Stock Code: 000530; 200530　Short Form of the Stock: Daleng Gufen; Daleng B; No: 2018-012

Dalian Refrigeration Co., Ltd.
2017Annual Report Summary

§1 Important Notes

This summary is extracted from the original of the annual report. For more information, the investors are recommended to refer to the original.

Note to the "Non-standardized Opinion"
□Applicable　√ Inapplicable

The profit distribution proposal
√ Applicable　□Inapplicable

Transfer the capital reserve to increase capital stock
□Applicable　√ Inapplicable

The profit distribution proposal reviewed and adopted at this Board meeting of the Company is: based on the total share capital of the Company of 855,908,981 shares, pay to all shareholders the cash dividend of 0.5 yuan (inclusive the tax) for every 10 shares .The Company will not transfer the capital reserve to increase capital stock.

Company Profile

Short form of the stock		DALENG GUFEN; DALENG-B
Stock code		000530; 200530
Listed stock exchange		Shenzhen Stock Exchange
Contact persons	Secretary of the Board of Directors	Authorized representative in charge of securities affairs
Name	Song Wenbao	Du Yu
Contact address	DALENG GUFEN Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone	DALENG GUFEN Securities & Legal AffairsNo.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Telephone	0411-87968130	0411-87968822
Fax	0411-87968125	0411-87968125
E-mail	000530@bingshan.com	000530@bingshan.com

§2 The Company's Main business during the reporting period

The Company, as the largest industrial refrigeration equipment production enterprise in China, is committed to developing Industrial refrigeration and heating business field, commercial refrigeration and refrigeration business field, air-conditioning and environment business field, core parts business field, engineering and service business field have covered the key areas of the refrigeration industrial chain and forged the most complete cold and hot industrial chain in China.

§3 Summary of Accounting Data and Financial Indexes

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3.1 Main accounting data (Unit: RMB Yuan)

Did the Company retroactively adjust or restate the accounting data of previous years due to change in the accounting policy and correction of accounting mistakes?

√ Applicable □Inapplicable

	2017	2016		Increase/decrease compared with previous year	2015	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue	2,079,715,105.37	1,779,499,226.64	1,893,200,939.64	9.85%	1,607,518,439.61	1,721,064,308.11
Net profit attributable to shareholders of listed companies	200,759,820.17	178,632,660.24	182,234,151.73	10.17%	129,947,307.39	134,174,674.88
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	165,044,724.44	145,227,418.21	148,598,436.25	11.07%	126,122,809.25	129,659,412.87
Net cash flow from operating activities	-207,225,851.22	-7,706,320.22	-6,607,069.97	-3,036.00%	-50,568,474.38	-39,799,347.27
Basic earning per share	0.23	0.31	0.22	4.55%	0.36	0.17
Diluted earnings per share	0.23	0.31	0.22	4.55%	0.36	0.17
Weighted average return on net asset yield	5.97%	5.87%	5.98%	Decrease 0.01 percentage points	6.38%	6.58%

	2017.12.31	2016.12.31		Increase/decrease compared with previous year	2015.12.31	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	5,619,621,500.67	4,983,511,574.26	5,095,986,440.32	10.28%	4,082,499,864.42	4,146,479,416.99
Owner's equity attributable to shareholders of listed companies	3,416,531,064.91	3,247,797,768.92	3,301,087,748.86	3.50%	2,647,609,091.41	2,697,297,579.86

3.2 The quarter main financial indicators (Unit: RMB Yuan)

	The first quarter	The second quarter	The third quarter	The fourth quarter
Operating revenue	504,654,807.75	497,723,909.75	461,323,140.51	616,013,247.36
Net profit attributable to shareholders of listed companies	34,979,790.84	63,280,372.25	47,073,348.70	55,426,308.38
Net profit attributable to the shareholders of listed companies after the deduction of non-recurring profit and loss	34,254,953.33	35,705,910.16	47,499,687.40	47,584,173.55
Net cash flow from operating activities	-157,927,050.15	9,349,508.25	-55,016,219.36	-3,632,089.96

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§4 Share Capital and Shareholders' Information

4.1 Statement of shares held by the top ten shareholders

Total number of shareholders in the reporting period	44,696	Total number of shareholders as of the last month before disclosure of the annual report			51,354
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	19.96%	170,916,934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8.58%	73,503,150	0	0
Huatai securities Co. LTD.	Domestic non-state-owned legal person	1.32%	11,346,659	0	0
National Social Security Funds 104 Portfolio	Others	1.17%	10,000,000	0	0
National Social Security Funds 503 Portfolio	Others	0.96%	8,210,314	0	0
Tian an property insurance co., LTD. - win No 1.	Others	0.85%	7,247,571	0	0
Lin Zhenming	Foreign natural person	0.73%	6,280,000	0	0
JOHCM INTERNATIONAL SMALL CAP EQUITY FUND	Overseas legal person	0.63%	5,396,942	0	0
Industrial Securities Golden Kylin No. 2 Collective Asset Management Plan	Others	0.60%	5,101,286	0	0
Wu An	Domestic natural person	0.56%	4,760,000	0	0
Notes to the associated relationship and uniform actions of the above shareholders	Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.				

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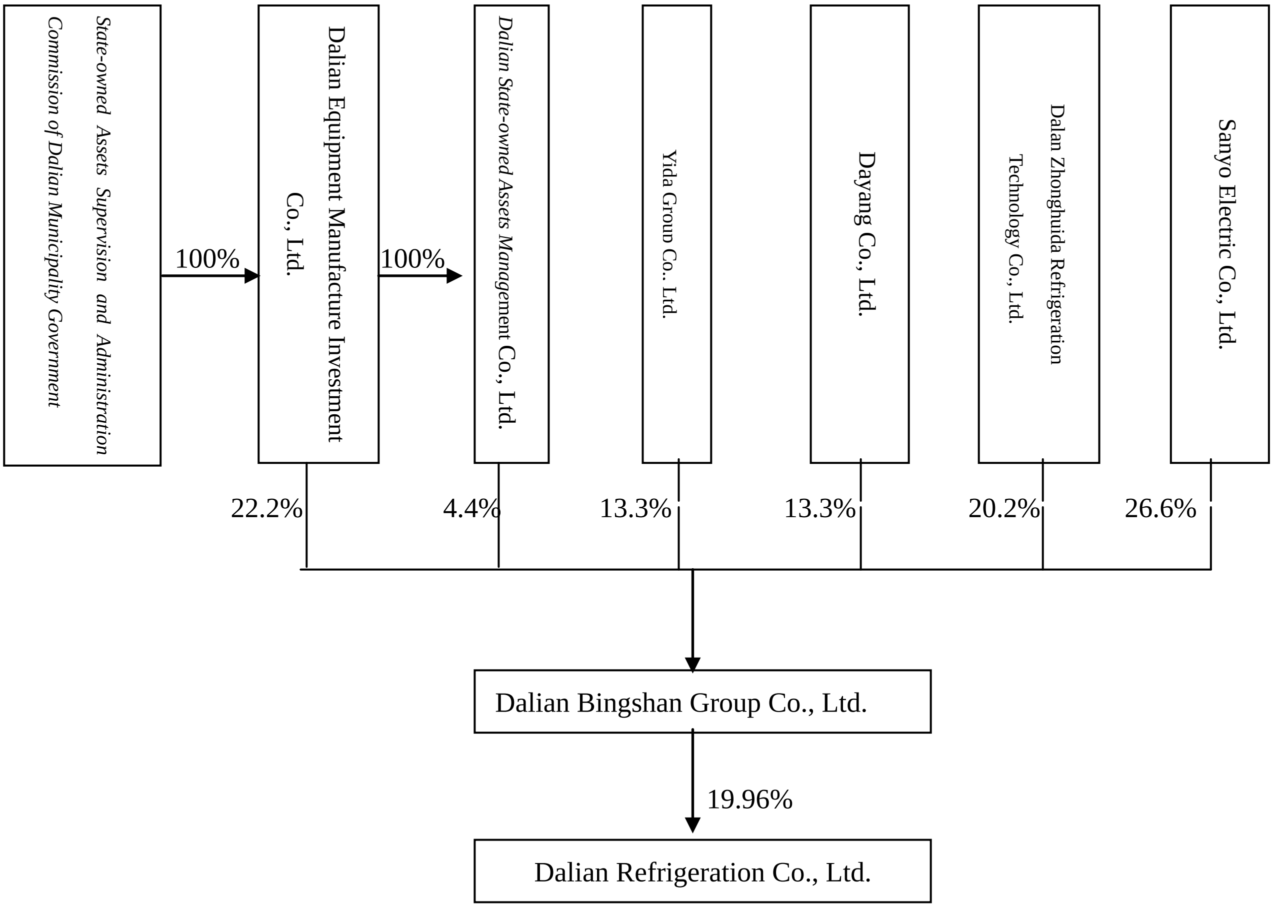
4.2 Particulars about controlling shareholders and actual controller of the Company



§5 Management discussion and analysis

5.1 Business review for 2017

In 2017, by adherence to the theme of "activation, integration and upgrading", the Company managed to accomplish the major operating indicators through maintaining strategic commitment, activating endogenous driving force, integrating system resources, gathering competitive forces and improving operating quality. In 2017, the Company recorded operating income of RMB 2,079,720 million yuan with a year-on-year increase of 9.85%, and recorded total profit of RMB 21,847 million yuan with a year-on-year increase of 12.90%.

During the reporting period, the overall relocation and transformation of the Company was successfully completed, and the intelligent, environmental, efficient and safe new factory was put into use. It has been identified by the Ministry of Industry and Information Technology as one of the first batch of service-based manufacturing model enterprises, the national technological innovation demonstration enterprise, and it has been awarded with the gold medal of quality by the governor of Liaoning Province in 2017.

During the reporting period, Wuxin Refrigeration, one of our subsidiaries, achieved significant progress in the strategic transformation from traditional refrigeration and air conditioner to energy

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saving, emission reduction, comprehensive energy utilization as well as process gas compressor. The company has almost completed layout of the new products demonstration outlets across the whole nation and recorded a year-on-year increase of over 50% in sales revenue from the new products. Through technical marketing and government marketing, our symbolic new products, such as natural gas pipe network pressure power generation and cold energy recovery system, have become available for commercial use for multiple projects in various regions.

During the reporting period, the Company's subsidiary Bingshan Engineering Company continued to deepen the market segmentation, and achieved satisfying growth in ordering in various fields in which the company enjoyed advantages, such as cold chain logistics and fishing. In particular, the company succeeded to execute over 20 contracts with subject transaction under any of them amounting to RMB 10 million or above. New achievements have been made by the company in the segment of marine engineering since it has successfully entered into the market of high-end ultra-low temperature ocean carriage ships when it realized successful shipping of refrigeration station. The amount of orders placed was nearly RMB 100 million, up by 50% over the same period. Great progress has been made in the development of new energy industry, and distributed energy projects have come to the ground successively. The segment of ice and snow experienced a new breakthrough as it won the bid in the high-end indoor snow field project developed by Guangzhou Wanda Mall, for which, the total contract value amounted to approximately RMB 40 million.

During the reporting period, the Company's subsidiary Bingshan Service Company has flexibly applied Bingshan Internet of things Cloud Platform, the all-in-one button repair mobile APP as firstly developed in the industry and large refrigeration system hosting service model, enabling the company to record a year-on-year increase of over 50% in repair and maintenance income.

During the reporting period, the Company's subsidiary Bingshan Ryosetsu experienced rapid growth in its quick freezing business, recording revenue of over RMB 50 million from quick freezing equipment with an increase of more than 50% as compared to the corresponding period of last year. It has successfully entered the crayfish processing industry which is prospering, enabling it to further strengthen the future development potential.

During the reporting period, the horizontal scroll compressors applicable for rail transit air conditioning systems newly developed by Panasonic Compressor, an associated company of the Company has made obvious progress in market expansion in metro, light rail and other fields. The "coal to electricity" heat pump compressor for commercial use in north areas has been successfully developed and put into use in batches, which has occupied the market opportunities. Overseas market expansion has achieved new results. In particular, the European market contributed income of RMB 100 million, and the South Korean market also achieved significant increase in income contribution. Impacted by the state's rectification in electric bus market and the reduction of subsidy, the sales volume of the horizontal scroll compressor applicable for electric bus has shrunk in stages, and the net profit has dropped considerably as compared to the corresponding period of previous year.

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During the reporting period, Panasonic Cold Chain, an associated company of the Company, conformed to the new trend of consumption and actively expanded the subdivision of the blue sea market. With respect to convenience store business, based on the Internet of things technology and by applying the energy management and store intelligent system to boost the intelligent upgrading of the cold chain equipment applicable for convenience store, the revenue increased by about 30% over the same period. With respect to commercial kitchen business, revenue from Hong Kong market increased by about 40% year on year. With respect to biomedical business, application of medical cryogenic refrigerators, blood refrigerators, thermostat incubators and other new products have achieved breakthroughs in hospitals, blood stations, scientific research and other fields, with revenue increased by over 50% over the corresponding period of previous year.

During the reporting period, Fuji Bingshan, an associated company of the Company, vigorously promoted product development oriented for intelligence, modular and diversification, and formed six major product series, including beverage machine, food machine, liquor machine, dairy machine, coffee machine and box lunch machine, so as to make rapid response to customers' demands. The world's leading intelligent manufacturing plant newly established for manufacturing automatic vending machines has been put into operation and realized double increase of production capacity, which enables the company to better capture business opportunities in new retail market.

During the reporting period, based on the overall positioning of the cold and heat industry investment platform, the Company further intensified capital operation. The acquisition of the first batch of high-quality assets from the controlling shareholder has been completed by the end of April 2017. The Company currently holds the entire equity interest of Bingshan International Trade, and 49% equity interest of Bingshan Metal Technology. The non-public issuance of exchangeable corporate bonds has been launched to seek low-cost bond financing and reduction of holding in high price stock.

During the reporting period, the Company actively promoted incubation of new undertakings while focusing on transformation and upgrading of the original causes. Through the investment platform company, the Company and Tokyo Century Corporation jointly invested in establishment of Dalian Bingshan Group Hua Huida Financial Leasing Co. Ltd to carry out cold and heat industry-chain-based financing. It is surprising that the company recorded profit for the first year in which it was established. Besides, the Company and a subsidiary of Zhejiang Southern Architecture Design Co., Ltd made joint investment in establishing Dalian Bingshan Wisdom Park Co., Ltd to take charge of the comprehensive utilization of the land parcel of the original plant after relocation and manage to build an industry ecosystem within Bingshan Group. At the current stage, the investment attraction is going well with significant progress and the alteration is processed in an orderly manner. Besides, the Company and a subsidiary of K2DATA Technology (Beijing) Co., Ltd made joint investment in establishing Dalian Kelvins Technology Co., Ltd to actively promote innovation of big data application by Bingshan in its cold and heat industries, construction of the Internet of things and further development of intelligent manufacturing, so as to assist Bingshan to realize smart growth in its core business segments.

5.2 Major change or adjustment in the Company's main business in the reporting period

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☐Applicable √ Inapplicable

5.3 Main business structure

√ Applicable ☐ Inapplicable

Product name	Operating revenue	Operating profit	Gross profit	Increase/decrease of operating revenues on a year-on-year basis	Increase/decrease of operating profit on a year-on-year basis	Increase/decrease of gross profit on a year-on-year basis
Refrigeration and air-conditioning equipment	2,043,986,956.70	1,625,595,014.87	20.47%	9.13%	6.52%	Increase 1.60 percentage points

5.4 Is there a need to pay particular attention to the operation of seasonal or cyclical features?

☐Applicable √Inapplicable

5.5 Major change in the Company's business revenue, business cost, or net profit attributable to shareholders of listed companies in the reporting period

☐Applicable √Inapplicable

5.6 Face suspension of listing and termination of the listing

☐Applicable √Inapplicable

§6 Matters related to financial report

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

√ Applicable ☐Inapplicable

In 2017, the Ministry of Finance announced or amended and implemented “Accounting Standards for Business Enterprises No.42-Held for Sale non-current assets, disposal group and discontinued operation". Since May 28th, 2017, any held for sale non-current assets, disposal group and discontinued operation existing on the implementation date shall be applied to prospective application. When preparing the financial statements for 2017FY, the policy has been adopted and the accounting has been done in accordance with this standard.

Updated standard shall be applied since June 12th,2017. Any government existing on January 1at,2017 shall be applied to prospective application. Any new government grant obtained between January 1at,2017 and implementation date shall be adjusted in line with this standard too. When preparing the financial statements for 2017FY, the policy has been adopted and the accounting has been done in accordance with this standard.

In 2017, the Ministry of Finance announced or amended and implemented “Financial Statements Format ”(Caikuai[2017]No.30)

Gain/loss on non-current assets disposal and on non-monetary assets exchange presented under “non-operating income/expense”is changed to “Gain on asset disposal”. This accounting policy change shall be retrospectively adjusted. Non-operating income in 2016shall be decreased by 1,186,397.77Yuan, and expense shall be decreased by 22,751,748.20Yuan respectively. Gain on asset disposal shall be adjusted by -21,565,350.43Yuan. No effect on sum of asset and net profit.

6.2 Correction of major accounting mistakes in the reporting period, which should be retroactively restated

☐Applicable √ Inapplicable

6.3 Explanation on change of consolidation scope in the report period compared with the latest annual report

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√ Applicable □Inapplicable

The range of consolidated statements of the Company changed in the reporting period, and two companies were added, including Dalian Bingshan Engineering &Trading Co., Ltd., and Chengdu Bingshan Refrigeration Engineering Co., Ltd.

6.4 Explanation of the Board of Directors to the “Non-standardized Opinion”

□Applicable √ Inapplicable

Board of Directors of Dalian Refrigeration Co., Ltd.

April 21, 2018

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