
| **2. Opening book value** | **149,888,770.95** | | **8,529,031.62** | **158,417,802.57** |

(2) Explanation of intangible assets

1) At the end of reporting period, there is no intangible asset established by internal development.

2) Wuhan New World Refrigeration Industry Co., Ltd, a fully owned subsidiary of the company borrowed 45million Yuan from bank by pledging the property &building, plant &machinery, and land using right, refer to the note VI. 19 Short term borrowing for details. There are no any other intangible assets exchange and pledged guarantee.

16. Goodwill

(1) Original cost of goodwill

| **Name** | **Opening Balance** | **Increased during current year** | | **Decreased during current year** | | **ClosingBalance** |
|---|---|---|---|---|---|---|
| | | **Enterprises merger increase** | **Other** | **Disposal** | **Other** | |
| Dalian Niweisi LengNuan Techonoligy Co., Ltd. | 1,440,347.92 | | | | | 1,440,347.92 |
| Dalian Bingshan Security Leisure Industrial Engineering Co., | | 310,451.57 | | | | 310,451.57 |

| Name | Opening Balance | Increased during current year | | Decreased during current year | | ClosingBalance |
|---|---|---|---|---|---|---|
| | | Enterprises merger increase | Other | Disposal | Other | |
| Ltd | | | | | | |
| **Total** | **1,440,347.92** | **310,451.57** | | | | **1,750,799.49** |

(2) Goodwill impairment provision

Goodwill calculation method:

In the year 2015, the book value of equity investment of Dalian Niweisi LengNuan Technology Co., Ltd exceeds the fair value of the proportion of the acquired company's identifiable net asset. The difference between the book value of equity investment of 48, 287,589.78 Yuan and the identifiable net asset's fair value of Dalian Sanyo High-efficient Refrigeration System Co., Ltd of 46,847,241.86 Yuan on the acquisition date of July 31st 2015 is recognized as goodwill of 1,440,347.92 Yuan on the group consolidated financial report at the end of the year.

In the year 2016, the company purchases shares of Dalian BingshanBaoan Leisure Industry Co., Ltd and gains control. The transferred price is based on the net asset of Dalian BingshanBaoan Leisure Industry Co., Ltd on June 30th 2016. Negotiated with Dalian BingshanBaoan Leisure Industry Co., Ltd's shareholder Baoan Water Project (China) Limited Company, the transfer price is the combination cost on the purchasing date which is 5,359,548.42 Yuan, the fair value of proportion of Dalian BingshanBaoan Leisure Industry Company's identifiable net asset is 5,049,096.85 Yuan on the purchasing day, therefore, goodwill is 310,451.57Yuan on the purchasing date.

The book value of goodwill from business combination of Dalian Niweisi LengNuan Technology Co., Ltd and Dalian BingshanBaoan Leisure Industry Co., Ltd which are not under same control shall be allocated into the relevant asset group using the reasonable method since acquisition date and taken impairment test on relevant asset group where the goodwill is included. The obvious impairment indication of the goodwill hasn't been found. Thus no goodwill impairment provision has been made.

17. Long-term repayments

| Item | Opening Balance | Increase | Amortization | Other Decrease | Closing Balance |
|---|---|---|---|---|---|
| Employee's dormitory use right | 2,566,083.66 | | 138,478.32 | | 2,427,605.34 |
| Renovation and rebuilding | 1,794,123.90 | | 1,112,829.47 | | 681,294.43 |
| Inspection services | 34,687.39 | | 34,687.39 | | |
| Lease | 956,610.00 | | 106,290.00 | | 850,320.00 |
| Membership fee for Golf | 506,000.00 | | 16,500.00 | | 489,500.00 |
| **Total** | **5,857,504.95** | | **1,408,785.18** | | **4,448,719.77** |

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

| Item | Closing Balance | | Opening Balance | |
|---|---|---|---|---|
| | Deductible temporary difference | Deferred tax assets | Deductible temporary difference | Deferred tax assets |
| Provision for impairment of assets | 114,300,933.14 | 22,627,026.82 | 107,112,240.49 | 19,372,358.73 |
| Share option Incentiveexpense | 17,103,388.00 | 2,565,508.20 | 12,190,520.00 | 1,828,578.00 |
| **Total** | **131,404,321.14** | **25,192,535.02** | **119,302,760.49** | **21,200,936.73** |

(2) Deferred tax liabilities without offsetting

| Item | Closing Balance | | Opening Balance | |
|---|---|---|---|---|
| | Taxable temporary difference | Deferred tax liabilities | Taxable temporary difference | Deferred tax liabilities |
| Asset revaluation increment in business combination not under the same control | | | | |
| Fair value change of the available-for-sale financial assets | 504,557,879.67 | 75,683,681.95 | 690,846,860.39 | 103,627,029.06 |
| **Total** | **504,557,879.67** | **75,683,681.95** | **690,846,860.39** | **103,627,029.06** |

(3) Unrecognized deferred tax assets details

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Deductible temporary difference | 44,617,762.47 | 47,874,337.13 |
| Deductible loss | 48,658,772.82 | 15,856,452.86 |
| **Total** | **93,276,535.29** | **63,730,789.99** |

(4) Unrecognized deductible loss of deferred tax assets expired years

| Year | Closing Balance | Opening Balance | Notes |
|---|---|---|---|
| 2017 | 409,595.19 | 975,555.72 | |
| 2018 | 2,044,154.14 | 2,350,012.09 | |
| 2019 | 1,843,026.73 | 4,032,513.71 | |
| 2020 | 11,863,347.41 | 8,498,371.34 | |
| 2021 | 32,498,649.35 | | |
| **Total** | **48,658,772.82** | **15,856,452.86** | |

19. Short-term loan

(1) Category of short term loan

| Loan category | Closing Balance | Opening Balance |
|---|---|---|
| Mortgage loan | 45,000,000.00 | 55,000,000.00 |
| Credit loan | | 27,600,000.00 |
| **Total** | **45,000,000.00** | **82,600,000.00** |

(2) No overdue short term loan this year.

(3) Explanatory of the short-term loan

Wuhan New World Refrigeration Industrial Co., Ltd. borrowed RMB45,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights.

The reason of the closing balance decreased by 45.52% was the credit loan has been paid back.

20. Notes payable

| Notes category | Closing Balance | Opening Balance |
|---|---|---|
| Bank acceptance notes | 174,617,232.53 | 203,432,038.63 |
| Commercial acceptance notes | 4,761,535.43 | 30,756,973.09 |
| **Total** | **179,378,767.96** | **234,189,011.72** |

At the year end, there is no unpaid notes payable which is due.

21. Accounts payable

(1) Accounts payable

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Material payments | 636,011,064.22 | 554,938,956.23 |
| Project payments | 199,503,352.11 | 103,608,705.86 |
| Equipment payments | 3,565,090.35 | 1,850,841.17 |
| **Total** | **839,079,506.68** | **660,398,503.26** |

(2) Accounts payable with age over 1 year

| Name of company | Closing Balance | Reason of unpaid or not carried forward |
|---|---|---|
| Wuhan Zhongwei explosive control system Co.,Ltd | 10,412,365.00 | Project is uncompleted contract is not finished |
| Binzhou Shanfu RefrigerationEngineering Co., Ltd | 10,211,962.19 | Project is uncompleted contract is not finished |

| Name of company | Closing Balance | Reason of unpaid or not carried forward |
|---|---|---|
| Heilongjiang Longleng TechnologyCo., Ltd | 9,413,290.00 | Project is uncompleted contract is not finished |
| Wuhan Kaixing Development Co., Ltd | 8,201,894.75 | Project is uncompleted contract is not finished |
| BAC（Dalian）Co.,Ltd | 6,271,540.00 | Project is uncompleted contract is not finished |
| **Total** | **44,511,051.94** | |

22. Received in advance

(1) Received in advance

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Advanced on sales | 136,231,829.62 | 70,458,014.46 |
| **Total** | **136,231,829.62** | **70,458,014.46** |

(2) Accounts received in advance aged over 1 year

| Company | Closing Balance | Reason |
|---|---|---|
| China Aviation Planning and Construction Development Co., Ltd | 3,100,000.00 | Unsettled contract payments on sets projects |
| Jiangsu Ruixiang Chemical Co., Ltd | 2,023,581.40 | Unsettled contract payments on sets projects |
| Inner Mongolia Datang Dingwang Chemical Co., Ltd | 1,962,400.00 | Unsettled contract payments on sets projects |
| **Total** | **7,085,981.40** | |

(3) Note to received in advance

The closing balance increased by 93.35% comparing with the opening balance, mainly because of the increase of prepayment from the client.

23. Employee's payable

(1) Category of employee's payable

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|---|---|---|---|---|
| Short-term employee's payable | 51,857,345.29 | 284,908,827.66 | 287,649,042.22 | 49,117,130.73 |
| Post-employment benefit –defined | | 36,396,018.29 | 36,396,018.29 | |

| **Item** | **Opening Balance** | **Increase** | **Decrease** | **Closing Balance** |
|---|---|---|---|---|
| contribution plan | | | | |
| Termination benefits | | 609,128.18 | 609,128.18 | |
| Other welfare due within 1 year | | | | |
| **Total** | **51,857,345.29** | **321,913,974.13** | **324,654,188.69** | **49,117,130.73** |

(2) Short-term employee's payables

| **Item** | **Opening Balance** | **Increase** | **Decrease** | **Closing Balance** |
|---|---|---|---|---|
| Salaries, bonus, allowance, and subsidy | 33,196,105.86 | 220,370,407.93 | 221,111,778.40 | 32,454,735.39 |
| Welfare | 15,411,064.20 | 15,126,506.96 | 16,363,888.29 | 14,173,682.87 |
| Social insurance | 646,551.22 | 18,805,192.53 | 19,451,743.75 | |
| Include: Medical insurance | 24.00 | 14,470,979.13 | 14,471,003.13 | |
| On-duty injury insurance | 0.81 | 1,576,540.51 | 1,576,541.32 | |
| Maternity insurance | | 1,074,475.24 | 1,074,475.24 | |
| Housing subsidies | 646,526.41 | 1,683,197.65 | 2,329,724.06 | |
| Housingfunds | 1,917,436.58 | 26,198,011.50 | 26,539,687.48 | 1,575,760.60 |
| Labour union and training expenses | 686,187.43 | 4,164,576.18 | 3,937,811.74 | 912,951.87 |
| Non-currency welfare | | 244,132.56 | 244,132.56 | |
| **Total** | **51,857,345.29** | **284,908,827.66** | **287,649,042.22** | **49,117,130.73** |

Non monetary benefit for the employee is 244,132.56Yuan, which is the long-term amortization expense including employee's dormitory and canteen.

(3) Defined contribution plan

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|---|---|---|---|---|
| Pension | | 32,634,069.75 | 32,634,069.75 | |
| Unemployment insurance | | 1,420,102.77 | 1,420,102.77 | |
| Heating fees | | 2,341,845.77 | 2,341,845.77 | |
| **Total** | | **36,396,018.29** | **36,396,018.29** | |

The company join the pension and unemployment plan in accordance with the state regulation, and therefore, the company makes monthly contribution and bears no any other obligation other than the monthly contribution. Accordingly the contribution will be recorded in the profit and loss or the cost of assets when incurs.

(4) Other explanatory of the employee's payable

There was no amount delay paid at the end of the current period.

24. Tax payable

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Value-added tax | 7,442,531.84 | 6,680,785.40 |
| Business tax | | 1,621,471.10 |
| Enterprise income tax | 6,950,159.91 | 4,876,229.11 |
| Individual income tax | 491,249.24 | 394,393.08 |
| City maintenance and construction tax | 517,934.50 | 722,295.23 |
| Real estate tax | 542,956.99 | 233,857.61 |
| Land use tax | 553,224.98 | 553,224.98 |
| Education surcharge | 369,475.87 | 443,830.75 |
| River toll fee | 965,963.53 | 7,682.90 |
| Safeguard fund for disables | 580.00 | 680.00 |
| Stamp duty | 280,186.17 | 167,128.20 |
| **Total** | **18,114,263.03** | **15,701,578.36** |

25. Dividend payable

| Item | Closing Balance | Opening Balance | Reasons |
|---|---|---|---|
| Ordinary share dividend | 863,516.60 | 533,156.00 | Some shareholders not claimed. |
| **Total** | **863,516.60** | **533,156.00** | |

The closing balance increased by 61.96% in comparison with the opening balance due to some shareholders not claimed.

26.Other accounts payable

(1) Other payablescategorized by payments nature

| Payments nature | Closing Balance | Opening Balance |
|---|---|---|
| Restricted share buy back | 67,615,856.00 | 39,503,800.00 |
| Loan from non-financial institutes | 6,700,000.00 | 18,200,000.00 |
| Cash pledge and security deposit | 8,383,699.21 | 14,199,502.52 |
| Apply for reimbursement and unpaid | 7,473,031.32 | 17,038,250.51 |
| Cash from related parties | 566,240.01 | 627,014.92 |
| Receipts under custody | 12,237,893.26 | 9,255,791.05 |
| Others | 2,286,168.76 | 1,065,931.15 |
| **Total** | **105,262,888.56** | **99,890,290.15** |

(2) Significant other payables with age over 1 year

| Name of company | Closing Balance | Reason of unpaid or not carried forward |
|---|---|---|
| Restricted share buy back | 16,930,200.00 | Not reach the return condition of contract |
| **Total** | **16,930,200.00** | |

27.Long-term loan

(1) Category of long-term loan

| Category | Closing Balance | Opening Balance |
|---|---|---|
| Guarantee loan | 160,000,000.00 | |
| **Total** | **160,000,000.00** | |

CDBDevelopment fund give support to the company's intelligent and green equipment of cold chain and service industry base project and provide special fund to the company's holding shareholder, Bingshan Group. The fund is 0.16billion Yuan with 10year's expiration at 1.2% rate. Once the fund arrived, Bingshan Group gave it to the company at the same rate of 1.2% in lump sum. The above fund needed to be warranted by the company. The guarantee seems to be given for the holding shareholder, but it is for the company itself in fact.

28.Deferred income

(1) Category of deferred income

| Item | Opening Balance | Increase | Decrease | Closing Balance | Formation Basis |
|---|---|---|---|---|---|
| Asset related | 49,378,296.00 | 9,683,995.00 | 1,665,672.00 | 57,396,619.00 | |
| Revenue related | | | | | |
| **Total** | **49,378,296.00** | **9,683,995.00** | **1,665,672.00** | **57,396,619.00** | — |

(2) Government subsidy project

| Government subsidy item | Opening Balance | Increase | Recorded into non -operation income | Other Change | Closing Balance | Related with asset/equity |
|---|---|---|---|---|---|---|
| Subsidy fund for highly effective heat pump and related system | 3,704,296.00 | | 551,672.00 | | 3,152,624.00 | Assetrelated |
| Contribution to subsidiary company relocation | 45,674,000 00 | | 1,114,000.00 | | 44,560,000.00 | Assetrelated |
| Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit | | 9,683,995.00 | | | 9,683,995.00 | Assetrelated |
| **Total** | **49,378,296.00** | **9,683,995.00** | **1,665,672.00** | | **57,396,619.00** | - |

29.Share capital

| Item | Opening balance | Increase/decrease（+、-） | | | | | Closing balance |
|---|---|---|---|---|---|---|---|
| | | New share issued | Share dividend | Transfer from capital reserve | others | Subtotal | |
| Total share capital | 360,164,975.00 | 71,529,096.00 | | 180,082,487.00 | | 251,611,583.00 | 611,776,558.00 |

The general meeting for 2015 fiscal yearheld on 21st April 2016 approved the profit distribution policy for the year of 2015, which agrees the profit distribution is based on the total 360,164,975 number of shares as share capital, paid out share dividend of 5 ordinaryshares for every 10 sharesthrough capital reserve. The policy stated above was fully implemented on 5th May 2016, and the newly increase number of shares was altered to 180,082,487.00shares.

The 17th meeting of the 6th generation of board was held on 4th June 2015 and the 2nd interim shareholders' meeting was held on 24th June 2015, meeting deliberated and passed the proposal of non-public offering of 'A shares'. The company implemented the post meeting procedures for China's Securities Regulatory Commission, which is regarding adjustment of bottom price and the number of the shares issued after the implementation of profit distribution policy of 2015 in May, 2016. The company issued the non-public offering of 58,645,096 numbers of 'A shares' to 7 investors, and as a result, the total share capital of the company increased 598,892,558Yuan, and the share premium of 502,636,258.34Yuan is recognized in the capital reserve for the fund received actually after any issuing expense less share capital at par value. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]000457 on 31st May 2016.

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3rd provisional general meeting held on 13th September 2016, the 9th meeting of the 7th generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20th , 2016 and set 20th September 2016 as share granted date, and granted 12,884,000 numbers of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22nd November, 2016, the company has actually received the new registered share capital of 72,420,220,00Yuan subscribed by incentive targets, within this amount, in fact, 12,884,000Yuan are newly increased registered share capital, and 59,524,080.00Yuan is the excessive part of the actual subscribed fund over newly increased registered share capital as share premium and record into capital reserve. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report DHYZ [2016]001138 on 23rd November, 2016.

30.Capital reserves

| Items | Opening Balance | Increase | Decrease | Closing Balance |
|---|---|---|---|---|
| Share premium | 550,973,185.90 | 567,605,588.08 | 180,141,811.53 | 938,436,962.45 |
| Other capital reserves | 79,291,806.05 | 12,272,305.75 | 7,314,300.00 | 84,249,811.80 |
| **Total** | **630,264,991.95** | **579,877,893.83** | **187,456,111.53** | **1,022,686,774.25** |

Share premium decreased this year mainly due to the reserve transfer to share capital, refer to note VI.29 share capital for details.

Share premium increased because the company issued the non-public offering of 58,645,096 numbers of ‘A shares’ to 7 investors and granted12,884,000 numbers of restricted shares to 188 incentive targets according to the restricted share incentive plan made in 2016, refer to note VI.29 share capital for details.

Other capital reserve is the expense for share incentive plan and the proportion of change in capital reserve of investee under equity method enjoyed by the company.

31. Treasury Share

| Items | Opening Balance | Increase | Decrease | Closing Balance |
|---|---|---|---|---|
| Share incentive buy-back | 39,503,800.00 | 50,685,656.00 | 22,573,600.00 | 67,615,856.00 |
| **Total** | **39,503,800.00** | **50,685,656.00** | **22,573,600.00** | **67,615,856.00** |

The companyimplements restricted share incentive plan and recognizes buy-back obligation as liability. At the year end, treasure stock is recognized based on the numbers of restricted share in the vesting period and buy back price agreed in the share incentive plan.

32. Other comprehensive income

| Items | Opening Balance | 2016 | | | | | Closing Balance |
|---|---|---|---|---|---|---|---|
| | | 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 | |
| **I.Later can't reclassified into profit and loss of other comprehensive income** | | | | | | | |
| Recalculate the movement of net asset and net liability of defined benefit plan | | | | | | | |
| Proportional other comprehensive income of investee which is not reclassified into income statement under equity method | | | | | | | |
| **II. Later reclassified into profit and loss of other comprehensive income** | 589,988,118.05 | -134,168,362.59 | 24,180,431.94 | | -158,348,794.53 | | 431,639,323.52 |
| Proportional other comprehensive income of investee which is reclassified into income statement under equity method | 2,768,286.72 | | 3,160.87 | | -3,160.87 | | 2,765,125.85 |
| Changes in fair value recognized in gains and losses of the available-for-sale financial assets | 587,219,831.33 | -134,168,362.54 | 24,177,271.07 | | -158,345,633.66 | | 428,874,197.67 |
| Changes in gains and losses of the available- for –sale financial asset reclassified by held for maturity investment | | | | | | | |

| Items | Opening Balance | 2016 | | | | | Closing Balance |
|---|---|---|---|---|---|---|---|
| | | 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 | |
| The effective part of the gains and losses of the cash flow hedging | | | | | | | |
| Foreign currency translation differences of financial statements | | | | | | | |
| **Other comprehensive income total** | 589,988,118.05 | -134,168,362.59 | 24,180,431.94 | | -158,348,794.53 | | 431,639,323.52 |

33. Special Reserve

| Items | Opening Balance | Increase | Decrease | Closing Balance |
| --- | --- | --- | --- | --- |
| Safety production cost | | 1,982,950.50 | 1,982,950.50 | |
| **Total** | | **1,982,950.50** | **1,982,950.50** | |

34.Surplus reserves

| Item | Opening Balance | Increase | Decrease | Closing Balance |
| --- | --- | --- | --- | --- |
| Statutory surplus reserve | 285,277,941.21 | 14,604,114.85 | | 299,882,056.06 |
| Discretionary surplus reserve | 295,491,798.95 | 25,204,992.51 | | 320,696,791.46 |
| **Total** | **580,769,740.16** | **39,809,107.36** | | **620,578,847.52** |

The company made profit distribution within the reporting period. According to the 2015 annual meeting, 20% of net profit in the 2015 fiscal annual report is provided for discretionary surplus reserve of 25.205million Yuan. In the meanwhile, 10% of net profit of parent company is provided for statutory surplus reserve of 1,460.418million Yuan.

35.Undistributed profits

| Item | 2016 | 2015 |
| --- | --- | --- |
| **Closing balance of 2015** | **525,925,066.25** | **486,167,740.13** |
| Add: Adjustments to the opening balance of undistributed profits | - | - |
| Including: additional retrospective adjustments according to the new accounting standards | - | - |
| Change on accounting policy | - | - |
| Correction of prior period significant errors | - | - |
| Change on combination scope under same control | - | - |
| Other factors | - | - |
| **Opening balance of 2016** | **525,925,066.25** | **486,167,740.13** |
| Add: net profit attributable to shareholders of | 178,632,660.24 | 129,947,307.39 |

| | | |
|---|---|---|
| parent company in the year | | |
| Less: Provision for statutory surplus reserves | 14,604,114.85 | 12,602,496.26 |
| Provision for any surplus reserves | 25,204,992.51 | 22,378,995.91 |
| Provision of general risk | | |
| Dividends payable for common shares | 36,016,497.50 | 54,024,746.25 |
| Share dividends | | - |
| Employee welfare fund | | 1,183,742.85 |
| **Closing balance of 2016** | **628,732,121.63** | **525,925,066.25** |

36.Operating revenue and cost

| **Items** | **2016** | | **2015** | |
|---|---|---|---|---|
| | **Sales revenue** | **Cost of sales** | **Sales revenue** | **Cost of sales** |
| Revenue from principle operation | 1,759,247,556.50 | 1,448,130,516.25 | 1,590,994,011.67 | 1,299,526,134.12 |
| Revenue from other operation | 20,251,670.14 | 10,465,820.28 | 16,524,427.94 | 10,317,677.51 |
| **Total** | **1,779,499,226.64** | **1,458,596,336.53** | **1,607,518,439.61** | **1,309,843,811.63** |

37.Operating taxes and surcharges

| **Items** | **2016** | **2015** |
|---|---|---|
| Business tax | 792,351.26 | 2,923,558.17 |
| City construction tax | 5,523,384.02 | 5,537,296.43 |
| Education surcharge | 3,882,593.67 | 3,961,222.83 |
| Dike maintenance fee | | 75,670.03 |
| Property tax | 2,845,708.77 | |
| Land use tax | 3,267,248.67 | |
| Stamp duty | 1,443,497.32 | |
| Vehicle and vessel tax | 4,177.44 | |
| Other | | 90,505.35 |
| **Total** | **17,758,961.15** | **12,588,252.81** |

In accordance withthe announcement of Caikuai No.22 [2016] by National Finance Department regarding “Accounting on Value Added Tax”, propety tax, land use tax, vehicle and vessle tax and stampt duty tax incurred since May 1st, 2016, previously accounted in the administration account are adjusted to “tax and surtax” account.

38.Selling expenses

| **Items** | **2016** | **2015** |
|---|---|---|
| Handle official business expense | 12,181,560.81 | 11,068,186.75 |
| Employee benefit | 31,495,022.77 | 35,936,748.51 |
| Depreciation expense | 405,097.18 | 464,268.28 |
| Transportation expense | 9,000,944.98 | 8,803,297.34 |
| Business entertaining expense | 7,767,799.36 | 7,139,713.17 |
| Travel expense | 9,582,123.03 | 10,734,718.12 |
| Maintenance and repair expense | 8,968,832.57 | 3,731,758.17 |
| Advertisement and bids expense | 748,945.76 | 470,935.68 |
| Other expense | 1,406,702.18 | 1,750,129.96 |
| **Total** | **81,557,028.64** | **80,099,755.98** |

39.Administrative expenses

| **Items** | **2016** | **2015** |
|---|---|---|
| Official expense | 13,906,553.31 | 15,237,435.94 |
| Employee benefit | 124,498,741.29 | 113,018,720.80 |
| Depreciation expense | 8,833,292.93 | 7,578,564.10 |
| Transportation expense | 175,434.61 | 5,006.00 |
| Business entertaining expense | 3,485,657.61 | 3,089,233.55 |
| Travel expense | 3,332,827.63 | 3,777,397.06 |
| Maintenance and repair expense | 5,542,555.91 | 4,705,156.18 |
| Advertisement expense | 257,438.47 | 425,141.71 |
| Other taxes and fee | 5,528,042.75 | 9,424,970.21 |
| Insurance expense | 941,523.19 | 1,068,219.27 |
| Technology development expense | 16,843,552.24 | 17,126,086.75 |
| Long-term assets amortization | 4,874,233.44 | 4,640,649.75 |
| Design consultant and test service expense | 4,513,040.03 | 1,755,118.29 |
| Safety production cost | 5,683,421.94 | 2,382,233.92 |
| Other expense | 2,546,109.49 | 2,812,661.96 |
| **Total** | **200,962,424.84** | **187,046,595.49** |

40.Financial expenses

| **Items** | **2016** | **2015** |
|---|---|---|
| Interest expenses | 5,379,674.13 | 5,362,949.64 |
| Less: Interest income | 2,955,342.17 | 6,592,204.15 |

| | | |
|---|---:|---:|
| Add: Exchange loss | 391,467.16 | 186,879.42 |
| Add: Others expenditure | 1,779,631.72 | 1,172,689.75 |
| **Total** | **4,595,430.84** | **130,314.66** |

Finance expense increased3,426.41% % due to the interest income decreased.

41.Assets impairment losses

| **Items** | **2016** | **2015** |
|---|---:|---:|
| Loss of bad debts | 17,651,775.24 | 16,646,342.24 |
| Provision for inventoryimpairment | | 477,284.08 |
| Provision for fixed assets impairment | | - |
| **Total** | **17,651,775.24** | **17,123,626.32** |

42.Investment income

| **Items** | **2016** | **2015** |
|---|---:|---:|
| Long-term equity investment gain under equity method | 130,104,484.86 | 125,543,630.87 |
| Gain fromdisposing long-term equity investment | 3,160.87 | |
| Investment gain from FV through P&L during the holing period | | |
| Investment gain from disposal of FV through P&L | | |
| Investment gain from held to maturity assets during holding period | | |
| Gain from holding of financial assets available for sale | 16,000,450.40 | 3,364,489.50 |
| Gain from disposal financial assets available for sale | 27,629,395.44 | |
| After losing control , gain on the remaining shareholding revaluation | | |
| **Total** | **173,737,491.57** | **128,908,120.37** |

Investment income increased34.78% because the company received the dividend from holding available for sale financial asst, Guotaijunan and sold part of Guotaijunan's share.

Collection of investment income is not significantly restricted.

43.Non-operating income

(1) Non-operating income list

| **Item** | **2016** | **2015** | **Amounts recognized into current non-recurring profit** |
|---|---|---|---|

| | | | **or loss** |
|---|---|---|---|
| Gains on disposal of non-current assets | 1,182,803.71 | 167,463.99 | 1,182,803.71 |
| Including: gains on disposal of fixed assets | 1,182,803.71 | 167,463.99 | 1,182,803.71 |
| gains on disposal of intangible assets | | | |
| Default charge and penalty | | 294.915.22 | |
| Income from debt restructuring | 229,833.00 | | 229,833.00 |
| Government grants | 6,088,514.51 | 4,105,114.38 | 3,765,464.60 |
| Debt need not paid | | 2,630,968.84 | |
| Others | 31,596,475.48 | 260,901.11 | 31,596,475.48 |
| **Total** | **39,097,626.70** | **7,459,363.54** | **36,774,576.79** |

(2) Government subsidy list

| **Item** | **2016** | **2015** | **With asset/income** |
|---|---|---|---|
| Subsidy for 2014 pioneer from Dalian Foreign Trade Bureau | | 42,000.00 | Incomerelated |
| Aid from Dalian Intellectual Property Service Centre | | 5,000.00 | Incomerelated |
| Allowance for exporting from new &high technology zone of Dalian | | 27,318.37 | Incomerelated |
| Subsidy for overseasexhibition | | 60,000.00 | Incomerelated |
| CDPF and centers for disease service subsidies | | 20,697.00 | Incomerelated |
| Subsidy of 2014 economic support policy | 30,000.00 | 43,400.00 | Incomerelated |
| Subsidy for social security | | 11,165.00 | Incomerelated |
| Taxes refund | 1,330,480.25 | 499,945.82 | Incomerelated |
| Liaoning self-owned brand development project | 270,000.00 | | Incomerelated |
| Subsidy of East and West Lake District Finance Bureau Science and technology innovation | 169,000.00 | | Incomerelated |
| East and West Lake District Economic and Information Technology Innovation project funding | 114,000.00 | | Incomerelated |
| Small and medium enterprises in Liaoning province "specialization | 30,000.00 | | Incomerelated |

| Item | 2016 | 2015 | With asset/income |
|---|---|---|---|
| special" product project | | | |
| Stabilization subsidy | 2,474,362.26 | | Incomerelated |
| Aid for patent from Wuhan Intellectual Property Bureau | 5,000.00 | | Incomerelated |
| Project #863, large quantity seawater precooling | | 1,696,490.19 | Incomerelated |
| Subsidy fund for highly effective heat pump and related system | 551,672.00 | 585,098.00 | Assetrelated |
| Contribution to subsidiary company relocation | 1,114,000.00 | 1,114,000.00 | Assetrelated |
| **Total** | **6,088,514.51** | **4,105,114.38** | |

(3)Explanatory of the non-operating income

Non-operating income this year increased424.14%comparing with last period, because the company acquired minority shareholding of Dalian Xinminghua Electrical Technology Co., Ltd and cost of combination on the acquisition date is less than the proportion of shareholding of the acquired company's fair value of identifiable net asset. The difference is 30,334,841.93 Yuan and explained in the Note VII,1.(2) cost of combination and goodwill.

44.Non-operating expenses

| Item | 2016 | 2015 | Amounts recognized into non-recurring profit or loss for the year |
|---|---|---|---|
| Loss on disposal of non-current assets | 22,748,252.08 | 229,182.73 | 24,485,454.05 |
| Including: Loss on disposal of fixed assets | 22,748,252.08 | 229,182.73 | 24,485,454.05 |
| Loss on disposal of intangible assets | | | |
| Loss from debt restructuring | | 586,377.00 | |
| Penalty loss | | 8,316.69 | |
| Outward donation | 60,000.00 | | 60,000.00 |
| Others | 225,318.73 | 282,035.87 | 225,318.73 |
| **Total** | **23,033,570.81** | **1,105,912.29** | **24,770,772.78** |

Non-operating expense this year increased 1,982.77% due to increased disposal of fixed assets in the old factory.

45.Income tax expenses

(1) Income tax expenses

| **Items** | **2016** | **2015** |
|---|---|---|
| Current income tax expenses | 10,166,983.90 | 8,782,088.36 |
| Deferred income tax expenses | -3,917,992.76 | -4,049,456.17 |
| **Total** | **6,248,991.14** | **4,732,632.19** |

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

| **Items** | **2016** |
|---|---|
| Consolidated total profit this year | 188,178,816.86 |
| Income tax expenses at applicable tax rate | 28,226,822.53 |
| Effect on subsidiary applied to different tax rate | 1,741,606.36 |
| Effect on prior period income tax | -664,367.17 |
| Effect on non-taxable income | -19,515,672.73 |
| Effect on non-deductible cost ,expense and loss | 1,188,640.84 |
| Effect on use of deductible loss from unrecognized deferred tax assets in the prior period | |
| Effect on temporarydifference or deductible loss from unrecognised deferred tax assets this year | -4,431,861.80 |
| Accelerated R&D expense and disables salary | -296,176.89 |
| Income tax expense | 6,248,991.14 |

(3) Other explanation

Income tax expenses this year increased 32.84% due to income tax rising.

46.Other comprehensive income

Refer to the note VI.32 other comprehensive income for details.

47.Notes to cash flow statement

(1) Cash receipt/payment of other operating/investing/financing activities

1) Other cash received relating to operating activities

| **Items** | **2016** | **2015** |
|---|---|---|
| Government grants | 13,433,735.17 | 989,230.70 |
| Received travel expense refund | 2,047,713.33 | 3,352,659.29 |
| Deposit given back | 49,655,835.40 | 25,139,681.07 |
| Receivable from relate | 1,161,856.91 | |
| Interest income | 2,390,561.61 | 11,419,665.11 |

| | | |
|---|---|---|
| Others | 2,535,341.43 | 2,358,819.33 |
| **Total** | **71,225,043.85** | **43,260,055.50** |

2) Other cash paid relating to operating activities

| Items | 2016 | 2015 |
|---|---|---|
| Business travel borrowing | 1,035,467.05 | 3,325,287.08 |
| Deposit paid | 55,026,146.60 | 26,407,383.40 |
| Expenditure | 87,702,948.38 | 79,560,411.38 |
| Payment to related companies | | 519,142.61 |
| Bank handling charges | 1,494,655.69 | 1,123,590.67 |
| Others | 1,532,563.78 | 1,311,099.46 |
| **Total** | **146,791,781.50** | **112,246,914.60** |

3) Others cash received relating to financing activities

| Items | 2016 | 2015 |
|---|---|---|
| Guarantee money took back | 20,665,689.93 | 32,953,876.63 |
| Return fragmentary dividend of listed company | 45,137.75 | |
| **Total** | **20,710,827.68** | **32,953,876.63** |

4) Others cash paid relating to financing activities

| Items | 2016 | 2015 |
|---|---|---|
| Interests on discount of bill acceptance | 284,976.03 | 45,446.93 |
| Payment of guarantee money | 21,576,815.56 | 20,665,689.93 |
| **Total** | **21,861,791.59** | **20,711,136.86** |

(2) Supplementary information of consolidated cash flow statement

| Items | 2016 | 2015 |
|---|---|---|
| **1. Adjusting net profit into cash flows of operating activities:** | —— | —— |
| Net profit | 181,929,825.72 | 131,215,022.15 |
| Add: Provision for impairment of assets | 17,651,775.24 | 17,123,626.32 |
| Depreciation of fixed assets,Amortization ofmineral resources, and biological assets | 40,468,057.28 | 38,335,936.87 |
| Amortization of intangible assets | 4,997,057.34 | 4,507,956.43 |
| Amortization of long-term deferred expenses | 1,408,785.18 | 1,591,669.04 |
| Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with”-”) | -1,182,803.71 | 11,212.67 |

| | | |
|---|---|---|
| Losses on write-off of fixed assets (income listed with"-") | 22,748,252.08 | 50,506.07 |
| Change of fair value profit or loss | | - |
| Financial expense (income listed with"-") | 5,535,429.16 | 5,560,290.68 |
| Investment loss (income listed with"-") | --173,737,491.57 | -128,908,120.37 |
| Decrease of deferred tax assets(increase listed with"-") | -3,991,598.29 | -4,049,456.17 |
| Increase of deferred tax liabilities(decrease listed with"-") | | |
| Decrease of inventories (increase listed with"-") | -54,076,387.86 | 71,261,447.45 |
| Decrease of operating receivables (increase listed with"-") | 13,828,579.47 | -114,889,219.96 |
| Increase of operating payables (decrease listed with"-") | -75,512,968.26 | -84,569,865.56 |
| Others | 12,227,168.00 | 12,190,520.00 |
| Net cash flows arising from operating activities | -7,706,320.22 | -50,568,474.38 |
| **2. Significant investment and financing activities unrelated to cash income and expenses** | —— | —— |
| Liabilities transferred to capital | - | - |
| Convertible bonds within 1 year | - | - |
| Financing leased fixed assets | - | - |
| **3. Net increase (decrease) of cash and cash equivalent** | —— | —— |
| Closing balance of cash | 655,747,990.20 | 221,724,134.60 |
| Less: Opening balance of cash | 221,724,134.60 | 475,557,589.39 |
| Add: Closing balance of cash equivalent | | |
| Less: Opening balance of cash equivalent | | |
| Net increase of cash and cash equivalent | **434,023,855.60** | **-253,833,454.79** |

(3) Net cash paid for acquiring subsidiaries

| **Items** | **2016** |
|---|---|
| Payment of Net cash and cash equivalent under the business merger during the year | 24,370,918.03 |
| Including：Dalian Xinminghua Electrical Technology Co., Ltd. | 21,535,918.03 |
| Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd | 2,835,000.00 |
| less： Net cash and cash equivalentheld by subsidiaries on the date of | 44,259,400.93 |

| Items | 2016 |
| --- | --- |
| purchase | |
| Including：Dalian Xinminghua Electrical Technology Co., Ltd. | 43,551,643.42 |
| Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd | 707,757.51 |
| Net cash paid for acquiring subsidiaries | -19,888,482.90 |

(4) Cash and cash equivalents

| Items | 2016 | 2015 |
| --- | --- | --- |
| Cash | 655,747,990.20 | 221,724,134.60 |
| Including: Cash on hand | 83,511.72 | 57,023.71 |
| Bank deposit used for paying at any moment | 655,664,478.48 | 221,667,110.89 |
| Closing balance of cash and cash equivalents | 655,747,990.20 | 221,724,134.60 |

47. The assets with the ownership or use right restricted

| Items | 2016 | Reasons |
| --- | --- | --- |
| Monetary fund | 23,976,815.56 | Guarantee money |
| Notes Receivable | 15,532,736.64 | Pledge |
| Fixed assets | 101,240,384.56 | Mortgage Loan |
| Intangible assets | 52,535,598.00 | Mortgage Loan |
| **Total** | **193,285,534.76** | |

48. Monetary category of foreign currency

(1) Monetary category of foreign currency

| Item | Closing Balance (foreign currency) | Exchange Rate | Closing Balance (RMB) |
| --- | --- | --- | --- |
| Cash | | | 876,704.32 |
| Including：USD | 1,954.72 | 6.9370 | 13,559.89 |
| JPY | 410,894.00 | 0.0596 | 24,489.28 |
| GBP | 98,556.32 | 8.5094 | 838,655.15 |
| Accounts receivable | | | 674,413.43 |
| Including: GBP | 79,255.11 | 8.5094 | 674,413.43 |
| Accounts payable | | | 309,736.03 |
| Including: GBP | 36,399.28 | 8.5094 | 309,736.03 |

## VII. Change of Consolidation Scope

1. Consolidation not under the same control

（1）Consolidation not under the same control during the year

| Name of the acquiree | Date of the share acquired | Cost of the share acquired | Percentage（%）of shareholding acquired | Method of acquiring share | Purchasing date |
|---|---|---|---|---|---|
| Dalian Xinminghua Electrical Technology Co., Ltd. | 2016.07.31 | 21,535,918.03 | 70 | Cash | 2016.07.31 |
| Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd | 2016.07.08 | 5,670,000.00 | 50 | Cash | 2016.07.08 |

| Name of the acquiree | Recognition of date of purchasing | Income of acquiree from purchasing date until the year end | Net profit from purchasing date until the year end |
|---|---|---|---|
| Dalian Xinminghua Electrical Technology Co., Ltd. | Board of directors and respective authorities approved the acquisition, equity transfer procedures have been completed, the payment has been settled, obtain the control over the financial and operating policies actually | 32,557,210.04 | 157,544.92 |
| Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd | | 4,956,230.25 | -602,397.87 |

（2） Cost of consolidation and goodwill

| Items | Dalian Xinminghua Electrical Technology Co., Ltd. | Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd |
|---|---|---|
| Cash | 21,535,918.03 | 2,835,000.00 |
| FV of non-monetary assets | | |
| FV of liability issued or assumed | | |
| FV of equity share issued | | |
| FV of contingent consideration | | |

| Items | Dalian Xinminghua Electrical Technology Co., Ltd. | Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd |
|---|---|---|
| Fair value of the share held before the purchasing date | 22,230,325.69 | 2,524,548.42 |
| Total cost of consolidation | 43,766,243.72 | 5,359,548.42 |
| Loss: proportion of shareholding of fair value of acquired identifiable net assets | 74,101,085.65 | 5,049,096.85 |
| Goodwill | -30,334,841.93 | 310,451.57 |

The company acquired Dalian Xinminghua Electronic Technique Co.,Ltd's shareholding and obtained control over it. The transfer price of shares is based on the net asset of Dalian Xinminghua Electronic Technique valued on 31th July 2016. Having negotiated with Sanyo Electronic Corporation, the shareholder of Dalian Xinminghua Electronic Technique Co., Ltd, the company paid 43,766,243.72 Yuan consideration given for the acquisition based on the combination cost and will enjoy the proportion of shareholding of the acquiree's identifiable net asset measured at fair value on the acquisition date, which is 74,101,085.65.Yuan. Thus, the combination cost on the acquisition day is less than the identifiable net asset of 30,334,841.93Yuan.

The company acquired Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd's shareholding and obtained control over it. The transfer price of shares is based on the net asset of Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd valued on 30th June 2016. Having negotiated with Baoan Hydraulic Engineering (China) Limited Company, the shareholder of Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd, the company paid 5,359,548.42Yuan consideration given for the acquisition based on the combination cost and will enjoy the proportion of shareholding of the acquiree's identifiable net asset measured at fair value on the acquisition date, which is 5,049,096.85Yuan. Thus, the goodwill arising from acquisition is 310,451.57Yuan on the acquisition day.

（3） Acquirees'identifiable assets and liabilities of on acquisition date

| Items | Dalian Xinminghua Electronic Technique Co.,Ltd | | Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd | |
|---|---|---|---|---|
| | Fair value on acquisition date | Book value on acquisition date | Fair value on acquisition date | Book value on acquisition date |
| **Assets：** | **88,437,308.03** | **88,437,308.03** | **7,483,923.33** | **7,483,923.33** |
| Cash and cash in bank | 43,551,643.42 | 43,551,643.42 | 707,757.51 | 707,757.51 |
| Notes receivable | 300,000.00 | 300,000.00 | | |

| Items | Dalian Xinminghua Electronic Technique Co.,Ltd | | Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd | |
|---|---|---|---|---|
| | Fair value on acquisition date | Book value on acquisition date | Fair value on acquisition date | Book value on acquisition date |
| Accounts Receivable | 17,986,854.26 | 17,986,854.26 | 3,957,581.98 | 3,957,581.98 |
| Prepayment | 2,133,832.85 | 2,133,832.85 | 709,455.64 | 709,455.64 |
| Other receivable | 233,706.59 | 233,706.59 | 475,642.27 | 475,642.27 |
| Inventories | 14,419,691.66 | 14,419,691.66 | 1,465,964.55 | 1,465,964.55 |
| Other current assets | 815,381.00 | 815,381.00 | | |
| Fixed assets | 8,996,198.25 | 8,996,198.25 | 97,635.54 | 97,635.54 |
| Deferred tax assets | | | 69,885.84 | 69,885.84 |
| **Liabilities:** | **14,336,222.38** | **14,336,222.38** | **2,434,826.49** | **2,434,826.49** |
| Accounts Payable | 9,287,811.98 | 9,287,811.98 | 2,329,857.29 | 2,329,857.29 |
| Other payable | 3,430.29 | 3,430.29 | | |
| Tax payable | -597,911.96 | -597,911.96 | 12,058.73 | 12,058.73 |
| Employee payable | 5,312,531.47 | 5,312,531.47 | 92,910.47 | 92,910.47 |
| Dividend payable | 330,360.60 | 330,360.60 | | |
| Deferred tax liabilities | | | | |
| **Net asset** | **74,101,085.65** | **74,101,085.65** | **5,049,096.84** | **5,049,096.84** |
| Less:minority interest | | | | |
| Net asset available | 74,101,085.65 | 74,101,085.65 | 5,049,096.84 | 5,049,096.84 |

（4） Gain or loss from the remeasurement of share held at fair value prior to purchasing date

| Name of the acquiree | Book value of the original shareholding held prior to acquisition date | Fair value of the original shareholding held prior to acquisition date | Gain or loss from the remeasurement of share held at fair value prior to acquisition date | Method and main hypothesis of the purchasing date's fair value of the original equity held prior to the purchasing date | The amount of other comprehensive income transferred to the investment income prior to the date of purchase |
|---|---|---|---|---|---|
| Dalian Xinminghua Electronic Technique Co.,Ltd | 22,230,325.69 | 22,230,325.69 | | The fair value of identifiable net assets is measured | 3,160.87 |

| **Name of the acquiree** | **Book value of the original shareholding held prior to acquisition date** | **Fair value of the original shareholding held prior to acquisition date** | **Gain or loss from the remeasurement of share held at fair value prior to acquisition date** | **Method and main hypothesis of the purchasing date's fair value of the original equity held prior to the purchasing date** | **The amount of other comprehensive income transferred to the investment income prior to the date of purchase** |
|---|---|---|---|---|---|
| | | | | at its book value | |

2. Other reasons for change on consolidation scope

The board meeting of Dalian Bingshan Group Engineering Co., Ltd, a subsidiary of the company, approved Dalian Bingshan Group Engineering Co., Ltd and Shanghai QingNeng Cold Chain Equipment Co., Ltd jointly invested and constructed Shanghai Bingshan Technical Service Co., Ltd. Dalian Bingshan Group Engineering Co., Ltd invested 5,100,000Yuan, and held 51% shareholding. Shanghai Bingshan Technical Service Co., Ltd has been formally operated by 31$^{st}$ December 2016.

## VIII. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

| Name of subsidiaries | Main business address | Registered address | Business nature | Shareholding (%) | | Obtaining method |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Dalian Bingshan Group Engineering Co., Ltd. | Dalian | Dalian | Installation | 100 | | Establish |
| Dalian Bingshan Group Sales Co., Ltd. | Dalian | Dalian | Trading | 100 | | Establish |
| Dalian Bingshan Air-conditioning Equipment Co., Ltd. | Dalian | Dalian | Manufacturing | 70 | | Establish |
| Dalian Bingshan JiaDe Automation Co., Ltd. | Dalian | Dalian | Manufacturing | 100 | | Establish |
| Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd. | Dalian | Dalian | Manufacturing | 100 | | Establish |

| Name of subsidiaries | Main business | Registered address | Business nature | Shareholding (%) | | Obtaining method |
|---|---|---|---|---|---|---|
| Wuhan New World Refrigeration Industrial Co., Ltd. | Wuhan | Wuhan | Manufacturing | 100 | | Merger |
| Bingshan Technical Service（Dalian）Co.,Ltd. | Dalian | Dalian | Services | 100 | | Establish |
| Dalian Xinminghua Electrical Technology Co., Ltd | Dalian | Dalian | Electronic | 100 | | Merger |
| Dalian Niweisi LengNuan Techonoligy Co., Ltd. | Dalian | Dalian | Manufacturing | 55 | | Merger |
| Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd | Wuhan | Wuhan | Installation | | 100 | Establish |
| Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd | Ningbo | Ningbo | Installation | | 51 | Establish |
| Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd | Dalian | Dalian | Installation | | 100 | Merger |
| Shanghai Bingshan Technical Service Co., Ltd | Shanghai | Shanghai | Services | | 51 | Establish |

（1） All the proportion of shareholding in subsidiaries were the same with voting proportion；

（2） The company held over 50% voting right in subsidiaries；

（3） The company could control these subsidiaries with over 50% voting right

（4） Change on the shareholding of the subsidiaries is explained in the note II.change on the combination scope

(2) There is no significant non-wholly-owned Subsidiary

2. Proportion of shareholding in the subsidiary change but still under control.

(1) The situation where owner's proportion of shareholding has changed in the subsidiary.

The board meeting of directors held on 27th January 2016 approved to have 40% shareholdings of holding subsidiary, Dalian Bingshan JiaDe Automation Co., Ltd, hence, Dalian Bingshan JiaDe Automation Co., Lmt has become the Company's fully owned subsidiary. The transaction stated above has completed by 31st December 2016. Hence, the Company holds 100% shareholdings of Dalian Bingshan JiaDe Automation Co., Ltd when preparing the consolidated statements.

The 15th meeting of the 6th generation of board approved that Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd, a holding subsidiary, acquired Dalian Bingshan Metal Processing Co., Ltd which is a fully owned subsidiary. Before the merger, the Company held 70% shareholding of Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd., and held 100% shareholding of Dalian Bingshan Metal Processing Co., Ltd. After the merger, Dalian Bingshan Quick Freezing Equipment Co., Ltd would be the survival company, and the shareholding held by the Company increased from 70% to 95%. The 6th meeting of the 7th generation of board of directors approved to accept the 5% of shareholding transfer from Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd, a holding subsidiary, hence, Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd has become the fully owned subsidiary after transfer. The transaction stated above has completed by 31st December 2016. Hence, the Company holds 100% shareholding of Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd when preparing the consolidated statements.

The meeting of directors held on 15th April 2016 decided to transfer 5% shareholding of Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd to the fully owned subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd. Therefore, the Company indirectly held 100% shareholding of Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd.

(2) Effect on the change of proportion of shareholdings in the subsidiaries

| **Items** | Dalian Bingshan JiaDe Automation Co., Ltd | Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd. |
|---|---|---|
| Cash | 5,350,000.00 | 1,859,709.19 |

| Items | Dalian Bingshan JiaDe Automation Co., Ltd | Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd. |
|---|---|---|
| Total of acquisition cost/disposal | 5,350,000.00 | 1,859,709.19 |
| Less: proportion of shareholdings of net asset in the subsidiary when acquired | 8,335,136.96 | 1,916,249.94 |
| Difference | -2,985,136.96 | 56,540.75 |
| Including：Capital surplus adjustment | -2,985,136.96 | 56,540.75 |

3. Equity in joint venture arrangement or associated enterprise

（1）The important of joint ventures or affiliated companies

| Name of joint ventures or affiliated companies | Main business address | Registered address | Business nature | Shareholding (%) | | Accounting methods |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Affiliated companies: | | | | | | |
| Jiangsu Jingxue Freezing Equipment Co., Ltd. | Changzhou | Changzhou | Manufacturing | 29.21 | | Equity method |
| Dalian Fuji Bingshan Vending Machine Co., Ltd. | Dalian | Dalian | Manufacturing | 49 | | Equity method |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., | Dalian | Dalian | Manufacturing | 20 | | Equity method |
| Panasonic Compressor (Dalian) Co., Ltd | Dalian | Dalian | Manufacturing | 40 | | Equity method |

The company assumes the affiliated assignificant party either when the investment income from investee presents 10% of the parent’s net profit or the proportion of shareholding of the investee’s net asset represents 10% of the parent’s shareholder equity.

1) The company has the same percentage of shareholding and voting right in joint-venture or affiliated company.

2) The company doesn't have affiliated company which has important influence although being held less than 20% voting rights.

3) The company doesn't have joint venture or affiliatedcompanies which have no significant influence although being held 20% or more voting rights.

（2） The key financial information ofaffiliated companies

| Items | 2016 | | | |
|---|---|---|---|---|
| | **Jiangsu Jingxue Freezing Equipment Co., Ltd.** | **Dalian Fuji Bingshan Vending Machine Co., Ltd.** | **Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd** | **Panasonic Compressor (Dalian) Co., Ltd** |
| Current assets | 544,766,000.08 | 280,972,490.97 | 324,274,111.23 | 1,368,463,901.88 |
| Includig: Cash and cash equivalents | 78,043,080.32 | 102,873,995.95 | 48,954,435.83 | 343,053,793.36 |
| Non-current assets | 190,982,542.93 | 151,754,975.82 | 86,150,062.42 | 350,108,180.41 |
| Total assets | 735,748,543.01 | 432,727,466.79 | 410,424,173.65 | 1,718,572,082.29 |
| Current liabilities | 349,389,866.24 | 101,199,564.85 | 145,662,104.80 | 495,843,809.25 |
| Non-current liabilities | 3,963,050.80 | 3,853,400.89 | | |
| Total liabilities | 353,352,917.04 | 105,052,965.74 | 145,662,104.80 | 495,843,809.25 |
| Minority interests | 432,553.72 | | | |
| Equity to the parent company | 382,395,625.97 | 327,674,501.05 | 264,762,068.85 | 1,222,728,273.04 |
| Net assets calculated according to the shareholding proportions | 111,579,052.67 | 160,560,505.51 | 52,952,413.77 | 489,091,309.22 |
| Adjusting events | | | | |
| —Goodwill | 39,948,654.75 | | | |
| —Unrealized profits of insider trading | | | | |
| --Others | | | | -5,087,915.23 |
| Book value of equity investment of affiliated companies | 151,527,707.42 | 160,787,194.81 | 52,952,413.79 | 484,003,393.99 |
| Fair value of equity investment with public offer | | | | |
| Operating income | 502,464,526.22 | 453,146,399.31 | 812,583,118.92 | 1,752,750,321.32 |
| Financial expense | 1,508,553.77 | 221,715.36 | 4,115,158.49 | -12,526,005.42 |

| Items | 2016 | | | |
|---|---|---|---|---|
| | Jiangsu Jingxue Freezing Equipment Co., Ltd. | Dalian Fuji Bingshan Vending Machine Co., Ltd. | Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | Panasonic Compressor (Dalian) Co., Ltd |
| Income tax expense | 9,163,232.01 | 9,207,934.91 | 31,182,502.23 | 34,756,343.51 |
| Net profit | 56,713,066.91 | 52,088,861.48 | 92,726,892.48 | 158,997,350.73 |
| Net profit of discontinuing operation | | | | |
| Other comprehensive income | | | | |
| Total comprehensive income | 56,713,066.91 | 52,088,861.48 | 92,726,892.48 | 158,997,350.73 |
| The current dividends received from joint ventures | 5,842,400.00 | | 14,200,000.00 | 32,400,000.00 |

Continued:

| Items | 2015 | | |
|---|---|---|---|
| | Dalian Fuji Bingshan Vending Machine Co., Ltd. | Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | Panasonic Compressor (Dalian) Co., Ltd |
| Current assets | 361,305,733.51 | 288,372,485.62 | 1,394,237,128.94 |
| Including: Cash and cash equivalents | 111,,996,908.81 | 36,215,091.45 | 146,029,500.91 |
| Non-current assets | 61,629,639.07 | 96,260,501.77 | 350,839,627.19 |
| Total assets | 422,935,372.58 | 384,632,987.39 | 1,745,076,756.13 |
| Current liabilities | 188,191,481.16 | 141,597,811.02 | 587,437,711.53 |
| Non-current liabilities | 3,583,780.65 | | |
| Total liabilities | 191,775,261.81 | 141,597,811.02 | 587,437,711.53 |
| Minority interests | | | |
| Equity to the parent company | 231,160,110.77 | 243,035,176.37 | 1,157,639,044.60 |
| Net assets calculated according to the shareholding proportions | 113,268,454.28 | 48,607,035.27 | 463,055,617.84 |
| Adjusting events | | | |
| —Goodwill | | | |
| —Unrealized profits of insider trading | | | |

| Items | 2015 | | |
|---|---|---|---|
| | **Dalian Fuji Bingshan Vending Machine Co., Ltd.** | **Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd** | **Panasonic Compressor (Dalian) Co., Ltd** |
| --Others | | | -5,163,248.92 |
| Book value of equity investment of affiliated companies | 113,268,454.28 | 48,607,035.27 | 457,892,368.92 |
| Fair value of equity investment with public offer | | | |
| Operating income | 463,077,411.32 | 680,314,218.23 | 1,894,363,146.75 |
| Financial expense | -828,214.34 | 4,059,986.27 | -1,628,116.62 |
| Income tax expense | 10,378,364.63 | 25,874,457.12 | 29,912,121.54 |
| Net profit | 58,543,688.14 | 79,365,464.49 | 161,351,528.59 |
| Net profit of discontinuing operation | | | |
| Othercomprehensive income | | | |
| Total comprehensive income | 58,543,688.14 | 79,365,464.49 | 161,351,528.59 |
| The current dividends received from joint ventures | 5,314,796.52 | 9,600,000.00 | 34,000,000.00 |

（3） Summary financial information of insignificant affiliated companies

| Items | 2016 | 2015 |
|---|---|---|
| Total book value of investment of affiliated companies | 450,033,912.21 | 448,182,203.86 |
| The total of following items according to the shareholding proportions | | |
| Net profit | 45,249,443.95 | 36,726,889.29 |
| Other comprehensive income | | |
| Total comprehensive income | 45,249,443.95 | 36,726,889.29 |

（4） No significant restrictions of the ability of affiliated companies transferring funds to the company.

（5） No excessive loss of affiliated companies.

（6） No commitment related to affiliated company need to be disclosed.

（7） No Contingency related to joint venture or affiliated company need to be disclosed.

4. Structured entity beyond the consolidation scope

There is no structured entity beyond the consolidation scope

## IX. Risk Related to Financial Instruments

The main financial instruments held by the group company are cash and cash in bank, accounts receivable, accounts payable, available-for-sale financial asset and short term loan. The detailed explanation is referred to this notes No.VI. The related risks of these financial instruments and the risk management policy conducted to reduce these risks by the group company are introduced as below. The Group management conducts to manage and monitor these risks exposure and control these risks under certain risk level.

Objectives and policies of each risk management

The objectives of risk management conducted by the group company are to reach the balance between risk and profit return by reducing the negative influence to operating performance to the minimum level as well as maximising the shareholders' and other investors' profits. Based on these objectives, the basic risk management policy is to recognize and analyse all sorts of risk that the group company faced with, to set up the proper risk tolerance bottom line conducting risk management, as well as to monitor these risks in a timely and effective manner, and to ensure these risks under the limit level.

(1) Market risk

1) Exchange rate risk

Most of the company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (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. During the current year the company didn't agree any forward foreign exchange contract or currency swap contract .As at 31st December 2016, the company's assets and liabilities dominated in foreign currency are listed in RMB as following：

| Items | Closing Balance | | | | |
|---|---|---|---|---|---|
| | USD | JPY | GBP | EUR | Total |
| Cash and cash in bank | 1,954.72 | 410,894.00 | 98,556.32 | 511,405.04 | |
| Accounts receivable | | | 79,255.11 | 79,255.11 | |

| Items | Closing Balance | | | | |
|---|---|---|---|---|---|
| | USD | JPY | GBP | EUR | Total |
| **Subtotal** | **1,954.72** | 410,894.00 | **177,811.43** | **590,660.15** | |
| Accounts Payable | | | 36,399.28 | 36,399.28 | |
| **Subtotal** | | | **36,399.28** | **36,399.28** | |

The sensitive analysis：

As at 31st December 2016, 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.

2) Interest rate risk

The interest risk of the Group incurred from bank loan, 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. The company and Dalian Bingshan Group Co.,Ltd borrowed long term loan RMB 160,000,000.00 with fixed interest rate. The subsidiary of the company Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short term loan RMB 45,000,000.00 with fixed interest rate.

The financial department of the company continuously monitors the interest rates level, and the management would make some adjustment to lower the interest rate risk according to the latest market situation. Climbing interest rate will increase the cost of newly increased interest-bearing liability and interest expense for unsettled interest-bearing liability at floating rate and have adverse effect on the business performance.

The sensitive analysis：

As at 31st December 2016, base on the assumption of interest rate change of 50 BP, the company's net profit of year 2016 will increase or decrease RMB 651.7thousand Yuan.

(2)Credit risk

The credit risk of the company comes from monetary fund, notes receivable, accounts receivable, and other accounts receivable etc.The management made credit policies and monitored 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. Upper limit policy is adopted to avoid any credit risk from financial institution.

The company made relevant policy to control credit risk exposure from receivable, other receivable and notes receivable. The company assess the client's credit background according to the client's financial performance, possibility of obtaining guarantee from the 3rd party, credit record and other factors such as current market. The company will periodically monitor the credit situation of the client and will take measures such as prompt letter, shorten credit period or cancel the credit to ensure the overall credit risk within the controllable scope.

As at 31st December 2016, the top five customers of receivable accounts represent 20.15% of total accounts receivable, and as at 31st December 2015 that was 14.91%.

Maximum risk exposure assumed by the company is the book value of each individual financial assets (including derivative instruments) on the balance sheet. Except the financial guarantee stated in the note XIII, there is no any other guarantee which can put the company into credit risk. The maximum credit risk exposure coming from above financial guarantee has been disclosed in the note IX on the balance sheet date.

(3) Liquidity risk

Liquidity risk was referred to the risk of shortage of funds incurred when the enterprise fulfill 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 funds.

As at 31st December 2016, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following：

| | **Closing balance** | | | | |
|---|---|---|---|---|---|
| **Items** | **Within 1 year** | **1-2 years** | **2-5 years** | **Over 5 years** | **Total** |
| **Financial Assets** | | | | | |
| Cash and cash in bank | 679,724,805.76 | | | | 679,724,805.76 |
| Notes receivable | 130,426,225.74 | | | | 130,426,225.74 |
| Accounts receivable | 759,053,298.97 | | | | 759,053,298.97 |
| Other Receivable | 52,982,713.89 | | | | 52,982,713.89 |
| Available for sale financial asset | | | | 545,565,116.64 | 545,565,116.64 |

| | Closing balance | | | | |
|---|---|---|---|---|---|
| **Items** | **Within 1 year** | **1-2 years** | **2-5 years** | **Over 5 years** | **Total** |
| **Financial Liabilities** | | | | | |
| Short-term loan | 45,000,000.00 | | | | 45,000,000.00 |
| Notes Payable | 179,378,767.96 | | | | 179,378,767.96 |
| Accounts payable | 839,079,506.68 | | | | 839,079,506.68 |
| Other payable | 105,262,888.56 | | | | 105,262,888.56 |
| Employee’s payable | 49,117,130.73 | | | | 49,117,130.73 |
| Long-term loan | 160,000,000.00 | | | | 160,000,000.00 |
| Tax payable | 18,114,263.03 | | | | 18,114,263.03 |
| Dividend payable | 863,516.60 | | | | 863,516.60 |

(Continued)

| | Opening balance | | | | |
|---|---|---|---|---|---|
| **Items** | **Within 1 year** | **1-2 years** | **2-5 years** | **Over 5 years** | **Total** |
| **Financial Assets** | | | | | |
| Cash and cash in bank | 244,789,824.53 | | | | 244,789,824.53 |
| Notes receivable | 71,699,517.68 | | | | 71,699,517.68 |
| Accounts receivable | 671,423,836.96 | | | | 671,423,836.96 |
| Other Receivable | 22,755,328.21 | | | | 22,755,328.21 |
| Available for sale financial asset | | | | 733,275,249.09 | 733,275,249.09 |
| **Financial Liabilities** | | | | | |
| Short-term loan | 82,600,000.00 | | | | 82,600,000.00 |
| Notes Payable | 234,189,011.72 | | | | 234,189,011.72 |
| Accounts payable | 660,398,503.26 | | | | 660,398,503.26 |
| Other payable | 99,890,290.15 | | | | 99,890,290.15 |
| Employee’s payable | 51,857,345.29 | | | | 51,857,345.29 |
| Long-term loan | | | | | |
| Tax payable | 15,701,578.36 | | | | 15,701,578.36 |
| Dividend payable | 533,156.00 | | | | 533,156.00 |

**X. Disclosure of Fair Value**

1. Amount and measurement level of the assets and liabilities measured at fair value at the year end

| Items | Fair value at the year end | | | |
|---|---|---|---|---|
| | **First level measurement of fair value** | **Second level measurement of fair value** | **Third level measurement of fair value** | **Total** |
| **Financial assets** | **531,653,458.05** | | | **531,653,458.05** |
| (1) Investment by debt instruments | | | | |
| (2) Investment by equity instruments | 531,653,458.05 | | | 531,653,458.05 |
| (3) Others | | | | |
| **Total assets continuously measured at fair** | **531,653,458.05** | | | **531,653,458.05** |

2. Basis for Market price of first level measurement of fair value

Equity instrument portion of the available for sale financial assets is measured at the unadjusted closing quoted price on stock market on December 31, 2016.

3. Assets continuously measured at fair value have no switch among different level during the year.

4. Assets and liability are disclosed at FV rather than measured at FV

Assets not measured at FV are: accountsreceivable, short-term loan and accountspayable.

The difference between the book value of assets and liabilitymentioned above and fair value is rather small.

**XI. Related Parties Relationship and Transactions**

**(I) Related parties relationship**

### 1. Parent company and ultimate controller

1) Parent company and ultimate controller

| Parent company | Registered address | Business nature | Registered capital | Shareholding percentage (%) | Voting power percentage (%) |
|---|---|---|---|---|---|
| Dalian Bingshan Group Co., Ltd. | Dalian | Manufacture | 158,580,000.00 | 19.96% | 19.96% |

Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.888 Xinan Road, Shahekou District, Dalian, China.The legal representive of Dalian Bingshan Group Co., Ltd. is Mr.Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope include research, development, manufacture, sales, service and installment of refrigeration equipment, cooling and freezing equipment, different size of air-conditioners, petrochemical equipment, electronic and electronic- controlproducts, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

2) The company has no ultimate actual controller.

### 2. Subsidiaries

Referring to the content in the Note VIII. 1. (1) Organization structure of group company.

### 3. Affiliated company and joint venture

The information of the affiliated company and joint venture please refers to the noteVIII. 3 ‘The significant affiliated company and joint venture’. The company had transactions with related parties during the current period or last period, including:

| Names of the joint ventures or affiliated company | Relationships with the Company |
|---|---|
| Panasonic Refrigeration (Dalian) Co., Ltd | Affiliated company of the Company |
| Panasonic Cold-chain (Dalian) Co., Ltd | Affiliated |
| Panasonic Compressor (Dalian) Co., Ltd | Affiliated |
| Dalian Honjo Chemical Co., Ltd | Affiliated |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | Affiliated |

| Names of the joint ventures or affiliated company | Relationships with the Company |
|---|---|
| Dalian Bingshan International Trading Co. , Ltd | Affiliated |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | Affiliated |
| Dalian Fuji Bingshan Vending Machine Co., Ltd | Affiliated |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | Affiliated |
| Dalian Fuji Iceberg Vending Machine Sales Co., Ltd | Affiliated |
| Jiangsu Jingxue Freezing Equipment Co., Ltd. | Affiliated |
| Panasonic Cooling Machine system (Dalian) co., Ltd | Affiliated |
| Wuhan LanNing energy technology co., Ltd | Affiliated wholly owned subsidiary of the Company |
| Wuhan Sikafu Power Control Equipment Co., Ltd | Affiliated wholly owned subsidiary of the Company |

### 4. Other related parties

| Name of related party | Related party relationship |
|---|---|
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd | Affiliated company of Dalian Bingshan Group |
| Dalian Third Refrigeration Equipment Factory | Subsidiary of Dalian Bingshan Group |
| Dalian Bingshan Metal Technology Co., Ltd | Affiliated company of Dalian Bingshan Group |
| Dalian Spindle Cooling Towers Co., Ltd | Affiliated company of Dalian Bingshan Group |
| BAC (Dalian) Co., Ltd | Affiliated company of Dalian Bingshan Group |

### (II) Related Party transactions

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. Purchase of goods, offer and receive labour services

1) Purchase of goods/receive labour services

| Related party | Content | 2016 | 2015 |
|---|---|---|---|
| Panasonic Cold-chain (Dalian) Co., Ltd | Purchases of goods | 134,456,421.45 | 193,000,774.15 |
| Panasonic cold machine system (dalian) co., Ltd | Purchases of goods | 116,159,861.59 | |
| Dalian Bingshan International Trading Co. , Ltd | Purchases of goods | 88,077,665.44 | 71,456,746.91 |

| Related party | Content | 2016 | 2015 |
|---|---|---|---|
| Panasonic Refrigeration (Dalian) Co., Ltd. | Purchases of goods | 36,625,052.09 | 15,802,549.92 |
| BAC (Dalian) Co., Ltd | Purchases of goods | 32,939,920.88 | 39,198,256.38 |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd | Purchases of goods | 24,809,044.30 | 19,240,996.98 |
| Jiangsu Jingxue Freezing Equipment Co., Ltd. | Purchases of goods | 24,371,971.14 | 11,909,299.18 |
| Wuhan LanNing energy technology co., Ltd | Purchases of goods | 21,429,117.11 | |
| Dalian Third Refrigeration Equipment Factory | Purchases of goods | 5,588,505.15 | 9,477,468.27 |
| Dalian Spindle Cooling Towers Co., Ltd | Purchases of goods | 4,621,938.47 | 1,649,338.45 |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | Purchases of goods | 3,803,218.03 | 1,398,717.87 |
| Panasonic compressor (Dalian) Co., Ltd | Purchases of goods | 3,189,155.55 | 1,170,571.97 |
| Dalian Bingshan Metal Technology Co., Ltd | Purchases of goods | 577,427.88 | 316,910.80 |
| Dalian Fuji Bingshan Vending Machine Co., Ltd | Purchases of goods | 359,807.67 | 242,187.94 |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | Purchases of goods | 30,199.15 | 125,734.92 |
| Dalian Xinhuaming electrical Technology Co., Ltd. | Purchases of goods | | 266,054.52 |
| **Total** | | **497,039,305.90** | **365,255,608.26** |

2) Sales of goods/ labour services provision

| Related party | Content | 2016 | 2015 |
|---|---|---|---|
| Panasonic Cold-chain (Dalian) Co., Ltd | Sales of goods | 111,295,412.53 | 71,856,798.06 |
| Panasonic Refrigeration (Dalian) Co., Ltd. | Sales of goods | 76,396,710.08 | 27,493,069.64 |
| Dalian Bingshan International Trading Co. , Ltd | Sales of goods | 70,224,178.49 | 97,111,776.90 |
| Wuhan LanNing energy technology co., Ltd | Sales of goods | 31,564,672.87 | |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | Sales of goods | 27,791,350.44 | 64,232,868.76 |
| Dalian Fuji Bingshan Vending Machine Co., Ltd | Sales of goods | 25,951,727.99 | 18,409,705.00 |

| | | | |
|---|---|---|---|
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | Sales of goods | 17,508,233.11 | 7,621,072.14 |
| Panasonic compressor (Dalian) Co., Ltd | Sales of goods | 3,656,688.99 | 5,196,070.67 |
| Dalian Spindle Cooling Towers Co., Ltd | Sales of goods | 2,914,181.55 | 1,474,155.53 |
| Dalian Third Refrigeration Equipment Factory | Sales of goods | 2,777,710.00 | 1,821,581.25 |
| Panasonic Cold Machine system (Dalian) co., Ltd | Sales of goods | 2,321,085.25 | |
| Wuhan Sikafu Power Control Equipment Co., Ltd | Sales of goods | 560,308.54 | |
| Dalian Bingshan Group Refrigeration Equipment Co., Ltd | Sales of goods | 543,771.08 | 776,009.44 |
| Dalian Bingshan Metal Technology Co., Ltd | Sales of goods | 48,779.66 | 84,149.31 |
| BAC (Dalian) Co., Ltd | Sales of goods | 48,042.74 | 96,085.47 |
| Jiangsu Jingxue Freezing Equipment Co., Ltd. | Sales of goods | 377,379.23 | 105,270.84 |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd. | Sales of goods | 766,630.42 | 766,404.00 |
| Dalian Honjo Chemical Co., Ltd | Sales of goods | 6401.89 | |
| Dalian Fuji Iceberg Vending Machine Sales Co., Ltd | Sales of goods | 125,921,72 | |
| **Total** | | **374,879,187.1** | **297,045,071.01** |

3. Assets Lease

1) Assets rent out

| Lessor | Lessee | Category of assets rent out | 2016Lease Income | 2015 Lease Income |
|---|---|---|---|---|
| Dalian Refrigeration Company Limited | Dalian Bingshan Group Co., Ltd. | Office | 98,742.86 | 103,680.00 |
| Dalian Refrigeration Company Limited | MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | Workshop | 4,100,000.00 | 4,200,000.00 |
| Dalian Refrigeration | Dalian Bingshan International | Office | 118,800.00 | 124,740.00 |

| Lessor | Lessee | Category of assets rent out | 2016Lease Income | 2015 Lease Income |
|---|---|---|---|---|
| Company Limited | Trading Co. , Ltd | | | |

2) Assets under lease

| Lessor | Lessee | Category of assets rent in | 2016 Lease fees | 2015 Lease fees |
|---|---|---|---|---|
| Dalian Bingshan Group Co. | Dalian Refrigeration Company Limited | Office, etc | 135,782.86 | 142,572.00 |
| Dalian Bingshan Group Co. | Dalian Refrigeration Company Limited | Land | 219,267.25 | 230,230.60 |

The Company and Dalian Bingshan Group Co., Ltd signed the agreement, which the Company leased out the 576squre metres office to Dalian Bingshan Group Co., Ltd. The term of lease is from January 1st 2016 to December 31st 2016, and the annual rent is 103,680,00yuan. The confirmed lease income for current year is 98,742.86Yuan(after tax, business tax is replaced by VAT). The Company rent research institute and garages, etc. from Dalian Bingshan Group Co., Ltd in term of lease from January 1st 2016 to December 31st 2016. The annual rent is 142,572,00Yuan. The Company also rent lands from Dalian Bingshan Group Co., Ltd. The term of lease is from January 1st 2016 to December 31st 2016, and the annual rent is 230,230,60Yuan.

The Company and MHI Bingshan Refrigeration (Dalian) Co.,Ltd signed the agreement, the Company leased out the No.106 workshop 6# block which is located at LiaoHe East Road, Development district to MHI Bingshan Refrigeration (Dalian) Co.,Ltd. The leasing area is 15,259.04 square metres. The term of lease is terminated on 16th July 2029, and the annual rent is 4,200,000Yuan.

The Company and Dalian Bingshan International Trading Co., Ltd had agreement of leasing out 693square metres offices to Dalian Bingshan International Trading Co., Ltd. The term of lease is from 1st January 2015 to 31st December 2016, and the annual rent is 124,730.00Yuan.

4. Warranty provided by Related Parties

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group.

5. Funds borrow from /lent to related party

1）Funds borrowed from Related Party

| Name of the related party | Amount | Starting date | Ending date | Explanation |
|---|---|---|---|---|
| Dalian Bingshan Group Co., Ltd. | 160,000,000.00 | 2016.03.14 | 2026.03.13 | Project fund investment |
| **Total** | **160,000,000.00** | | | |

Notes of borrowing funds

The company borrowed 0.16billionYuan from Bingshan Group, the controlling shareholder of the Company for the plan to support the company's intelligent and green equipment of cold chain and service industry base project, loan interest is fixed interest rate @1.2% annual rate and paid interest 1,418,666.67Yuan.

Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd, the subsidiary of the company, borrowed 10million Yuan from Dalian Bingshan Group for its relocation. At the year end, the loan has been repaid at the same interest rate of the bank. The interest paid is 311,085.42 Yuan.

6. Asset transfer and debt restructuring of related party: None

7. Management Remuneration

| Item | 2016 | 2015 |
|---|---|---|
| Total rewards for the key management personnel( tax included) | 3,896,600.00 | 3,753,800.00 |

**(III) Balances with Related party**

(1) Accounts receivable due from related parties

| Item | Related party | Closing Balance | | Opening Balance | |
|---|---|---|---|---|---|
| | | Book Balance | Bad debt Provision | Book Balance | Bad debt Provision |
| Accounts receivable | | | | | |
| | Panasonic Cold Chain (Dalian) Co., Ltd | 47,410,594.36 | 2,370,529.72 | 25,195,419.27 | 1,259,770.96 |
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | 38,284,385.35 | 3,543,453.34 | 40,803,001.99 | 2,093,750.10 |

| | | | | | |
|---|---|---|---|---|---|
| | Wuhan LanNing Energy Technology Co., Ltd | 14,466,855.00 | 723,342.75 | | |
| | Panasonic Refrigeration (Dalian) Co., Ltd | 10,132,966.54 | 506,648.32 | 5,473,096.64 | 273,654.83 |
| | Dalian Bingshan International& Trading Co. , Ltd | 3,838,047.96 | 199,610.90 | 3,410,519.80 | 170,525.99 |
| | Dalian Fuji Bingshan Vending Machine Co., Ltd. | 1,520,221.58 | 76,011.08 | 10,776,362.22 | 538,818.11 |
| | Panasonic Cold Machine system (dalian) Co., Ltd | 987,313.08 | 49,365.65 | | |
| | Dalian Bingshan Group Refrigeration Equipment Co., Ltd. | 3,461.40 | 173.07 | | |
| | Wuhan Sikafu Power Control Equipment Co., Ltd | 655,561.00 | 32,778.05 | | |
| | MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 215,889.22 | 10,794.46 | 28,989.23 | 1,449.46 |
| | Panasonic Compressor (Dalian) Co., Ltd | 69,350.00 | 6,592.50 | 265,820.40 | 27,166.02 |
| | Dalian Spindle Cooling Towers Co., Ltd | 46,659.20 | 2,332.96 | 917,881.08 | 45,894.05 |
| | Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | 6,117.31 | 305.87 | | |
| | Dalian Third Refrigeration Equipment Factory | 5,642.60 | 564.26 | 5,642.60 | 282.13 |
| | Dalian Fuji Iceberg Vending Machine Sales Co., Ltd | 4,452.90 | 222.65 | | |
| | BAC (Dalian) Co., Ltd | | | 112,420.00 | 5,621.00 |
| Notes receivable | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 19,805,806.72 | | 6,294,283.14 | |
| | Panasonic Cold Chain (Dalian) Co., Ltd | 15,532,736.64 | | 20,163,705.41 | |
| | Jiangsu Jingxue Freezing Equipment Co., Ltd. | 4,277,035.00 | | | |
| | Dalian Bingshan International Trading Co. , Ltd | 4,017,976.15 | | 9,847,217.00 | |
| | Panasonic Refrigeration (Dalian) Co., Ltd | 200,000.00 | | 2,909,535.58 | |
| | Panasonic Cold machine system (dalian) Co., Ltd | 1,778.45 | | | |
| | Panasonic Compressor (Dalian) Co., Ltd | | | 1,052,980.08 | |
| | BAC (Dalian) Co., Ltd | | | 100,000.00 | |
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | | | 4,000,000.00 | |
| | Dalian Spindle Cooling Towers Co., Ltd | | | 1,494,656.98 | |
| Accounts Paid-in Advance | | | | | |
| | Dalian Bingshan International Trading Co. , Ltd | 14,652,882.17 | | 18,068,922.66 | |
| | BAC (Dalian) Co., Ltd | 318,220.00 | | | |
| | Panasonic Cold Chain (Dalian) Co., Ltd | 90,000.00 | | | |
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | | | 378,268.10 | |

| | | | | | |
|---|---|---|---|---|---|
| | Jiangsu Jingxue Efficient Technology Co., Ltd. | 5,469.00 | | 268,714.00 | |
| Other Accounts Receivable | | | | | |
| | Panasonic Cold Chain (Dalian) Co., Ltd | | | 137,520.50 | 6,876.03 |
| | Wuhan Sikafu Power Control Equipment Co., Ltd | 320,000.00 | 16,000.00 | | |
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | 34,972.74 | 1,748.64 | | |
| | Wuhan LanNing energy technology Co., Ltd | 3,814.37 | 190.72 | | |

(1) Accounts Payable due from Related Party

| Item | Related party | Closing Balance | Opening Balance |
|---|---|---|---|
| Accounts Payable | | | |
| | BAC Dalian Co., Ltd | 29,658,022.00 | 40,548,590.02 |
| | Panasonic Cold Chain (Dalian) Co., Ltd | 28,223,695.70 | 32,804,524.70 |
| | Wuhan LanNing Energy technology Co., Ltd | 15,300,000.00 | |
| | Dalian Bingshan Group Refrigeration Equipment Co., Ltd. | 9,358,905.93 | 8,860,105.57 |
| | Jiangsu Jingxue Efficient Technology Co., Ltd. | 8,505,375.05 | 5,742,746.00 |
| | Dalian Spindle Cooling Towers Co., Ltd | 5,339,188.00 | 344,750.00 |
| | Dalian Bingshan International Trading Co. , Ltd | 3,762,700.19 | 5,671,660.46 |
| | Panasonic Cold machine system (dalian) Co., Ltd | 3,680,482.86 | |
| | Dalian Third Refrigeration Equipment Factory | 2,022,156.94 | 3,437,911.21 |
| | Panasonic Compressor (Dalian) Co., Ltd | 1,696,000.00 | 45,650.00 |

| | | | |
|---|---|---|---|
| | Dalian Bingshan Metal Technology Co., Ltd | 798,283.30 | 222,692.68 |
| | Panasonic Refrigeration (Dalian) Co., Ltd. | 50,667.31 | |
| Notes Payable | | | |
| | BAC (Dalian) Co., Ltd | 29,632,455.00 | 1,600,000.00 |
| | Dalian Bingshan International Trading Co. , Ltd | 8,648,260.12 | 2,543,514.28 |
| | Jiangsu Jingxue Efficient Technology Co., Ltd. | 4,903,405.00 | 4,227,728.00 |
| | Panasonic Cold Chain (Dalian) Co., Ltd | 3,303,845.50 | 1,597,350.00 |
| | Dalian Bingshan Group Refrigeration Equipment Co., Ltd. | 1,000,000.00 | 6,897,040.82 |
| | Wuhan Sikafu Power Control Equipment Co., Ltd | 620,000.00 | |
| | Dalian Third Refrigeration Equipment Factory | 450,000.00 | 2,730,000.00 |
| | Dalian Spindle Cooling Towers Co., Ltd | | 1,107,249.00 |
| | Panasonic Compressor (Dalian) Co., Ltd | | 136,199.00 |
| | Dalian Bingshan Metal Technology Co., Ltd | | 100,000.00 |
| Accounts Received in Advance | | | |
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | 459,609.61 | 352,929.50 |
| | MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 450,000.00 | 5,850.00 |
| | Dalian Bingshan International Trading Co. , Ltd | 214,039.00 | 79,008.70 |
| | Panasonic Cold Machine System (Dalian)Co., Ltd | 171,000.00 | |
| | Panasonic Cold-Chain (Dalian) Co., Ltd | | 1,466,923.23 |
| Other accounts payable | | | |
| | Dalian Bingshan Group Co. , Ltd | 294,956.06 | 10,412,056.06 |
| | MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 270,000.00 | 152,371.59 |
| | Dalian Third Refrigeration Equipment Factory | 1,000.00 | 1,000.00 |
| | Dalian Bingshan International Trading Co. , Ltd | 283.95 | 346.00 |

| | | | |
|---|---|---|---|
| | Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | | 61,241.27 |

**(IV) Related Party Commitment**

None

**(V) Others**

None

**XII. Share-Based Payment**

1． General situation of share payment

| Items | Situation |
|---|---|
| Total equity instruments granted by the company during the period | 12,884,000 |
| Total equity instruments exercised by the company during the period | 12,884,000 |
| Total equity instruments invalid by the company during the period | |
| The scope of the exercise price of the share options issued by the company at the year end and the remaining term of the contract | 2015:5.56 Yuan per share，divide into 3 period, remaining contract period are24 and 36 months<br>2016:5.62 Yuan per share，divide into 3 period, remaining contract period are12, 24 and 36 months. |
| The scope of the exercise price of other equity and the remaining term of the contract at the year end | |

2． Share paymentsettled by equity

| Items | Situation |
|---|---|
| Method for determining the fair value of the equity instruments granted | According to the fair value of restricted stock on granted date (the fair value changes after the grant date is uncertain) |
| The basis for determining the quantities of exercised equity instruments | Determined by the actual numbers of share exercised |
| The reasons for the significant difference between this year’s estimation and last year’s estimation | None |

| | |
|---|---|
| The cumulative amount of capital reserve which includes share payment settled by equity | 24,417,688.00 |
| Total cost of share payment recognized by equity settlement this year | 12,227,168.00 |

1) The Situation of Granted Restricted Share in 2015

According to the 13th meeting of the 6th generation of board, the 1st interim shareholders' meeting and the rules of 'Restricted Share Incentive Plan (draft)', the Company granted 10,150,000 numbers of restricted shares to 41 incentive targets by offering incentive targets 'A' original shares. The granted price is 5.56yuan per share, and the total capital raised is 56,434,000.00Yuan. The Company's incentive targets include the directors, middle and senior managementpersonnel and other key personnel supposed to incent who held office when the 'Share Incentive Plan' was announced, but excluding the supervisors, the independent directors, foreign directors and foreign management personnel. The 15th meeting of board of 6th generation held on 4th March 2015 approved the 'The Report Regarding Granting Incentive Targets Restricted Shares', which agrees to grant 10,150,000 numbers of restricted shares to 41 incentive targets, and set 4th March 2015 as share granted date.

2) The Situation of Granted Restricted Share in 2016

According to the 9th meeting of 7th generation of directors, the 3rd interim shareholders' meeting and the rules of 'Restricted Share Incentive Plan (draft)', the Company granted 12,884,000 numbers of restricted shares to 118 incentive targets by offering incentive targets 'A' original shares. The granted price is 5.62yuan per share, and the total capital raised is 72,480,080.00Yuan. The Company's incentive targets include the directors, middle and senior managementpersonnel and other key personnel supposed to incent who held office when the 'Share Incentive Plan' was announced, but excluding the supervisors, the independent directors, foreign directors and foreign management personnel. The 9th meeting of board of 7th generation held on 20th September 2016 approved the 'The Report Regarding Granting Incentive Targets Restricted Shares', which agrees to grant 12,884,000 numbers of restricted shares to 118 incentive targets, and set 20th September 2016 as share granted date.

3) The Situation of Unlocking Restricted Shares in 2016

The 4th meeting of the 7th generation of board held on 13th April 2016 approved the 'Proposal for unlocking in restricted share options incentive plan for the first unlocking-in period'. There were 41 incentive targets who satisfied the requirements of unlocking- in, and the number of the restricted shares can apply unlocking in to have listed and circulated is 3,045,000 that account representing 0.50% of the Company's total shares at the year end.

## XIII. Contingency

As at 31 December 2016, the Group does not have any other contingencies for disclosure.

## XIV. Commitment

As at 31 December 2016, the Group does not have any other significant commitments.

## XV. Events after the Balance Sheet Date

1. Significant events had not adjusted

| Items | Content | Impact on the financial position and operating results | Reason unable to be estimated |
|---|---|---|---|
| Significant External Investment | agreed to accept 76% shareholding of the Bingshan International Trade Co., Ltd | 56,150,000 | |
| Significant External Investment | agreed to accept 49% shareholding of the Bingshan Metal Technology Co., Ltd | 172,950,000 | |
| Refinancing securities lending transactions | Refinancing securities lending transactions | | Itemsare not implemented |

According to the 12th meeting of the 7th generation of board, the Company decided to use no more than 25,000,000 numbers of share of 'GuoTaiJunAn' to participate refinancing securities lending transactions in order to revitalise assets and increase the gain on investment of holding securities. The Company, as the security lender for refinancing securities lending transactions this time, lent no more than 25,000,000 numbers of shares held of 'GuoTaiJunAn' at the certain rate to China Securities Finance Co., Ltd via securities exchange platform. China Securities Finance Co., Ltd would repay the borrowed the securities, equity compensation, and expenses which is the interests earned through lending Company's 'GuoTaiJunAn' shares.

The 12th meeting of the 7th generation of board approved to accept 76% shareholdings of Dalian Bingshan Internatioanl Trading Co., Ltd transferred by Dalian Bingshan Group. Hence, the Company would hold 100% shareholdings of Dalian Bingshan Internatioanl Trading Co., Ltd.The transferential price was based on the value of net asset on 31st December 2016 assessed by the third party, and was set to be 56,150,00Yuan after mutual negotiation.

The 12th meeting of the 7th generation of board approved to accept 49% of shareholdings of Dalian Bingshan Metal Technology Co., Ltd transferred by Dalian Bingshan Group. Hence, the Company would hold 49% shareholdings of Dalian Bingshan Metal Technology Co., Ltd. The transferential price was based on the value of net asset on 31st December 2016 assessed by the third party, and was set to be 172,950,000Yuan after mutualnegotiation.

2. Information about profit distribution

| **Items** | **Content** |
|---|---|
| Dividend proposed to be distributed | Extract 20% of the free surplus reserves; based on611,776,558 numbers of share intotal, paid out cash dividend of 1Yuan for every 10 shares(before tax),and cash dividend of B sharesare paid in Hong Kong dollars;the total,and share dividend of 4 common shares for every 10 shares through capital reserve. |
| Dividend approved to be distributed by the General Meeting | |

The 13th meeting of the 7th generation of board held on 21st April 2017 approved the profit distribution policy for the year of 2016: extracting 20% of the free surplus reserves and based on 611,776,558 numbers of share in total, paying out cash dividend of 1Yuan for every 10 shares(before tax) and cash dividend of B shares are paid in Hong Kong dollars.

3. Sales Return

There is no significant sales return after the balance sheet date.

4. Except the subsequent event disclosed above, the Company has no other significant subsequent event.

## XVI. Other Significant Events

1. Error correction and effect in previous period.

The Company has no adjustment of prior period accounting error this year.

2. Debt Restructuring

The Company has no events of debt restructuring this year.

3. Asset exchange

(1) The exchange of non-monetary assets

None

(2) The exchange of other assets

None

4. Annuity Plan

None

5. Operation Termination

None

6. Segment Information

The management of the Company divided the Company into 3 segments based on the geographic area: Northeast China, Central China, and East China. The Northeast is the Company's general headquarters and the registered address. The Central is the subsidiary of the Company, Wuhan New World Refrigeration Industrial Co., Ltd. The East is the subsidiaries of the Company, and they are Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd and Shanghai Bingshan Technical Service Co., Ltd.

(1) The basis and accounting policies of reporting segments

The internal organisation structure, management requirements and internal report scheme are the determination basis for the Company to set the operating segments. The segments are those satisfied the following requirements.

1).The segment can generates revenue and incur expenses.

2).The management personnel can regularly evaluate the operation results of segments and allocate resource ,assess its performance .

3).The financial situation, operation results, cash flow and other accounting information of segments can be acquired.

The Company confirms the report segments based on the operating segments. The transfer price among segments is set base on the market price. The assets and related expenses in common use are allocated to different segments based on their proportion of revenue.

(2)The financial information of reporting segments

Amount unit ：Ten thousands Yuan

| Items | 2016 | | | | |
|---|---|---|---|---|---|
| | Northeast China | Central China | East China | Offset | Total |
| 1 Operating income | 224,830.43 | 31,330.35 | 9,707.66 | 87,918.52 | 177,949.92 |
| Including:Income from external transaction | 151,574.77 | 16,767.32 | 9,607.83 | | 177,949.92 |
| Income from internal transaction | 73,255.66 | 14,563.03 | 99.83 | 87,918.52 | |
| 2 Selling expenses | 207,517.08 | 31,468.70 | 9,671.19 | 87,918.52 | 160,738.45 |
| Including:Investment income from associates and joint ventures | 13,102.30 | -91.85 | | | 13,010.45 |
| Impairment on assets | 1,233.00 | 525.55 | 6.63 | | 1,765.18 |
| Depreciation and amortization | 3,634.15 | 1,038.07 | 15.17 | | 4,687.39 |
| 3 Operating profits(loss) | 18,742.85 | 33.75 | 41.28 | | 18,817.88 |
| 4 Income tax | 640.02 | -43.39 | 28.28 | | 624.91 |
| 5 Net profit(loss) | 18,102.83 | 77.15 | 13.00 | | 18,192.98 |
| 6 Total assets | 504,700.28 | 56,849.61 | 2,672.78 | 65,871.51 | 498,351.16 |
| 7 Total liabilities | 144,613.44 | 44,006.96 | 1,171.39 | 23,178.97 | 166,612.82 |
| 8 Other significant non-cash items | 49,821.51 | 1,110.09 | 4.60 | 13,208.43 | 37,727.77 |
| Capital expenditure | 49,821.51 | 1,110.09 | 4.60 | 13,208.43 | 37,727.77 |

7. Other important transactions and matters affect the investor's decision

The company hasn’t had other important transactions and matters affect the investor's decision in this period.

## XVII. Notes to the Main Items of the Financial Statements of Parent Company

1. Accounts receivable

(1) Accounts receivable category

| Item | Closing Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Accounts receivable with significant individual amount and separate bad debt provision | | | | | |

| Item | Closing Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 178,100,272.41 | 100.00 | 60,524,866.67 | 33.98 | 117,575,405.74 |
| Accounts receivable with insignificant individual amount and separate bad debt provision | | | | | |
| **Total** | **178,100,272.41** | **100.00** | **60,524,866.67** | **33.98** | **178,100,272.41** |

(Continued)

| Item | Opening Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Accounts receivable with significant individual amount and separate bad debt provision | | | | | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 262,260,040.72 | 100.00 | 65,568,099.85 | 25.00 | 196,691,940.87 |
| Accounts receivable with insignificant individual amount and separate bad debt provision | | | | | |
| **Total** | **262,260,040.72** | **100.00** | **65,568,099.85** | **25.00** | **196,691,940.87** |

1) No accounts receivable with significant individual amount and separate bad debt provision needed at the end of 2016

2) The bad debt provisions of accounts receivable in the portfolio is accrued under accounting aging analysis method:

| Aging | Closing Balance | | |
|---|---|---|---|
| | Accounts receivable | Provision for bad debts | DrawingProportion (%) |
| Within 1 year | 47,172,979.77 | 2,358,648.99 | 5 |
| 1-2 years | 36,205,244.49 | 3,620,524.45 | 10 |
| 2-3 years | 39,998,961.25 | 11,999,688.38 | 30 |
| 3-4 years | 20,050,465.63 | 10,025,232.82 | 50 |
| 4-5 years | 10,759,246.12 | 8,607,396.90 | 80 |
| Over 5 years | 23,913,375.15 | 23,913,375.15 | 100 |
| **Total** | **178,100,272.41** | **60,524,866.67** | |

(2) Bad debt provision accrued and reversed (withdraw)

The bad debt provision has been accrued in the amount of -5,043,233.18 Yuan, during the report period there is no bad debt provision is reversed or withdrawn.

(3) No accounts receivable written off in current period.

(4) The top five significant accounts receivable categorized by debtors

| Company | Closing Balance | Aging | % of the total AR | Closing Balance of Provision |
|---|---|---|---|---|
| Xinyi Yuanda Construction and Installation Engineering Co., Ltd. | 31,300,000.00 | Within 1 year | 17.57 | 1,565,000.00 |
| Beidahuang Taihua organic food Co., Ltd | 9,844,000.00 | Within 1 year, 1-2 years | 5.53 | 945,616.34 |
| Zhejiang Wan Kai New Material Co., Ltd | 7,800,000.00 | Within 1 year | 4.38 | 390,000.00 |
| Dalian Jinyu New Energy Technology Development Co., Ltd | 5,500,000.00 | Over 5 years | 3.09 | 5,500,000.00 |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd. | 5,464,252.08 | Within 1 year, 1-2 years | 3.07 | 543,380.96 |
| **Total** | **59,908,252.08** | | **33.64** | **8,943,997.30** |

2. Other Receivables

(1) The category of other receivables

| Items | Closing Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Other receivables with significant individual amount and separate bad debt provision | - | - | - | - | - |
| Other receivables with bad debt provision based on the characters of credit risk portfolio | 5,595,672.42 | 100.00 | 1,227,167.35 | 21.93 | 4,368,505.07 |
| Other receivables with insignificant individual amount and separate bad debt provision | | | | | |
| **Total** | **5,595,672.42** | **100.00** | **1,227,167.35** | **21.93** | **4,368,505.07** |

(Continued)

| Items | Opening Balance | | | | |
|---|---|---|---|---|---|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Other receivables with significant individual amount and separate bad debt provision | | | | | |
| Other receivables with bad debt provision based on the characters of credit risk portfolio | 45,196,469.56 | 100.00 | 1,504,857.11 | 3.33 | 43,691,612.45 |
| Other receivables with significant individual amount and separate bad debt provision | | | | | |
| **Total** | **45,196,469.56** | **100.00** | **1,504,857.11** | **3.33** | **43,691,612.45** |

1) No accounts receivable with significant individual amount and separate bad debt provision needed at the end of 2016

2) The bad debt provisions of other receivables in the portfolio is accrued under accounting aging analysis method

| Aging | Closing Balance | | |
|---|---|---|---|
| | **Other receivables** | **Provision for bad debts** | **DrawingProportion (%)** |
| Within 1 year | 2,531,892.85 | 126,594.64 | 5 |
| 1-2 years | 1,372,430.48 | 137,243.05 | 10 |
| 2-3 years | 497,850.99 | 149,355.30 | 30 |
| 3-4 years | 659,047.48 | 329,523.74 | 50 |
| 4-5 years | 250,000.00 | 200,000.00 | 80 |
| Over 5 years | 284,450.62 | 284,450.62 | 100 |
| **Total** | **5,595,672.42** | **1,227,167.35** | |

(2) Bad debt provision accrued and reversed (withdraw) in 2016.

The bad debt provision has been provided in the amount of 277,689.76 Yuan during the report period and no bad debt provision is reversed or withdrawn.

(3)No other accounts receivable write-off during the reporting period

(4) Other receivables categorized by nature

| Nature | Closing Balance | Opening Balance |
|---|---|---|
| Security deposit | 5,502,139.57 | 11,391,139.57 |
| Petty cash | 80,892.85 | 76,154.99 |
| receivable accounts | | 33,729,175.00 |
| Others | 12,640.00 | |
| **Total** | **5,595,672.42** | **45,196,469.56** |

(5) Other receivables from the top 5 debtors

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|---|---|---|---|---|
| Dalian Delta HK China gas Co., Ltd | Security deposit | 2,730,000.00 | within 1 year, 2-3 years | 48.79 | 211,500.00 |
| Dalian Jinzhou New district Funding agencies and institutions accounting center | Security deposit | 1,586,623.95 | 1-2 years, 2-3 years, 3-4 years | 28.35 | 215,838.59 |

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|---|---|---|---|---|
| Dalian Municipal Construction engineering labor insurance management center | Security deposit | 500,000.00 | 3-4 years | 8.94 | 250,000.00 |
| Dalian economic and technological development zone funding agencies and institutions accounting center | Security deposit | 265,950.62 | Over 5 years | 4.75 | 265,950.62 |
| Shandong Noel food Co., Ltd | Security deposit | 200,000.00 | 4-5 years | 3.57 | 160,000.00 |
| **Total** | | **5,282,574.57** | | **94.40** | **1,103,289.21** |

3. Long-term equity investments

(1) Category of long-term equity investments

| Item | Closing Balance | | | Opening Balance | | |
|---|---|---|---|---|---|---|
| | Closing Balance | Provision | Book Value | Opening Balance | Provision | Book Value |
| Investment of subsidiaries | 415,959,587.22 | | 415,959,587.22 | 246,597,906.16 | | 246,597,906.16 |
| Investment ofaffiliates and JV | 1,297,452,913.87 | | 1,297,452,913.87 | 1,214,360,893.12 | | 1,214,360,893.12 |
| **Total** | **1,713,412,501.09** | | **1,713,412,501.09** | **1,460,958,799.28** | | **1,460,958,799.28** |

(2) Investments of subsidiaries

| Subsidiaries names | Opening Balance | Increase | Decrease | Closing Balance | Provision in current period | Closing Balance of provision |
|---|---|---|---|---|---|---|
| Dalian Bingshan Group Refrigeration Installation Co., Ltd | 22,749,675.77 | 71,000,000.00 | | 93,749,675.77 | | |
| Dalian Bingshan Group Sales Co., Ltd | 12,936,700.00 | 7,785,728.15 | | 20,722,428.15 | | |
| Dalian Bingshan Air-Conditioning Equipment Co., Ltd | 36,506,570.00 | | | 36,506,570.00 | | |
| Dalian Bingshan Jiade Automation Co., Ltd | 1,522,117.80 | 5,350,000.00 | | 6,872,117.80 | | |
| Dalian Bingshan Metal Processing Co., Ltd | 21,751,244.60 | | 21,751,244.60 | | | |
| Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd | 5,745,097.40 | 53,610,953.79 | | 59,356,051.19 | | |

| Subsidiaries names | Opening Balance | Increase | Decrease | Closing Balance | Provision in current period | Closing Balance of provision |
|---|---|---|---|---|---|---|
| Dalian Niweisi LengNuan Technology Co., Ltd | 48,287,589.78 | | | 48,287,589.78 | | |
| Wuhan New World Refrigeration Industrial Co., Ltd | 84,674,910.81 | | | 84,674,910.81 | | |
| Wuhan New World Refrigeration Air Conditioner Engineering Co., Ltd | 400,000.00 | | 400,000.00 | | | |
| Bingshan Technical Service （Dalian） Co.,Ltd. | 12,024,000.00 | 10,000,000.00 | | 22,024,000.00 | | |
| Dalian Xinminghua Electronics Co., Ltd. | | 43,766,243.72 | | 43,766,243.72 | | |
| **Total** | **246,597,906.16** | **191,512,925.66** | **22,151,244.60** | **415,959,587.22** | | |

(3) Joint ventures& affiliated companies

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment at year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced | Provision for impairment of the current period | Others | | |
| 1. Joint ventures | | | | | | | | | | | |
| Dalian Bingshan – SecuirtyLeisure Industrial Engineering Co., Ltd. | 2,837,097.81 | | 2,524,548.42 | -312,549.39 | | | | | | | |
| Subtotal | 2,837,097.81 | | 2,524,548.42 | -312,549.39 | | | | | | | |
| 2. Affiliated companys | | | | | | | | | | | |

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment at year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced | Provision for impairment of the current period | Others | | |
| Panasonic Refrigeration (Dalian) Co., Ltd. | 159,226,107.64 | | | 3,399,533.51 | | | 5,200,000.00 | | | 157,425,641.15 | |
| Panasonic Cold-chain (Dalian) Co., Ltd | 215,719,525.88 | | | 9,967,711.38 | | | 8,000,000.00 | | | 217,687,237.26 | |
| Panasonic Compressor (Dalian) Co., Ltd | 457,892,368.92 | | | 58,511,025.07 | | | 32,400,000.00 | | | 484,003,393.99 | |
| Dalian Honjo Chemical Co., Ltd | 8,729,712.48 | | | 1,441,499.53 | | | 528,860.67 | | | 9,642,351.34 | |
| Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd | 48,607,035.29 | | | 18,545,378.50 | | | 14,200,000.00 | | | 52,952,413.79 | |
| Dalian Bingshan Internatioanl Trading Co. , Ltd | 15,691,101.62 | | | 1,137,313.10 | | | | | | 16,828,414.72 | |
| Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd | 1,936,646.98 | | | -1,167,183.71 | | | | | | 769,463.27 | |
| Dalian Fuji Bingshan Vending Machine Co., Ltd | 113,268,454.28 | 21,995,198.40 | | 25,523,542.13 | | | | | | 160,787,194.81 | |
| MHI Bingshan Refrigeration (Dalian) Co.,Ltd. | 22,276,332.84 | | | -9,257,540.79 | | | | | | 13,018,792.05 | |
| Dalian Fuji Iceberg Vending Machine Sales Co., Ltd | 4,496,415.53 | | | 4,913,591.03 | | | | | | 9,410,006.56 | |
| Jiangsu Jingxue Freezing Equipment Co., Ltd. | 141,722,024.61 | | | 15,648,082.81 | | | 5,842,400.00 | | | 151,527,707.42 | |

| Investee | Beginning balance | Increase/Decrease | | | | | | | | Ending balance | Provision for impairment at year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increased | Decreased | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced | Provision for impairment of the current period | Others | | |
| Panasonic cold machine system (dalian) Co., Ltd | | 21,000,000.00 | | 2,400,297.51 | | | | | | 23,400,297.51 | |
| Dalian Xinminghua Electronics Co., Ltd. | 21,958,069.24 | 21,535,918.03 | | 272,256.45 | | | | | -43,766,243.72 | | |
| **Subtotal** | **1,211,523,795.31** | **64,531,116.43** | | **131,335,506.52** | | | **66,171,260.67** | | **-43,766,243.72** | **1,297,452,913.87** | |
| **Total** | **1,214,360,893.12** | **64,531,116.43** | **2,524,548.42** | **131,022,957.13** | | | **66,171,260.67** | | **-43,766,243.72** | **1,297,452,913.87** | |

4. Operating revenue and cost

| Item | 2016 | | 2015 | |
|---|---|---|---|---|
| | Revenue | Cost | Revenue | Cost |
| Revenue from main operation | 546,594,784.30 | 461,413,033.94 | 529,921,896.78 | 439,578,679.65 |
| Revenue from other operation | 11,810,086.74 | 7,113,931.96 | 11,553,354.87 | 7,030,947.50 |
| **Total** | **558,404,871.04** | **468,526,965.90** | **541,475,251.65** | **446,609,627.15** |

5. Investment income

| Items | 2016 | 2015 |
|---|---|---|
| Income from long-term equity investments under cost method | 12,904,192.38 | 3,915,784.39 |
| Income from long-term equity investments under equity method | 131,022,957.13 | 125,536,756.26 |
| Income from disposing long-term share equity investments | 56,278.70 | |
| Income from holding of financial assets available for sale | 15,961,425.40 | 3,319,889.50 |
| Income from disposing long-term share equity investments | 27,629,395.44 | |
| **Total** | **187,574,249.05** | **132,772,430.15** |

## XVIII. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Group on April 21, 2017.

**Supplementary Information to the Financial Statements**

1. Non-operating profit or loss

| **Items** | **2016** | **Notes** |
|---|---|---|
| Gain or loss from disposal of non-current assets | -23,302,650.34 | |
| Override, no formal approval or accidental tax refund ,deduction or exemption | | |
| Government grants recorded into profit or loss during current period | 3,765,464.60 | |
| Expenses for using funds from non financial institution recognised in current profit/loss | | |
| Gains from acquisition of subsidiary or associates when initial cost is less than the fair value of identifiable net asset of invested company | 30,334,841.93 | |
| Profits/loss from non monetary assets exchange | | |
| Profits/loss from investments or management of assets entrusted by others | | |
| Assets impairment provision accrued due to force majeure, eg: suffering natural disasters | | |
| Profit or loss from debts restructuring | 229,833.00 | |
| Expenses of enterprise restructuring | | |
| Gain/loss on excessive part from the transaction where the trading price is obviously unfair. | | |
| Net gain/loss of subsidiary from combination under same control between the beginning of year and consolidation date. | | |
| Gains/ loss from contingencies arising from the normal business of the Company | | |
| Gain/loss from change of fair value by holding or disposing the tradablefinancial asset and liabilities, and available for sale financial assets, other than effective hedging in relation to the company's normal business | 27,629,395.44 | |
| Reversal of impairment provision of accounts receivable separately tested for impairment | | |
| The profits/loss from external entrusted fund | | |
| Investment property subsequently measured at fair value | | |
| The profits/gains from changes of fair value | | |

| | | |
|---|---|---|
| Effects of gain/loss from one-off adjustments of gain/loss based on laws and regulations of taxation and accounting. | | |
| non-operating revenue and expense besides the above items | 976,314.82 | |
| Other profit or loss | | |
| Subtotal | 39,693,199.45 | |
| Effect on income tax | 6,113,785.77 | |
| Attributable to minority shareholders' equity (after tax) | 114,171.65 | |
| **Total** | **33,405,242.03** | |

2. Return on equity and earnings per share

| **Profit of report period** | **Weighted average return on net assets (%)** | **Earnings per share (EPS)** | |
|---|---|---|---|
| | | **Basic EPS** | **Diluted EPS** |
| Net profit attributable to shareholders of parent company | 5.87 | 0.31 | 0.31 |
| Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company | 4.77 | 0.25 | 0.25 |

3. The differences under the domestic and foreign accounting standards

There is no difference under the domestic and foreign accounting standards.

**Dalian Refrigeration Co., Ltd**
**April 21, 2017**