Auditors' Report

(English Translation for Reference Only)

To the shareholders of Dalian Refrigeration Company Limited

1. Opinion

We have audited the financial statements of Dalian Refrigeration Company Limited ("Dalian Refrigeration Company"), which comprise the Company's balance sheet as at 31 December 2017, the Company's income statement, the Company's cash flow statement and the Company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Dalian Refrigeration Company present fairly, in all material respects, the Company's financial position as at 31 December 2017, the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Dalian Refrigeration Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. Key Audit Matters

Key audit matters are those matters that we consider, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters.

1. Revenue recognition	
Key Audit Matter	**How the matter was addressed in the audit**

Revenue of Dalian Refrigeration Company and its subsidiaries mainly come from sales of products and installation. The key concern about the sales revenue is due to the large sales quantities and any potential misstatements existing in the revenue recognition within the appropriate accounting period. Key concern about installation income is because the accounting involved by significant accounting estimate and judgment. Having considered these matters, we recognized revenue recognition as key audit matters.	The main audit procedures carried out for addressing the key audit matters are as follows: 1. Understand and evaluate effectiveness of design and operation of the management 's internal control over revenue 2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin by segmenting the business and sales in conjunction with industry development and actual situation of Dalian Refrigeration Company. 3. Sampling test the sales contracts, identify the clause and terms in respect to the risk and reward transfer of the ownership. Evaluate the recognition timing of revenue whether is in line with the accounting standards. 4. Sampling select product sales revenue record, reconcile to sales invoice, contracts, dispatch note, acceptance note; Sampling select installation sales revenue record, reconcile to invoice, installation contracts and completion report and Evaluate the recognition of revenue whether is in line with the accounting standards 5. Obtain the system data and reconcile to the data from accounting system so to ensure the consistence. 6. Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period.

4. Other Information

The management of Dalian Refrigeration Company (hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises the information included in the Dalian Refrigeration Company *2017 annual report*, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and 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.

In preparing the financial statements, the Management is responsible for assessing Dalian Refrigeration Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Dalian Refrigeration Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing Dalian Refrigeration Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control (this sentence would be deleted in circumstance when we are also responsible to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements).

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Dalian Refrigeration Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Dalian Refrigeration Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence of financial information from Dalian Refrigeration Company and express our opinion. We are responsible for directing, monitoring and implementing the group audit and take full responsibility for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants LLP　　CICPA：Sui Guojun　　(Audit Partner)

CICAP：Wang Dong

China, Beijing　　April 20, 2018

Consolidated Balance Sheet

December 31, 2017

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

Items	Note	At the end of year	At the beginning of year
Current Assets:			
Monetary funds	Ⅵ、1	394,809,694.11	715,215,638.54
Settlement fund			
Outgoing call loan			
Fair value through P&L assets			
Derivative financial assets			
Notes receivable	Ⅵ、2	172,818,176.20	126,408,249.59
Accounts receivable	Ⅵ、3	1,036,255,895.79	807,109,959.54
Prepayments	Ⅵ、4	140,808,375.21	108,033,313.10
Insurance receivables			
Reinsurance Receivable			
Provision of reinsurance contract reserve receivable			
Interest receivable	Ⅵ、5	1,871,783.33	723,955.56
Dividend receivable	Ⅵ、6	33,450.00	39,025.00
Other receivables	Ⅵ、7	52,049,009.83	57,257,456.57
Financial assets purchased under agreement to resell			
Inventories	Ⅵ、8	352,279,664.64	349,538,424.06
Held for sale assets			
Non-current assets due within 1-year			
Other current assets	Ⅵ、9	114,907,269.33	43,254,044.92
Total Current Assets		2,265,833,318.44	2,207,580,066.88
Non-Current Assets：			
Loan and payment on other's behalf disbursed			
Available-for-sale financial assets	Ⅵ、10	515,783,193.99	545,565,116.64
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	Ⅵ、11	1,568,255,738.12	1,292,912,901.49
Investments properties	Ⅵ、12	103,861,275.27	28,605,652.94
Fixed assets	Ⅵ、13	890,874,647.40	511,008,545.87
Construction in process	Ⅵ、14	82,999,382.90	321,646,676.78
Engineer material			
Disposal of fixed assets			
Productive biological assets			
Oil-gas assets			
Intangible assets	Ⅵ、15	143,918,516.87	154,714,212.52
R&D expenses			
Goodwill	Ⅵ、16	1,750,799.49	1,750,799.49
Long-term deferred expenses	Ⅵ、17	14,431,131.01	4,448,719.77
Deferred tax asset	Ⅵ、18	31,913,497.18	27,753,747.94
Other non-current assets			
Total Non-current Assets		3,353,788,182.23	2,888,406,373.44
Total Assets		5,619,621,500.67	5,095,986,440.32

Legal representative：Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager ：Mao Chunhua

Consolidated Balance Sheet (continued)

December 31, 2017

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

Items	Note	At the end of year	At the beginning of year
Current Liabilities:			
Short-term borrowings	Ⅵ、19	349,801,300.00	45,000,000.00
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	260,443,167.67	194,562,734.79
Accounts payable	Ⅵ、21	889,964,317.63	863,552,643.26
Advance received	Ⅵ、22	147,172,195.05	150,098,892.29
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Employee pay payables	Ⅵ、23	46,751,562.36	50,256,392.86
Taxes and duties payable	Ⅵ、24	29,992,558.62	18,405,089.48
Interest payable		379,085.53	
Dividend payable	Ⅵ、25	863,516.60	863,516.60
Other payables	Ⅵ、26	67,674,829.07	109,493,520.02
Amount due to reinsurance	Ⅵ、27		
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		1,793,042,532.53	1,432,232,789.30
Non-current Liabilities:			
Long-term borrowings		160,000,000.00	160,000,000.00
Bonds Payable	Ⅵ、28		
Including: Preference shares			
Perpetuity bonds			
Long-term payables			
Long-term employee benefit payables			
Special payables			
Provisions			
Deferred income	Ⅵ、29	100,336,504.07	57,396,619.00
Deferred Tax liabilities	Ⅵ、18	71,429,566.31	75,683,681.95
Other non-current liabilities			
Total Non-current Liabilities		331,766,070.38	293,080,300.95
Total Liabilities		2,124,808,602.91	1,725,313,090.25
Owners Equity(or Shareholders Equity):			
Share capital	Ⅵ、30	856,487,181.00	611,776,558.00
Other equity instrument			
Including: Preference shares			
Perpetuity bonds			
Capital reserve	Ⅵ、31	757,532,081.34	1,046,321,716.85
Less: Treasury stock	Ⅵ、32	23,305,370.40	67,615,856.00
Other comprehensive income	Ⅵ、33	407,269,002.11	431,639,323.52
Chartered reserve	Ⅵ、34		
Surplus reserves	Ⅵ、35	668,150,375.30	620,578,847.52
Provision for general risk			
Undistributed profit	Ⅵ、36	750,397,795.56	658,387,158.97
Equity attributable to equity holders of the Company		3,416,531,064.91	3,301,087,748.86
Minority interest		78,281,832.85	69,585,601.21
Total Equity		3,494,812,897.76	3,370,673,350.07
Total Liabilities and Equity		5,619,621,500.67	5,095,986,440.32

Legal representative： Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager ：Mao Chunhua

Balance Sheet of Parent Company

December 31, 2017

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

Items	Note	At the end of year	At the beginning of year
Current Assets:			
Monetary funds		234,655,092.14	496,417,106.54
Fair value through P&L assets			
Derivative financial assets			
Notes receivable		57,455,446.82	90,509,540.07
Accounts receivable	XVII、1	356,557,956.93	117,575,405.74
Prepayments		33,125,666.30	96,269,883.15
Interest receivable		1,871,783.33	723,955.56
Dividend receivable			
Other receivables	XVII、2	2,822,798.03	4,368,505.07
Inventories		149,549,915.80	151,230,744.47
Held for sale assets			
Non-current assets due within 1-year			
Other current assets		102,402,409.84	30,563,139.06
Total Current Assets		938,441,069.19	987,658,279.66
Non-Current Assets：			
Available-for-sale financial assets		514,468,051.49	544,249,974.14
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	XVII、3	2,044,438,551.88	1,713,412,501.09
Investments properties		114,812,363.92	28,605,652.94
Fixed assets		658,637,271.68	274,262,264.28
Construction in process		80,314,961.09	320,329,247.78
Engineer material			
Disposal of fixed assets			
Productive biological assets			
Oil-gas assets			
Intangible assets		71,715,598.15	88,113,279.88
R&D expenses			
Goodwill			
Long-term deferred expenses		12,737,555.16	3,658,276.80
Deferred tax asset		5,815,160.93	6,751,619.50
Other non-current assets			
Total Non-current Assets		3,502,939,514.30	2,979,382,816.41
Total Assets		4,441,380,583.49	3,967,041,096.07

Legal representative：　Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager ：Mao Chunhua

Balance Sheet of Parent Company (continued)

December 31, 2017

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

Items	Note	At the end of year	At the beginning of year
Current Liabilities:			
Short-term borrowings		260,000,000.00	
Fair value through P&L liabilities			
Derivative financial liabilities			
Notes payable		119,034,784.44	85,834,371.87
Accounts payable		385,076,569.09	340,987,669.38
Advance received		61,450,463.91	74,949,113.25
Employee payables		11,445,665.15	9,796,460.53
Taxes and duties payable		1,274,710.89	1,234,137.19
Interest payable		379,085.53	
Dividend payable		533,156.00	533,156.00
Other payables		30,346,173.96	74,954,775.74
Liability held for sale			
Non-current liabilities due within 1-year			
Other current liabilities			
Total Current Liabilities		869,540,608.97	588,289,683.96
Non-current Liabilities:			
Long-term borrowings		160,000,000.00	160,000,000.00
Bonds Payable			
Including: Preference shares			
Perpetuity bonds			
Long-term payables			
Long-term employee benefit payables			
Special payables			
Provisions			
Deferred income		56,890,504.07	12,836,619.00
Deferred Tax liabilities		71,429,566.31	75,683,681.95
Other non-current liabilities			
Total Non-current Liabilities		288,320,070.38	248,520,300.95
Total Liabilities		1,157,860,679.35	836,809,984.91
Owners Equity(or Shareholders Equity):			
Share capital		856,487,181.00	611,776,558.00
Other equity instrument			
Including: Preference shares			
Perpetuity bonds			
Capital reserve		802,034,176.17	1,036,115,161.54
Less: Treasury stock		23,305,370.40	67,615,856.00
Other comprehensive income		406,306,901.44	430,413,556.77
Chartered reserve			
Surplus reserves		668,150,375.30	620,578,847.52
Undistributed profit		573,846,640.63	498,962,843.33
Total Equity		3,283,519,904.14	3,130,231,111.16
Total Liabilities and Equity		4,441,380,583.49	3,967,041,096.07

Legal representative：Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager：Mao Chunhua

Consolidated Income Statement

For the year of 2017

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

Item	Note	Current year	Last year
Ⅰ、**Total operating revenue**		2,079,715,105.37	1,893,200,939.64
Including: Operating revenue	Ⅵ、37	2,079,715,105.37	1,893,200,939.64
Interest income			
Earned premiums			
Fees and commission income			
Ⅱ、**Total cost of operation**		2,045,840,192.64	1,888,674,681.05
Including: Cost of operation	Ⅵ、37	1,643,653,442.93	1,536,531,442.08
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、38	19,553,933.04	17,932,226.42
Selling and distribution expenses	Ⅵ、39	113,422,315.47	91,678,326.90
Administrative expenses	Ⅵ、40	231,345,591.57	219,270,065.31
Financial expenses	Ⅵ、41	10,855,836.96	2,378,038.61
Loss on impairment of assets	Ⅵ、42	27,009,072.67	20,884,581.73
Add: Gain arising from the changes in fair value (loss listed with"-")			
Investment income (Loss listed with "-")	Ⅵ、43	180,132,262.51	172,600,178.47
Including: income from investments in associates and joint ventures (Loss listed with "-")		140,904,557.45	128,967,171.76
Exchange gain (Loss listed with "-")			
Gain on asset disposal(Loss listed with "-")	Ⅵ、44	552,588.02	-21,565,350.43
Other income	Ⅵ、45	1,771,176.72	
Ⅲ、**Operating profit (Loss listed with "-")**		216,330,939.98	155,561,086.63
Add: Non-operating income	Ⅵ、46	2,330,234.97	38,222,022.99
Less: Non-operating expenses	Ⅵ、47	187,380.52	285,318.73
Ⅳ、 **Total profit (Loss listed with "-")**		218,473,794.43	193,497,790.89
Less: Income tax expenses	Ⅵ、48	13,917,742.62	7,966,473.68
Ⅴ、**Net profit (Net loss listed with "-")**		204,556,051.81	185,531,317.21
(I) Category in accordance with operation continuity		204,556,051.81	185,531,317.21
1、Net profit from continuing operation		204,556,051.81	185,531,317.21
2、Net profit from discontinuing operation			
(II) Category in accordance with ownership		204,556,051.81	185,531,317.21
1、 Net profit attributable to equity holders(shareholders) of the Company		200,759,820.17	182,234,151.73
2、Minority interest		3,796,231.64	3,297,165.48
Ⅵ、 **Other comprehensive income net off tax**		-24,370,321.41	-158,348,794.53
Total comprehensive income net off tax attributable to parent Company		-24,370,321.41	-158,348,794.53
(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	Ⅵ、33	-24,370,321.41	-158,348,794.53
1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement	Ⅵ、33	-263,666.08	-3,160.87
2.Avaliable-for-sale financial assets fair value movements	Ⅵ、33	-24,106,655.33	-158,345,633.66
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**		180,185,730.40	27,182,522.68
Total comprehensive income attributable to parent Company		176,389,498.76	23,885,357.20
Total comprehensive income attributable to minority interest		3,796,231.64	3,297,165.48
Ⅷ、 **Earnings per share**			
(Ⅰ)Basic earnings per share		0.23	0.22
(Ⅱ)Diluted earnings per share		0.23	0.22

The business combination under the common control during this year, the net profit achieved by the acquiree is___Yuan. Net profit achieved by acquiree last year is ___Yuan.

Legal representative：Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager：Mao Chunhua

Income Statement of Parent Company

For the year of 2017

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

Item	Note	Current year	Last year
Ⅰ、**Operating revenue**	XVII、4	616,759,880.66	558,404,871.04
Less: Cost of operation	XVII、4	507,660,774.60	468,526,965.90
Business taxes and surcharges		7,988,392.84	5,674,459.53
Selling and distribution expenses		891,189.19	1,292,587.98
Administrative expenses		112,247,954.40	109,136,561.08
Financial expenses		4,027,140.72	350,400.16
Loss on impairment of assets		321,626.33	-5,320,922.94
Add: Gain arising from the changes in fair value (loss listed with"-")			
Investment income (Loss listed with "-")	XVII、5	198,438,477.12	187,574,249.05
Including: income from investments in associates and joint ventures (Loss listed with "-")		141,879,121.47	131,022,957.13
Gain on asset disposal(Loss listed with "-")		1,851,943.49	-21,377,966.78
Other income		128,650.51	
Ⅱ、**Operating profit (Loss listed with "-")**		184,041,873.70	144,941,101.60
Add: Non-operating income		527,565.75	3,084,214.94
Less: Non-operating expenses			60,000.00
Ⅲ、 **Total profit (Loss listed with "-")**		184,569,439.45	147,965,316.54
Less: Income tax expenses		936,458.57	1,924,168.07
Ⅳ、**Net profit (Net loss listed with "-")**		183,632,980.88	146,041,148.47
(I) Net profit from continuing operation		183,632,980.88	146,041,148.47
(II) Net profit from discontinuing operation			
Ⅴ、 **Other comprehensive income net off tax**		-24,106,655.33	-158,345,633.66
(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		-24,106,655.33	-158,345,633.66
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		-24,106,655.33	-158,345,633.66
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**		159,526,325.55	-12,304,485.19

Legal representative：Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager：Mao Chunhua

Consolidated Cash Flow Statement

For the year of 2017

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		1,490,364,517.50	1,635,367,200.41
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		13,249,610.37	15,004,822.89
Cash received relating to other operating activities	Ⅵ、50	99,140,045.44	73,923,003.04
Sub-total of cash inflows from operating activities		1,602,754,173.31	1,724,295,026.34
Cash paid for goods and services		1,208,906,954.40	1,130,198,716.81
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		328,550,494.59	320,358,728.02
Payments of taxes and surcharges		97,569,294.79	119,059,997.71
Cash paid relating to other operating activities	Ⅵ、50	174,953,280.75	161,284,653.77
Sub-total of cash outflows from operating activities		1,809,980,024.53	1,730,902,096.31
Net cash flows from operating activities	Ⅵ、50	-207,225,851.22	-6,607,069.97
2. Cash flows from investment activities:			
Cash received from withdraw of investments		1,500,000.00	1,500,000.00
Cash received from investments income		124,960,986.95	109,727,833.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		359,391.02	533,855.77
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		126,820,377.97	111,761,688.96
Cash paid to acquire fixed assets, intangible assets and other long-term assets		121,653,422.49	339,787,389.83
Cash paid for investments		221,950,000.00	57,404,907.59
Net increase in pledged deposits			
Net cash paid to acquire subsidiaries and other business units	Ⅵ、50	56,150,000.00	-19,888,482.90
Cash paid relating to other investing activities	Ⅵ、50	76,000,000.00	
Sub-total of cash outflow from investing activities		475,753,422.49	377,303,814.52
Net cash flows from investing activities		-348,933,044.52	-265,542,125.56
3. Cash flows from financing activities			
Cash received from investment absorption		4,900,000.00	639,016,550.34
Including: Cash received by subsidiaries from investment absorpotion of non-controlling interest		4,900,000.00	5,390,000.00
Cash received from loans granted		467,829,700.00	312,380,000.00
Cash received from issue of bonds			
Cash received relating to other financing activities	Ⅵ、50	22,976,815.56	25,795,827.68
Sub-total of cash inflows from financing activities		495,706,515.56	977,192,378.02
Cash paid for settlement of borrowings		162,890,000.00	201,480,000.00
Cash paid for dividends, profits appropriation or payments of interest		71,104,725.59	42,474,168.02
Including: Dividens and profits paid to non-controlling interest			1,078,000.00
Cash paid relating to other financing activities	Ⅵ、50	29,714,920.43	26,956,882.67
Sub-total of cash outflows from financing activities		263,709,646.02	270,911,050.69
Net cash flows from financing activities		231,996,869.54	706,281,327.33
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-2,383,390.47	1,724,849.71
5. Net increase in cash and cash equivalents	Ⅵ、50	-326,545,416.67	435,856,981.51
Add: Cash and cash equivalents at beginning of year		691,238,822.98	255,381,841.47
6. Cash and cash equivalents at end of year	Ⅵ、50	364,693,406.31	691,238,822.98

Legal representative：Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager ：Mao Chunhua

Cash Flow Statement of Parent Company

For the year of 2017

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		466,954,711.78	573,989,576.16
Refunds of taxes			
Other cash receipts in operating activities		67,958,978.50	43,293,827.34
Sub-total of cash inflows from operating activities		534,913,690.28	617,283,403.50
Cash payments for goods and services acquired		503,456,875.87	417,926,957.89
Cash payments to and on behalf of employees		125,201,385.18	126,059,533.97
Tax and duties payments		9,617,239.24	18,159,382.86
Other cash payments for operating activities		25,669,693.09	38,988,406.65
Sub-total of cash outflows from operating activities		663,945,193.38	601,134,281.37
Net cash flows from operating activities		-129,031,503.10	16,149,122.13
2.Cash flows from investing activities			
Cash received from withdraw of investments		1,500,000.00	4,170,375.54
Cash receipts from investments income		134,921,961.95	119,993,684.77
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		46,000.00	1,328,170.00
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash receipts in investing activities			
Sub-total of cash inflows from investing activities		136,467,961.95	125,492,230.31
Cash payments for acquired fixed assets, intangible assets and other long-term assets		107,072,028.97	328,899,717.16
Cash payments for investment		221,950,000.00	168,990,635.74
Net cash payments for acquisition of subsidiaries and other businesses		56,150,000.00	21,535,918.03
Other cash payments in investing activities		76,000,000.00	
Sub-total of cash outflows from investing activities		461,172,028.97	519,426,270.93
Net cash flows from investment activities		-324,704,067.02	-393,934,040.62
3.Cash flows from financing activities			
Cash received from capital injection			633,626,550.34
Cash receipts from borrowings		320,000,000.00	240,000,000.00
Cash receipts from issuing bond			
Other cash receipts in financing activities		1,200,000.00	720,332.73
Sub-total of cash inflows from financing activities		321,200,000.00	874,346,883.07
Cash paid for settlement of borrowings		60,000,000.00	107,600,000.00
Cash paid for dividends, profits appropriation or payments of interest		68,187,672.87	37,733,665.57
Other cash payments in financing activities			3,430,000.00
Sub-total of cash outflows from financing activities		128,187,672.87	148,763,665.57
Net cash flows from financing activities		193,012,327.13	725,583,217.50
4.Effect of changes in foreign exchange rate on cash and cash equivalents		161,228.59	-20,326.62
5.Net increases in cash and cash equivalents		-260,562,014.40	347,777,972.39
Add: the beginning balance of cash and cash equivalent		495,217,106.54	147,439,134.15
6.The ending balance of cash and cash equivalent		234,655,092.14	495,217,106.54

Legal representative： Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager ：Mao Chunhua

Consolidated Statement of Changes in Shareholer's Equity

For the Year of 2017

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	611,776,558.00				1,046,321,716.85	67,615,856.00	431,639,323.52		620,578,847.52		658,387,158.97	69,585,601.21	3,370,673,350.07
Add: Changes in accounting policies													-
Correction of prior periods errors													-
Business combination under the same control													-
Others													-
2. Balance at beginning of current year	611,776,558.00	-	-	-	1,046,321,716.85	67,615,856.00	431,639,323.52	-	620,578,847.52	-	658,387,158.97	69,585,601.21	3,370,673,350.07
3. Increase/ Decrease for current year (Decrease listed with '	244,710,623.00	-	-	-	-288,789,635.51	-44,310,485.60	-24,370,321.41	-	47,571,527.78	-	92,010,636.59	8,696,231.64	124,139,547.69
（Ⅰ）Total of comprehensive income							-24,370,321.41				200,759,820.17	3,796,231.64	180,185,730.40
（Ⅱ）Capital contribution and reduction	-	-	-	-	-44,079,012.51	-44,310,485.60	-	-	-	-	-	4,900,000.00	5,131,473.09
1.Ordinary share					-56,150,000.00	-44,310,485.60						4,900,000.00	-6,939,514.40
2.Capital contributed by other equity instrument holders													-
3.Share-based payments charged to equity					12,070,987.49								12,070,987.49
4.Others													-
（Ⅲ）Profit appropriations	-	-	-	-	-	-	-	-	47,571,527.78	-	-108,749,183.58	-	-61,177,655.80
1.Appropriation of surplus reserves									47,571,527.78		-47,571,527.78		-
2.Appropriation to general risks provision													-
3.Distribution to equity holders (or shareholders)											-61,177,655.80		-61,177,655.80
4.Others													-
（Ⅳ）Shareholders interests internally transfered	244,710,623.00	-	-	-	-244,710,623.00	-	-	-	-	-	-	-	-
1.Transfer of capital reserve to capital (share capital)	244,710,623.00				-244,710,623.00								-
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								2,016,809.74					2,016,809.74
2.Utilisation of special reserve								-2,016,809.74					-2,016,809.74
（Ⅵ）Others													-
4、Balance at end of current year	856,487,181.00	-	-	-	757,532,081.34	23,305,370.40	407,269,002.11	-	668,150,375.30	-	750,397,795.56	78,281,832.85	3,494,812,897.76

Legal representative：　Ji Zhijian　　　　Chief Financial Officer：Ma Yun　　　　Financial Manager：Mao Chunhua

Consolidated Statement of Changes in Shareholer's Equity

For the Year of 2017

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	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					23,634,942.60						26,053,545.85		49,688,488.45
Others													-
2. Balance at beginning of current year	360,164,975.00	-	-	-	653,899,934.55	39,503,800.00	589,988,118.05	-	580,769,740.16	-	551,978,612.10	66,257,548.71	2,763,555,128.57
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	-	106,408,546.87	3,328,052.50	607,118,221.50
（Ⅰ）Total of comprehensive income							-158,348,794.53				182,234,151.73	3,297,165.48	27,182,522.68
（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	-	-	-	1,046,321,716.85	67,615,856.00	431,639,323.52	-	620,578,847.52	-	658,387,158.97	69,585,601.21	3,370,673,350.07

Legal representative：　Ji Zhijian　　　　Chief Financial Officer：Ma Yun　　　　Financial Manager：Mao Chunhua

Statement of Changes in Equity of Parent Company

For the Year of 2017

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	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
Add: Changes in accounting policies											-
Correction of prior periods errors											-
Others											-
2. Balance at beginning 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
3. Increase/ Decrease for current year (Decrease listed with '	244,710,623.00	-	-	-	-234,080,985.37	-44,310,485.60	-24,106,655.33	-	47,571,527.78	74,883,797.30	153,288,792.98
（Ⅰ）Total of comprehensive income							-24,106,655.33			183,632,980.88	159,526,325.55
（Ⅱ）Capital contribution and reduction	-	-	-	-	10,629,637.63	-44,310,485.60	-	-	-	-	54,940,123.23
1.Ordinary share					-1,441,349.86	-44,310,485.60					42,869,135.74
2.Capital contributed by other equity instrument holders											-
3.Share-based payments charged to equity					12,070,987.49						12,070,987.49
4.Others											-
（Ⅲ）Profit appropriations	-	-	-	-	-	-	-	-	47,571,527.78	-108,749,183.58	-61,177,655.80
1.Appropriation of surplus reserves									47,571,527.78	-47,571,527.78	-
2.Distribution to equity holders (or shareholders)										-61,177,655.80	-61,177,655.80
3.Others											-
（Ⅳ）Shareholders interests internally transfered	244,710,623.00	-	-	-	-244,710,623.00	-	-	-	-	-	-
1.Transfer of capital reserve to capital (share capital)	244,710,623.00				-244,710,623.00						-
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								2,016,809.74			2,016,809.74
2.Utilisation of special reserve								-2,016,809.74			-2,016,809.74
（Ⅵ）Others											-
4、Balance at end of current year	856,487,181.00	-	-	-	802,034,176.17	23,305,370.40	406,306,901.44	-	668,150,375.30	573,846,640.63	3,283,519,904.14

Legal representative：　Ji Zhijian　　　Chief Financial Officer：Ma Yun　　　Financial Manager：Mao Chunhua

Statement of Changes in Equity of Parent Company

For the Year of 2017

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	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： Ji Zhijian　　Chief Financial Officer：Ma Yun　　Financial Manager：Mao Chunhua

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 with total share capital of RMB350,014,975Yuan.

According to the 13th meeting of the 6th generation of board, extraordinary general meeting for 2015 fiscal year and ' Restricted share incentive plan (draft)' , the Company planned to introduce A ordinary shares to incentive objectives, which was 10,150,000 number of shares would be granted to 41 share incentive objectives at granted price of RMB5.56Yuan per share. Up to March 12th ,2015, the Company received new added share capital of RMB10,150,000Yuan and the share capital had been verified by DaHua Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2015]000086 on March12th , 2015.

The general meeting for 2015 fiscal year held on 21st April 2016 approved the profit distribution policy for the year of 2015, which agrees the profit distribution based on the total 360,164,975 number of shares as share capital, paid share dividend of 5 common shares for every 10 shares through 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 17thmeeting 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’. China’s Securities Regulatory Commission issued SFC license [2015]3137 on 30th 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 and the total share capital is 598,892,558.00Yuan. 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 number 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 newly subscribed registered share capital of 12,884,000Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23rd November, 2016.

On May 20th, 2017, the general meeting for 2016 fiscal year was held and profit appropriation scheme for 2016 FY was approved, which was every 10 shares will be increased by 4 shares through capital reserve based on the total 611,776,558 number of shares. After the profit appropriation scheme, the registered capital was changed to RMB856,478,181.00Yuan.

The old address of the Company's registered office as same as head office is No.888 Xinan Road, Shahekou District, Dalian, China. In 2017, the Company relocated to new factory and changed its address to No.16 East of Liao River RD, DDA, Dalian China as same as HQ's address. 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 food storage, 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 15 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	2	100	100

Names of subsidiaries	Types	Level	Proportion of shareholding（%）	Proportion of votes（%）
Dalian Bingshan Group Sales Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Subsidiary	2	70	70
Dalian Bingshan JiaDe Automation Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	Subsidiary	2	100	100
Wuhan New World Refrigeration Industrial Co., Ltd.	Subsidiary	2	100	100
Bingshan Technical Service（Dalian）Co.,Ltd.	Subsidiary	2	100	100
Dalian Niweisi LengNuan Techonology Co., Ltd.	Subsidiary	2	55	55
Dalian Xinminghua Electrical Technology Co., Ltd	Subsidiary	2	100	100
Dalian Bingshan International Trading Co.,Ltd	Subsidiary	2	100	100
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	Sub-subsidiary	3	100	100
Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd	Sub-subsidiary	3	100	100
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd	Sub-subsidiary	3	51	51
Shanghai Bingshan Technical Service Co., Ltd	Sub-subsidiary	3	51	51
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Sub-subsidiary	3	51	51

This year, entities within the consolidation scope are changed comparing to last year. Because two more entities are added into the group, Chengdu Bingshan Refrigeration Engineering Co., Ltd was newly invested and Dalian Bingshan International Trading Co.,Ltd was newly acquired.

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 Group adopts the Gregorian calendar year as accounting period from Jan 1 to Dec 31.

3. Operating cycle

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

4. Functional 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 liability obtained 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 acquire 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 intergroup 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 financial statements, 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, asset and 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 financial statements, the acquirer shall remeasure its previously 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 equity method accounting rising from the interest held in acquiree in relation to the period before the acquisition, 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 acquisition incurs, 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 consolidated financial 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 financial statements, 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 joint operation; and its expenses, including its share of any expenses incurred jointly. When an entity enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the joint operator shall recognize gains and losses resulting from such a transaction only to 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 owner’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 recognized 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 recognized as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognized 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 amortized cost using the effective interest method. The amortization, 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 recognizes such financial asset to the extent of its continuous involvement and recognizes 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 derecognized and the portion that continued to be recognized 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.

If objective 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 amortized 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 through the equity instrument, can not be reversed.

2) Provision for impairment of held-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 amortized cost on the reversing day if no impairment 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 active 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 could 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 group and accrue 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 impairment, use the accounting aging of the receivables
The basis of bad debt provision	
Inter-company	Individual identified method
Accounting aging	Age analysis method

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

(3) Individually insignificant amount accounts receivable 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, variance of 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 acquisition. 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 yearend thorough inventory check, at the balance sheet date inventory impairment should be provided or adjusted according to inventory 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 impairment 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 of the 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 incurs in 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 incurs in 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 incursion 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 incursion 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 recognized 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 recognized 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 measured. 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 software and 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 useful life 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 instruments are 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 labor 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 the quantity 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 a alienating the right of use assets is recognized when satisfying requirements related economic benefit flows in very possibly, income can be measured reliably.

1) Amount of interest income is calculated according to the time and actual interest rate of the monetary capital 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 shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms. Income-related grants are the grant given by the government apart from the assets-related grants. If no grant objective indicated clearly in the government documents, the company shall judge it according to the principle mentioned above.

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 ore directly offsetting the book value of the asset, and Assets-related government grants recognized as deferred income shall be evenly amortized to profit or loss over the useful life of the related asset.

Any assets are sold, transferred, disposed off or impaired earlier than their useful life expired date, the remaining balance of deferred income which hasn’t been allocated shall be carried forward to the income statement when the assets are disposed off.

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. Government grants related to daily business, shall be recognized as other income in accordance with business nature, otherwise, shall be recognized as non-operating expenses.

If any government grant already recognized needs to be returned to the government, the accounting shall be differed according to the following circumstances:

1) originally recognized as offsetting of related assets' book value, assets book value shall be adjusted

2) if any deferred income, book value of deferred income shall be offset, excessive portion shall be accounted into income statement

3) Other situation, it shall be accounted into income statement directly.

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 recognized 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 for any 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-business combination 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 realized or liability is settled.

Deferred tax assets are recognized 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 Company’s leasing business is operating lease.

As a leasee, the lease premium shall be recognized in the cost of asset based on straight line method within the the period or directly to income statement.

28.Held for sale

（1） Any non-current assets or disposal group shall be classified as held for sale if the following criteria are met: ⑴ according to the similar transactions for selling such assets or disposal group in practice, the assets must be available for immediate sale under current condition. ⑵The sale is highly probable with decision made on a probable selling proposal and the firm purchase commitment has been obtained, the sale is expected to be completed within one year. Certain regulations request that approvals must be given by relevant authority or supervision regulator before the assets can be sold. Prior to the assets initially classified as held for sale or disposal group, the carrying amounts of the asset(or all the assets and liabilities in the disposal group) shall be measured in accordance with applicable accounting standards. The Company shall recognize an impairment loss and account it in to income statement for the current period, for any initial or subsequent write- down of the asset(or disposal group) to its fair value less costs to sell if the carrying amount is higher than its fair value less costs to sell. In the meantime, provision for assets impairment shall be made.

（2） The company acquires a non-current asset(or disposal group) exclusively with a view to its subsequent resale, it shall be classified as held for sale at the acquisition date only if the condition of “expected sale can be completed within one year” can be met and also other conditions of classified as held for sale can highly probably be met within a short period following the acquisition(usually with three months). When measuring a newly acquired asset(or disposal group) meeting the criteria to be classified as held for sale, it shall be measured at the lower of its carrying amount had it not been so classified and fair value less costs to sell. Except the non-current assets or disposal group acquired as part of a business combination, the difference between its fair value less costs to sale and initial carrying amount is recognized in the income statement.

（3） The Company that loss of control of a subsidiary due to a sale plan of its investment shall classify its subsidiary planned for sale as a whole as held for sale in the single financial statement of the parent only if the investment in subsidiary meets the criteria of held for sale, regardless of whether the Company will retain a proportion of equity interest in its former subsidiary after sale, and classify all assets and liabilities of the subsidiary as held for sale in the consolidated financial statements

（4） The Company shall recognize a gain for any subsequent increase in fair value less costs to sell of an asset and shall reverse the impairment to the extent that previously recognized when being classified as held for sale, the revisable amount is recognized in the income statement for the period. Any impairment from the period when the assets are not classified as held for sale can not be reversed.

（5） The impairment loss recognised for a disposal group shall reduce the carrying amount of goodwill of disposal group first, and then reduce the carrying amount of the non-current assets based on its proportion on the book.

The Company shall recognize a gain for any subsequent increase in fair value less costs to sell of a disposal group and shall reverse the impairment to the extent that previously recognized when being classified as held for sale, in accordance with applicable measuring standards, the revisable amount is recognized in the income statement for the period. Any impairment from the period when the assets are not classified as held for sale and reduced goodwill can not be reversed.

For any subsequently reversed amount, after the impairment loss is recognized for held for sale disposal group, the Company shall increase the carrying amount of disposal group based on the proportion of carrying amount of non-current assets excluding goodwill.

（6） Non-current assets classified as held for sale or disposal group shall not be depreciated or amortized, interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

（7） When held for sale assets or disposal group can not meet the criteria for held for sale classification so that they are not recognized as held for sale or non-current asset will be removed from disposal group, they shall be measured at the lower of the following amounts: ⑴carrying amount of assets prior to it classified as held for sale, which is the amount after depreciation, amortization or impairment adjustment as it had not been classified as held for sale ; ⑵recoverable amount.

When the Company derecognizes the held for sale assets or disposal group, the remaining unrecognized gain or loss shall be accounted in the income statement.

29. Discontinued operation

When meeting any one of the following criteria and the component can be identified separately and the component has already been disposed off or classified as held for sale: ⑴ the component represents one independent main business or one single main business area; ⑵the component plans to be part of the related plan which represents one independent main business or one single main business area; ⑶the component was specially acquired for resale

30. Other significant accounting policies, accounting Estimates

When preparing the financial statements, the management needs to use accounting estimate and assumption, which will have effect on the application of accounting policy and amount of asset, liability, income and expense. The actual circumstance maybe differs from the estimates. The management needs to continuously assess the key assumption involved by estimate and the judgment on uncertainty. Effect on the accounting estimate shall be recognized during the period when estimate is changed and in future.

The following accounting estimate and key assumption will trigger the significant risk of significant adjustment on the book value of asset and liability during the period of future.

（1） Impairment of receivable

Receivable is measured at amortized cost at the balance sheet date and assessed for any impairment indicator and the acutely amount of impairment. Objective evidence for impairment includes judgmental data of indicating significant decline of future cash flow of individual or group of receivable, indicating significant negative financial performance of debtors. Had receivable is recovered with certain proof, and in fact, it is relevant to the the matters subsequent to the the loss recognition, the impairment recognized before shall be reversed.

（2） Provision of inventory impairment

Inventory is periodically evaluated at the net realizable value and any cost higher than NRV shall be recognized as inventory impairment loss. When evaluating the NRV, net realizable value is determined by deducting the expected selling expense and relative tax from the estimated selling price. When actual selling price or cost differs from the previous estimates, management will make adjustment on NRV. Therefore, the results based on the present experience may differ from the actual results, which caused the adjustment on the carrying amount of inventory in the book. Provision for inventory impairment may vary with the above reasons. Any adjustment on provision for inventory impairment will affect the income statement.

（3） Provision of goodwill impairment

Each year, goodwill shall be assessed for any impairment. Recoverable amount of assets group or asset portfolio including goodwill shall be the present value of future cash flow, which needs estimates for calculation.

If management adjust the gross profit margin adopted by the present value of future cash flow calculation of assets group or asset portfolio, adjusted gross profit margin is lower than the margin applied, the impairment is required.

If management adjust the discounting rate before tax applied by the present value of future cash flow calculation of assets group or asset portfolio, adjusted discounting rate before tax is higher than the rate applied, the impairment is required.

If actual profit margin or discounting rate before tax is higher or lower than management's estimate, any impairment recognized before can not be reversed.

（4） Provision of fixed asset impairment

At the balance sheet date, the management shall implement impairment test on buildings, plant and machinery etc which has any impairment indicator. The recoverable amount of FA is the higher of PV of future cash flow and net value of fair value after disposal cost, the calculation needs accounting estimate.

If management adjust the gross profit margin adopted by the present value of future cash flow calculation of assets group or asset portfolio, adjusted gross profit margin is lower than the margin applied, the impairment is required.

If management adjust the discounting rate before tax applied by the present value of future cash flow calculation of assets group or asset portfolio, adjusted discounting rate before tax is higher than the rate applied, the impairment is required.

If actual profit margin or discounting rate before tax is higher or lower than management's estimate, any impairment recognized before can not be reversed.

（5） Recognition of deferred tax assets

Estimate on deferred tax assets needs making estimation of taxable income and applied tax rate in the following years in future. Whether deferred tax asset can be realized depends on the enough probable taxable profit obtained in future. Tax rate change in future and the timing of temporary difference reverse may also affect the income tax expense(income)and the balance of deferred tax. Any change of estimate described here will cause the deferred tax adjustment.

（6） Useful life span of fixed assets and intangible assets

At least every year end, the management shall review the useful life of FA and intangible assets. Expected useful life is based on the management's experience on the same class of assets, with reference to the estimate applied in the industry in conjunction with expected technology development. When previous estimate significantly changed, depreciation and amortization in the future shall be adjusted accordingly.

31. Changes in Accounting Policies, Accounting Estimates

(1) Change in significant accounting policies

Changes on accounting policy and reasons	**Approval progress**	**Memo**
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.	The accounting policy change has been approved by the 20th meeting of the seventh generation of board.	

Changes on accounting policy and reasons	Approval progress	Memo
. 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.	The accounting policy change has been approved by the 20th meeting of the seventh generation of board.	
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.	The accounting policy change has been approved by the 20th meeting of the seventh generation of board.	

(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%
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
Other tax		According to the relevant provisions of the state and local

Notes for tax entities with different EIT rate

Tax entities	EIT rate
Dalian Refrigeration Company	15%
Dalian Bingshan Group Engineering Co., Ltd.	25%
Dalian Bingshan Group Sales Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	15%
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.	15%
Dalian Niweisi LengNuan Techonoligy Co., Ltd.	15%
Dalian Xinminghua Electrical Technology Co., Ltd	15%

2. Tax preference

The company obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau.The Certificate No is GR201721200306, and the validity duration is three years. According to the tax law, the company can be granted for 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 granted for 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 granted for the preferential tax policy of enterprise income tax rate of 15% in three years

The company's subsidiary, Dalian Xinminghua Electrical Technology Co., Ltd obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200301, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Niweisi LengNuan Techonoligy Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200108, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Bingshan Technical Service （Dalian） Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200155, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200279, and the validity duration is three years. According to the tax law, the company can be granted for 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, 2017; "closing" refers to December 31, 2017; "current period" refers to the period from January 1, 2017to December 31, 2017; and "last period" refers to the period from January 1, 2016 to December 31, 2016; with the currency unit RMB.

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	62,880.11	83,511.72

Item	Closing Balance	Opening Balance
Cash in bank	364,630,526.20	686,615,661.42
Other cash and cash equivalents	30,116,287.80	28,516,465.40
Total	**394,809,694.11**	**715,215,638.54**
Including: sum of deposits overseas		

Note: other monetary funds is restricted, including deposit for bank acceptance notes of 25,559,515.54Yuan, guarantee deposit of 3,556,772.26Yuan, migrant deposit of 1,000,000.00Yuan, total of 30,116,287.80 Yuan.

2. Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	59,496,684.07	41,906,247.02
Commercial acceptance notes	113,321,492.13	84,502,002.57
Total	**172,818,176.20**	**126,408,249.59**

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

Items	Closing pledged amount
Bank acceptance notes	16,110,843.93
Commercial acceptance notes	
Total	**16,110,843.93**

(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	251,658,051.71	
Commercial acceptance notes	18,102,321.88	
Total	**269,760,373.59**	

(4) The closing balance of the notes receivable increased 36.71% compared with the opening balance because of the increasing notes received due to more note payment at the year end

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing 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	1,208,205,492.85	100.00	171,949,597.06	14.23	1,036,255,895.79
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	**1,208,205,492.85**	**100.00**	**171,949,597.06**	**14.23**	**1,036,255,895.79**

(Continued)

Items	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	958,174,419.26	100.00	151,064,459.72	15.77	807,109,959.54

characters of credit risk portfolio					
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	**958,174,419.26**	**100.00**	**151,064,459.72**	**15.77**	**807,109,959.54**

1) 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	816,596,983.71	40,829,849.18	5.00
1 to 2 years	181,236,517.36	18,123,651.75	10.00
2 to 3 years	102,726,564.39	30,817,969.30	30.00
3 to 4 years	41,876,278.00	20,938,139.02	50.00
4 to 5years	22,645,807.94	18,116,646.36	80.00
Over 5 years	43,123,341.45	43,123,341.45	100.00
Total	**1,208,205,492.85**	**171,949,597.06**	—

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

The bad debt provision has been accrued at the amount of 27,221,131.52Yuan during the report period. Bad debt reversal or withdrawn incurred at the amount of 661,616.00 Yuan during the year.

Including：Significant bad debt reversal or withdrawn in current period

Companies	Received amount	Regained form	Reasons
Shandong Laiyang Huasheng Food Co., Ltd	293,092.00	lawsuit	judicial decision to receive the debt
Beijing Taizinai Milk Biology Development Co.,LTD	368,524.00	lawsuit	judicial decision to receive the debt
Total	**661,616.00**		

3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	6,997,610.18

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Guangzhou Fuli Estate Co.,Ltd	44,290,000.00	Within 1 year	3.67	2,214,500.00
Panasonic Cold-Chain (Dalian) Co., Ltd.	31,120,658.05	Within 1 year, 1-2 years	2.58	1,591,317.35
Xinyi Yuanda construction and Installation Engineering Co., Ltd.	27,709,087.18	Within 1 year, 1-2 years	2.29	2,145,439.31
Jilin Changjitu Development &Construction Co.,Ltd	27,000,000.00	Within 1 year	2.23	1,350,000.00
CRECCL	25,221,586.00	Within 1 year	2.09	1,261,079.30
Total	**155,341,331.23**		**12.86**	**8,562,335.96**

4. Advances to suppliers

(1) Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	96,449,107.72	68.50	91,708,963.35	84.89
1 to 2 years	43,020,607.78	30.55	15,856,969.05	14.68
2 to 3 years	871,279.01	0.62	467,380.70	0.43
Over 3 years	467,380.70	0.33		
Total	**140,808,375.21**	**100.00**	**108,033,313.10**	**100.00**

Significant prepayment over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Shenyang Debao Hongtai Agricultural Development Co., Ltd.	15,252,880.00	1-2 years	Contract is not fully implemented
Shenyang DebaoJiahong Agricultural	6,395,198.00	1-2 years	Contract is not fully

Technology Co.,Ltd			implemented
Shanghai POMA Automation Equipment Co.,ltd	6,125,000.00	1-2 years	Contract is not fully implemented
Total	**27,773,078.00**	—	—

(2) The top five significant advances to suppliers categorized by debtors

Company	Closing Balance	Aging	% of the total advances to suppliers
Shenyang Debao Hongtai Agricultural Development Co., Ltd.	15,252,880.00	1-2 years	10.83
Dalian HOLLEY Coating Equipment Co., Ltd.	12,000,000.00	Within 1 year, 1-2 years	8.52
Mitsubishi Heavy Industries Air-conditioners(Shanghai) Co.,Ltd	9,236,000.00	Within 1 year	6.56
Dalian Ganghe Trading ltd	8,444,300.00	Within 1 year	6.00
Shenyang DebaoJiahong Agricultural Technology Co.,Ltd	6,395,198.00	W1-2 years	4.54
Total	**51,328,378.00**		**36.45**

(3) Note: The closing balance of the advances to supplier increased 30.34% comparing with the opening balance because of the increasing advanced e payments at the year end.

5. Interest receivable

(1) Interest receivable

Items	Closing Balance	Opening Balance
Interest on Term deposits	921,783.33	723,955.56
Bank financial product	950,000.00	
Total	**1,871,783.33**	**723,955.56**

The closing balance of the interest receivable increased 158.55% comparing with opening balance because of bank financial product interest increase.

6. Dividends receivable

(1) Dividends receivable

Company	Closing Balance	Opening Balance
Wuhan Steel and Electricity Co., Ltd.	33,450.00	39,025.00
Total	**33,450.00**	**39,025.00**

7. Other receivables

(1) The categories of other receivable

Items	Closing 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	59,207,829.92	100.00	7,158,820.09	12.09	52,049,009.83
Other receivables with significant individual amount and separate bad debt provision					
Total	**59,207,829.92**	**100.00**	**7,158,820.09**	**12.09**	**52,049,009.83**

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	–	–	–	–	–
Other receivables	64,905,774.51	100.00	7,648,317.94	11.78	57,257,456.57

identified bad debt provision based on the characters of credit risk portfolio					
Other receivables with significant individual amount and separate bad debt provision					
Total	**64,905,774.51**	**100.00**	**7,648,317.94**	**11.78**	**57,257,456.57**

1) 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	27,188,467.00	1,359,423.37	5.00
1-2 years	27,220,604.77	2,722,060.50	10.00
2-3 years	1,708,062.82	512,418.85	30.00
3-4 years	785,711.21	392,855.61	50.00
4-5 years	664,611.80	531,689.44	80.00
Over 5 years	1,640,372.32	1,640,372.32	100.00
Total	**59,207,829.92**	**7,158,820.09**	—

(2) Other receivables written off in current period

Item	Written-off Amount
Other receivables written off	84,544.00

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	43,339,402.91	34,372,184.48
Petty cash	7,879,896.91	9,061,619.39
Accounts payable	5,520,797.71	16,038,288.24
Others	2,467,732.39	5,433,682.40
Total	**59,207,829.92**	**64,905,774.51**

(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.	Deposit	12,000,000.00	1–2years	20.27	1,200,000.00
Shenyang Debao Jiahong Agricultural Technology Co., Ltd.	Deposit	10,000,000.00	1–2years	16.89	1,000,000.00
Chengdu Silver low Cold Chain Logistics Co., Ltd.	Deposit	3,800,000.00	1–2years	6.42	190,000.00
Dalian Delta HK& China Gas Co., Ltd.	Deposit	2,830,000.00	Within 1year, 3－4 years	4.78	398,000.00
National Tax office of Dalian	Exporting tax refund	2,272,241.76	Within 1 year	3.84	113,612.09
Total		**30,902,241.76**		**52.20**	**2,901,612.09**

8. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	93,097,749.58	1,120,202.77	91,977,546.81
Working in progress	57,136,761.54		57,136,761.54
Finished goods	138,840,644.36	358,460.00	138,482,184.36
Low-value consumable	141,351.31		141,351.31
Self-manufactured semi-finished products	32,879,154.10		32,879,154.10
Constructing projects	27,778,087.73		27,778,087.73
Materials on consignment for further processing	3,884,578.79		3,884,578.79
Total	**353,758,327.41**	**1,478,662.77**	**352,279,664.64**

(Continue)

Item	Opening 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

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Finished goods	118,393,387.27	320,000.00	118,073,387.27
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	**350,929,368.62**	**1,390,944.56**	**349,538,424.06**

(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	1,070,944.56	154,435.00		105,176.79	1,120,202.77	154,435.00
Finished goods	320,000.00	38,460.00			358,460.00	38,460.00
Total	**1,390,944.56**	**192,895.00**		**105,176.79**	**1,478,662.77**	**192,895.00**

(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
Finished goods	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	1,247,766.25	734,482.13
VAT to be deducted	37,613,420.40	42,164,041.41
Bank financial product	76,000,000.00	
Prepaid expenses	46,082.68	355,521.38
Total	**114,907,269.33**	**43,254,044.92**

The closing balance of the other current assets increased 165.66% comparing with the opening balance because of bank financial product bought from ICBC bank.

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	520,850,268.15	5,067,074.16	515,783,193.99	550,711,039.12	5,145,922.48	545,565,116.64
Measured as fair value method	503,296,003.65	1,424,468.25	501,871,535.40	533,156,774.62	1,503,316.57	531,653,458.05
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	**520,850,268.15**	**5,067,074.16**	**515,783,193.99**	**550,711,039.12**	**5,145,922.48**	**545,565,116.64**

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

Items	Equity instruments available for sale	Total
Cost	27,098,895.00	27,098,895.00
Fair value	501,871,535.40	501,871,535.40
FV accumulated change recognized in other comprehensive income	476,197,108.65	476,197,108.65
Provision for impairment	1,424,468.25	1,424,468.25

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

Investee	Proportion of shareholding in the investee(%)	Book Value			
		Opening Balance	Increase	Decrease	Closing Balance
Zibo traction motor co., ltd.	0.76	849,000.00			849,000.00

Investee	Proportion of shareholding in the investee(%)	Book Value			
		Opening Balance	Increase	Decrease	Closing Balance
Liaoning Mike group Limited by Share Ltd	5.57	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	5.60	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					33,450.00
Total	**3,642,605.91**			**3,642,605.91**	**343,450.00**

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

Category	Equity instruments available for sale	Debt instruments available for sale	Others	Total
Beginning balance	5,145,922.48			5,145,922.48
Increased during current year				
Including: transfer from other comprehensive income				
Decreased during current year	78,848.32			78,848.32
Including: transfer from fair value rising				
Ending balance	5,067,074.16			5,067,074.16

(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, 2017, the company held 27,098,895 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 11,153,569.05Yuan.

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		
Associates											
Panasonic Appliances Air-Conditioning and Refrigeration (Dalian) Co.Ltd	157,425,641.15			5,991,975.67			1,600,000.00			161,817,616.82	157,425,641.15
Dalian Honjo Chemical Co., Ltd.	9,642,351.34			912,160.07			1,441,499.53			9,113,011.88	9,642,351.34
Panasonic Cold-Chain (Dalian) Co., Ltd.	217,687,237.26			14,163,570.31			4,800,000.00			227,050,807.57	217,687,237.26
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	52,952,413.79			12,652,398.53			8,000,000.00			57,604,812.32	52,952,413.79
Panasonic Compressor (Dalian) Co., Ltd.	484,003,393.99			44,000,847.56			38,000,000.00			490,004,241.55	484,003,393.99
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,018,792.05			340,712.76						13,359,504.81	13,018,792.05
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	769,463.27			661,677.89						1,431,141.16	769,463.27

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		
Dalian Fuji Bingshan Vending Machine Co., Ltd.	160,787,194.81			26,894,028.83			7,840,000.00			179,841,223.64	160,787,194.81
Changzhou Jingxue Refrigeration Equipment Co., Ltd.	151,527,707.42			14,564,351.32						166,092,058.74	151,527,707.42
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	9,410,006.56			4,102,434.74			1,470,000.00			12,042,441.30	9,410,006.56
Wuhan Lanning Energy Science Co., Ltd.	6,132,033.33			-45,247.34						6,086,785.99	6,132,033.33
Wuhan Sikafu Power Control Equipment Co., Ltd	6,156,369.01			-929,316.68						5,227,052.33	6,156,369.01
Panasonic cold Machine System (Dalian) Co., Ltd	23,400,297.51			4,424,366.91						27,824,664.42	23,400,297.51
Dalian Bingshan Metal Technology Co.,Ltd		172,950,000.00		14,526,852.76			24,360,221.29			163,116,631.47	
Dalian Bingshan Group Management and Consulting Co.,ltd		49,000,000.00		-1,356,255.88						47,643,744.12	
Total	**1,292,912,901.49**	**221,950,000.00**		**140,904,557.45**			**87,511,720.82**			**1,568,255,738.12**	**1,292,912,901.49**

1、At the 1st general meeting in 2017, and 12th meeting of the 7th generation of board of directors approved Dalian Refrigeration Company to acquire 49% of shareholding of Dalian Bingshan Metal Technology Co., Ltd through Dalian Bingshan Group, and Beijing Zhongqihua Assets Valuation Co.,LTD was engaged to the thorough valuation of Dalian Bingshan Metal Technology Co., Ltd, valuation date is December 31st,2017. Based on the valuation results, the share transferring price is 17,295Yuan for 49% shareholding of Dalian Bingshan Metal Technology Co., Ltd held by Dalian Refrigeration Company.

2、The 11th meeting of the 7th generation of board of directors was held on November 25th, 2016, and approved to jointly set up Dalian Bingshan Group Management and Consulting Co.,ltd with Dalian Bingshan Group. Dalian Refrigeration Company will hold 49% shareholding of Dalian Bingshan Group Management and Consulting Co.,ltd and Dalian Bingshan Group will hold 51%. JV, Dalian Bingshan Group Management and Consulting Co.,ltd will be invested in the form of cash and subscribed capital is 0.49million Yuan and is fully subscribed by December 31st,2017.

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	30,031,254.35		30,031,254.35	30,031,254.35
2. Increase	162,707,850.49	24,391,511.82	187,099,362.31	162,707,850.49
(1) Outsourcing				
(2) Transferred from Construction in progress	162,707,850.49	24,391,511.82	187,099,362.31	162,707,850.49
3. Decrease				
(1) Disposal				
(2)Transferred to other				
4. Closing Balance	192,739,104.84	24,391,511.82	217,130,616.66	192,739,104.84
II. Accumulated Depreciation				
1. Opening Balance	1,425,601.41		1,425,601.41	1,425,601.41
2. Increase	101,965,177.68	9,878,562.30	111,843,739.98	101,965,177.68
(1)Provision or amortization	3,497,837.37	487,830.24	3,985,667.61	3,497,837.37
(2) Acquired from business combination	98,467,340.31	9,390,732.06	107,858,072.37	98,467,340.31
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	103,390,779.09	9,878,562.30	113,269,341.39	103,390,779.09
III. Impairment Reserve				

1. Opening Balance				
2. Increase				
(1)Provision or amortization				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance				
IV. Book Value				
1. Closing book value	**89,348,325.75**	**14,512,949.52**	**103,861,275.27**	**89,348,325.75**
2. Opening book value	**28,605,652.94**		**28,605,652.94**	**28,605,652.94**

Note: 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.

The 13th meeting of the 7th generation board was held on April 22, 2017, and approved to rent out the old plant and land located in No888, South West RD, Shahekou Districit, Dalian to Bingshan Huigu Company. The lease premium is 4.62million Yuan per annum and contract is from April 1st, 2017 to December 31, 2036. The company has signed the “estate leasing contract” with Dalian Bingshan Huigu Development Company based on the requirement of utilization of old land and plant and new business foster plan.

On June 1st, 2017, the company’s subsidiary, Bingshan Lingshe, signed the leasing contract with Dalian Jingxue Energy Saving Technology Co. LTD and rented out # 7 building of workshop located on No.92, Tieshan West Rd, DDA, Dalian. The rental area is 3653.76 square metres, and annual rent is RMB 840K with the contracted date between June 1st,2017 and May 31st,2022. Bingshan Lingshe also rented out Room 201, # 4 building located on No.92, Tieshan West Rd, DDA, Dalian to Dalian Jingxue Energy Saving Technology Co. LTD . The rental area is 25square metres, and annual lease premium is RMB 15K with the contracted date between June 1st, 2017 and May 31st,2022

(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	27,873,369.74	Deed is in the progress
#7 plant of Dalian Bingshan Lingshe	4,690,315.52	Deed is in the progress
	32,563,685.26	

13. Fixed assets

(1) Fixed assets detail

Item	Property& buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
I. Initial Cost					
1. Opening Balance	451,766,766.84	515,351,153.65	23,073,454.57	48,512,512.27	1,038,703,887.33
2. Increase	312,268,203.78	158,905,376.90	518,421.39	19,837,583.07	491,529,585.14
(1) Purchase	16,772,328.28	12,781,975.54	518,421.39	2,711,867.43	32,784,592.64
(2) Transferred from construction-in-progress	295,495,875.50	146,123,401.36		17,125,715.64	458,744,992.50
(3) Acquired from business combination					
3. Decrease	170,885,099.5	18,918,423.62	3,913,338.53	2,003,230.21	195,720,091.86
(1) Disposal	14,553,174.07	17,280,051.40	3,913,338.53	2,003,230.21	37,749,794.21
(2) Transferred to other	156,331,925.43	1,638,372.22			157,970,297.65
4. Closing Balance	593,149,871.12	655,338,106.93	19,678,537.43	66,346,865.13	1,334,513,380.61
II. Accumulated Depreciation					
1. Opening Balance	155,865,048.40	320,193,873.95	14,385,210.02	36,696,181.34	527,140,313.71
2. Increase	12,781,020.11	24,929,359.24	1,775,250.71	3,436,982.94	42,922,613.00

Item	Property& buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
(1)Accrued	12,781,020.11	24,929,359.24	1,775,250.71	3,436,982.94	42,922,613.00
3. Decrease	104,572,515.02	16,789,146.76	3,286,181.24	2,293,669.98	126,941,513.00
(1) Disposal	7,694,395.77	15,199,925.70	3,286,181.24	2,293,669.98	28,474,172.69
(2) Transferred to other	96,878,119.25	1,589,221.06			98,467,340.31
4. Closing Balance	64,073,553.49	328,334,086.43	12,874,279.49	37,839,494.30	443,121,413.71
III. Impairment Reserve					
1. Opening Balance		555,027.75			555,027.75
2. Increase					
(1)Accrued					
3. Decrease		37,708.25			37,708.25
(1) Disposal		37,708.25			37,708.25
4. Closing Balance		517,319.50			517,319.50
IV. Book Value					
1. Closing book value	529,076,317.63	326,486,701.00	6,804,257.94	28,507,370.83	890,874,647.40
2. Opening book value	295,901,718.44	194,602,251.95	8,688,244.55	11,816,330.93	511,008,545.87

(2) Fixed assets as pending certificate of ownership

Item	Book value	Reason for Pending
Office,Lianhe #1 plant, #2plant,Jiacu plant and dormitory	264,114,617.95	Deed is in the progress
Newly built plant	47,464,299.36	Deed is in the progress

Item	Book value	Reason for Pending
Functional Lab plant	17,091,610.37	Deed is in the progress
Lianhe #3&#4 plant	42,023,144.41	Land is pledged and deed can not be granted
Total	**370,693,672.09**	

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	16,348,332.17		16,348,332.17	250,913,095.82		250,913,095.82
Improvement of machinery	1,633,725.79		1,633,725.79	70,072,395.96		70,072,395.96
Official furniture				661,185.00		661,185.00
Self-heating circulation equipment from mine air return	65,017,324.94		65,017,324.94			
Total	**82,999,382.90**		**82,999,382.90**	**321,646,676.78**		**321,646,676.78**

(2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Buildings reconstruction	250,913,095.82	65,986,306.15	295,813,516.96	4,737,552.84	16,348,332.17
Improvement of machinery	70,072,395.96	92,130,914.62	160,569,584.79		1,633,725.79
Official furniture	661,185.00	1,700,705.75	2,361,890.75		
Software		1,226,947.93		1,226,947.93	
Green land of new factory		5,405,405.40		5,405,405.40	
Self-heating circulation equipment from mine air return		65,017,324.94			65,017,324.94
Total	**321,646,676.78**	**231,467,604.79**	**458,744,992.50**	**11,369,906.17**	**82,999,382.90**

(Continued)

Name	Budget	Percent of investment against budget(%)	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Buildings reconstruction	337,527,099.00	95.16	95.16				Self financing
Improvement of machinery	167,000,000.00	97.13	97.13				Loan/Self financing
Official furniture	2,361,890.75	100.00	100.00				Self financing
Software	1,226,947.93	100.00	100.00				Self financing
Green land of new factory	8,921,154.88	100.00	100.00				
Self-heating circulation equipment from mine air return	110,000,000.00	59.11	59.11				
Total	—	—	—				—

15. Intangible assets

(1) Intangible assets list

Item	Land use right	Knowhow	Others	Total
I. Initial Cost				
1. Opening Balance	183,963,902.62		15,695,674.72	199,659,577.34
2. Increase		11,800,000.00	1,711,943.66	13,511,943.66
(1) Purchase		11,800,000.00	484,995.73	12,284,995.73
(2) Transferred from construction-in-progress			1,226,947.93	1,226,947.93
3. Decrease	31,073,705.82		633,000.00	31,706,705.82
(1) Disposal	6,682,194.00		633,000.00	7,315,194.00
(2) Transferred to other	24,391,511.82			24,391,511.82
4. Closing Balance	152,890,196.80	11,800,000.00	16,774,618.38	181,464,815.18
II. Accumulated amortisation				

Item	Land use right	Knowhow	Others	Total
1. Opening Balance	37,791,708.77		7,153,656.05	44,945,364.82
2. Increase	3,128,513.95	294,999.99	1,477,572.91	4,901,086.85
(1)Accrued	3,128,513.95	294,999.99	1,477,572.91	4,901,086.85
3. Decrease	12,041,338.36		258,815.00	12,300,153.36
(1) Disposal	2,650,606.30		258,815.00	2,909,421.30
(2) Transferred to other	9,390,732.06			9,390,732.06
4. Closing Balance	28,878,884.36	294,999.99	8,372,413.96	37,546,298.31
III. Impairment Reserve				
1. Opening Balance				
2. Increase				
(1)Accrued				
(2) Others				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance				
IV. Book Value				
1. Closing book value	124,011,312.44	11,505,000.01	8,402,204.42	143,918,516.87
2. Opening book value	146,172,193.85		8,542,018.67	154,714,212.52

16. Goodwill

(1) Original cost of goodwill

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		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., Ltd	310,451.57					310,451.57

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprises merger increase	Other	Disposal	Other	
Total	**1,750,799.49**					**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	2,427,605.34		138,478.32		2,289,127.02
Renovation and rebuilding	681,294.43	900,900.90	700,063.19		882,132.14
Lease	850,320.00		106,290.00		744,030.00
Membership fee for	489,500.00		16,500.00		473,000.00

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Golf					
Technology entrance fee of cold and heat machinery		1,867,125.00	280,068.75		1,587,056.25
Greenland of new factory		8,921,154.88	520,400.70		8,400,754.18
Warranty extension		94,339.62	39,308.20		55,031.42
Total	**4,448,719.77**	**11,783,520.40**	**1,801,109.16**		**14,431,131.01**

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	139,387,243.38	27,485,104.23	124,545,784.82	25,188,239.74
Share option Incentiveexpense	13,881,215.49	2,082,182.32	17,103,388.00	2,565,508.20
Unrealized profit from internal transaction	15,641,404.17	2,346,210.63		
Total	**168,909,863.04**	**31,913,497.18**	**141,649,172.82**	**27,753,747.94**

(2) Deferred tax liabilities without offsetting

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value change of the available-for-sale financial assets	476,197,108.65	71,429,566.31	504,557,879.67	75,683,681.95
Total	**476,197,108.65**	**71,429,566.31**	**504,557,879.67**	**75,683,681.95**

(3) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	45,359,761.94	44,617,762.47
Deductible loss	6,173,430.97	48,658,772.82
Total	51,533,192.91	**93,276,535.29**

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

Year	Closing Balance	Opening Balance	Notes
2017		409,595.19	
2018	1,196,797.80	2,044,154.14	
2019		1,843,026.73	
2020	3,240,819.97	11,863,347.41	
2021	1,735,813.20	32,498,649.35	
2022			
Total	**6,173,430.97**	**48,658,772.82**	

19. Short-term loan

(1) Category of short term loan

Loan category	Closing Balance	Opening Balance
Mortgage loan		45,000,000.00
Credit loan	349,801,300.00	
Total	**349,801,300.00**	**45,000,000.00**

Note: Dalian Refrigeration Company borrowed 260million Yuan from bank and Bingshan International Trading, a subsidiary of Dalian Refrigeration Company borrowed 980.13million Yuan from bank , the other subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd. borrowed RMB80million from Dalian Refrigeration Company.

20. Notes payable

Notes category	Closing Balance	Opening Balance
Bank acceptance notes	221,572,037.67	189,305,658.64
Commercial acceptance notes	38,871,130.00	5,257,076.15
Total	**260,443,167.67**	**194,562,734.79**

At the year end, there is no unpaid notes payable which is due. Closing balance increased by 33.86% because the note has not been due yet.

21. Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	593,418,202.00	660,416,857.54
Project payments	244,492,384.60	199,503,352.11
Equipment payments	48,813,078.50	3,565,090.35
Others	3,240,652.53	67,343.26

Item	Closing Balance	Opening Balance
Total	**889,964,317.63**	**863,552,643.26**

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Dalian Yida Construction Company	24,639,904.38	Project is uncompleted contract is not finished
Panasonic Cold Chain (Dalian)	13,045,170.70	Project is uncompleted contract is not finished
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Project is uncompleted contract is not finished
Binzhou Shanfu Refrigeration Engineering Co., Ltd	9,069,804.92	Project is uncompleted contract is not finished
Total	**56,168,170.00**	

22. Received in advance

(1) Received in advance

Item	Closing Balance	Opening Balance
Advanced on sales	147,172,195.05	150,098,892.29
Total	**147,172,195.05**	**150,098,892.29**

(2) Accounts received in advance aged over 1 year

Company	Closing Balance	Reason
Hongtai International Financing lease(Tianjin) Co.,Ltd	42,075,051.51	Unsettled contract payments on sets projects
Dandong Port	5,000,000.00	Unsettled contract payments on sets projects
Total	**47,075,051.51**	

23. Employee's payable

(1) Category of employee's payable

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	50,256,392.86	303,853,777.75	307,369,873.66	46,740,296.95
Post-employment benefit –defined contribution plan		36,701,139.02	36,689,873.61	11,265.41

Item	Opening Balance	Increase	Decrease	Closing Balance
Termination benefits		129,745.88	129,745.88	
Other welfare due within 1 year				
Total	**50,256,392.86**	**340,684,662.65**	**344,189,493.15**	**46,751,562.36**

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	33,496,485.39	239,928,455.13	237,741,088.17	35,683,852.35
Welfare	14,173,682.87	11,423,684.36	17,140,532.05	8,456,835.18
Social insurance		19,260,015.40	19,254,330.99	5,684.41
Include: Medical insurance		15,040,301.79	15,035,324.58	4,977.21
Supplemental insurance		106,676.16	106,676.16	
On-duty injury insurance		2,335,004.77	2,334,709.70	295.07
Maternity insurance		1,778,032.68	1,777,620.55	412.13
Housing funds	1,575,760.60	28,370,586.47	28,407,118.00	1,539,229.07
Labor union and training expenses	1,010,464.00	4,527,777.08	4,483,545.14	1,054,695.94
Short-term leave with pay				
Short term profit share plan				
Others		343,259.31	343,259.31	
Total	**50,256,392.86**	**303,853,777.75**	**307,369,873.66**	**46,740,296.95**

(3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension		35,356,670.57	35,345,745.93	10,924.64
Unemployment insurance		1,134,468.45	1,134,127.68	340.77
Company Annuity Plan		210,000.00	210,000.00	
Total		**36,701,139.02**	**36,689,873.61**	**11,265.41**

The company joins 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	12,550,353.23	7,442,531.84
Enterprise income tax	13,418,675.14	7,007,154.72
Individual income tax	628,015.54	494,374.71
City maintenance and construction tax	907,478.69	520,432.62
Real estate tax	882,771.72	542,956.99
Land use tax	553,224.98	553,224.98
Education surcharge	613,577.67	371,260.24
River toll fee		965,963.53
Safeguard fund for disables	480.00	202,031.38
Stamp duty	437,981.65	305,158.47
Total	**29,992,558.62**	**18,405,089.48**

25. Interest payable

Item	Closing Balance	Opening Balance
Interest on short term loan	379,085.53	
Total	**379,085.53**	

26. Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	863,516.60	863,516.60
Total	**863,516.60**	**863,516.60**

27.Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Restricted share buy back	21,026,106.00	67,615,856.00
Loan from non-financial institutes	6,320,000.00	6,700,000.00
Cash pledge and security deposit	10,842,115.56	8,601,269.21
Apply for reimbursement and unpaid	13,699,458.65	11,486,092.78
Cash from related parties	934,995.17	566,240.01
Receipts under custody	12,572,889.29	12,237,893.26
Others	2,279,264.40	2,286,168.76
Total	**67,674,829.07**	**109,493,520.02**

(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	21,026,106.00	Not reach the return condition of contract
Total	**21,026,106.00**	

28.Long-term loan

(1) Category of long-term loan

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

29.Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Asset related	57,396,619.00	45,654,706.85	2,714,821.78	100,336,504.07	
Revenue related		10,639,876.15	10,639,876.15		
Total	**57,396,619.00**	**56,294,583.00**	**13,354,697.93**	**100,336,504.07**	—

(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	3,152,624.00			551,672.00	2,600,952.00	Asset related
Contribution to subsidiary company relocation	44,560,000.00		1,114,000.00		43,446,000.00	Asset related
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	9,683,995.00	16,601,133.00		10,352,900.06	15,932,227.94	Asset related
Compressor IC system		4,170,000.00		3,548.33	4,166,451.67	Asset related
Ultrasonic intelligent defrost technology		4,000,000.00			4,000,000.00	Asset related
Eco Compressor project		31,000,000.00		809,127.54	30,190,872.46	Asset related

Research centre and key lab subsidy		500,000.00		500,000.00		Income related
Patent bonus		20,000.00		20,000.00		Income related
Patent subsidy		3,450.00		3,450.00		Income related
Total	**57,396,619.00**	**56,294,583.00**	**1,114,000.00**	**12,240,697.93**	**100,336,504.07**	Income related

Asset related grant shall be offset the cost or expense within the asset's useful life; income related grant shall be booked into other income or offset cost or expense if it is relevant to daily activity, otherwise it shall be booked into non-operating expense.

30.Share capital

Item	Opening balance	Increase/decrease（+、-）					Closing balance
		New share issued	Share dividend	Transfer from capital reserve	others	Subtotal	
Total share capital	611,776,558.00			244,710,623.00		244,710,623.00	856,487,181.00

On May 20th, 2017, the general meeting for 2016 fiscal year was held and profit appropriation scheme for 2016 FY was approved, which was every 10 shares will be increased by 4 shares through capital reserve based on the total 611,776,558 number of shares. The plan has been implemented completely by May 31st, 2017. After the profit appropriation scheme, the registered capital was changed to RMB856, 478,181.00Yuan.

31.Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	962,071,905.05	15,115,549.49	300,860,623.00	676,326,831.54
Other capital reserves	84,249,811.80	12,070,987.49	15,115,549.49	81,205,249.80
Total	**1,046,321,716.85**	**27,186,536.98**	**315,976,172.49**	**757,532,081.34**

（1） Statement of share premium decrease

1) This year mainly due to the reserve transfer to share capital of 244,710,623.00Yuan, refer to note VI.30 share capital for details.

2) Dalian Refrigeration Company acquired Bingshan International Trading company's controlling shareholding through business combination under same control. As the share acquisition, Dalian Refrigeration Company has restated the prior year's financial statements and adjusted the opening balance of capital reserve of 23,634,942.60Yuan and capital reserve decreased by 56,150,000.00Yuan during the year for the same reason.

（2） Other capital reserve is the expense for share incentive plan amortization and decrease is the other capital reserve to be recognized during elimination period when restricted share comes to unlock condition.

32. Treasury Share

Items	Opening Balance	Increase	Decrease	Closing Balance
Share incentive buy-back	67,615,856.00	2,279,264.40	46,589,750.00	23,305,370.40
Total	**67,615,856.00**	**2,279,264.40**	**46,589,750.00**	**23,305,370.40**

The company implements restricted share incentive plan in 2016 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.

33. 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							
II. Later reclassified into profit and loss of other comprehensive income	431,639,323.52	-758,134.26	27,730,686.01	-4,118,498.86	-24,370,321.41		407,269,002.11
Proportional other comprehensive income of investee which is reclassified into income statement under equity method	2,765,125.85		263,666.08		-263,666.08		2,501,459.77
Changes in fair value recognized in gains and losses of the available-for-sale financial assets	428,874,197.67	-758,134.26	27,467,019.93	-4,118,498.86	-24,106,655.33		404,767,542.34
Other comprehensive income total	**431,639,323.52**	**-758,134.26**	**27,730,686.01**	**-4,118,498.86**	**-24,370,321.41**		**407,269,002.11**

34. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		2,016,809.74	2,016,809.74	
Total		**2,016,809.74**	**2,016,809.74**	

35.Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	299,882,056.06	18,363,298.09		318,245,354.15
Discretionary surplus reserve	320,696,791.46	29,208,229.69		349,905,021.15
Total	**620,578,847.52**	**47,571,527.78**		**668,150,375.30**

The company made profit distribution within the reporting period. According to the 2016 annual meeting, 20% of net profit in the 2016 fiscal annual report is provided for discretionary surplus reserve of 29,208,229.69 Yuan. In the meanwhile, 10% of net profit of parent company is provided for statutory surplus reserve of 18,363,298.09 Yuan.

36.Undistributed profits

Item	2017	2016
Closing balance of 2016	**658,387,158.97**	**525,925,066.25**
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		26,053,545.85
Other factors		
Opening balance of 2017	**658,387,158.97**	**551,978,612.10**
Add: net profit attributable to shareholders of parent company in the year	200,759,820.17	182,234,151.73
Less: Provision for statutory surplus reserves	18,363,298.09	14,604,114.85
Provision for any surplus reserves	29,208,229.69	25,204,992.51
Provision of general risk		
Dividends payable for common shares	61,177,655.80	36,016,497.50

Share dividends		
Closing balance of 2017	**750,397,795.56**	**658,387,158.97**

Note: opening balance of last year has been adjusted due to the business combination under same control which triggered consolidation scope change. Opening balance of last year has been affected by 26,053,545.85Yuan.

37.Operating revenue and cost

Items	**2017**		**2016**	
	Sales revenue	**Cost of sales**	**Sales revenue**	**Cost of sales**
Revenue from principle operation	2,043,986,956.70	1,625,595,014.87	1,872,949,269.50	1,526,065,621.80
Revenue from other operation	35,728,148.67	18,058,428.06	20,251,670.14	10,465,820.28
Total	**2,079,715,105.37**	**1,643,653,442.93**	**1,893,200,939.64**	**1,536,531,442.08**

38.Operating taxes and surcharges

Items	**2017**	**2016**
City construction tax	3,872,117.40	5,529,542.02
Education surcharge	2,670,598.37	3,887,028.44
Property tax	6,132,613.95	2,845,708.77
Land use tax	4,900,926.20	3,267,248.67
Vehicle and vessel tax	32,024.47	4,177.44
Stamp duty	1,718,435.64	1,599,703.98
Others	227,217.01	798,817.10
Total	**19,553,933.04**	**17,932,226.42**

39.Selling expenses

Items	**2017**	**2016**
Official business expense	16,172,326.40	13,793,965.40
Employee benefit	37,798,487.92	31,495,022.77
Depreciation expense	334,486.58	405,097.18
Transportation expense	18,548,242.98	15,026,756.52
Business entertaining expense	12,056,961.89	7,767,799.36
Travel expense	13,229,495.33	9,582,123.03
Maintenance and repair expense	12,791,435.69	11,027,691.87
Advertisement and bids expense	2,184,356.83	1,173,168.59

Other expense	306,521.85	1,406,702.18
Total	**113,422,315.47**	**91,678,326.90**

40.Administrative expenses

Items	**2017**	**2016**
Official expense	22,474,616.19	15,680,641.20
Employee benefit	138,811,457.97	131,643,380.51
Depreciation expense	8,182,795.40	9,169,896.40
Transportation expense	171,491.59	175,434.61
Business entertaining expense	3,512,217.30	4,206,418.37
Travel expense	7,530,675.32	7,822,881.36
Maintenance and repair expense	6,536,885.81	6,046,582.07
Advertisement expense	287,869.52	258,533.47
Other taxes and fee	1,524,590.51	5,882,445.29
Insurance expense	910,211.97	1,460,517.16
Technology development expense	20,480,936.70	16,843,552.24
Long-term assets amortization	5,546,087.90	4,874,233.44
Design consultant and test service expense	10,015,427.50	6,866,858.60
Safety production cost	3,979,165.98	5,683,421.94
Other expense	1,381,161.91	2,655,268.65
Total	**231,345,591.57**	**219,270,065.31**

41.Financial expenses

Items	**2017**	**2016**
Interest expenses	10,526,056.47	5,379,674.13
Less: Interest income	4,865,429.43	3,026,398.66
Add: Exchange loss	2,458,197.49	-1,992,684.34
Add: Others expenditure	2,737,012.43	2,017,447.48
Total	**10,855,836.96**	**2,378,038.61**

42.Assets impairment losses

Items	**2017**	**2016**
Loss of bad debts	26,816,177.67	20,884,581.73
Provision for inventory impairment	192,895.00	
Total	**27,009,072.67**	**20,884,581.73**

43.Investment income

Items	**2017**	**2016**
Long-term equity investment gain under equity method	140,904,557.45	128,967,171.76
Gain from disposing long-term equity investment	263,666.08	3,160.87
Gain from holding of financial assets available for sale	11,497,019.05	16,000,450.40
Gain from disposal financial assets available for sale	27,467,019.93	27,629,395.44
Total	**180,132,262.51**	**172,600,178.47**

44.Gain on assets disposal

Item	**2017**	**2016**	**Amounts recognized into current non-recurring profit or loss**
Gains on disposal of non-current assets	552,588.02	-21,565,350.43	552,588.02
Gain on non-current assets disposal income not classified as held for sale	552,588.02	-21,565,350.43	552,588.02
Incl: gain on fixed assets disposal	552,588.02	-21,565,350.43	552,588.02
Total	**552,588.02**	**-21,565,350.43**	**552,588.02**

45.Other income

Items	**2017**	**2016**
VAT refund	657,176.72	
Grant given by the government for relocation	1,114,000.00	
Total	**1,771,176.72**	

46.Non-operating income

（1） Non-operating income list

Item	**2017**	**2016**	**Amounts recognized into non-recurring profit or loss for the year**
Gain on debts restructuring		229,833.00	
Government grant	1,473,958.00	6,395,714.51	1,473,958.00
Others	856,276.97	31,596,475.48	856,276.97

Total	**2,330,234.97**	**38,222,022.99**	**2,330,234.97**

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

（2） Government grant details

Item	2017	2016	With asset/income
Taxes refund		1,330,480.25	
New wall materials specific fund	305,038.00		
Contribution to subsidiary company relocation		1,114,000.00	Income related
Fostering fund in 2015	300,000.00		
International market development fund in 2016	247,200.00		
Finance support	52,000.00	337,200.00	
Service policy implemented fund in 2016	13,200.00		
Exporting incentive fund	22,000.00		Income related
Liaoning self-owned brand development project		270,000.00	Income related
Innovation in technology		283,000.00	Income related
Small and medium enterprises in Liaoning province "specialization special" product project		30,000.00	Income related
Stabilization subsidy		2,474,362.26	Income related
Patent subsidy	14,520.00	5,000.00	Income related
Subsidy fund for highly effective heat pump and related system		551,672.00	Asset related
City research centre and key lab fund	500,000.00		Income related
Patent bonus	20,000.00		Income related
Total	**1,473,958.00**	**6,395,714.51**	

（3） Non-operating income statement

Non-operating income decreased by 92.30% in comparison with last year, mainly because of the acquisition of Dalian Xinminghua shareholding last year and 30,334,841.93 Yuan was recognized as non-operating income which was the combination cost lower than proportion of shareholding of fair value of identifiable assets.

47. Non-operating expenses

Item	2017	2016	Amounts recognized into non-recurring profit or loss for the year
Outward donation	10,000.00	60,000.00	10,000.00
Others	177,380.52	225,318.73	177,380.52
Total	**187,380.52**	**285,318.73**	**187,380.52**

48.Income tax expenses

(1) Income tax expenses

Items	2017	2016
Current income tax expenses	19,032,298.13	12,405,225.52
Deferred income tax expenses	-5,114,555.51	-4,438,751.84
Total	**13,917,742.62**	**7,966,473.68**

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

Items	2017
Consolidated total profit this year	218,473,794.43
Income tax expenses at applicable tax rate	32,771,069.16
Effect on subsidiary applied to different tax rate	2,437,403.18
Effect on prior period income tax	-26,163.10
Effect on non-taxable income	-21,135,683.62
Effect on non-deductible cost ,expense and loss	3,123,890.95
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	-185,487.87
Effect on temporary difference or deductible loss from unrecognized deferred tax assets this year	-4,534,341.78
Tax rate adjustment caused the opening balance of deferred tax assets /liability change	1,467,055.70
Income tax expense	13,917,742.62

49.Other comprehensive income

Refer to the note VI.33 other comprehensive income for details.

50.Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	2017	2016
Government grants	58,192,890.84	13,740,935.17
Received travel expense refund	2,648,675.53	3,070,900.72
Deposit given back	30,740,218.26	49,845,835.40
Receivable from relate party	28,355.16	2,184,788.63
Interest income	4,865,429.43	2,461,618.10
Receivable from 3rd party	1,886,442.36	70,987.00
Others	778,033.86	2,547,938.02
Total	**99,140,045.44**	**73,923,003.04**

2) Other cash paid relating to operating activities

Items	2017	2016
Business travel borrowing	6,831,117.22	6,075,257.80
Deposit paid	49,379,114.48	56,275,941.60
Expenditure	115,004,087.20	95,678,510.22
Bank handling charges	1,718,011.38	1,722,380.37
Others	2,020,950.47	1,532,563.78
Total	**174,953,280.75**	**161,284,653.77**

3) Others cash received relating to financing activities

Items	2017	2016
Bank financial product	76,000,000.00	
Total	**76,000,000.00**	

4) Others cash received relating to financing activities

Items	2017	2016
Collection of guarantee money at the year end	22,976,815.56	20,665,689.93
Refund fractional dividend		45,137.75
Interests on discount of bill acceptance		5,085,000.00
Total	**22,976,815.56**	**25,795,827.68**

5) Others cash played relating to financing activities

Items	2017	2016
Interests on discount of bill acceptance		295,067.11
Payment of guarantee money	29,116,287.80	21,576,815.56

Note financing is due and is paid	598,632.63	5,085,000.00
Total	**29,714,920.43**	**26,956,882.67**

(2) Supplementary information of consolidated cash flow statement

Items	2017	2016
1. Adjusting net profit into cash flows of operating activities:	——	——
Net profit	204,556,051.81	185,531,317.21
Add: Provision for impairment of assets	27,009,072.67	20,884,581.73
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	46,420,450.37	40,804,660.75
Amortization of intangible assets	5,388,917.09	4,997,057.34
Amortization of long-term deferred expenses	1,801,109.16	1,408,785.18
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	-681,321.46	-1,179,307.59
Losses on write-off of fixed assets (income listed with"-")	128,733.44	22,748,252.08
Change of fair value profit or loss		
Financial expense (income listed with"-")	13,508,079.57	3,161,368.74
Investment loss (income listed with"-")	-180,132,262.51	-172,600,178.47
Decrease of deferred tax assets(increase listed with"-")	-4,159,749.24	-4,512,357.37
Increase of deferred tax liabilities(decrease listed with"-")		
Decrease of inventories (increase listed with"-")	-2,828,958.79	-47,231,344.86
Decrease of operating receivables (increase listed with"-")	-78,030,384.16	302,021.78
Increase of operating payables (decrease listed with"-")	-252,691,001.17	-73,149,094.49
Others	12,485,412.00	12,227,168.00
Net cash flows arising from operating activities	-207,225,851.22	-6,607,069.97
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	364,693,406.31	691,238,822.98
Less: Opening balance of cash	691,238,822.98	255,381,841.47
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-326,545,416.67	435,856,981.51

(3) Net cash paid for acquiring subsidiaries

Items	**2017**
Payment of Net cash and cash equivalent under the business merger during the year	56,150,000.00
Including：Dalian Bingshan International Trade Co., Ltd.	56,150,000.00
Net cash paid for acquiring subsidiaries	56,150,000.00

(4) Cash and cash equivalents

Items	**2017**	**2016**
Cash	364,693,406.31	691,238,822.98
Including: Cash on hand	62,880.11	83,511.72
Bank deposit used for paying at any moment	364,630,526.20	691,155,311.26
Other monetary fund for paying at any moment		
Deposit fund in central bank available for payment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	364,693,406.31	691,238,822.98
Cash and cash equivalents restricted in the parent company or subsidiary		

51. The assets with the ownership or use right restricted

Items	**2017**	**Reasons**
Monetary fund	30,116,287.80	Guarantee money
Notes Receivable	16,110,843.93	Pledge
Fixed assets	94,612,451.78	Mortgage Loan
Intangible assets	51,222,206.00	Mortgage Loan
Total	**192,061,789.51**	

Dalian Niweisi LengNuan Techonoligy Co., Ltd. pledged the bank acceptance note to Bank o f

China Dalian Gangxi Branch as guarantee for issuing the commercial acceptance note.

Wuhan New World Refrigeration Industrial Co., Ltd signed the "maximum pledge contract" with GuangdaBank of China Wuhan branch on December 24, 2015. Property and land were pledged and Wuhan New World Refrigeration Industrial Co., Ltd was granted for credit of 100million Yuan.

52. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash	—	—	38,703,907.22
Including：USD	5,913,472.10	6.5342	38,639,808.80
Euro	3,725.04	7.8023	29,063.88
GBP	218.76	8.7792	1,920.54
JPY	572,113.00	0.057883	33,114.00
Accounts receivable	—	—	19,151,148.50
Including: USD	2,814,574.35	6.5342	18,390,991.72
GBP	86,586.11	8.7792	760,156.78
Short term borrowing	—	—	9,801,300.00
USD	1,500,000.00	6.5342	9,801,300.00
Accounts payable	—	—	4,738,246.24
Including: USD	564,054.40	6.5342	3,685,644.26
JPY	12,664,261.00	0.057883	733,045.42
GBP	36,399.28	8.7792	319,556.56

VII. Change of Consolidation Scope

1. Consolidation not under the same control

None

2. Consolidation under same control

（1）Consolidation under the same control during the year

Name of the acquiree	Percentage （%）of shareholding acquired	Basis for combination under same control	Combination date	Basis for combination date recognition
Dalian Bingshan International Trading Co., Ltd	76	Ultimately under same control before and after acquisition and the control is not temporary	2017.3.31	Actually obtain the control

Name of the acquiree	Acquiree's income from the beginning of year of combination to acquisition date	Acquiree's net profit from the beginning of year of combination to acquisition date	Acquiree's income for comparison period	Acquiree's net profit for comparison period
Dalian Bingshan International Trading Co., Ltd	63,072,226.20	1,866,671.32	272,122,356.93	4,738,804.59

Note:the 12th meeting of 7th generation of board held on February 15th, 2017 and 1st extraordinary shareholders meeting held on March 8th, 2017 approved to acquire 76% shareholding of Bingshan International Trading Company controlled by Bingshan Group in exchange of 56.15million Yuan cash. After share transfer, Dalian Refrigeration Company held 100% shareholding of Bingshan International Trading Company. Acquisition is ultimately under same control of Dalian Bingshan Group before and after acquistion and the control is not temporary, therefore, the combination is carried out under same control and the acquisition date is recognized as March 31st, 2017.

（2） Cost of combination

Item	Bingshan International Trading Company
cash	56,150,000.00
Total of combination cost	56,150,000.00

（3） Book value of assets and liability of acquire on acquisition date

Items	Bingshan International Trading Company	
	Acquisition date	Last year end
Assets:	171,176,925.72	160,177,923.59
Monetary fund	24,517,467.97	35,490,832.78
Receivables	111,266,853.98	92,080,339.05
Inventory	28,525,631.04	25,675,356.58
Other current assets	2,812,632.99	2,783,834.27
Deferred tax assets	1,493,126.82	1,586,347.99
Liability	2,561,212.92	2,561,212.92
Payables	99,191,859.74	90,059,528.93
Net assets	10,319,700.00	
Less: minority interest	88,872,159.74	90,059,528.93
Acquired net assets	71,985,065.98	70,118,394.66

3. Other reason of change on consolidation scope

In accordance with the board meeting of Bingshan Construction Company, a subsidiary of Dalian Refrigeration Company, Bingshan Construction Company and Chengdu New World Company jointly set up Chengdu Bingshan Refrigeration Engineering Co., Ltd. Bingshan Construction Company invested 5.1million Yuan cash holding 51% of shares. Up to December 31st, 2017, Chengdu Bingshan Refrigeration Engineering Co., Ltd's business has been already formally running.

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	Dalian	Dalian	Manufacturing	100		Establish

Name of subsidiaries	Main business	Registered address	Business nature	Shareholding (%)		Obtaining method
Automation Co., Ltd.						
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Acquisition
Bingshan Technical Service （Dalian） Co.,Ltd.	Dalian	Dalian	Services	100		Establish
Dalian Xinminghua Electrical Technology Co., Ltd	Dalian	Dalian	Electronic	100		Acquisition
Dalian Niweisi LengNuan Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55		Acquisition
Dalian Bingshan International Trading Company	Dalian	Dalian	Service	100		Acquisition
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	Acquisition
Shanghai Bingshan Technical Service Co., Ltd	Shanghai	Shanghai	Services		51	Establish
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Services		51	Establish

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

2) The company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right

3) 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. 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**	
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Dalian	Dalian	Manufacturing	49		Equity method

The company assumes the affiliated as significant 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 significant influence although being held less than 20% voting rights.

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

（2） The key financial information of affiliated companies

Items	**2017**

	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	1,561,263,338.96	373,991,952.58
Including: Cash and cash equivalents	222,958,963.14	86,597,714.30
Non-current assets	330,137,817.56	264,531,025.64
Total assets	1,891,401,156.52	638,522,978.22
Current liabilities	656,825,153.46	185,438,746.74
Non-current liabilities		86,523,957.30
Total liabilities	656,825,153.46	271,962,704.04
Minority interests		
Equity to the parent company	1,234,576,003.06	366,560,274.18
Proportions of net assets according to the shareholding percentage	493,830,401.22	179,614,534.35
Adjusting events		
—Goodwill		
—Unrealized profits of insider trading		
--Others	-3,826,159.67	226,689.29
Book value of equity investment of affiliated companies	490,004,241.55	179,841,223.64
Fair value of equity investment with public offer		
Operating income	1,623,387,718.61	442,326,067.27
Financial expense	-362,406.98	-484,458.47
Income tax expense	26,264,317.90	10,432,796.66
Net profit	119,567,490.02	54,885,773.13
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income	119,567,490.02	54,885,773.13
The current dividends received from joint ventures	38,000,000.00	7,840,000.00

Continued:

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

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**
Including: 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
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

（3） Summary financial information of insignificant affiliated companies

Items	2017	2016
Total book value of investment of affiliated companies	897,265,918.24	443,642,191.48
The total of following items according to the shareholding proportions		
Net profit	69,639,419.82	10,779,436.18
Other comprehensive income		
Total comprehensive income	69,639,419.82	10,779,436.18

（4） Significant restrictions of the ability of affiliated companies transferring funds to the company.

None

（5） Excessive loss of affiliated companies.

None

（6） Contingency related to joint venture or affiliated company need to be disclosed.

None

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 maximizing the shareholders' and other investors' profits. Based on these objectives, the basic risk management policy is to recognize and analyze 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 2017, 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	
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**	

Items	Closing Balance	Opening balance
Monetary fund-USD	38,639,808.80	26,363,244.38
Monetary fund-JPY	33,114.00	24,490.05
Monetary fund-EURO	29,063.88	838,655.15
Monetary fund-STERLING	1,920.54	0.29
Receivable- STERLING	760,156.78	674,413.43
Receivable -USD	18,390,991.72	40,126,815.27
Short term borrowing-USD	9,801,300.00	
Payables -USD	3,685,644.26	2,146,568.57
Payables -JPY	733,045.42	2,602,681.45
Payables - STERLING	319,556.56	309,736.03
Payables - EURO		134,415.89
Payables -SF		3,331,222.94

Dalian Refrigeration Company paid close attention to the effect on FX risk.

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 80,000,000.00 and Dalian Bingshan International Trading borrowed short term loan RMB9.8013 million Yuan 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 2017, base on the assumption of interest rate change of 50 BP, the company’s net profit of year 2017 will increase or decrease RMB1.2646 million Yuan.

3) Price risk

Dalian Refrigeration Company sells steel products according to the market price, so there will be effect on the price variance.

(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 this 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 assesses 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 2017, the top five customers of receivable accounts balance is

155,341,331.23Yuan.

(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 way to manage the liquidity risk is to ensure enough fund available to fulfill the liability by due date in prevention from unacceptable loss of or reputation damage to the Company. The Company periodically analyze the liability structure and expiry date and 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.

The main fund comes from bank loan. By December 31st,2017, the credit limit still available is 340million Yuan and short term credit limit available is 340million Yuan.

As at 31st December 2017, the company’s financial assets and financial liabilities in line with non discount cash flow of the contracts as following： Currency unity:10kYuan

	Closing balance				
Items	**Within 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
Financial Assets					
Cash and cash in bank	39,480.97				39,480.97
Notes receivable	17,281.82				17,281.82
Accounts receivable	103,625.59				103,625.59
Other Receivable	5,204.90				5,204.90
Available for sale financial asset				51,578.32	51,578.32
Financial Liabilities					
Short-term loan	34,980.13				34,980.13
Notes Payable	26,044.32				26,044.32
Accounts payable	88,996.43				88,996.43
Other payable	6,767.48				6,767.48
Employee’s payable	4,675.16				4,675.16
Tax payable	2,999.26				2,999.26
Dividend payable	86.35				86.35
Long-term loan		16,000.00			16,000.00

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 Continuously measured at FV	**531,653,458.05**			**531,653,458.05**
Available for sale asset	501,871,535.40			501,871,535.40
(1) Investment by debt instruments				
(2) Investment by equity instruments	501,871,535.40			501,871,535.40
(3) Others				

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 29, 2017.

3. For continuous and discontinuous 2nd level of FV, valuation technique adopted and key parameter quantitive and qualitive information.

None.

4. For continuous and discontinuous 3rd level of FV, valuation technique adopted and key parameter quantitive and qualitive information.

None..

5. For continuous 3rd level of FV, adjusted information of opening and closing balance and sensitivity analysis of unobservable parameter.

None

6. Assets continuously measured at fair value have switched among different level during the year.

None

7. Changes of valuation technique and reasons for changes

None

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

None

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 representative 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- control products, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

2) Change of registered capital of controlling shareholder

Controlling shareholder	Opening balance	Increase	Decrease	Closing balance

Controlling shareholder	Opening balance	Increase	Decrease	Closing balance
Dalian Bingshan Group Co., Ltd.	158,580,000.00			158,580,000.00

3) Change of proportion of controlling shareholder's shareholding and equity

Controlling shareholder	Shareholding amount		Ratio of shareholding（%）	
	Closing balance	Opening balance	Ratio at year end	Ratio at beginning of year
Dalian Bingshan Group Co., Ltd.	170,916,934.00	122,083,524.00	19.96%	19.96%

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
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

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Cooling Machine system (Dalian) co., Ltd	Affiliated
Dalian Bingshan Metal Technology Co.,Ltd	Affiliated
Dalian Bingshan Group Mangement and Consulting 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 Pate Technology Co.,LTd	Subsidiary 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

Note: Dalian Third Refrigeration Equipment Factory has been renamed as Dalian Pate Technology Co.,LTd on October 16th , 2017.

(II) Related Party transactions

1. Purchase of goods, offer and receive labour services etc inter-group transactions

1) Purchase of goods/receive labour services

Related party	Content	2017	2016
Panasonic cold machine system (Dalian) co., Ltd	Purchases of goods	67,655,354.93	116,159,861.59
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	47,090,734.64	36,625,052.09
BAC (Dalian) Co., Ltd	Purchases of goods	41,865,711.10	36,505,585.84
Panasonic Cold-chain (Dalian) Co., Ltd	Purchases of goods	41,897,553.16	135,018,000.08
Jiangsu Jingxue Freezing Equipment Co., Ltd.	Purchases of goods	28,938,719.21	26,148,762.59
Wuhan LanNing energy technology co., Ltd	Purchases of goods	22,360,810.41	21,429,117.11
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	21,764,023.60	25,348,686.18
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Purchases of goods	11,965,812.07	3,803,218.03

Related party	Content	2017	2016
Dalian Pate Technology Co.,LTd	Purchases of goods	4,927,599.77	5,625,902.59
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	3,680,841.01	4,621,938.47
Panasonic compressor (Dalian) Co., Ltd	Purchases of goods	2,576,209.40	3,415,394.87
Dalian Bingshan Metal Technology Co., Ltd	Purchases of goods	500,078.87	577,427.88
Dalian Honjo Chemical Co., Ltd.	Purchases of goods	74,102.56	
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods		359,807.67
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Purchases of goods		30,199.15
Total		**295,297,550.73**	**415,668,954.14**

2) Sales of goods/ labour services provision

Related party	Content	2016	2015
Panasonic Cold-chain (Dalian) Co., Ltd	Sales of goods	173,038,902.46	133,176,472.97
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	107,638,666.72	76,396,710.08
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	34,136,856.37	25,951,727.99
Panasonic Cold Machine system (Dalian) co., Ltd	Sales of goods	21,666,442.54	2,321,854.48
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Sales of goods	21,470,860.07	17,508,233.63
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Sales of goods	14,337,123.07	27,791,350.44
Wuhan LanNing energy technology co., Ltd	Sales of goods	12,555,063.86	31,564,672.87
Panasonic compressor (Dalian) Co., Ltd	Sales of goods	7,496,076.45	4,289,463.10
Dalian Pate Technology Co.,LTd	Sales of goods	2,180,488.20	2,777,710.00
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	Sales of goods	834,672.00	766,630.42
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Sales of goods	806,414.75	125,921.72

Jiangsu Jingxue Freezing Equipment Co., Ltd.	Sales of goods	676,308.07	377,379.23
BAC (Dalian) Co., Ltd	Sales of goods	649,816.64	48,042.74
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	649,621.22	543,771.08
Dalian Bingshan Huigu Development Company	Sales of goods	622,131.50	
Dalian Bingshan Group Huahuida Financial Leasing Co.,LTd	Sales of goods	358,332.87	
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	284,680.37	2,914,181.55
Wuhan Sikafu Power Control Equipment Co., Ltd	Sales of goods	184,040.96	560,308.54
Dalian Honjo Chemical Co., Ltd	Sales of goods		6,401.89
Dalian Bingshan Metal Technology Co., Ltd	Sales of goods		48,779.66
Total		**399,586,498.12**	**327,169,612.39**

2. Assets Lease

1) Assets rent out

Lessor	**Lessee**	**Category of assets rent out**	**2017Lease Income**	**2016 Lease Income**
Dalian Refrigeration Company Limited	Dalian Bingshan Group Co., Ltd.	Office	97,297.30	98,742.86
Dalian Refrigeration Company Limited	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Plant	4,000,000.00	4,100,000.00
Dalian Refrigeration Company Limited	Dalian Bingshan Huigu Development Company	Land and property	4,400,000.00	
Dalian Refrigeration Company Limited	Panasonic Cold-chain (Dalian) Co., Ltd	Employee dormitory	19,617.73	
Dalian Refrigeration Company Limited	Panasonic compressor (Dalian) Co., Ltd	Employee dormitory	38,159.80	

Lessor	Lessee	Category of assets rent out	2017Lease Income	2016 Lease Income
Dalian Refrigeration Company Limited	Panasonic Refrigeration (Dalian) Co., Ltd.	Employee dormitory	60,900.69	
Dalian Refrigeration Company Limited	Dalian Honjo Chemical Co., Ltd	Employee dormitory	3,625.28	

Note: Dalian Refrigeration Company signed leasing contract with Dalian Bingshan Group and rented out 576squre meter office to Dalian Bingshan group from April 1st, 2017 to March 31st, 2019 with annual lease premium of 144,000Yuan.

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.

The 13th meeting of the 7th generation board was held on April 22, 2017, and approved to rent out the old plant and land located in No888, South West RD, Shahekou District, Dalian to Bingshan Huigu Company. The lease premium is 4.62million Yuan per annum and contract is from April 1st, 2017 to December 31, 2036. The company has signed the “estate leasing contract” with Dalian Bingshan Huigu Development Company based on the requirement of utilization of old land and plant and new business forester plan.

2) Assets under lease

Lessor	Lessee	Category of assets rent in	2017 Lease fees	2016 Lease fees
Dalian Bingshan Group Co.	Dalian Refrigeration Company Limited	Office, etc		135,782.86
Dalian Bingshan Group Co.	Dalian Refrigeration Company Limited	Land		219,267.25

3. 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. Please refer to the " Note VI.28 long term borrowings"

4. 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
Dalian Bingshan Group Co., Ltd.	60,000,000.00	2017.08.31	2018.08.30	Working capital
Dalian Bingshan Group Co., Ltd.	5,820,000.00	2017.09.27	2018.09.25	Working capital
Dalian Bingshan Group Co., Ltd.	14,180,000.00	2017.12.04	2018.11.30	Working capital
Total	**240,000,000.00**			

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 1,946,666.67Yuan.

Wuhan New World Refrigeration Industrial Co., Ltd., the subsidiary of the company, borrowed 80 million Yuan from Dalian Bingshan Group. At the year end, the loan has not been repaid and interst is calcualted at the same interest rate of the bank. The interest paid is 904,331.71 Yuan.

5. Management Remuneration

Item	2017	2016
Total rewards for the key management personnel(tax included)	3,507,800.00	3,896,600.00

(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	BAC (Dalian) Co., Ltd	682,000.00	34,100.00		

Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	8,913,856.35	524,792.82	38,284,385.35	3,543,453.34
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	5,296,495.78	264,824.79	1,520,221.58	76,011.08
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	19,500.00	975.00	46,659.20	2,332.96
Accounts receivable	Thermo King Suzhou	1,072,398.37	53,619.92		
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	3,943,798.07	197,189.90	215,889.22	10,794.46
Accounts receivable	Panasonic Cold Machine system (dalian) Co., Ltd	1,011,420.13	50,571.01	988,213.08	49,410.65
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	31,120,658.05	1,579,384.35	49,852,547.51	2,492,627.38
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	93,510.28	4,675.51	285,612.28	17,405.61
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	2,329,505.72	116,475.29	10,132,966.54	506,648.32
Accounts receivable	Wuhan LanNing Energy Technology Co., Ltd	7,376,782.55	368,839.13	14,466,855.00	723,342.75
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	77,975.80	3,898.79	655,561.00	32,778.05
Accounts receivable	Dalian Bingshan Group Refigeration Equipment Co.,Ltd			3,461.40	173.07
Accounts receivable	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.			6,117.31	305.87
Accounts receivable	Dalian Bingshan Pate Technology Co.,Ltd			5,642.60	564.26

Accounts receivable	Dalian Fuji Iceberg Vending Machine Sales Co., Ltd			4,452.90	222.65
Other receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	108,307.06	7,163.99	34,972.74	1,748.64
Other receivable	Panasonic Cold Chain (Dalian) Co., Ltd	89,016.00	4,450.80		
Other receivable	Wuhan LanNing Energy Technology Co., Ltd	43,680.84	2,184.04	3,814.37	190.72
Other receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	10,817.95	540.90	320,000.00	16,000.00
Prepayment	Dalian Spindle Cooling Towers Co., Ltd	37,956.00			
Prepayment	Jiangsu Jingxue Freezing Equipment Co., Ltd.	782,768.00		5,469.00	
Prepayment	Panasonic Cold Machine system (dalian) Co., Ltd	2,373.00		837,819.00	
Prepayment	Panasonic Refrigeration (Dalian) Co., Ltd	460,620.00		318,120.00	
Prepayment	BAC (Dalian) Co., Ltd			318,220.00	
Prepayment	Panasonic Cold Chain (Dalian) Co., Ltd			90,000.00	
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	1,182,028.15			
Notes receivable	Dalian Spindle Cooling Towers Co., Ltd	39,064.75			
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	1,711,379.41		19,805,806.72	

Notes receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	53,989.08		1,778.45	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	54,495,058.38		15,532,736.64	
Notes receivable	Panasonic Compressor (Dalian) Co., Ltd	1,182,680.29		200,000.00	
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	14,031,393.19			
Notes receivable	Jiangsu Jingxue Freezing Equipment Co., Ltd.			4,277,035.00	

(1) Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	BAC Dalian Co., Ltd	6,078,640.00	29,773,959.00
Accounts Payable	Dalian Bingshan Pate Technology Co.,Ltd	5,550.00	2,022,156.94
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	11,799,186.85	9,520,335.93
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd	140,316.68	
Accounts Payable	Dalian Bingshan Pate Technology Co.,Ltd	5,119,096.22	
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	983.82	
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd	7,544,866.00	5,339,188.00
Accounts Payable	Jiangsu Jingxue Efficient Technology Co., Ltd.	14,043,679.12	8,505,375.05
Accounts Payable	Panasonic Cold machine system (Dalian) Co., Ltd	20,582,489.66	3,680,482.86
Accounts Payable	Panasonic Cold Chain (Dalian) Co., Ltd	13,180,390.70	28,245,301.70
Accounts Payable	Panasonic Compressor (Dalian) Co., Ltd	1,696,000.00	1,766,420.00
Accounts Payable	Panasonic Refrigeration (Dalian) Co., Ltd.	644,319.10	50,667.31
Accounts Payable	Wuhan LanNing Energy technology Co., Ltd	7,725,855.00	15,300,000.00
Other accounts payable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.		270,000.00

Other accounts payable	Dalian Bingshan Pate Technology Co.,Ltd		1,000.00
Other accounts payable	Panasonic Compressor (Dalian) Co., Ltd		9,425.59
Other accounts payable	Panasonic Cold Chain (Dalian) Co., Ltd		216,570.00
Accounts Received in Advance	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	399,609.61	459,609.61
Accounts Received in Advance	Dalian Bingshan Huigu Development Co.,Ltd	1,100,000.00	
Accounts Received in Advance	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	50,000.00	
Accounts Received in Advance	Panasonic Cold machine system (Dalian) Co., Ltd	90,360.00	171,000.00
Accounts Received in Advance	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.		450,000.00
Notes Payable	BAC (Dalian) Co., Ltd	47,469,964.10	30,121,670.00
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	7,812,262.79	1,312,540.00
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd	474,736.39	450,000.00
Notes Payable	Dalian Bingshan Pate Technology Co.,Ltd	1,503,294.01	
Notes Payable	Jiangsu Jingxue Efficient Technology Co., Ltd.	4,860,000.00	4,903,405.00
Notes Payable	Panasonic Cold Chain (Dalian) Co., Ltd	1,657,321.00	3,939,286.50
Notes Payable	Wuhan LanNing Energy technology Co., Ltd	1,355,550.00	
Notes Payable	Wuhan Sikafu Power Control Equipment Co., Ltd		620,000.00

(IV) Related Party Commitment

None

XII. Share-Based Payment

1．General situation of share payment

Items	**Situation**
Total equity instruments granted by the company during	none

Items	Situation
the period	
Total equity instruments exercised by the company during the period	none
Total equity instruments invalid by the company during the period	413,000.00
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 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	

In accordance with "Restricted Share Incentive Plan (draft)' in 2016 and the 3rd extraordinary shareholder's meeting in 2017, incentive objective, Liu Jie, Meng Yunchan, Fang Zheng, Di Jun, Zhang guanghui 5 persons resigned, therefore, the they are not entitled for share incentive. These 5persons were granted for 413,000 numbers of shares in total. In accordance with "dividend distribution plan of 2016", based on the total number of 611,776,558shares, every 10shares will be granted for 4new shares from capital reserve transfer. After transfer, sum of the unlocked restricted shares granted to these 5 persons is 578,200. On December 8, 2017, the 17th meeting of 7th generation of directors board and the 14th meeting of 7th generation of supervisors board approved "Amendment of share buyback plan of Restricted Share Incentive Plan in 2016"and "Approval of writing off bought back shares within the Restricted Share Incentive Plan in 2016", the Company bought them back and has written off the account. Share buyback is planned to be settled by self financing and the sum of buy back price is 2,279,264.40 Yuan.

2．Share payment settled 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	36,488,675.49
Total cost of share payment recognized by equity settlement this year	12,070,987.49

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 management personnel 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 management personnel 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.

The 4th meeting of the 7th generation of director board approved "proposal for the 2nd unlocking period of restricted share incentive plan". Objectives qualifying for the unlocking conditions are 41 persons, based on the "Profit distribution scheme of 2015", every 10 share capital will granted for 5 new shares by transferring from capital reserve. After transferring to share capital, 6,090,000 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.71% if total of share capital.

The 17th meeting of the 7th generation of director board approved "proposal of 1st unlocking period of restricted share incentive plan in 2016". Objectives qualifying for the unlocking conditions are 113 persons, based on the "Profit distribution scheme of 2016", every 10 share capital will granted for 4 new shares by transferring from capital reserve. After transferring to share capital, 5,237,820 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.61% if total of share capital.

XIII. Contingency

As at 31 December 2017, the Group does not have any other contingencies for disclosure.

XIV. Commitment

As at 31 December 2017, 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
Issuing bond	Convertible company bond privately		Bonds are not issued
Significant External Investment	Acquired Wuhan Lanning shares	4,500,000	

2017 annual shareholder's meeting of Wuhan New World Refrigeration approved to acquire 27.27% shareholding held by Cheng Xiangrong, a shareholder of Wuhan Lanning Energy Technology Co.,Ltd. After acquisition, Wuhan New World Refrigeration increased investment in Wuhan Lanning to 12million Yuan, representing 54.55% of shareholding. Wuhan New

World Refrigeration has signed the transfer agreement with Cheng Xiangrong and paid 4.5million Yuan on January 12th, 2018. Updates of shareholders in Commercial and Industry of Administration has been done in February, 2018, after acquisition, Wuhan New World Refrigeration can control over Wuhan Lanning and acquisition date was recognized as February 28, 2018.

According to the 16th meeting of the 7th generation of board and the 2nd extraordinary shareholders meeting, the Company approved to issue convertible bond privately. The bond can be converted to A share, 'GuoTaiJunAn'(#601211) held by Dalian Refrigeration Company and total face value of the bond is less than 400million Yuan. On February 1st, 2018, the Company has received the "Approval letter of privately listed convertible loan of Dalian Refrigeration Company "(Shangzhenghan[2018]No125) from Shanghai Security and Exchange Market. Up to today, the bond has not been issued yet.

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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 in total, paid out cash dividend of 1Yuan for every 10 shares(before tax),and cash dividend of B shares are 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 12th meeting of the 7th generation of board held on 20th April 2018 approved the profit distribution policy for the year of 2017, extracting 20% of the free surplus reserves and based on 855,908,981 numbers of share in total, paying out cash dividend of 0.5Yuan 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, Chengdu Bingshan. 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 organization 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	2017				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	260,871.59	35,870.70	8,188.96	-96,959.74	207,971.51
2 Cost	258,083.18	35,343.89	8,116.69	-96,959.74	204,584.02
Impairment on assets	2,348.35	295.27	57.29		2,700.91
Depreciation and amortization	4,192.26	1,152.06	16.73		5,361.05
3 Investment income from associates and joint venture	14,187.91	-97.45			14,090.46
4 Operating profits(loss)	24,500.09	569.37	78.56	-3,300.64	21,847.38
5 Income tax	1,532.64	75.67	18.09	-234.63	1,391.77
6 Net profit(loss)	22,967.44	493.71	60.47	-3,066.01	20,455.61
7 Total assets	588,305.71	58,765.89	3,541.54	-88,650.99	561,962.15
8 Total liabilities	203,027.52	44,429.53	1,979.68	-36,955.87	212,480.86

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					

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	414,554,206.31	100.00	57,996,249.38	13.99	356,557,956.93
Accounting age as characters	230,841,994.64	55.68	57,996,249.38	25.12	172,845,745.26
Related party within consolidation scope	183,712,211.67	44.32			183,712,211.67
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	**414,554,206.31**	**100.00**	**57,996,249.38**	**13.99**	**356,557,956.93**

(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	178,100,272.41	100.00	60,524,866.67	33.98	117,575,405.74
Accounting age as characters	178,100,272.41	100.00	60,524,866.67	33.98	117,575,405.74
Related party within					

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
consolidation scope					
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	**178,100,272.41**	**100.00**	**60,524,866.67**	**33.98**	**117,575,405.74**

1) 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	Drawing Proportion (%)
Within 1 year	125,157,912.50	6,257,895.63	5
1-2 years	28,442,788.14	2,844,278.81	10
2-3 years	21,662,625.64	6,498,787.69	30
3-4 years	20,667,685.67	10,333,842.84	50
4-5 years	14,247,691.41	11,398,153.13	80
Over 5 years	20,663,291.28	20,663,291.28	100
Total	**230,841,994.64**	**57,996,249.38**	

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

The bad debt provision has been accrued in the amount of 766,311.58 Yuan, during the report period, bad debt provision is recollected of 661,616.00Yuan.

Key amount of reverse or recollected:

Companies	Reverse(recollected) amount	Regained form	Reasons
Shandong Laiyang Huasheng Food Co., Ltd	293,092.00	lawsuit	judicial decision to receive the debt
Beijing Taizinai Milk Biology Development Co.,LTD	368,524.00	lawsuit	judicial decision to receive the debt
Total	**661,616.00**	—	—

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

Item	Written off amount
Receivable actually written off	3,956,544.87

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Guangzhou Fuli Estate Co.,Ltd	44,290,000.00	Within 1 year	10.68	2,214,500.00
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	27,709,087.18	Within 1 year, 1-2 years	6.68	2,145,439.31
Jilin Changjitu Development &Construction Co.,Ltd	27,000,000.00	Within 1 year	6.51	1,350,000.00
Yangmei Fengxi Fertilizer	16,700,000.00	Within 1 year	4.03	835,000.00
Dalian Mingdi TradingCo.,Ltd	15,130,000.00	Within 1 year	3.65	756,500.00
Total	**130,829,087.18**		**31.55**	**7,301,439.31**

2. Other Receivables

(1) The category of other receivables

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	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	3,605,280.13	100.00	782,482.10	21.70	2,822,798.03
Other receivables with insignificant individual amount and separate bad debt provision					

Total	**3,605,280.13**	**100.00**	**782,482.10**	**21.70**	**2,822,798.03**

(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	5,595,672.42	100.00	1,227,167.35	21.93	4,368,505.07
Other receivables with significant individual amount and separate bad debt provision					
Total	**5,595,672.42**	**100.00**	**1,227,167.35**	**21.93**	**4,368,505.07**

1) 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	Drawing Proportion (%)
Within 1 year	224,619.70	11,230.99	5.00
1-2 years	2,430,000.00	243,000.00	10.00
2-3 years	339,109.75	101,732.93	30.00
3-4 years	330,065.00	165,032.50	50.00
4-5 years	100,000.00	80,000.00	80.00
Over 5 years	181,485.68	181,485.68	100.00
Total	**3,605,280.13**	**782,482.10**	—

(2) Bad debt provision accrued and reversed (withdraw) in 2017.

The bad debt provision has been reversed by 444,685.25Yuan.

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Petty cash	74,915.50	80,892.85
Guarantee deposits	3,501,260.43	5,502,139.57
Others	29,104.20	12,640.00
Total	**3,605,280.13**	**5,595,672.42**

(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	1-2 years, 3-4 years	75.72	393,000.00
Dalian Jinzhou New district Funding agencies and institutions accounting center	Security deposit	339,109.75	2-3 years,	9.41	101,732.93
Dalian economic and technological development zone funding agencies and institutions accounting center	Security deposit	112,985.68	Over 5 years	3.13	112,985.68
Henan Shuanghui Investment Company	Security deposit	100,000.00	4-5years	2.77	80,000.00
Xinjiang Petroleum management Company	Security deposit	60,000.00	Within 1 year	1.66	3,000.00
Total		**3,342,095.43**		**92.69**	**690,718.61**

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	487,496,652.08		487,496,652.08	432,788,001.94		246,597,906.16
Investment of affiliates and JV	1,556,941,899.80		1,556,941,899.80	1,280,624,499.15		1,214,360,893.12
Total	**2,044,438,551.88**		**2,044,438,551.88**	**1,713,412,501.09**		**1,460,958,799.28**

(2) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Bingshan Group Construction Co., Ltd	93,749,675.77			93,749,675.77
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			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	6,872,117.80			6,872,117.80
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd	59,356,051.19			59,356,051.19
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
Bingshan Technical Service （Dalian） Co.,Ltd.	22,024,000.00			22,024,000.00

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Xinminghua Electronics Co., Ltd.	43,766,243.72			43,766,243.72
Dalian Bingshan International Trading Co.,Ltd	16,828,414.72	54,708,650.14		71,537,064.86
Total	**432,788,001.94**	**54,708,650.14**		**487,496,652.08**

(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. Affiliated companys											
Panasonic Refrigeration (Dalian) Co., Ltd.	157,425,641.15			5,991,975.67			1,600,000.00			161,817,616.82	
Panasonic Cold-chain (Dalian) Co., Ltd	217,687,237.26			14,163,570.31			4,800,000.00			227,050,807.57	
Panasonic Compressor (Dalian) Co., Ltd	484,003,393.99			44,000,847.56			38,000,000.00			490,004,241.55	
Dalian Honjo Chemical Co., Ltd	9,642,351.34			912,160.07			1,441,499.53			9,113,011.88	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	52,952,413.79			12,652,398.53			8,000,000.00			57,604,812.32	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	769,463.27			661,677.89						1,431,141.16	
Dalian Fuji Bingshan Vending Machine Co., Ltd	160,787,194.81			26,894,028.83			7,840,000.00			179,841,223.64	

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		
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,018,792.05			340,712.76						13,359,504.81	
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	9,410,006.56			4,102,434.74			1,470,000.00			12,042,441.30	
Jiangsu Jingxue Freezing Equipment Co., Ltd.	151,527,707.42			14,564,351.32						166,092,058.74	
Panasonic cold machine system (Dalian) Co., Ltd	23,400,297.51			4,424,366.91						27,824,664.42	
Bingshan Metal Technical Service （Dalian） Co.,Ltd.		172,950,000.00		14,526,852.76			24,360,221.29			163,116,631.47	
Dalian Bingshan Group Mangement and Consulting Company		49,000,000.00		-1,356,255.88						47,643,744.12	
Total	**1,280,624,499.15**	**221,950,000.00**		**141,879,121.47**			**87,511,720.82**			**1,556,941,899.80**	

At the 1st general meeting in 2017, and 12th meeting of the 7th generation of board of directors held on February 15th,2017, approved Dalian Refrigeration Company to acquire 76% of shareholding of Dalian Bingshan International Trading Co., Ltd, and Beijing Zhongkehua Assets Valuation Co.,LTD was engaged to the thorough valuation of Dalian Bingshan International Trading Co., Ltd, valuation date is December 31st,2017. Based on the valuation results, the share transferring price is 56.15million Yuan for 76% shareholding of Dalian Bingshan International Trading Co., Ltd held by Dalian Bingshan Group. After share transfer, the Company holds 100% of shareholding of Dalian Bingshan International Trading Co., Ltd.

4. Operating revenue and cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	595,981,322.69	495,403,921.28	546,594,784.30	461,413,033.94
Revenue from other operation	20,778,557.97	12,256,853.32	11,810,086.74	7,113,931.96
Total	**616,759,880.66**	**507,660,774.60**	**558,404,871.04**	**468,526,965.90**

5. Investment income

Items	2017	2016
Income from long-term equity investments under equity method	141,879,121.47	131,022,957.13
Income from disposing long-term share equity investments	263,666.08	56,278.70
Income from holding of financial assets available for sale	11,463,569.05	15,961,425.40
Income from disposing available for sale financial investments	27,467,019.93	27,629,395.44
Income from long-term equity investments under cost method	17,365,100.59	12,904,192.38
Total	**198,438,477.12**	**187,574,249.05**

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 20, 2018

Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Items	2017	Notes
Gain or loss from disposal of non-current assets	552,588.02	
Override, no formal approval or accidental tax refund ,deduction or exemption		
Government grants recorded into profit or loss during current period	11,830,406.39	
Expenses for using funds from non financial institution recognized 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		
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, e.g.: suffering natural disasters		
Profit or loss from debts restructuring		
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.	1,418,670.20	
Gains/ loss from contingencies arising from the normal business of the Company		
Gain/loss from change of fair value by holding or disposing the tradable financial asset and liabilities, and available for sale financial assets, other than effective hedging in relation to the company's normal business	27,467,019.93	
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	668,896.45	
Other profit or loss		
Subtotal	41,937,580.99	
Effect on income tax	6,520,362.10	
Attributable to minority shareholders' equity (after tax)	-297,876.84	
Total	35,715,095.73	

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	5.97	0.23	0.23
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	4.91	0.19	0.19

Dalian Refrigeration Co., Ltd

April 20, 2018