



Dalian Refrigeration Co., Ltd.
2016 Semiannual Report

August, 2016

Section 1 Important Notice, Table of Contents, and

Definitions

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

All directors have attended this Board meeting of the Company.

The company plans to distribute no cash dividends, no bonus shares and convert no reserve fund into capital stock.

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

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

CONTENTS

Section 1 Important Notice, Table of Contents, and Definitions.....	2
Section 2 About the Company.....	5
Section 3 Summary of Main Accounting Data and Financial Indicators.....	6
Section 4 Board of Directors' Report.....	7
Section 5 Important Issues.....	13
Section 6 Change in Share Capital and Shareholders' Information.....	16
Section 7 Information on Preferred Stock.....	19
Section 8 Information on the Company's Directors, Supervisors, Senior Management.....	20
Section 9 Financial Report.....	21
Section 10 Contents of Reference Documents.....	104

Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2016 to Jun. 30, 2016
The Company, this Company	Stands for	Dalian Refrigeration Co., Ltd.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd , one of the subsidiary of the Company where the Company holds 100% of its shares.
Bingshan service Company	Stands for	Bingshan technical service (dalian) Co., Ltd.one of the subsidiary of the Company where the Company holds 100% of its shares.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industries Co., Ltd., one of the subsidiary of the Company where the Company holds 100% of its shares.
Bingshan Guardian	Stands for	alian Bingshan Guardian Automation Co., Ltd., one of the controlled subsidiaries of this Company, where the Company holds 60% of its shares before,one of the subsidiary of the Company where the Company holds 100% of its shares now.
Bingshan Ryosetsu	Stands for	Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd., one of the controlled subsidiaries of this Company, where the Company holds 95% of its shares before,one of the subsidiary of the Company where the Company holds 100% of its shares now.
Sanyo Meica	Stands for	Dalian Sanyo Meica Electronics Co., Ltd. one of the mutual shareholding companies of this Company, where the Company holds 30% of its shares before,one of the subsidiary of the Company where the Company holds 100% of its shares now.
Panasonic Compressor	Stands for	Panasonic Compressor (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Cold-Chain	Stands for	Panasonic Cold-Chain (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Refrigeration	Stands for	Panasonic Refrigeration Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Appliances Refrigeration	Stands for	Panasonic Appliances Refrigeration System (Dalian) Co., Ltd.one of the mutual shareholding companies of the Company, where the Company holds 20% of its shares.
Dalian Fuji-Bingshan	Stands for	Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the mutual shareholding companies of this Company, where the Company holds 49% of its shares.
PDM	Stands for	The Product Data Management system, a technology managing all information and processes relating to products to provide information management in the whole life of product and establish a parallel collaborative environment for product design and manufacture within the enterprise.
ERP	Stands for	The Enterprise Resource Planning system, a enterprise information management system oriented to manufacturing industries for the integration management of material resources, financial resources and information resources.
ORC	Stands for	Short for Organic Rankine Cycle, is a Rankine cycle by taking low-boiling organics as the working medium which is mainly comprised of waste heat boiler (or heat exchanger), turbo machinery, condenser and working medium pump.

Section 2 About the Company

I. Company information

Short form of the stock	DALENG GUFEN; DALENG-B
Stock code	000530; 200530
Listed stock exchange	Shenzhen Stock Exchange
Legal name in Chinese	大连冷冻机股份有限公司
Short form of legal name	大冷股份
Legal English name	Dalian Refrigeration Co., Ltd.
Abbreviation of legal English name	DRC
Legal representative	Ji Zhijian

II. Contact persons and information

	Secretary of the Board of Directors	Authorized representative for securities affairs
Name	Song Wenbao	Du Yu
Address	Securities & Legal Affairs Department, No. 888, Xinan Road, Shahekou District, Dalian	Securities & Legal Affairs Department, No. 888, Xinan Road, Shahekou District, Dalian
Tel.	0411-86538130	0411-86538822
Fax	0411-86654530	0411-86654530
E-mail	000530@bingshan.com	000530@bingshan.com

III. Other situations

1. Contact of company

If the registered address, office address and zip code, website, email box of the company had any change in the report period

Applicable Not applicable

The registered address, office address and zip code, website, email box of the company had no change in the report period. Refer to the Annual Report for 2015 for details.

2. Information disclosure and place of preparation

If the information disclosure and the place of preparation had any change in the report period

Applicable Not applicable

The name of newspaper for information disclosure selected by the company, the address of the website designated by China Securities Regulatory Commission for carrying semi-annual report, the place where the semi-annual report of the Company is prepared had no change in the report period. Refer to the Annual Report for 2015 for details.

3. Registration variation

If registration varied in the report period

Applicable Not applicable

According to <the office of the state council about accelerate reform of the system of “the joining together of three certificates” registration>([2015]50) and other relevant documents, the Company has completed the said change of business registration, the registered capital of the Company has changed from 360,164,975 yuan to the 540,247,462 yuan. The unified social credit code of the Company is 912102002423613009.

Section 3 Summary of Main Accounting Data and Financial

Indicators

I. Main accounting data and financial indicators

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

Yes No

item	2016.01-06	2015.01-06	Increase/decrease compared with previous period
Operating revenue	779,919,864.03	711,740,342.13	9.58%
Net profit attributable to shareholders of listed companies	67,487,286.84	65,477,775.99	3.07%
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	61,910,458.03	63,880,328.51	-3.08%
Net cash flow from operating activities	-43,212,032.40	-130,589,921.37	66.91%
Basic earning per share	0.12	0.12	0.00%
Diluted earnings per share	0.12	0.12	0.00%
Weighted average return on net asset yield	2.52%	3.26%	Decrease 0.74 percentage points
	2016.6.30	2015.12.31	Increase/decrease compared with 2015.12.31
Total assets	4,818,332,657.93	4,082,499,864.42	18.02%
Owner's equity attributable to shareholders of listed companies	3,085,362,538.04	2,647,609,091.41	16.53%

II. Difference of accounting data between as per Chinese accounting standards and as per International Accounting Standards

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

III. Non-recurring profits and losses and their amounts

Item	Amount
Disposal gains and losses of non-current asset	-125,152.11
Tax returned/reduced by chance	1,063,207.13
Government subsidies included in current profit or loss	5,563,711.00
Other non-operating revenue or expense	109,601.42
Influence on income tax	1,010,614.26
Influence on minority shareholders	23,924.37
Influence on net profit	5,576,828.81

Section 4 Board of Directors' Report

I. Summary

In first half year of 2016, the Company took “innovation, improvement and promotion” as the subject, kept a firm grasp on innovation-driven and integration of industry & finance, brought forth new ideas in the industrial development model, intensified technical products research, strengthened the removal & reconstruct as a whole, accelerated capital resources integration, sped up management improvement, enhanced the competitiveness, raised operating efficiency, and made efforts to achieve the main operation targets. In the first half year of 2016, the Company achieved operation revenue of RMB 779.92 million, increased 9.58% on a y-o-y basis; and achieved total profit of RMB 72.08 million, increased 2.42% on a y-o-y basis.

In reporting period, the Company continued to deepen the construction of engineering platform and service platform. The engineering platform-Dalian Bingshan Group Engineering Co., Ltd. started off to improving the qualification and increasing capital, proactive in innovation of marketing model, laid stress on the integrated solutions, continued to expand its CO₂ cooling system market, and the orders increased greatly on a y-o-y basis. The service platform-Bingshan Technology Service (Dalian) Co., Ltd. has its ERP system officially launched, the remote monitoring users grew rapidly, service standardization promoted efficiently and the service industrilization expanded step by step.

In reporting period, the Company vigorously promoted the R&D of new products as well as the market expansion with parent company and Wuxin Refirgeration. The petrification screw compressor, CO₂ screw compressor unit, falling-film semi-closed screw liquid chiller and CO₂ evaporator condenser have completed design and commercialization. The systemic technology of marine screw compressor has reached the domestic leading level through the prototype appraisal of new products and technology. The Wuxing Refrigeration's ORC screw expansion generator unit has entered the serialization promotion stage, completed sales of 5 types of units; the steam screw expansion generator unit in the market introduction phase and finished sales of 2 types of units; the pressure energy recovery device for natural gas pipeline network has installed in user site; the exemplary base for new products in all around China has distributed basically completed.

In reporting period, removal and reconstruct of the Company has carried out in an orderly manner. According to the plan of intelligent manufacturing, the Company further optimized the process layout and process scheme in the new factory district. Privately offering was implemented smoothly for guarantee the capital requirement of removal and reconstruction. The intelligent new factory construction was implemented smoothly, key projects as the performance test room and heat&cold energy station in new factory have implemented efficiently. The removal plans and capacity reserve program before removal have completed and implemented step by step.

In reporting period, the Company continued to integrated the capital resources. Purchased 70% shares of Sanyo Meica, and turned Sanyo Meica-the associated company to wholly-owned subsidiary, improving the intelligent level of the Company's products; acquired 5% shares of Bingshan Ryosetsu and increased its capital, turned Bingshan Ryosetsu-the controlling subsidiary to wholly-owned subsidiary, creating a manufacturing base of cryogenic quick freezers for the Company; established an associated company Panasonic Appliances Refrigeration, offering an integrated solutions of Fluorine cold chain system for clients, and satisfied the rapidly needs of hypothermia logistic market in China.

In reporting period, the associated company Panasonic Compressor successfully exploited the air-conditioner market in field of rail transit, continuously enlarged the sales of horizontal scroll compressor for electric motor coach used; actively developed the foreign market in laying emphasis on India and North America; participated in the national standard setting of the AC compressor for electric-mobile used, and honored the second prize of national management modern innovation achievement.

In reporting period, the associated company Panasonic Cold Chain complied with the requirements changed, proactively developed the segment Blue Ocean market; created a new model of selective retailing with Zhengda Group Warehouse Club, and co-operated with Neighborhood Convenience Store to create a tiny and cosy customer experience; actively developed new business of logistics distribution and biomedical and rapidly promoted.

In reporting period, the associated company Dalian Fuji Bingshan fully realized the update intellectually for products, the non-cash payment and remote control system came to a standard configuration, sales revenue and net profit continued to growth greatly. New machine of mini intelligent machine and liquor machine were put on the market. Sales of vending machine have already surpassed 100,000 since established from 2003.

II. Analysis of main business

Main financial data variations as compared to the same period of last year

Monetary unit: RMB Yuan

	Report period	Same period of last year	Increase or decrease from the same period of last year	Reason for variation
Operating revenue	779,919,864.03	711,740,342.13	9.58%	
Operating cost	633,196,577.91	562,347,397.92	12.60%	
Selling and distribution expenses	38,272,388.37	35,327,320.58	8.34%	
Administrative expenses	100,558,702.28	88,737,103.40	13.32%	
Financial expenses	2,913,489.28	-1,831,323.45	259.09%	Mainly due to the loan interest increased and basis of deposit decreased in the Period, then the interest income declined.
Income tax	4,158,394.86	5,691,645.31	-26.94%	
Research and development investment	39,413,744.78	39,001,713.24	1.06%	
Net cash flow coming from operating activities	-43,212,032.40	-130,589,921.37	66.91%	Mainly due to increase of sales income
Net cash flow coming from investment activities	-41,148,797.85	-24,130,819.83	-70.52%	Mainly due to increase of investment of the new factory
Net cash flow coming from fund-raising activities	771,474,292.38	9,509,627.92	8,012.56%	Mainly due to funds raised from private issuing of A-shares
Net increase in cash and cash equivalents	687,096,163.70	-145,466,342.45	572.34%	

The profit constitutions or profit sources of the company had an important change in the report period

Applicable Not applicable

The profit constitutions or profit sources of the company had no important change in the report period.

Extension of future development and plan into the report period as disclosed in such public documents of the company as share-offering prospectus, capital-raising prospectus and assets reorganization report, etc.

Applicable Not applicable

In such public documents of the company as share-offering prospectus, capital-raising prospectus and assets reorganization report, etc. disclosed no extension of future development and plan into the report period

The company reviewed and summarized the progress of the operating plan disclosed in the earlier stage in the report period.

The Company gains operation revenue of 779.92million Yuan in first half of 2016, representing 43.33% of the operation goals for 2016; gains total profit 72.08 million Yuan, representing 46.50% of the operation goals for 2016.

III. Main business structure

Monetary unit: RMB yuan

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues from the same period of last year	Increase/decrease of operating costs from the same period of last year	Increase/decrease of gross profit from the same period of last year
By industry						
Refrigeration and air-conditioning	772,140,745.33	629,066,634.42	18.53%	9.80%	12.88%	Decrease 2.38 percentage points
Others	7,779,118.70	4,129,943.49	46.91%	-8.76%	-33.48%	Increase 19.73 percentage points
By product						
Refrigeration and air-conditioning equipment	772,140,745.33	629,066,634.42	18.53%	9.80%	12.88%	Decrease 2.38 percentage points
Others	7,779,118.70	4,129,943.49	46.91%	-8.76%	-33.48%	Increase 19.73 percentage points
By region						
Northeast China	728,670,905.13	590,637,990.03	18.94%	12.60%	14.96%	Decrease 1.67 percentage points
East China	5,318,937.76	4,147,575.86	22.02%	-60.60%	-56.39%	Decrease 7.52 percentage points
Central China	45,930,021.14	38,411,012.02	16.37%	-10.10%	-1.66%	Decrease 7.18 percentage points

IV. Analysis of core competence

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

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

Taking refrigeration and air-conditioning as its main business, the Company effectively combines the independent R&D and the joint ventures and cooperation and has formed a unique development pattern appropriate to itself and the industry.

In the report period, the Company's core competence was improved further by the actions such as integration of capital and resources and business model innovation.

V. Analysis of investments

1. External equity investments

(1) External investments

External investments		
Investment in the report period (yuan)	Investment in the same period of last year (yuan)	Amount of variation
1,216,177,395.25	1,033,513,959.00	17.67%

(2) Held financial companies' equity

Name of object held	Amount of primary investment	Quantity (Shares) held	Proportion of share equity in that company	Book value at the end of period	Profit and loss within period
Guotai Junan Securities Co., Ltd	30,098,895.00	30,098,895	0.39%	535,459,342.05	15,651,425.40
Total	30,098,895.00	30,098,895	-	535,459,342.05	15,651,425.40

(3) Securities investment

Applicable Not applicable

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

(4) Held other listed companies' equity

Applicable Not applicable

During the reporting period, the Company does not held other listed companies' equity except Guotai Junan Securities Co., Ltd.

2. Trust management, derivative investments, and entrusted loans**(1) Trust management**

Applicable Not applicable

During the reporting period, the Company does not exist trust management.

(2) Derivative investment

Applicable Not applicable

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

(3) Entrusted loans

Applicable Not applicable

During the reporting period, the Company does not exist entrusted loans.

3. The use of funds raised

Applicable Not applicable

During the reporting period, the use of funds raised of the Company please see< the special report of 2016 semi-annual use and deposit of funds raised>which published on <http://www.cninfo.com.cn> on August 26,2016.

The item of use of funds raised

Items	Date of disclosure	Basic situation index
Approved by China Securities Regulatory Commission (hereinafter referred to as "CSRC") 【2015】No. 3137 document "Reply on approval of private placement of Dalian Refrigeration Co., Ltd.", the Company's private placement RMB common shares (A shares) don't exceed 38,821,954 new shares. In May 2016, the Company adjusted the issue price and number after carrying out 2015 annual profit distribution, this private placement has been adjusted to not exceed 58,645,096 new shares. On June 20, 2016, the Company's private placement shares went public, this private placement raised funds of total 579,999,999.44 Yuan, and the net amount of raised funds was 561,281,354.34 Yuan after deducting the relevant intermediary fees and other issuance costs. The total raised funds of this private placement after deducting issuance costs would be invested in the Company's removal and reconstruction project.	January 4,2016	Dalian Refrigeration Co., Ltd. Public Notice on the Approval of the Company' s Non-Public Issuance of A Stocks by CSRC(2016-001)
	June 17,2016	Dalian Refrigeration Co., Ltd. Non-Public Issuance of A Stocks statues report and public announcement (2016-044)

4. Analysis of major subsidiary companies and mutual shareholding companies

Monetary unit: thousand yuan

Name	Type	Main product	Registered capital	Total assets	Net assets	Operating revenue	Net profit
Panasonic Compressor (Dalian) Co., Ltd.	mutual shareholding	Semi-hermetic, and scroll compressor	JPY6,200,000	1,732,376	1,147,256	835,197	83,525
Dalian Fuji-Bingshan Vending Machine Co., Ltd.	Mutual shareholding	Producing and selling vending machines	JPY1,800,000	450,719	268,976	285,818	37,816
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	Mutual shareholding	Air-conditioner for cars	USD15,120.00	375,670	220,572	396,084	48,537

VI. Estimation of the business performance for Jan.-Sept., 2016

Estimation notice that the accumulated net profit from the beginning of year to the end of the next

reporting period may be turned into loss or significantly change compared with the same period of the last year, and explanation of the cause

Applicable Inapplicable

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

Not applicable.

VIII. Explain to the “non standard audit report” for last year from the board of directors of the Company

Not applicable.

IX. Profit distribution and dividend payment

By giving consideration to both the return to shareholders and the Company's long-term development, and in combination of the Company's profit made in the this year, the Company formulated the 2015 annual dividend distribute on plan of paying the cash of 1 yuan for every 10 shares. Based on the total capital stock of 360,164,975 shares, the Company will transfer the capital reserve to increase capital stock, 5 shares for every 10 shares. Reviewed and adopted at the Company's general meeting, the Company's Board of Directors has implemented the plan in May 2016.

Special explanation of the cash dividend distribution policy	
Did it comply with the Company's Articles of Association or the resolutions at the general meeting?	Yes
Were the dividend distribution standard and proportion defined and clear?	Yes
Were the decision-making procedure and system complete?	Yes
Did the independent directors play their role conscientiously?	Yes
Did the minority shareholders have opportunities to fully express their opinions and appeals? Were their legal rights and interests protected fully?	Yes
Were the condition and procedure for adjustment or change of the cash dividend distribution policy compliant and transparent?	Yes

X. Profit distribution preplan, and preplan of share-granting with capital accumulation fund of the Company for the reporting period

Not applicable.

XI. Record of investigation, communication, interview and other activities in the reporting period

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main content talked about and information provided
Jan. 5, 2016	Shenzhen	Road show	Institution	Guan Meng from CITIC Securities and other 30 persons.	Company fundamentals having been publicly disclosed
Jan. 6, 2016	Shanghai	Road show	Institution	Ding Ying from Pina An Securities Co., Ltd. And other persons	
Jan. 7, 2016	Beijing	Road show	Institution	Zhao Hong and Liang Xue from ICBC and other 40 persons.	
Jan18, 2016	Company's office	Field investigatio	Institution	Wu Chen,Lai Qian from Bin Yuan capital.	
Jan27, 2016	Company's office	Field investigatio	Institution	Tu Haifeng from B & D capital and other 2 persons.	
Feb 24, 2016	Company's office	Field investigatio	Institution	Wang Fulin from Industrial Securities Co., Ltd.and other 5 persons.	
Mar. 31, 2016	Company's office	Field investigation	Institution	Huang Kun from Guo Tai junan Securities Co., Ltd.and other 9 persons.	
May.10, 2016	Shanghai	Road show	Institution	Ji Jiamin from CMBC and other 23 persons.	

Section 5 Important Issues

I. Company governing

On Jan,21, 2016, the Company convened its 1st extraordinary shareholders' general meeting in 2016 and elected Ji Zhijian,Liu Kai, Xu Junrao ,Ding Jie, Kudou Sinn ,Kijima Tadatoshi as directors of the Company; Eected Dai Dashuang, Liu Jiwei,Wang Yan as the independent directors of the Company.

On Jan,21, 2016, the Company convened its 1st meeting of the 7th Board of Directors. Elected Mr. Ji Zhijian as the Chairman of the Board, elected Mr. Liu Kai as the Vice Chairman of the Board, engaged Mr.Ding Jie as the General Manager of the Company, engaged Mr. Fan Yuekun and Mr Wang Zhiqiang as the Deputy General Manager of the Company, engaged Mr. Ma Yun as the Chief Financial Officer of the Company, engaged Mr. Song Wenbao as Secretary of the Board of the Company.

The actual situation of company governing has no difference from the Company Law and the requirements of relevant regulations of China Securities Regulatory Commission.

II. Major lawsuit and arbitration issues

Applicable Not applicable

The Company had no major lawsuit and arbitration issues in the reporting period.

III. Media's queries

Applicable Not applicable

There were no media's queries to the Company in the reporting period.

IV. Bankruptcy restructuring related matters

Applicable Not applicable

There were no bankruptcy restructuring related matters to the Company in the reporting period.

V. Important transactions

1. Purchases of important assets

Applicable Not applicable

Within reporting period, the Company acquired 70% equity of Sanyo Meica from Sanyo Electric Co., Ltd., with the price of 21.70 million yuan. The announcement about the equity transfer (announcement number: 2016-027) was published on China Securities and HK Commercial Daily and Cninfo website on March 20,2016.

2. Sales of important assets

Applicable Not applicable

There were no sales of important assets matters of the Company in this reporting period.

3. Enterprise merger

Applicable Not applicable

There were no enterprise merger matters to the Company in this reporting period.

VI. The implementation and effect of equity incentive

Applicable Not applicable

The first phase of restricted stock incentive plan of the Company was completed granting On March 2015,the first period unlocked on April 22,2016. For details, please see the series announcement on China Securities, HK Commercial Daily and Cninfo website.

VII. Important associated transactions

1. Associated transactions related to normal business

Applicable Not applicable

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 280,530 thousand yuan, accounting for 36.43% of the budgeted amount for the year 2016. This included 134,090 thousand yuan, accounting for 35.29% of the budgeted amount for the year 2016, for purchasing supporting products for package projects from associated parties, and 146,440 thousand yuan, accounting for 37.55% of the budgeted amount for the year 2016, from selling supporting parts and components to associated parties.

2. Associated transactions related to purchases or sales of assets

Applicable Not applicable

3. Important associated transactions with joint external investments

Applicable Not applicable

4. Current associated rights of credit and liabilities

Were there current non-operating associated rights of credit and liabilities?

Applicable Not applicable

5. Other associated transactions

Applicable Not applicable

Within reporting period, the Company has invested Panasonic Appliances Refrigeration System (Dalian) Co., Ltd. with Panasonic (China) Co., Ltd., Panasonic Cold Chain (Dalian) Co., Ltd., and Panasonic Compressor (Dalian) Co., Ltd. Until June 21, 2016, Panasonic Appliances Refrigeration System (Dalian) Co., Ltd. has been formally established.

Within reporting period, the Company acquired 70% equity of Sanyo Meica from Sanyo Electric Co., Ltd.

Disclosure website:

announcement	Date of disclosure	Disclosure website
Public notice on related transaction of Frozen Joint Venture Project	April 22, 2016	www.cninfo.com.cn
Notice of Progress of Frozen Joint Venture Project	June 21, 2016	www.cninfo.com.cn
Public Notice on Related Transaction of Equity Transfer of Dalian Sanyo Meica Electronics Co., Ltd.	March 30, 2016	www.cninfo.com.cn

VIII. The non operating funds occupancy to the listing company by controlling shareholder and its related party

Applicable Not applicable

IX. Important contracts and its performance

1. Trusting, contracting and leasing status

(1) Trusting status

Applicable Not applicable

There was no trusting status with the Company in the reporting period.

(2) Contracting status

Applicable Not applicable

There was no contracting status with the Company in the reporting period.

(3) Leasing status

Applicable Not applicable

The company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology

Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square meters, and the rental term till 16th July, 2029. The annual rent fee is RMB 4.2 million after considering the time value of money.

2. Guaranteeing status

Applicable Not applicable

On March 29, 2016, the Company held 2016 second extraordinary general meeting which approved the report on providing guarantee for special funds of China Development Bank development fund. The guarantee form belongs to the controlling shareholder guarantee, but actually it is a guarantee for obtaining financial support for the Company itself. The report disclosed on www.cninfo.com.cn on March 11, 2016 (No. : 2016-018).

3. Other important contracts

Applicable Not applicable

The Company had no other important contracts in the reporting period.

X. Implementation of commitments

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

The implementation for management equity incentive plan has been performed currently.

XI. The appointment and dismissal of accounting firms

Does the semi-annual financial report has been audited?

Applicable Not applicable

The semi-annual financial report has not been audited.

XII. Punishment and rectification

Applicable Not applicable

XIII. Illegal delisting Risk Disclosure

Applicable Not applicable

XIV. Other important matters

Applicable Not applicable

XV. The company bonds

Applicable Not applicable

Section 6 Change in Share Capital and Shareholders'

Information

I. Change in share capital

1. Change in share capital

items	Shares (before change)		Changes	Shares (after change)	
	number	proportion		number	proportion
I. Non-circulating share capital with restricted trade conditions	29,374,451	8.16%	69,334,371	98,708,822	16.48%
3. Other domestic shares	29,374,451	8.16%	69,334,371	98,708,822	16.48%
Including: Shares held by domestic legal person	19,213,921	5.33%	53,944,677	73,158,598	12.22%
Including: Shares held by domestic natural person	10,160,530	2.83%	15,389,694	25,550,224	4.26%
II. Circulating share capital	330,790,524	91.84%	169,393,212	500,183,736	83.52%
1. Domestically listed ordinary shares	215,790,524	59.91%	111,893,212	327,683,736	54.72%
2. Domestically listed foreign shares	115,000,000	31.93%	57,500,000	172,500,000	28.80%
III. Total shares	360,164,975	100.00%	238,727,583	598,892,558	100.00%

2. The reason for the Change in share capital

On January 21, the Company finished the election of the directors and supervisors and employed the senior management, so the member of the these executives changed. On April 22, the first phase of restricted stock plan unlocked. On May 3, the company finished the work of interest distribution of the last year, transfer the capital reserve to increase capital stock, 5 shares for every 10 shares.

.On Jun. 20th, the private placement of A share began to be traded on market. The things mentioned above in the report has caused the change of the total amount of shares and the structure of stock.

3. The approval of the Change in share capital

The company's 2015 annual profit distribution plans was approved by 2015 Shareholders' General Meeting. The company's issuing of A-shares privately was approved by CSRC on Dec 30, 2015.

4. transfer of ownership of the Change in share capital

Applicable Not applicable

5. the influence of change in share capital on the a recent year and recent issue for basic earnings per share, diluted earnings per share and net assets per share.

(1) The basic per share of 2015 is 0.36 yuan; According to the latest equity is adjusted for 0.24 yuan;

(2) The diluted per share of 2015 is 0.36 yuan; According to the latest equity is adjusted for 0.24 yuan;

(3) The net assets per share of 2015 is 7.35 yuan; According to the latest equity is adjusted for 4.90 yuan

(4) The basic per share of the first quarter of 2015 is 0.07 yuan; According to the latest equity is adjusted for 0.047 yuan;

(5) The diluted per share of the first quarter of 2015 is 0.07 yuan; According to the latest equity is adjusted for 0.047 yuan;

(6) The net assets per share of the first quarter of 2015 is 7.13 yuan; According to the latest equity is adjusted for 4.75 yuan.

II. Number of shareholders and their shareholding

Total number of shareholders in the reporting period				35,680	
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	20.38%	122,083,524	28,820,881	
Sanyo Electric Co., Ltd.	Overseas legal person	8.77%	52,502,250	0	
Industrial Securities Golden Kylin No. 2 Collective Asset Management Plan	Others	2.78%	16,678,116	7,280,081	
National Social Security Funds 107 Portfolio	Others	2.03%	12,172,406	0	
Chen Baohua	Domestic natural person	1.55%	9,287,598	0	
National Social Security Funds 104 Portfolio	Others	1.38%	8,264,467	5,864,510	
National Social Security Funds 503Portfolio	Others	0.98%	5,864,510	5,864,510	
Zhejiang Caitong Capital Co., Ltd - Caitong Capital Kunze No. 2 Securities vInvestment Fund	Others	0.98%	5,864,509	5,864,509	
Shenzhen B & D Capital Fengnian Jinjia No. 1 Fund	Others	0.98%	5,864,509	5,864,509	
China Everbright Bank Yangguang Dingzeng Portfolio Asset Management Plan	Others	0.70%	4,165,041	3,307,360	
Shareholding of top ten shareholders without sale restriction					
Name	Number of shares without sale restriction		Type of shares		
Dalian Bingshan Group Co., Ltd.	93,262,643		RMB denominated ordinary shares		
Sanyo Electric Co., Ltd.	52,502,250		Domestically listed foreign shares		
National Social Security Funds 107 Portfolio	12,172,406		RMB denominated ordinary shares		
Industrial Securities Golden Kylin No. 2 Collective Asset Management Plan	9,398,035		RMB denominated ordinary shares		
Chen Baohua	9,287,598		RMB denominated ordinary shares		
Lin Zhenming	4,160,000		Domestically listed foreign shares		
Sun Huiming	3,724,449		Domestically listed foreign shares		
Industrial and Commercial Bank of -Peng Hua reform dividend equity securities investment fund	3,638,357		RMB denominated ordinary shares		
China Life Insurance Company Ltd-dividend-individual dividend-005L-FH002SHEN-	3,082,364		RMB denominated ordinary shares		
China Construction Bank Corporation - Manufacturing Excellence equity securities investment fund of China International Fund Management	2,632,916		RMB denominated ordinary shares		
Notes to the associated relationship and uniform actions of the above shareholders	Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.				

If the company shareholders had any agreed repurchase transaction in the report period

Yes No

III. Variation in controlling shareholders or actual controllers

Variation in controlling shareholders in the report period

Applicable Not applicable

There were no changes in the controlling shareholder in the reporting period.

Variation in actual controllers in the report period

Applicable Not applicable

IV. Stock holdings plan from the Company's shareholders in the report period

Applicable Not applicable

On February 22, 2016, the Company received notice from the controlling shareholder Bingshan Group which planned to timely overweight the Company's shares in accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange within six month (hereinafter referred to as "overweight implementation period") since the date of the first overweight (February 22, 2016), the accumulative overweight proportion should be no less than 1% of the Company's total capital, and the total accumulative overweight amount should not exceed 160 million Yuan.

Up to August 22, 2016, Bingshan Group has accumulatively over weighted the Company's A shares of 6,800,000 shares by concentrated bidding in the trading system of Shenzhen Stock Exchange, accounting for 1.14% of the Company's current total capital of 598,892,558 shares, which has exceeded the lower limit of this overweight; the accumulative overweight amount reaches 69,917,049.40 Yuan, not exceeding the upper limit of this overweight; the average price of overweight is 10.28 Yuan / share.

Section 7 Information on Preferred Stock

Applicable Not applicable

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

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

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

√Applicable □ Not applicable

Name	Position	Office-holding state	Shares held at beginning of period (shares)	Increase on holding of shares in this period (shares)	Decrease in holding of shares in this period (share)	Shares held at the end of period (shares)
Ji Zhijian	Chairman	Incumbent	942,300		0	1,413,450
Liu Kai	Vice Chairman	Incumbent	659,600			989,400
Xu Junrao	Director	Incumbent	663,500		0	995,249
Ding Jie	Director, GM	Incumbent	150,000		0	225,000
Wang Zhiqiang	Director,	Incumbent	376,900		0	565,349
Yu Fuchun	Chairman of Board of Supervisors	Incumbent	10,140		0	15,211
Song Wenbao	Board secretary	Incumbent	282,800			424,200
Li Wenjiang	DGM	Leaving the post	376,900		0	565,350
Rong Yan	CFO	Leaving the post	376,900		0	565,350
Total	--	--	3,839,040		0	5,758,559

Changes in shareholding by directors, supervisors and senior managers within the period is due to the implementation of the company's transfer the capital reserve to increase capital stock of 2015

II. Resignation, dismissal and election, engagement of company directors, supervisors, senior management officers

Name	Position assumed	Type	Date	Reason
Ji Zhijian	Chairman	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Liu Kai	Vice Chairman	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Xu Junrao	Director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Ding Jie	Director, GM	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Kudou Sinn	Director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Kijima Tadatoshi	Director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Dai Dashuang	Independent director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Liu Jiwei	Independent director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Wang Yan	Independent director	Be elected	Jan.21,2016	The transition of the Board of Directors,be elected
Yu Fuchun	supervisor	Be elected	Jan.21,2016	The transition of the Board of Supervisors,be elected
Mao Chunhua	supervisor	Be elected	Jan.21,2016	The transition of the Board of Supervisors,be elected
Dai Yuling	supervisor	Be elected	Jan.21,2016	The transition of the Board of Supervisors,be elected
Fan Yuekun	DGM	Be employed	Jan.21,2016	Be employed
Wang Zhiqiang	DGM	Be employed	Jan.21,2016	Be employed
Ma Yun	CFO	Be employed	Jan.21,2016	Be employed
Song Wenbao	Board secretary	Be employed	Jan.21,2016	Be employed
Kobayashi Noriaki,	Vice Chairman	Leaving the post	Jan.21,2016	The expiration of the term,Leaving the post
Li Wenjiang	DGM	Leaving the post	Jan.21,2016	The expiration of the term,Leaving the post
Rong Yan	CFO	Leaving the post	Jan.21,2016	The expiration of the term,Leaving the post

Section 9 Financial report

I. The Company's semiannual financial report has not been audited.

II. Accounting statement

BALANCE SHEET

Prepared by Dalian Refrigeration Co., Ltd.

June 30, 2016

Unit: RMB Yuan

Assets	30-June-2016		31-Dec-2015	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	921,341,559.47	851,302,137.13	244,789,824.53	149,314,329.13
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Notes receivable	72,063,636.61	25,643,391.35	71,699,517.68	40,690,578.22
Accounts receivable	800,671,319.79	204,420,248.66	671,423,836.87	196,691,940.87
Accounts in advance	68,420,154.43	38,529,153.28	44,218,887.91	22,523,974.19
Interest receivables				
Dividend receivable	35,000,000.00	35,000,000.00	44,600.00	
Other receivables	38,928,913.96	57,919,305.61	22,755,328.21	43,691,612.45
Inventories	293,140,904.67	117,425,806.98	259,099,149.47	122,212,395.56
Assets held for sale				
Non-current asset due within one year				
Other current assets	2,012,228.60	1,280,838.92	16,478,711.86	7,918,692.08
Total current assets	2,231,578,717.53	1,331,520,881.93	1,330,509,856.53	583,043,522.50
Non-current assets:				
Finance asset held available for sales	549,371,000.64	548,055,858.14	733,275,249.09	731,960,106.59
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,216,177,395.25	1,468,504,154.95	1,220,367,767.73	1,460,958,799.28
Investment property	24,191,921.50	24,191,921.50	24,497,584.00	24,497,584.00
Fixed assets	431,589,357.99	234,918,500.32	449,907,430.32	246,435,789.69
Construction in progress	179,319,154.71	151,333,078.28	137,025,384.58	109,277,419.44
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	156,948,744.19	89,442,463.24	158,417,802.57	90,015,524.05
Expense on Research and Development				
Goodwill	1,440,347.92		1,440,347.92	
Long-term expenses to be apportioned	5,083,505.09	4,285,722.88	5,857,504.95	5,033,031.30
Deferred income tax asset	22,632,513.11	7,686,130.36	21,200,936.73	8,675,787.57
Other non-current asset				
Total non-current asset	2,586,753,940.40	2,528,417,829.67	2,751,990,007.89	2,676,854,041.92
Total assets	4,818,332,657.93	3,859,938,711.60	4,082,499,864.42	3,259,897,564.42

BALANCE SHEET (CONTINUED)

Prepared by Dalian Refrigeration Co., Ltd.

June 30, 2016

Unit: RMB Yuan

Liabilities and shareholders' equity	30-June-2016		31-Dec-2015	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	162,600,000.00	107,600,000.00	82,600,000.00	27,600,000.00
Derivative financial liabilities				
Notes payable	159,933,253.32	79,203,046.02	234,189,011.72	177,683,261.74
Accounts payable	802,354,889.82	330,066,579.00	660,398,503.26	293,389,981.61
Accounts received in advance	109,193,294.12	30,690,248.35	70,458,014.46	25,768,511.15
Wage payable	25,839,889.64	1,780,001.31	51,857,345.29	11,208,398.45
Taxes payable	27,925,296.64	7,659,324.30	15,701,578.36	873,038.30
Interest payable				
Dividend payable	533,156.00	533,156.00	533,156.00	533,156.00
Other accounts payable	96,758,383.05	53,334,588.75	99,890,290.15	55,807,703.77
Liabilities held for sale				
Non-current liabilities due within one year				
Other current liabilities				
Total current liabilities	1,385,138,162.59	610,866,943.73	1,215,627,899.24	592,864,051.02
Non-current liabilities:				
Long-term loans	160,000,000.00	160,000,000.00		
Bonds payable				
Long-term account payable				
Long-term wage payable				
Special accounts payable				
Projected liabilities				
Deferred income	48,545,460.00	3,428,460.00	49,378,296.00	3,704,296.00
Deferred income tax liabilities	76,041,391.79	76,041,391.79	103,627,029.06	103,627,029.06
Other non-current liabilities				
Total non-current liabilities	284,586,851.79	239,469,851.79	153,005,325.06	107,331,325.06
Total liabilities	1,669,725,014.38	850,336,795.52	1,368,633,224.30	700,195,376.08
Shareholders' equity				
Share capital	598,892,558.00	598,892,558.00	360,164,975.00	360,164,975.00
Other equity instruments				
Capital public reserve	954,138,677.42	967,623,605.46	630,264,991.95	640,764,783.03
Specialized reserve	39,503,800.00	39,503,800.00	39,503,800.00	39,503,800.00
Other comprehensive income	433,669,506.87	432,440,579.25	589,988,118.05	588,759,190.43
Special preparation				
Surplus public reserve	605,974,732.67	605,974,732.67	580,769,740.16	580,769,740.16
Retained profit	532,190,863.08	444,174,240.70	525,925,066.25	428,747,299.72
Translation of foreign currency capital				
Total owner's equity attributable to parent company	3,085,362,538.04	3,009,601,916.08	2,647,609,091.41	2,559,702,188.34
Minority interests	63,245,105.51		66,257,548.71	
Total owner's equity	3,148,607,643.55	3,009,601,916.08	2,713,866,640.12	2,559,702,188.34
Total liabilities and shareholder's equity	4,818,332,657.93	3,859,938,711.60	4,082,499,864.42	3,259,897,564.42

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

INCOME STATEMENT

Prepared by Dalian Refrigeration Co., Ltd.

January-June, 2016

Unit: RMB Yuan

Items	January-June, 2016		January-June, 2015	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	779,919,864.03	320,569,072.88	711,740,342.13	299,875,171.09
Including: Operating income	779,919,864.03	320,569,072.88	711,740,342.13	299,875,171.09
II. Total operating cost	792,230,279.52	326,095,453.00	692,522,643.78	292,127,877.31
Including: Operating cost	633,196,577.91	268,472,467.44	562,347,397.92	247,322,955.72
Taxes and associate charges	6,357,716.42	989,231.06	5,466,860.36	1,160,192.70
Selling and distribution expenses	38,272,388.37	1,157,365.43	35,327,320.58	1,506,513.32
Administrative expenses	100,558,702.28	54,874,915.91	88,737,103.40	51,690,825.61
Financial expense	2,913,489.28	180,568.43	-1,831,323.45	-3,950,961.70
Impairment loss	10,931,405.26	420,904.73	2,475,284.97	-5,601,648.34
Add: Gain/(loss) from change in fair value				
Gain/(loss) from investment	76,942,313.59	76,688,140.71	48,393,081.52	52,308,865.91
Including: income from investment on affiliated enterprise and jointly enterprise	60,980,888.19	60,980,888.19	48,083,081.52	48,083,081.52
III. Operating profit	64,631,898.10	71,161,760.59	67,610,779.87	60,056,159.69
Add: non-business income	7,728,227.93	6,541,575.73	2,768,512.07	2,043,822.27
Including: profit from non-current asset disposal	64,284.56	18,634.56	28,868.06	9,807.69
Less: non-business expense	284,024.49	65,248.12	4,465.70	437.18
Including: loss from non-current asset disposal	189,436.67	5,248.12	2,394.33	437.18
IV. Total profit	72,076,101.54	77,638,088.20	70,374,826.24	62,099,544.78
Less: Income tax	4,158,394.86	989,657.21	5,691,645.31	1,108,713.27
V. Net profit	67,917,706.68	76,648,430.99	64,683,180.93	60,990,831.51
Net profit attributable to parent company	67,487,286.84	76,648,430.99	65,477,775.99	60,990,831.51
Minority shareholders' gains and losses	430,419.84		-794,595.06	
VI. After-tax net amount of other comprehensive incomes	-156,318,611.18	-156,318,611.18	852,972,585.40	852,972,585.40
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-156,318,611.18	-156,318,611.18	852,972,585.40	852,972,585.40
(I) Other comprehensive incomes that will not be reclassified into gains and losses				
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement				
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method				
.....				
(II) Other comprehensive incomes that will be reclassified into gains and losses	-156,318,611.18	-156,318,611.18	852,972,585.40	852,972,585.40
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method				
2. Gains and losses on fair value changes of available-for-sale financial assets	-156,318,611.18	-156,318,611.18	852,972,585.40	852,972,585.40
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets				
4. Effective hedging gains and losses on cash flows				
5. Foreign-currency financial statement translation difference				
6. Other				

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

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After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	-88,400,904.50	-79,670,180.19	917,655,766.33	913,963,416.91
Total comprehensive income attributable to parent company	-88,831,324.34	-79,670,180.19	918,450,361.39	913,963,416.91
Total comprehensive income attributable to minority shareholders	430,419.84		-794,595.06	
VIII. Earnings per share				
(I) basic earnings per share	0.12		0.12	
(II) diluted earnings per share	0.12		0.12	

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua

CASH FLOW STATEMENT

Prepared by Dalian Refrigeration Co., Ltd.

January -June, 2016

Unit: RMB Yuan

Items	January -June, 2016		January -June, 2015	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	612,643,833.88	259,220,476.51	382,614,969.22	109,026,091.80
Write-back of tax received	1,219,944.42		745,652.66	
Other cash received concerning operating activities	21,983,586.09	15,102,431.77	15,112,738.10	9,419,307.14
Subtotal of cash inflow arising from operating activities	635,847,364.39	274,322,908.28	398,473,359.98	118,445,398.94
Cash paid for purchasing commodities and receiving labor service	407,133,517.79	195,922,929.14	272,348,733.40	146,775,719.87
Cash paid to/for staff and workers	161,880,409.64	67,168,303.41	152,175,815.25	66,965,526.52
Taxes paid	45,594,756.78	6,772,361.54	38,023,028.19	11,822,825.39
Other cash paid concerning operating activities	64,450,712.58	23,317,407.77	66,515,704.51	21,159,867.78
Subtotal of cash outflow arising from operating activities	679,059,396.79	293,181,001.86	529,063,281.35	246,723,939.56
Net cash flows arising from operating activities	-43,212,032.40	-18,858,093.58	-130,589,921.37	-128,278,540.62
II. Cash flows arising from investing activities:				
Cash received from recovering investment		145,827.12		
Cash received from investment income	47,177,286.07	47,132,686.07	19,113,061.37	19,113,061.37
Net cash received from disposal of fixed, intangible and other long-term assets	89,140.00	43,000.00	55,285.00	10,000.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	47,266,426.07	47,321,513.19	19,168,346.37	19,123,061.37
Cash paid for purchasing fixed, intangible and other long-term assets	81,863,897.67	74,864,341.64	29,845,066.20	19,426,933.55
Cash paid for investment	6,551,326.25	13,135,728.15	13,454,100.00	22,166,934.15
Net cash received from payment of subsidiaries and other business units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	88,415,223.92	88,000,069.79	43,299,166.20	41,593,867.70
Net cash flows arising from investing activities	-41,148,797.85	-40,678,556.60	-24,130,819.83	-22,470,806.33
III. Cash flows arising from financing activities				
Cash received from absorbing investment	561,931,354.34	561,931,354.34	60,434,000.00	56,434,000.00
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries			4,000,000.00	
Cash received from loans	291,400,000.00	240,000,000.00	27,360,000.00	
Other cash received concerning financing activities	20,710,827.68	720,332.73	32,953,876.63	16,145,665.64
Subtotal of cash inflow from financing activities	874,042,182.02	802,651,687.07	120,747,876.63	72,579,665.64
Cash paid for settling debts	52,600,000.00		21,760,000.00	
Cash paid for dividend and profit distributing or interest paying	39,846,628.47	36,997,965.58	54,557,721.81	52,031,349.57

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Including: dividends or profit paid by subsidiaries to minority shareholders			392,000.00	
Other cash paid concerning financing activities	10,121,261.17	3,430,000.00	34,920,526.90	20,975,652.64
Subtotal of cash outflow from financing activities	102,567,889.64	40,427,965.58	111,238,248.71	73,007,002.21
Net cash flows arising from financing activities	771,474,292.38	762,223,721.49	9,509,627.92	-427,336.57
IV. Influence on cash due to fluctuation in exchange rate	-17,298.43	-24,068.33	-255,229.17	-287,527.51
V. Net increase of cash and cash equivalents	687,096,163.70	702,663,002.98	-145,466,342.45	-151,464,211.03
Add: Balance of cash and cash equivalents at the period -begin	221,724,134.60	147,439,134.15	475,557,589.39	391,427,532.25
VI. Balance of cash and cash equivalents at the period-end	908,820,298.30	850,102,137.13	330,091,246.94	239,963,321.22

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2016.01-06

Unit: RMB Yuan

Items	2016.01-06									
	Owners' equity attributable to parent company								Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Surplus reserve	Special preparation	Retained profits	Others		
I. balance at the end of last year	360,164,975.00	630,264,991.95	39,503,800.00	589,988,118.05	580,769,740.16		525,925,066.253		66,257,548.71	2,713,866,640.12
1. Change of accounting policy										
2. Correction of errors in previous period										
II. Balance at the beginning of this year	360,164,975.00	630,264,991.95	39,503,800.00	589,988,118.05	580,769,740.16		525,925,066.253		66,257,548.71	2,713,866,640.12
III. Increase/ decrease of amount in this year ("-" means decrease)	238,727,583.00	323,873,685.47		-156,318,611.18	25,204,992.51		6,265,796.83		-3,012,443.20	434,741,003.43
(I) Total comprehensive incomes				-156,318,611.18			67,487,286.84		430,419.84	-88,400,904.50
(II) Capital increased and reduced by owners	238,727,583.00	503,956,172.47							-2,364,863.04	740,318,892.43
1. Common shares increased by shareholders	58,645,096.00	503,917,805.38							-2,364,863.04	560,198,038.34
2. Capital increased by holders of other equity instruments										
3. Amounts of share-based payments recognized in owners' equity	180,082,487.00									180,082,487.00
4. Other		38,367.09								
(III) Profit distribution					25,204,992.51		-61,221,490.01		-1,078,000.00	-37,094,497.50
1. Withdrawing surplus public reserve					25,204,992.51		-25,204,992.51			
2. Distribution to all owners (shareholders)							-36,016,497.50		-1,078,000.00	-37,094,497.50
3. Others										
(IV) Internal carrying forward of owners' equity		-180,082,487.00								-180,082,487.00
1. New increase of share capital from capital reserves		-180,082,487.00								-180,082,487.00
2. Convert surplus reserves to share capital										
3. Surplus reserves make up losses										
4. Others										
(V) Specific reserve										
1. Withdrawn for the period						991,475.25				991,475.25
2. Used in the period						991,475.25				991,475.25
(VI) Other										
IV. Balance at the end of this period	598,892,558.00	954,138,677.42	39,503,800.00	433,669,506.87	605,974,732.67		532,190,863.08		63,245,105.51	3,148,607,643.55

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Items	2015.01-12									
	Owners' equity attributable to parent company								Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Surplus reserve	Special preparation	Retained profits	Others		
I. balance at the end of last year	350,014,975.00	582,288,006.29		2,768,286.72	545,788,247.99		486,167,740.13		96,631,415.08	2,063,658,671.21
1. Change of accounting policy										
2. Correction of errors in previous period										
II. Balance at the beginning of this year	350,014,975.00	582,288,006.29		2,768,286.72	545,788,247.99		486,167,740.13		96,631,415.08	2,063,658,671.21
III. Increase/ decrease of amount in this year ("-" means decrease)	10,150,000.00	47,976,985.66	39,503,800.00	587,219,831.33	34,981,492.17		39,757,326.12		-30,373,866.37	650,207,968.91
(I) Total comprehensive incomes				587,219,831.33			129,947,307.39		1,267,714.76	718,434,853.48
(II) Capital increased and reduced by owners	10,150,000.00	47,976,985.66	39,503,800.00						-29,139,058.21	-10,515,872.55
1. Common shares increased by shareholders	10,150,000.00	35,784,208.92	39,503,800.00						-29,139,058.21	-22,708,649.29
2. Capital increased by holders of other equity instruments										
3. Amounts of share-based payments recognized in owners' equity		12,190,520.00								12,190,520.00
4. Other		2,256.74								2,256.74
(III) Profit distribution					34,981,492.17		-90,189,981.27		-2,502,522.92	-57,711,012.02
1. Withdrawing surplus public reserve					34,981,492.17		-34,981,492.17			
2. Distribution to all owners (shareholders)							-54,024,746.25		-2,502,522.92	-56,527,269.17
3. Others							-1,183,742.85			-1,183,742.85
(IV) Internal carrying forward of owners' equity										
1. New increase of share capital from capital reserves										
2. Convert surplus reserves to share capital										
3. Surplus reserves make up losses										
4. Others										
(V) Specific reserve										
1. Withdrawn for the period						1,982,950.50				1,982,950.50
2. Used in the period						1,982,950.50				1,982,950.50
(VI) Other										
IV. Balance at the end of this period	360,164,975.00	630,264,991.959	39,503,800.00	589,988,118.05	580,769,740.16		525,925,066.25		66,257,548.71	2,713,866,640.12

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2016.01-06

Unit: RMB Yuan

Items	2016.01-06								Total of owners' equity
	Owners' equity attributable to parent company								
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. balance at the end of last year	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
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this 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
III. Increase/ decrease of amount in this year ("-" means decrease)	238,727,583.00		326,858,822.43		-156,318,611.18		25,204,992.51	15,426,940.98	449,899,727.74
(I) Total comprehensive incomes					-156,318,611.18			76,648,430.99	-79,670,180.19
(II) Capital increased and reduced by owners	238,727,583.00		506,941,309.43						745,668,892.43
1. Common shares increased by shareholders	58,645,096.00		506,902,942.34						565,548,038.34
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity	180,082,487.00								180,082,487.00
4. Other			38,367.09						38,367.09
(III) Profit distribution							25,204,992.51	-61,221,490.01	-36,016,497.50
1. Withdrawing surplus public reserve							25,204,992.51	-25,204,992.51	
2. Distribution to all owners (shareholders)								-36,016,497.50	-36,016,497.50
3. Others									
(IV) Internal carrying forward of owners' equity			-180,082,487.00						-180,082,487.00
1. New increase of share capital from capital reserves			-180,082,487.00						-180,082,487.00
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						991,475.25			991,475.25
2. Used in the period						991,475.25			991,475.25
(VI) Other									
IV. Balance at the end of this period	598,892,558.00		967,623,605.46	39,503,800.00	432,440,579.25		605,974,732.67	444,174,240.70	3,009,601,916.08

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Items	2015.01-12								
	Owners' equity attributable to parent company								Total of owners' equity
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. balance at the end of last year	350,014,975.00		582,288,006.29		1,539,359.10		545,788,247.99	391,728,575.59	1,871,359,163.97
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	350,014,975.00		582,288,006.29		1,539,359.10		545,788,247.99	391,728,575.59	1,871,359,163.97
III. Increase/ decrease of amount in this year ("-" means decrease)	10,150,000.00		58,476,776.74	39,503,800.00	587,219,831.33		34,981,492.17	37,018,724.13	688,343,024.37
(I) Total comprehensive incomes					587,219,831.33			126,024,962.55	713,244,793.88
(II) Capital increased and reduced by owners	10,150,000.00		58,476,776.74	39,503,800.00					29,122,976.74
1. Common shares increased by shareholders	10,150,000.00		46,284,000.00	39,503,800.00					16,930,200.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			12,190,520.00						12,190,520.00
4. Other			2,256.74						2,256.74
(III) Profit distribution							34,981,492.17	-89,006,238.42	-54,024,746.25
1. Withdrawing surplus public reserve							34,981,492.17	-34,981,492.17	
2. Distribution to all owners (shareholders)								-54,024,746.25	-54,024,746.25
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						1,982,950.50			1,982,950.50
2. Used in the period						1,982,950.50			1,982,950.50
(VI) Other									
IV. Balance at the end of this period	360,164,975.00		640,764,783.03	39,503,800.00	588,759,190.43		580,769,740.16	428,747,299.72	2,559,702,188.34

Legal Representative: Ji Zhijian Chief Financial Official: Ma Yun Person in Charge of Accounting Organization: Mao Chunhua

III. Notes to the accounting statement

(All amounts in RMB Yuan unless otherwise stated)

1. General information

Dalian Refrigeration Company Limited (the "Company") was reorganized from main part of former Dalian Refrigeration Factory, and incorporated in the People's Republic of China (the "PRC") on December 18, 1993 as a joint stock limited company. The Company's domestically listed RMB denominated ordinary shares ("A shares") and domestically listed foreign investment ordinary shares ("B shares") were listed on the Shenzhen Stock Exchange in the PRC in December 1993 and March 1998 respectively. The Company together with its subsidiaries is hereinafter collectively referred to as the "Group". The Company deliberated and passed "2015 Annual Profit Distribution Plan" by the third board meeting of the seventh board of directors, 2016 general meeting of stockholders approved the Company to calculate according to the total capital of 360,164,975 shares in 2016, increasing by transferring 5 shares of capital reserve per every 10 shares, which newly increased 180,082,487 shares after the completion of transferring. The Company deliberated and passed the "Proposal of private placement of A shares" by the 17th meeting of the 6th session of the Board of directors, approved by 2015 second extraordinary general meeting and China Securities Regulatory Commission, 2016 private placement of A shares newly increased by 58,645,096 shares. The address of the Company's registered office is No.888 Xinan Road, Shahekou District, Dalian, China. The parent company of the Company is Dalian Bingshan Group Co., Ltd.

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

The financial statements were permitted to disclose by the board of directors of the Company on 25th August, 2016.

2. The scope of consolidation

There are 8 entities included in the current consolidated financial statements, including:

Names of subsidiaries	Types	Level	Proportion of shareholding (%)	Proportion of votes (%)
Dalian Bingshan Group Engineering Co., Ltd.	Fully owned	1	100	100
Dalian Bingshan Group Sales Co., Ltd.	Fully owned	1	100	100
Dalian Bingshan Air-Conditioning Equipment Co., Ltd.	Holding subsidiary	1	70	70
Dalian Bingshan Guardian Automation Co., Ltd.	Fully owned	1	100	100
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Holding subsidiary	1	95	95
Wuhan New World Refrigeration Industrial Co., Ltd.	Fully owned	1	100	100
Bingshan Technical Service (Dalian) Co., Ltd.	Fully owned	1	100	100
Dalian Universe Thermal Technology Co., Ltd	Holding subsidiary	1	55	55

The subject included in consolidated financial statement in the reporting period decreased the Dalian Bingshan Metal Processing Co., Ltd. over that of last period.

The Company's 15th meeting of the 6th session of the Board of directors decided the Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. to merge the original wholly-owned subsidiary Dalian Bingshan Metal Processing Co., Ltd. The base date of merger was December 31, 2014, and Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. became the surviving corporation after the merger. Up to June 30, 2016, above-mentioned changes have been completed, and the Company's shareholding ratio is changed to 95%. Therefore, in the current consolidated statements, one consolidation subject Dalian Bingshan Metal Processing Co., Ltd. would be removed.

The Company's board of directors decided to accept 30% stock rights of Dalian Bingshan Group Sales Co., Ltd. held by wholly-owned subsidiary Wuhan New World Refrigeration Industrial Co., Ltd. Up to June 30, 2016, the above-mentioned stock right transfer has been completed, the Company's shareholding ratio changes to 100%, and Dalian Bingshan Group Sales Co., Ltd becomes a wholly owned subsidiary of the Company.

The Company's board of directors decided to accept 40% stock rights of the original holding subsidiary, Dalian Bingshan Guardian Automation Co., Ltd., up to June 30, 2016, the above-mentioned stock right transfer has been completed, the Company's shareholding ratio changes to 100%, and Dalian Bingshan Guardian Automation Co., Ltd. becomes a wholly owned subsidiary of the Company.

Dalian Universe Thermal Technology Co., Ltd. formerly known as Dalian Sanyo Efficient Refrigeration System Co., Ltd. has changed its name to be Dalian Universe Thermal Technology Co., Ltd. on May 3, 2016.

IV Basic of preparation of financial statements

1. Basic of preparation of financial statements

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

2. Going-concern

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

V.The main accounting policies, accounting estimates and corrections of accounting errors

1. Declaration on following Accounting Standard for Business Enterprises

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

2. Fiscal year

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

3. Operating Cycle

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

4. Functional currency

RMB was the functional currency of the Company.

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

A. The Company adopts equity method for business combination under same control. The assets and liabilities that the combining party obtained in a business combination shall be measured on their carrying amount in the combined party on the combining date. The difference between the carrying amount of net assets acquired by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued) shall be adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earning is adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, and legal service fees and so on are recognized in profit or loss during the current period when they occurred. The bonds issued for a business combination or the handling fees, commissions and other expenses for bearing other liabilities shall be recorded in the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses

for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset. Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall, on the combining date, prepare consolidated financial statements according to the accounting policy of the Company.

B. The Company adopts acquisition method for business combination not under same control. The acquirer shall recognize the initial cost of combination under the following principles: a) When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree; b) For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions; c) The costs directly attributed to business combination are included in the cost of combination; d) Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

The acquirer shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair value, and shall record the balances between them and their carrying amounts into the profits and losses at the current period. The acquirer shall distribute the combination costs on the acquisition date, and shall recognize all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree. a. the acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; b. if the combination costs are less than the fair value of the identifiable net assets obtained from acquiree, the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities obtained from the acquiree as well as the combination costs; and then after the reexamination, the result is still the same, the difference shall be recorded in the profit and loss of the current period.

Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall prepare accounting books for future reference, which shall record the fair value of the identifiable assets, liabilities and contingent liabilities obtained from the subsidiary company on the acquisition date. When preparing consolidated financial statements, it shall adjust the financial statements of the subsidiary company on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date according to the Company's accounting policy of "Consolidated financial statement".

6. Basis of consolidation

(1) Scope of consolidation

Consolidated financial statements are included all subsidiaries of the parent.

(2) Increase or decrease of the subsidiaries

For any subsidiary acquired by the Company through business combination under the same control, when the consolidated balance sheet for the current period is being prepared, the beginning balances in the consolidated balance sheet are made corresponding modification. For addition business combination not under same control during the reporting period, the Company makes no adjustment for the beginning balances in the consolidated balance sheet. When disposing subsidiary during the reporting period, the Company makes no adjustment for the beginning balances in the consolidated balance sheet. For any subsidiary acquired by the Company through business combination under the same control, when the consolidated income statement for the current period is being prepared, sales, expense and profit for the period from the beginning of the consolidated period to the year end of the reporting period are included in the consolidated income statement. For addition business combination not under same control during the reporting period, revenue, expense and profit for the period from acquisition date to the year end of the reporting period is included in the consolidated income statement. When disposing subsidiary during the reporting period, sales, expense and profit for the period from the beginning to the disposal date are included in the consolidated income statement.

For any subsidiary acquired by the Company through business combination under the same control, when the consolidated cash flow statement for the current period is being prepared, cash flow for

the period from the beginning of the consolidated period to the year end of the reporting period is included in the consolidated cash flow statement. For addition business combination not under same control during the reporting period, cash flow for the period from acquisition date to the year end of the reporting period is included in the consolidated cash flow statement. When disposing subsidiary during the reporting period, cash flow for the period from the beginning to the disposal date is included in the consolidated cash flow statement.

(3) Principle of consolidation

The consolidated financial statements are based on the financial statements of individual subsidiaries which are included in the consolidation scope and prepared after adjustment of long-term equity investment under equity method and elimination effect of intra-group transaction.

(4) Minority interests

The portion of the equity of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated balance sheet. The portion of the profit or loss of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated income statement.

(5) Excess losses

The amount which losses of subsidiaries during the period exceeds the proportion of minority's obligation is offset minority interest as agreed in the subsidiaries' association or agreement and minorities have ability to bear the excess losses. Otherwise, the excess losses are offset equity of the parent company. Profits made afterward by subsidiaries are attributable to equity of the parent company before recovery of excess losses.

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

A. Joint venture arrangements classification

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

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

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

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

B. Accounting treatment of the joint operation

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

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

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

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

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

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

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

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

9. Method of foreign currency translation

When foreign currency translation occurs, the spot exchange rate on the date of translation (i.e., the middle price of the intraday foreign exchange rate of RMB published by People's Bank of China) shall be converted into RMB for keeping accounts while the occurred foreign currency exchange or the foreign exchange transactions shall be translated according to exchange rate adopted in actual transactions. On the balance sheet date, the foreign currency monetary items and foreign currency non-monetary items shall be treated in accordance with the following provisions:

The foreign currency monetary items shall be translated at the spot exchange rate on balance sheet date, of which happen during the normal business period shall be recorded into gains and losses at the current period; of which happen during organization period shall be recorded into long-term deferred expense. The exchange gains or losses caused by the borrowing belonging to acquiring fixed assets shall be treated by the capitalization of borrowing costs.

Foreign currency non-monetary items shall be translated at spot rate on the date of transaction, not changing the amount of functional currency.

The Company translates the financial statements of its foreign operation in accordance with the following provisions: a) the asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred; b) The income and expense items in the income statements shall be translated with approximate exchange rate of the sight rate on the transaction occurring date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

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

(1) Recognition of the financial assets

When an enterprise becomes a party to a financial instrument, it shall recognize a financial asset or financial liability. Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated:

- ① Where the contractual rights for collecting the cash flow of the said financial assets are terminated;
- ② Where the said financial asset has been transferred and meets the conditions for recognizing the termination of financial assets as provided for in Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets. Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

(2) The classification, recognition and measurement of financial assets and financial liabilities

The financial assets or financial liabilities got or born by the Company are measured according to the following classifications:

- ① The financial assets or financial liabilities which are measured at their fair value and the variation of which is recorded into the profits and losses of the current period

The interest rate or cash dividend which was gained in the period when the financial assets held by the Company are measured at its fair value and of which the variation is recorded into the profits and losses in the current period shall be recognized as investment income. On balance sheet date, the in change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, shall be recorded into the profits and losses of the current period; When the said financial assets of financial liabilities are on disposal, the difference between the fair value and the amount in initial account

shall be recognized as investment income, meanwhile, the profits and losses arising from the change in fair value shall be adjusted.

②The investments which will be held to their maturity

The investments which will be held to their maturity will regard the sum between the gained fair value and the transaction expense thereof as the initially recognized amount. The interest on bonds in payment, of which the mature interest is not drawn, shall be solely recognized as the receivables. The interest revenue which is measured and recognized by the amortized cost and actual interest rate during the period of the investments which will be held to their maturity shall be recorded into investment income. The actual interest rate which is recognized in the period of gaining the investments which will be held to their maturity, shall maintain unchanged within the predicted term of existence or within a shorter applicable term of the said investment which will be held to their maturity. The little difference between actual interest rate and coupon rate of which interest revenue can be measured at the coupon rate shall be recorded into the profits of losses in the current period. When the investments which will be held to their maturity are on disposal, the difference between the obtained price and investment book value shall be recorded into the profits and losses in the current period.

③The accounts receivables

The creditor's right receivable formed during the Company selling commodity outside or offering labor shall be regarded as the initially recognize amount in according with the receivable price stipulated in the contract or agreement signed between the Company and the buyers. When the Company recovers or disposes the accounts receivable, the difference between the obtained price and the book value of the accounts receivable shall be recorded into the profits and losses in the current period.

④Financial assets available for sale

The financial assets available for sale will be regarded as the initial recognized amount in according with the sum between the fair value obtained from the said financial assets and the transaction expense thereof. The interest on bonds of which the mature interest rate is not drawn in the payment or the cash dividend which is declared but not extended in the payment shall be solely recognized as the receivables.

The interest rate or cash dividend gained during the period of holding the financial assets available for sale shall be recorded into investment income. On balance sheet date, the financial assets shall be measured through fair value, while the change in fair value is recorded into capital reserves (other capital reserves).

When the financial assets are on disposal, the difference between the obtained price and the book value of the financial assets shall be recorded into investment income, meanwhile, the amount on proposal transferring out from the accumulated amount which is directly recorded into shareholders' equity and arises from the variation of the fair value, shall be recorded into investment income.

⑤Other financial liabilities

Other financial liabilities are regarded as the initial recognized amount in accordance with the sum between the fair value and the transaction expense thereof. The Company shall make subsequent measurement on other financial liabilities on the basis of the post-amortization costs.

(3) Main recognition method for the fair value of the financial assets or financial liabilities

① the quotation in the active market shall be used to recognize the fair value of the financial assets or financial liabilities existing in active market.

② If the financial instruments do not exist in the active market, the fair value shall be recognized by value appraisal techniques.

③ as for the financial assets initially obtained of produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

(4) Main impairment test method of the financial assets and impairment provision method

The recognition standard for impairment provision of the financial assets: the Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

The withdrawal method for impairment provision of the financial assets: as for the impairment provision of the financial assets is measured on the basis of post-amortization costs, if the current value of the predicted future cash flow of the financial assets is below the difference in the carrying amount of the said financial asset, the impairment provision of the financial assets shall be made; as for the impairment provision of the financial assets available for sale, if the recoverable amount is below the difference in the carrying amount, the impairment provision shall be made. Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owners' equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

11. Receivable accounts

(1) Recognition and providing of bad debt provision on individual receivable account with large amount

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

(2) Recognition and providing basis of bad debt reserves for group of receivable accounts with similar characteristics of credit risks

① Basis of recognition and providing of bad debt provision

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

② Age analysis

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

(3) Other minor amount

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

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

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

(2) The inventory system is on the basis of perpetual inventory method.

(3) The inventories are priced by the historical cost method, so are the raw material and auxiliary material, the sold material cost is carried over on the basis of first-in first-out method; the product cost is accounted through standard cost method, the difference between the standard cost and historical cost is undertaken by the cost of the finished goods in process, while the cost of sales is carried over on the basis of weighted average method; low-value consumption goods will be amortized once when drawn.

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

13. Classified as the assets held for sale

A. Recognition criteria for the classification of the assets held for sale

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

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

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

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

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

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

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

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

14. Long-term equity investment

A. Investment cost confirmation

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

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

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

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

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

fees and taxes to be paid should be the initial investment cost of the long-term equity investment. The initial investment cost of the long-term equity investments obtained through debt restructuring should be determined in accordance with fair value.

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

(1) Cost method

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

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

(2) The equity method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The cost method transforming to the equity method

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

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

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

D. Disposal of the long-term equity investment

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

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

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

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

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

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

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

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

(2) In the consolidated financial statements, for all the transactions before the control on subsidiary lost, and the balance between the disposal price and the long-term equity investment respectively minus the net assets from the purchase date or the combination date of subsidiary, the capital reserves (stock premium) shall be adjusted, or the retained earnings shall be adjusted when the capital reserves are insufficient. When the control on the subsidiary lost, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the surplus equity minus the net assets portion of the original subsidiary calculated from the purchase date a per the original stock proportion shall be recorded into the current investment income after the control lost and offset the business reputation. Other comprehensive returns relevant to the original subsidiary shares investment shall be transferred into the current investment returns when the control lost.

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

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

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

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

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

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

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

(1) There are representatives in the board of Directors or equivalent authorities of the invested party.

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

15. Investment real estates

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

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

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

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

When the investment real estate is disposed of, or permanently terminates its use and no economic benefits are expected from its disposal, terminate the confirmation of the investment real estate. Disposal income of investment property for sale, transfer, disposal of scrap or being destroyed is charged to current profit or loss after deducting its book value and related taxes.

16. Fixed assets

(1) Confirmation conditions

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

(2) The initially measurement of fixed assets

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

(3) The subsequent expenditure and disposal of fixed assets

a. Depreciation method of fixed assets

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

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

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

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

Electric equipments	5 years	18-19.4%	3%、5%、10%
Other equipments	10-15 years	6-9.7%	3%、5%、10%

b. The subsequent expenditure of the fixed assets

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

c. The disposal of the fixed assets

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

(4) Cognizance evidence and pricing method of financial leasing fixed assets

The fixed assets acquired by the company in line with the following one or several criteria shall be recognized as the fixed assets acquired under finance leases: (1) at the expiration of the lease, the ownership of the leased assets shall be transferred to the company. (2) the company has the option to purchase the leased assets, the purchase price is expected be far lower than the fair value of the leased assets under the implementation of option right, so that it can be reasonably determined that the company shall exercise the option on the acquisition date. (3) the lease term is the majority for the leased assets even if the ownership no transferred. (4) the present value of the minimum lease payments of the company almost is equal to the fair value of the leased assets on the acquisition date. (5) For the special nature of the leased assets, only the company can use if no major modification made.

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

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

17. Construction-in-progress

(1) Categories of projects under construction

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

(2) Standard and timing for transferring of projects under construction to fixed assets

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

18. Loan expenses

(1) Recognition principles for capitalizing of loan expenses

Borrowing expenses occurred to the Company that can be accounted as purchasing or production of asset satisfying the conditions of capitalizing, are capitalized and accounted as cost of related asset.

Other borrowing expenses are recognized as expenses according to the occurred amount, and accounted into gain/loss of current term.

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

(2) Duration of capitalization of Loan costs

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

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

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

(3) Capitalization Suspension Period

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

(4) Calculation of the amount of capitalization of Loan costs

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

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

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

19. Intangible assets and R&D expenses

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

(1) The initial measurement of intangible assets

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

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

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

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

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

(2) Subsequent measurement

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

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

Items	Useful life	Judging by
Land use rights	50 years	Purchase contract
Software	5-10 years	Predicted useful life

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

(3) The specific standards of the classification of research and development stages of internal R&D projects of the company

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

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

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

(4) The special standards of the conformation of capitalization for the expenditure in development stage

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

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

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

20. Impairment of long-term assets

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

- ① The current market price of assets falls, and its decrease is obviously higher than the expected

drop over time or due to the normal use;

②The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

③The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

④Any evidence shows that the assets have become obsolete or have been damaged substantially;

⑤ The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

⑥ Any evidence in the internal report of the enterprise shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount;

⑦Other evidence indicates that the impairment of assets has probably occurred.

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

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

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

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

21. Long-term amortizable expenses

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

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

22. Payroll

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

(1)The short-term compensation

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

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

and losses or relevant assets cost.

(2)The welfare after demission

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

A. Defined contribution plans

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

B. Defined benefit plans

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

(3)The demission welfare

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

(4)The welfare of the long-term employees

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

23. Measurement method of estimated debts

(1) Recognition of estimated liabilities

a. The obligation pertinent to contingencies shall be recognized as estimated debts when the following conditions are satisfied simultaneously:

That obligation is a current obligation of the enterprise;

b. It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation;

c. The amount of the obligation can be measured in a reliable way.

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

(2) Accounting of estimated liabilities

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

The optimum estimates are conducted as follows:

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

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

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

24. Share-based compensation

(1) Share-based compensation types

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

(2) Determining methods for fair value of equity instruments

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

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

(3) Basis of best exercisable equity instruments estimate

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

(4) Accounting treatment for implementation, amendment and termination of share-based compensation

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

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

(5) Equity instruments changes and accounting treatment

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

25. Revenue recognition

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

(2) Giving of asset using rights: Income from giving of assets is recognized when satisfying requirements: related economic benefit flows in very possibly, income can be measured reliably.

1) Amount of interest income is calculated according to the time and actual interest rate of the monetary capital is used by other party.

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

(3) Labor revenues

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

(4) Construction contracts

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

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

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

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

(5) Assets transfers with buy-back conditions

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

26. Calculation method of government grants

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

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

27. Deferred income tax assets/Deferred income tax liability

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

(1) References for confirmation of deferred income tax assets

The Company recognizes the deferred tax income assets arising from deductible temporary differences to the limit of the deductible losses and taxable income that it probably would achieve to reduce deductible temporary differences and carry forward. However, it does not recognize those arising from the initial measurements of assets or liabilities in the following transactions. a. Transactions are not business merge; b. It neither affects the accounting profit nor taxable income or deductible losses while transactions being made.

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

(2) The confirmation basis of deferred income tax liabilities

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

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

28. Lease

(1) Accounting of operational leasing

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

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

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

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

(2) Accounting Method for Financing Leases

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

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

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

29. Changes in significant accounting policies and estimates

(1) Change of main accounting policies

Not applicable.

(2) Change of main accounting estimations

Not applicable.

VI. Taxation

1. Value added tax ('VAT')

The Group is subject to VAT, which is a tax charged on top of the selling price at a general rate of 17% or 13% or 6% depending on different kinds of products. An input credit is available whereby VAT previously paid on purchases of raw materials and semi-finished products can be used to offset the VAT on sales to determine the net VAT payable.

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

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

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

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

6. Income tax

(1)The parent company's income tax was measured at 15%.

(2)Income tax of subsidiaries and associates

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

Names of the entities	Relationship with the Company	Applicable income tax rate in 2016
The company		15%
Dalian Bingshan Group Engineering Co., Ltd.	Subsidiary	25%
Dalian Bingshan Group Sales Co., Ltd.	Subsidiary	25%
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.		25%
Dalian Bingshan Air-Conditioning Equipment Co., Ltd.	Subsidiary	25%
Dalian Bingshan Guardian Automation Co., Ltd.	Subsidiary	15%
Wuhan New World Refrigeration Industrial Co., Ltd.	Subsidiary	15%
Bingshan Technical Service (Dalian) Co., Ltd.	Subsidiary	25%
Dalian Universe Thermal Technology Co., Ltd	Subsidiary	25%

The parent company was affirmed to be hi-tech enterprise by Dalian Municipal Bureau of Science and Technology, Dalian Municipal Bureau of Finance, the State Administration of Taxation Dalian Municipal Office and Dalian Local Taxation Bureau, Bingshan Guardian was affirmed to be hi-tech enterprise by Dalian Municipal Bureau of Science and Technology, Dalian Municipal Bureau of Finance, the State Administration of Taxation Dalian Municipal Office and Dalian Local Taxation Bureau and WNWRI was affirmed to be hi-tech enterprise by Wuhan Municipal Bureau of Science and Technology, Wuhan Municipal Bureau of Finance, the State Administration of Taxation Wuhan Municipal Office and Wuhan Local Taxation Bureau. Their applicable income tax rates were 15% for 2016.

VII. Notes to the consolidated financial statements

1. Monetary fund

Items	30-06-2016	31-12-2015
Cash on hand	58,492.04	57,023.71
Cash in bank	911,161,806.26	224,067,110.89
Other monetary fund	10,121,261.17	20,665,689.93
Total	921,341,559.47	244,789,824.53

The restrained amount of monetary fund is shown as below.

Items	30-06-2016	31-12-2015
Deposit for bank acceptances	10,121,261.17	18,503,739.86
Deposit for letter of credit		
Deposit for letter of guarantee		2,161,950.07
Deposit for Migrant workers	2,400,000.00	2,400,000.00
Total	12,521,261.17	23,065,689.93

The reason of the ending balance of Monetary fund increased 276.38% compared with the beginning balance was the raise fund from issuing of A-shares privately increased.

2. Notes receivable

(1) Classification

Items	30-06-2016	31-12-2015
Bank acceptance	57,845,288.47	47,267,168.02
Trade acceptance	14,218,348.14	24,432,349.66
Total	72,063,636.61	71,699,517.68

(2) pledged notes receivable at the end of the reporting period.

Items	Pledged notes
Bank acceptance	16,722,611.89
Total	16,722,611.89

(3) The notes receivable endorsed but not matured at the end of the reporting period.

Items	The derecognition amount	Not derecognition amount
Bank acceptance	145,249,643.41	
Trade acceptance	1,355,900.00	
Total	146,605,543.41	

3. Accounts receivable

(1) Classification

Categories	30-06-2016				Book value
	Balance		Provision for doubtful debts		
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	941,691,457.08	100.00%	141,020,137.29	14.98%	800,671,319.79
Total	941,691,457.08	100.00%	141,020,137.29	14.98%	800,671,319.79

Continued:

Categories	31-12-2015				Book value
	Balance		Provision for doubtful debts		
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	801,499,499.03	100.00%	130,075,662.16	16.23%	671,423,836.87
Total	801,499,499.03	100.00%	130,075,662.16	16.23%	671,423,836.87

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

Account ages	30-06-2016		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	660,568,574.49	33,028,428.74	5.00%
1 to 2 years	138,361,343.84	13,836,134.38	10.00%
2 to 3 years	46,719,231.93	14,015,769.58	30.00%

3 to 4 years	18,458,001.22	9,229,000.61	50.00%
4 to 5 years	33,367,508.11	26,694,006.49	80.00%
Over 5 years	44,216,797.49	44,216,797.49	100.00%
Total	941,691,457.08	141,020,137.29	

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

In the current period, RMB 10,944,475.13 were accrued provision for bad debts,

(3) There no accounts receivable being written-off during the current period

(4) Top 5 on amount of accounts receivable

Companies	Amount	Proportion (%)	Provision for bad debts
Beijing Huashang Bingshan Refrigeration Equipment Co., Ltd.	45,465,710.84	4.83	2,337,085.54
Yi Du(Shen Yang) cold-chain logistics development Co., Ltd.	40,995,409.60	4.35	2,245,740.10
Xin Yi Yuan Da Construction installation engineering Co., Ltd.	37,730,000.00	4.01	1,886,500.00
Panasonic Cold-Chain (Dalian) Co. , Ltd.	34,652,918.52	3.68	1,732,645.93
Anheuser-busch inbev beer (China) investment Co., Ltd.	21,475,600.00	2.28	1,073,780.00
Total	180,319,638.96	19.15	9,275,751.57

4. Advances to suppliers

(1) The aging of advances to suppliers

Account ages	30-06-2016		31-12-2015	
	Amount	Proportion	Amount	Proportion
Within 1 year	63,498,863.63	92.81%	40,798,252.80	92.26%
1 to 2 years	4,921,290.80	7.19%	3,420,635.11	7.74%
Total	68,420,154.43	--	44,218,887.91	--

(2) Top 5 on amount of advances to suppliers

Companies	Amount	Proportion (%)	Ages	Reasons
Dalian Bingshan Engineering & Trading Co., Ltd.	18,849,997.66	27.55	2015; 2016	Prepayment for goods
Dalian Hua Li coating equipment Co., Ltd.	6,400,000.00	9.35	2016	Prepayment for goods
Dalian Sheng Da Mechanical and Electrical Equipment Co., Ltd.	4,400,000.00	6.43	2016	Prepayment for goods
Ao Lltong Crane (Liao Ning) Co., Ltd.	3,600,000.00	5.26	2016	Prepayment for goods
State Grid Liaoning Electric Power Co., Ltd. Dalian Power Supply Company	3,251,369.12	4.75	2016	Prepayment for goods
Total	36,501,366.78	53.34		

The reason of the ending balance of advances to suppliers increased 54.73% compared with the beginning balance was advanced equipment s increased.

5. Dividends receivable

Names	30-06-2016	31-12-2015
Wu Han steel electric) Co., Ltd.		44,600.00
Panasonic Compressor (Dalian) Co., Ltd.	32,400,000.00	
Panasonic Refrigeration (Dalian) Co., Ltd.	2,600,000.00	
Total	35,000,000.00	44,600.00

The ending balance of dividend receivable increased 78375.34% compared with the period-begin, mainly due to the undue dividend receivable increased.

6. Other accounts receivable

(1) Classification

Items	30-06-2016				
	Balance		Provision for doubtful debts		Book value
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	44,231,284.32	100.00%	5,302,370.36	11.99%	38,928,913.96
Total	44,231,284.32	100.00%	5,302,370.36	11.99%	38,928,913.96

Continued:

Items	31-12-2015				
	Balance		Provision for doubtful debts		Book value
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	28,070,768.44	100.00%	5,315,440.23	18.94%	22,755,328.21
Total	28,070,768.44	100.00%	5,315,440.23	18.94%	22,755,328.21

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

Other accounts receivable which bad debt provisions are provided on age basis in the group:

Account ages	30-06-2016		
	Amount	Provision for bad debts	Proportion rates
Within 1year	29,081,657.02	1,454,082.84	5.00%
1 to 2 years	10,334,896.49	1,033,489.65	10.00%
2 to 3 years	1,718,858.90	515,657.67	30.00%
3 to 4 years	1,049,838.80	524,919.40	50.00%
4 to 5 years	1,359,061.57	1,087,249.26	80.00%
Over 5 years	686,971.54	686,971.54	100.00%
Total	44,231,284.32	5,302,370.36	

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

In the current period, RMB13,069.87 were switch back in the period.

(3) There was no write-off of other accounts receivable during the current year

(4) The nature of other accounts receivable

Items	30-06-2016	31-12-2015
Guarantee deposits	29,916,545.89	15,948,041.08
Petty cash	10,308,666.04	5,883,732.14
To or fro accounts	3,792,106.14	4,007,029.29
Others	213,966.25	2,231,965.93
Total	44,231,284.32	28,070,768.44

(5) Top 5 on amount of other accounts receivable

Companies	Contents	Amount	Ages	Proportion	Provision for bad debts
Dalian Tianbao Green Food Co., Ltd	Performance bonds	18,000,000.00	Less than 1 year	40.70%	1,300,000.00
Jinzhou Dalian New District Building energy efficiency management office	Cash deposits	1,852,574.57	Less than 1 year,1-2 years,2-3years,4-5years	4.19%	315,242.86
Barkol Jian Kun Animal Husbandry Co., Ltd	Performance bonds	1,294,561.00	Less than 1 year	2.93%	64,728.05
Bin Zhou Goldman Food Co., Ltd.	Bid bond	1,200,000.00	Less than 1 year	2.71%	60,000.00
Dalian Construction Engineering labor insurance management center	Migrant workers pay deposit	500,000.00	2-3 years	1.31%	150,000.00
Total		22,847,135.57		51.66%	1,889,970.91

The ending balance of accounts receivable increased 71.08% compared with the period-begin, mainly due to the Bid bond increased.

7. Inventories

(1) Costs

Items	30-06-2016			31-12-2015		
	Book balance	Provision for impairment of inventories	Book value	Book balance	Provision for impairment of inventories	Book value
Raw materials	56,381,116.97	70,000.00	56,311,116.97	65,069,599.90	6,954,631.11	58,114,968.79
Work-in-progress	50,354,541.52	5,000.00	50,349,541.52	71,830,972.13	1,148,743.24	70,682,228.89
Finished goods	105,258,153.51	718,171.20	104,539,982.31	74,379,267.69	2,588,149.42	71,791,118.27
Materials on consignment for further processing	3,563,008.00		3,563,008.00	2,190,375.70		2,190,375.70
Low-value consumptions	122,146.47		122,146.47	134,671.91		134,671.91
Self-manufactured semi-finished products	35,727,374.46		35,727,374.46	30,014,321.83	1,386,950.94	28,627,370.89
Constructing projects	42,527,734.94		42,527,734.94	27,558,415.02		27,558,415.02
Total	293,934,075.87	793,171.20	293,140,904.67	271,177,624.18	12,078,474.71	259,099,149.47

(2) Provision for impairment of inventories

Items	31-12-2015	Current year addition		Current year disposal			30-06-2016
		Provision	Others	Reversal	Written-off	Others	
Raw materials	6,954,631.11			6,884,631.11			70,000.00
Work-in-progress	1,148,743.24			1,143,743.24			5,000.00
Finished goods	2,588,149.42			1,869,978.22			718,171.20
Self-manufactured semi-finished products	1,386,950.94			1,386,950.94			
Total	12,078,474.71			11,285,303.51			793,171.20

The Company carried out impairment test for the inventory at period-end, accrued inventory falling price reserves in the Period.

8. Other current assets

Items	30-06-2016	31-12-2015
Enterprise income tax prepaid	1,535,831.40	2,628,292.68
the pending VAT input tax		13,779,722.47
Prepaid expenses	476,397.20	70,696.71
Total	2,012,228.60	16,478,711.86

The closing balance of the Company's other current assets has reduced by 87.79% compared with the opening balance, mainly due to the pending VAT input tax has been transferred to accounts payable taxes from this account in current period.

9. Available for sale financial assets

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Items	30-06-2016			31-12-2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Debt instruments available for sale	554,595,771.44	5,224,770.80	549,371,000.64	738,500,019.89	5,224,770.80	733,275,249.09
Equity instruments available for sale	537,041,506.94	1,582,164.89	535,459,342.05	720,945,755.39	1,582,164.89	719,363,590.50
Measured by fair value	17,554,264.50	3,642,605.91	13,911,658.59	17,554,264.50	3,642,605.91	13,911,658.59
Measured by cost	554,595,771.44	5,224,770.80	549,371,000.64	738,500,019.89	5,224,770.80	733,275,249.09
Total	554,595,771.44	5,224,770.80	549,371,000.64	738,500,019.89	5,224,770.80	733,275,249.09

(1) Equity instruments available for sale measured by Fair value

Items	Equity instruments available for sale	Debt instruments available for sale	Total
Cost of Equity instrument/ amortized cost of debt instrument	30,098,895.00		30,098,895.00
The total amount of fair value change in other comprehensive income	430,901,220.15		430,901,220.15
The confirmed deferred income tax liabilities	76,041,391.79		76,041,391.79
Fair value	1,582,164.89		1,582,164.89
The amount of impairment	535,459,342.05		535,459,342.05
Total	30,098,895.00		30,098,895.00

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

Names	Book balance				Shareholding(%)
	Beginning balance	Increased during current period	Decreased during current period	Ending balance	
Liaoning Mike Group Co., Ltd.	1,020,000.00			1,020,000.00	3.57
Guotai Junan Investment Management Co., Ltd.	3,057,316.00			3,057,316.00	0.22
Thermo King Container Temperature Control (Suzhou) Co., Ltd.	11,207,806.00			11,207,806.00	17.80
Wuhan Steel and Electric Co., Ltd.	1,315,142.50			1,315,142.50	0.06
Liaoning Enterprises United Industry Company	105,000.00			105,000.00	4.20
Zibo Traction Motor Co., Ltd.	849,000.00			849,000.00	0.76
Total	17,554,264.50			17,554,264.50	

Continued:

Names	Provision for impairment				Cash dividends during the current period
	Beginning balance	Increased during current period	Decreased during current period	Ending balance	
Liaoning Mike Group Co., Ltd.					310,000.00
Guotai Junan Investment Management Co., Ltd.	2,688,605.91			2,688,605.91	
Thermo King Container Temperature Control (Suzhou) Co., Ltd.					

Names	Provision for impairment			Cash dividends during the
Wuhan Steel and Electric Co., Ltd.				
Liaoning Enterprises United Industry Company	105,000.00		105,000.00	
Zibo Traction Motor Co., Ltd.	849,000.00		849,000.00	
Total	3,642,605.91		3,642,605.91	310,000.00

On 26 June 2015, Guotai Junan Securities Co., Ltd. (“Guotai Junan” for short) listed on Shanghai Stock Exchange, stock code 601211; as for the 30,098,895 shares of Guotai Junan, the Company measured the shares on fair value. The company received cash dividend 15,651,425.40 yuan within the period.

(3) Change of value of the equity instruments available for sale measured by cost within the period.

Categories	Equity instruments available for sale	Debt instruments available for sale	others	Total
The impairment at the beginning of current year	5,224,770.80			5,224,770.80
The impairment at the end of the year	5,224,770.80			5,224,770.80

10. Long-term equity investments

Name	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
I Joint venture											
Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd.	2,837,097.81			-312,549.39							2,524,548.42
subtotal	2,837,097.81			-312,549.39							2,524,548.42
II Associates											
Dalian Bingshan Engineering & Trading Co., Ltd.	15,691,101.62			993,294.34							16,684,395.96
Panasonic Refrigeration (Dalian) Co., Ltd.	159,226,107.64			-4,386,685.47			5,200,000.00				149,639,422.17
Dalian Honjo Chemical Co., Ltd.	8,729,712.48			756,624.23			528,860.67				8,957,476.04
Panasonic Cold-Chain (Dalian) Co., Ltd.	215,719,525.88			2,999,101.22			8,000,000.00				210,718,627.10
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	48,607,035.29			9,707,389.44			14,200,000.00				44,114,424.73
Panasonic Compressor (Dalian) Co., Ltd.	457,892,368.92			30,737,147.02			32,400,000.00				456,229,515.94
Dalian Sanyo Meica Electronics Co., Ltd.	21,958,069.24			302,067.26							22,260,136.50
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	22,276,332.84			-5,414,843.75							16,861,489.09
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,936,646.98			-457,205.02							1,479,441.96
Dalian Fuji Bingshan Vending Machine Co., Ltd.	113,268,454.28			18,530,027.53							131,798,481.81

Name	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment	
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period			Others
Wuhan Skaff Power Control Equipment Co., Ltd		1,000,000.00		0.00						1,000,000.00	
Changzhou Jingxue Freezing Equipment Co., Ltd	141,722,024.61			3,534,362.32			5,842,400.00			139,413,986.93	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	4,496,415.53			3,992,158.46						8,488,573.99	
Wuhan Lan Ning Energy Technology Co., Ltd.	6,006,874.61			0.00						6,006,874.61	
subtotal	1,217,530,669.92	1,000,000.00		61,293,437.58			66,171,260.67			1,213,652,846.83	
Total	1,220,367,767.73	1,000,000.00		60,980,888.19			66,171,260.67			1,216,177,395.25	

The board of directors of the Company's wholly-owned subsidiary Wuhan New World Refrigeration Industrial Co., Ltd. decided to co-found Wuhan Skaff Power Control Equipment Co., Ltd. together with Wuhan Skaff Technology Co., Ltd. Wuhan New World Refrigeration Industrial Co., Ltd. invests 7,200,000.00 Yuan, accounting for 36% of the investment ratio. Up to June 30, 2016, Wuhan New World Refrigeration Industrial Co., Ltd. has invested 1,000,000.00 Yuan.

11. Investment property

(1) Investment property details

Items	Buildings	Land-use-rights	Construction in progress	Total
1. Original value				
(1) Beginning balance	25,259,944.57			25,259,944.57
(2) Current year addition				
Outsourcing				
Transferred from Inventories\Fixed asset-original cost\Construction in progress				
Enterprise merger increase				
Shareholders invest				
Transferred from other				
(3) Current year disposal				
disposal				
Transferred to other				
(4) Ending balance	25,259,944.57			25,259,944.57
2. Accumulated depreciation				
(1) Beginning balance	762,360.57			762,360.57
(2) Current year addition	305,662.50			305,662.50
provision or amortization	305,662.50			305,662.50
Enterprise merger increase				
Transferred from other				
(3) Current year disposal				
disposal				
Transferred to other				
(4) Ending balance	1,068,023.07			1,068,023.07
3. Provision for impairment				
(1) Beginning balance				
(2) Current year addition				
provision or amortization				
Enterprise merger increase				
Transferred from other				
(3) Current year disposal				
disposal				
Transferred to other				
(4) Ending balance				
4. Book value				
(1) Ending book value	24,191,921.50			24,191,921.50
(2) Beginning book value	24,497,584.00			24,497,584.00

(2) Investment property without owner's certificates

Items	Book value	Reasons
# 6 workshop building on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone	24,191,921.50	Final accounts uncompleted
Total	24,191,921.50	

(3) Explanation of investment property

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

12. Fixed assets

(1) Fixed assets details

Items	Buildings	Machinery	Vehicles	Other equipments	Total
1. Original value					
(1)Beginning balance	410,553,157.61	608,130,475.12	25,350,158.35	29,613,012.49	1,073,646,803.57
(2)Current year addition		706,799.50	407,000.00	787,308.40	1,901,107.90
Purchased		519,278.13	407,000.00	733,873.95	1,660,152.08
Transferred from Construction in progress		187,521.37		53,434.45	240,955.82
Enterprises merger					
Shareholders investment					
Leased in from financing					
Other transferred in					
(3)Current year reduction		300,521.02	1,617,939.15	36,351.15	1,954,811.32
Disposal		300,521.02	1,617,939.15	36,351.15	1,954,811.32
Leased out from financing					
Other transferred out					
(4)Ending balance	410,553,157.61	608,536,753.60	24,139,219.20	30,363,969.74	1,073,593,100.15
2. Accumulated depreciation					
(1)Beginning balance	144,232,577.42	439,963,821.58	16,024,686.66	21,226,057.87	621,447,143.53
(2)Current year addition	5,354,438.17	12,709,004.73	1,032,272.45	827,658.21	19,923,373.56
Provision	5,354,438.17	12,709,004.73	1,032,272.45	827,658.21	19,923,373.56
Enterprises merger increased					
Other transferred in					
(3)Current year disposal		289,392.90	1,336,895.85	32,715.90	1,659,004.65
Disposal		289,392.90	1,336,895.85	32,715.90	1,659,004.65
Leased out from financing					
Other transferred out					
(4)Ending balance	149,587,015.59	452,383,433.41	15,720,063.26	22,021,000.18	639,711,512.44
3..Provision for impairment					

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Items	Buildings	Machinery	Vehicles	Other equipments	Total
(1)Beginning balance		2,292,229.72			2,292,229.72
(2)Current year addition					
Withdrew					
Enterprises merger increase					
Other transferred in					
(3)Current year disposal					
Disposal					
Leased out from financing					
Other transferred out					
(4)Ending balance		2,292,229.72			2,292,229.72
4.Net Book value					
(1)Ending book value	260,966,142.02	153,861,090.47	8,419,155.94	8,342,969.56	431,589,357.99
(2)Beginning book value	266,320,580.19	165,874,423.82	9,325,471.69	8,386,954.62	449,907,430.32

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

(3) Fixed assets without owner's certificates

Items	Book value	Reasons
Buildings	78,706,835.45	Final accounts uncompleted
Total	78,706,835.45	

(4) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed RMB55,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights . Please refer to the note V.18.

13. Project in construction

(1) Details

Items	Budget	Balance of 31-12-2015	Increased during current period	Transferred into fixed assets during current period	Other decreased during current period	Balance of 30-06-2016	Sources of funds	Percentage of completion
Buildings renovation	30,145.00	135,257,174.97	42,276,676.11			177,533,851.08	Internally generated funds	5.00%
Machinery	17,184.00	1,768,209.61	204,615.39	187,521.37		1,785,303.63	Internally generated funds	
Other Equipments			53,434.45	53,434.45				
Total	47,329.00	137,025,384.58	42,534,725.95	240,955.82		179,319,154.71		

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

(3) Construction in process increased 30.78% over that of last Period, refers to investment for the new factory.

14. Intangible assets

(1) Intangible assets details

Items	Land-use-rights	Knowhow	Others	Total
1. Original value				
(1)Beginning balance	183,963,902.62	515,224.41	13,886,983.02	198,366,110.05
(2)Current year addition			1,012,270.71	1,012,270.71
Purchase			1,012,270.71	1,012,270.71
Internal research and development				
Enterprises merger increase				
Shareholders invest				
Other transferred in				
(3)Current year disposal				
Disposal				
Other transferred out				
(4)Ending balance	183,963,902.62	515,224.41	14,899,253.73	199,378,380.76
2. Amortization				
(1)Beginning balance	34,075,131.67	515,224.41	5,357,951.40	39,948,307.48
(2)Current year addition	1,854,053.45		627,275.64	2,481,329.09
Provision	1,854,053.45		627,275.64	2,481,329.09
Enterprises merger increase				
Other transferred in				
(3)Current year disposal				
Disposal				
Other transferred out				
(4)Ending balance	35,929,185.12	515,224.41	5,985,227.04	42,429,636.57
3..Provision for impairment				
(1)Beginning balance				
(2)Current year addition				
Withdraw				
Enterprises merger increase				
Other transferred in				
(3)Current year disposal				
Disposal				
Other transferred out				
(4)Ending balance				
4.Net book value				
(1)Ending book value	148,034,717.50		8,914,026.69	156,948,744.19
(2)Beginning book value	149,888,770.95		8,529,031.62	158,417,802.57

(2) There were no intangible assets increased by internal research and development.

(3) Please refer to the note V.18 for land-use-rights mortgaged.

15. Goodwill

(1) The original value of the book

Items	31-12-2015	Increased during current period		Decreased during current period		30-06-2016
Dalian Universe Thermal Technology Co., Ltd.	1,440,347.92					1,440,347.92
Total	1,440,347.92					1,440,347.92

(2) Preparation for the impairment of Goodwill

Goodwill calculation method: the balance between the book value of equity investment the Company for purchasing Dalian Universe Thermal Technology Co., Ltd. and the fair value share of acquiree's identifiable net assets obtained on the date of acquisition. The balance between the book value of equity investment of 48,287,589.78 Yuan and the fair value share of identifiable net assets of 46,847,241.86 Yuan belonging to Dalian Universe Thermal Technology Co., Ltd. on the acquisition date of July 31, 2015 is the Company's consolidated statements goodwill of 1,440,347.92 yuan at the end of period.

16. Long-term deferred expenses

Items	31-12-2015	Increased during current period	Amortized during current period	Other decrease	30-06-2016
Employee's dormitory use right	2,566,083.66		78,915.26		2,487,168.40
Renovation and rebuilding	1,794,123.90		636,008.48		1,158,115.42
Inspection services	34,687.39		24,253.62		10,433.77
The Membership fee	506,000.00		8,250.00		497,750.00
House Rental	956,610.00		26,572.50		930,037.50
Total	5,857,504.95		773,999.86		5,083,505.09

17. Deferred income tax assets/Deferred income tax liabilities

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

Items	30-06-2016		31-12-2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for assets impairment	106,036,081.28	20,163,932.51	107,112,240.49	19,372,358.73
Equity incentive expenses	16,457,204.00	2,468,580.60	12,190,520.00	1,828,578.00
Total	122,493,285.28	22,632,513.11	119,302,760.49	21,200,936.73

(2) Deferred liabilities tax assets had not been off-set

Items	30-06-2016		31-12-2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of available for sale financial assets	506,942,611.94	76,041,391.79	690,846,860.39	103,627,029.06
Total	506,942,611.94	76,041,391.79	690,846,860.39	103,627,029.06

(3) Shown to offset the net after the deferred income tax assets and liabilities

Items	30-06-2016	31-12-2015
Deferred liabilities tax assets	22,632,513.11	21,200,936.73
Deferred income tax liabilities	76,041,391.79	103,627,029.06

(4) Unconfirmed deferred income tax assets report

Items	30-06-2016	31-12-2015
Deductable temporary difference	48,596,598.09	47,874,337.13
Deductable losses	30,513,755.44	15,856,452.86
Total	79,110,353.53	63,730,789.99

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

Items	30-06-2016	31-12-2015	Notes
2017	975,555.72	975,555.72	
2018	2,350,012.09	2,350,012.09	
2019	4,032,513.71	4,032,513.71	
2020	8,498,371.34	8,498,371.34	
2021	14,657,302.58		
Total	30,513,755.44	15,856,452.86	--

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

18. Short-term loans

Terms of loans	30-06-2016	31-12-2015
Mortgage loan	55,000,000.00	55,000,000.00
Credit loan	107,600,000.00	27,600,000.00
Total	162,600,000.00	82,600,000.00

(1) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short-term loan RMB55,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights.
(2) Short-term loans increased 96.85% over that of last Period, refers to investment for the Credit loan.

19. Notes payable

Items	30-06-2016	31-12-2015
Trade acceptance notes	140,245,974.40	30,756,973.09
Bank acceptance notes	19,687,278.92	203,432,038.63
Total	159,933,253.32	234,189,011.72

Short-term loans decreased 31.71% over that of last Period, refers to accounts payable with notes decrease.

20. Accounts payable

Items	30-06-2016	31-12-2015
Payable for materials	687,051,954.05	554,938,956.23
Payable for projects	113,926,309.87	103,608,705.86
Payable for equipments	1,376,625.90	1,850,841.17
Total	802,354,889.82	660,398,503.26

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

21. Accounts received in advance**(1) Details**

Items	30-06-2016	31-12-2015
Advances on sales	109,193,294.12	70,458,014.46
Total	109,193,294.12	70,458,014.46

(2) Accounts received in advance aged over 1 year

Items	30-06-2016	Reasons
Jiangsu Ruixiang Chemical Co., Ltd.	2,023,581.40	Unsettled contract payments on sets projects
Inner Mongolia Datang Dingwang Chemical Co. Ltd.	1,962,400.00	Unsettled contract payments on sets projects
Total	3,985,981.40	

Short-term loans increased 54.98% over that of last Period, refers to the order accounts payable in advance increase.

22. Payroll payable

(1) Details

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
Short-term salary	51,857,345.29	121,869,099.39	147,886,555.04	25,839,889.64
Departure welfare-defined contribution plans		18,770,758.52	18,770,758.52	
Termination benefits		23,741.88	23,741.88	
Total	51,857,345.29	140,663,599.79	166,681,055.44	25,839,889.64

There was no amount delay paid at the end of the current year. The ending balance of wages payable decreased 50.17% over that of period-begin, mainly because the year-end bonus for year of 2015 are paid in the Period.

(2) Short-term salary

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
1. Wages and salaries, bonuses, allowances and subsidies	33,196,105.86	92,379,134.04	116,181,119.93	9,394,119.97
2. Staff welfare	15,411,064.20	3,199,913.29	4,790,247.07	13,820,730.42
3. Social insurance	646,551.22	9,391,290.22	10,037,841.44	
Including: ① Medical insurance	24.00	6,756,367.37	6,756,391.37	
② Work-related injury insurance	0.81	611,607.79	611,608.60	
③ Materiel insurance		340,117.41	340,117.41	
④ Housing subsidies	646,526.41	1,683,197.65	2,329,724.06	
4. Housing funds	1,917,436.58	14,696,175.71	14,873,149.86	1,740,462.43
5. Labor union fund and employee education fee	686,187.43	2,025,223.63	1,826,834.24	884,576.82
6. Non-currency welfare		177,362.50	177,362.50	
Total	51,857,345.29	121,869,099.39	147,886,555.04	25,839,889.64

The non-currency welfare of the current year was 177,362.50 yuan, which amortization of long-term expenses of employee's dormitory use right, and dining hall expenses and etc.

(3) Defined contribution plans

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
Basic retirement pension		16,671,821.68	16,671,821.68	
Unemployment insurance		831,954.52	831,954.52	
Enterprise annuity		1,266,982.32	1,266,982.32	
Total		18,770,758.52	18,770,758.52	

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

23. Taxes payable

Items	30-06-2016	31-12-2015
Value-added tax	18,741,601.63	6,680,785.40
Business tax		1,621,471.10
Enterprise income tax	4,027,194.16	4,876,229.11
Individual income tax	614,887.58	394,393.08
City maintenance and construction tax	1,488,314.56	722,295.23
Property tax	485,839.93	233,857.61
Land use tax	553,225.00	553,224.98
Education surtax	621,213.04	247,975.64
Local education surtax	414,673.31	195,855.11
Water project fund/River route maintenance fee	874,220.42	7,682.90
Safeguard fund for disables	660.00	680.00
Dike maintenance fee		
Stamp duty	103,467.01	167,128.20
Total	27,925,296.64	15,701,578.36

The reason of the ending balance increased 77.85% compared with the beginning balance was value-added tax payable increased.

24. Dividend payable

Name of investors	30-06-2016	31-12-2015	Reasons
Legal person shareholders	533,156.00	533,156.00	Some shareholders not claimed.
Total	533,156.00	533,156.00	

25. Other accounts payable

(1) Details

Items	30-06-2016	31-12-2015
Obligation of restricted shares buy-back	39,503,800.00	39,503,800.00
Loan from non-financial institutes	17,220,000.00	18,200,000.00
Cash pledge and security deposit	12,464,120.16	14,199,502.52
Apply for reimbursement and unpaid	16,217,906.18	17,038,250.51
Cash from related parties	1,011,471.81	627,014.92
Receipts under custody	9,717,510.70	9,255,791.05
Others	623,574.20	1,065,931.15
Total	96,758,383.05	99,890,290.15

(2) Major amount aging over 1 year

Name of investors	30-06-2016	Unpaid reason
Dalian Bingshan Group Co., Ltd.	10,000,000.00	Subsidiary company borrowed for removal and reconstruction
Total	10,000,000.00	

26. Long-term loans**(1)Details**

Items	30-06-2016	31-12-2015
The pledge loan	160,000,000.00	
Total	160,000,000.00	

On March 29, 2016, the Company held 2016 second extraordinary general meeting which approved the report on providing guarantee for special funds of China Development Bank development fund. The guarantee form belongs to the controlling shareholder guarantee, but actually it is a guarantee for obtaining financial support for the Company itself.

Other notes of long-term loans: the annual interest rate of above special fund loan is 1.2%, and the interest settlement date is on the 20th of each quarter.

27. Deferred revenue

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016	Reasons
Associated with assets	49,378,296.00		832,836.00	48,545,460.00	
Associated with earnings					
Total	49,378,296.00		832,836.00	48,545,460.00	--

Subsidy from government

Liabilities	31-12-2015	Increased during current period	Converted to non-business incomes during current period	Other decrease	30-06-2016	Notes
Subsidy fund for highly effective heat pump and related system	3,704,296.00		275,836.00		3,428,460.00	Associated with the asset
Contribution to subsidiary company relocation	45,674,000.00		557,000.00		45,117,000.00	Associated with the asset
Total	49,378,296.00		832,836.00		48,545,460.00	

28. Share capitals

Items	31-12-2015	Issuance of new shares	Shares converted from reserve	Others	30-06-2016
I. Non-circulating share capital with restricted trade conditions	29,374,451	58,645,096	13,351,650	-2,662,375	98,708,822
1. State-owned shares					
2. Shares held by domestic legal persons	19,213,921	44,337,717	9,606,960		73,158,598
3. Other domestic shares	10,160,530	14,307,379	3,744,690	-2,662,375	25,550,224
Including: Shares held by domestic natural person					
II. Circulating share capital	330,790,524		166,730,837	2,662,375	500,183,736
1. Domestically listed ordinary shares (A-share)	215,790,524		109,230,837		327,683,736
2. Domestically listed ordinary shares (B-share)	115,000,000		57,500,000		172,500,000
III. Total	360,164,975	58,645,096	180,082,487		598,892,558

29 .Capital surpluses

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
Capital premium	550,973,185.90	499,651,121.38	180,082,487.00	870,541,820.28
Other capital surplus	79,291,806.05	4,305,051.09		83,596,857.14
Total	630,264,991.95	503,956,172.47	180,082,487.00	954,138,677.42

Other notes: The Company's share premium increased in current period is mainly the share premium recognized in the non-public offering of A shares, and the balance between the long-term equity investment obtained by purchasing minority shareholdings and the net asset share calculated by the newly increased shareholding ratio and sustainably being calculated since the acquisition date when purchasing the stock rights held by the minority shareholders of the original holding subsidiary Dalian Bingshan Guardian Automation Co., Ltd. in the current period.

Other capital reserve refers to the equity-based compensation expenses and incomes after-taxes from selling odd lots.

30. Treasury stock

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
Implementation of equity incentive to buy back	39,503,800.00			39,503,800.00
Total	39,503,800.00			39,503,800.00

31. Other comprehensive income

Items	31-12-2015	2016.01-06					30-06-2016
		Amount for the period before income tax	*	Less: income tax	After-tax attribute to the parent company	**	
I.Later can't reclassified into profit and loss of other comprehensive income							
II. Later reclassified into profit and loss of other comprehensive income							
1. Later reclassified into profit and loss of other comprehensive income of long term investments accounting by equity method	2,768,286.72						2,768,286.72
2. Changes in fair value recognized in gains and losses of the available-for-sale financial assets	587,219,831.33	-183,904,248.45		-27,585,637.27	-156,318,611.18		430,901,220.15

Items	31-12-2015	2016.01-06					30-06-2016
		Amount for the period before income tax	*	Less: income tax	After-tax attribute to the parent company	**	
3. Foreign currency translation differences of financial statements							
Total	589,988,118.05	-183,904,248.45		-27,585,637.27	-156,318,611.18		433,669,506.87

*Less: Previously recognized in profit or loss in other comprehensive income

**After-tax attribute to minority shareholder

32. Special reserve

Items	31-12-2015	Increased during current year	Decreased during current year	30-06-2016
Safety production expenses		991,475.25	991,475.25	
Total		991,475.25	991,475.25	

33. Surplus reserves

Items	31-12-2015	Increased during current period	Decreased during current period	30-06-2016
Statutory surplus reserves	285,277,941.21			285,277,941.21
Discretionary surplus reserve	295,491,798.95	25,204,992.51		320,696,791.46
Total	580,769,740.16	25,204,992.51		605,974,732.67

The increase of the surplus reserves were because the other reserved capital RMB25.205-million-yuan was withdrawn on the basis of 20% of the company's net profit of 2015 according to the resolution of the General Meeting of Shareholders of year 2015.

34. Retained earnings

Items	30-06-2016	Extraction or allocation proportion
Retained earnings at the end of prior year	525,925,066.25	
Add: Changes in accounting policies		
At beginning of the year after retrospective adjustment	525,925,066.25	
Add: Net profit of the current period	67,487,286.84	
Less: Appropriation of statutory surplus reserves		
Appropriation of discretionary surplus reserve	25,204,992.51	20% of net profit of year 2015
Appropriation of employee's welfare and bonus fund in foreign invested company		
Cash dividends	36,016,497.50	RMB 0.10per share of year 2015
Dividends transferred to share capital		
Retained earnings at the end of the current period	532,190,863.08	

35. Total operating income and operating cost

(1) Total operating income and cost

Items	2016.01-06		2015.01-06	
	Income	Cost	Income	Cost
Key business	772,140,745.33	629,066,634.42	703,214,354.35	556,138,449.36
Other business	7,779,118.70	4,129,943.49	8,525,987.78	6,208,948.56
Total	779,919,864.03	633,196,577.91	711,740,342.13	562,347,397.92

36. Taxes and surcharges

Items	2016.01-06	2015.01-06
Business tax	1,586,176.90	1,465,636.16
City maintenance and construction tax	2,750,214.17	2,284,878.37
Education surtax	1,174,322.92	985,263.05
Local education surtax	782,044.05	655,805.10
Dike maintenance fee		75,277.68
Others	64,958.38	
Total	6,357,716.42	5,466,860.36

37. Selling and distribution expenses

Items	2016.01-06	2015.01-06
Handle official business expenses	7,103,945.27	2,892,181.98
Salaries and subsidies	12,327,952.20	15,972,653.49
Depreciation expenses	209,599.16	253,348.11
Transportations expenses	4,421,080.73	4,077,525.44
Entertainment expenses	2,191,836.31	2,404,142.35
Traveling expenses	9,026,118.33	7,215,386.47
Maintenance and repair expenses	2,295,441.74	1,429,195.03
Advertisement and bids expenses	369,627.36	554,869.98
Others	326,787.27	528,017.73
Total	38,272,388.37	35,327,320.58

38. Administrative expenses

Items	2016.01-06	2015.01-06
Handle official business expenses	6,536,088.68	6,415,197.31
Salaries and subsidies	56,386,472.43	50,794,074.60
Depreciation expenses	4,494,752.21	3,515,372.56
Transportations expenses	149,474.47	507,034.43
Entertainment expenses	1,378,241.68	1,292,750.44
Traveling expenses	3,078,561.16	1,811,111.96
Maintenance and repair expenses	2,431,907.45	2,345,494.31
Advertisement expenses	97,363.40	95,386.88
Other taxes and fees	6,107,717.11	4,303,683.83
Insurance expenses	529,161.15	1,880,493.01
Research and development expenses	12,447,488.02	10,335,005.70
Amortization of long term assets	2,460,670.57	2,243,366.80
Design consultant and test service expenses	2,599,058.70	2,511,459.14
Safety production fees	1,218,456.35	

Others	643,288.90	686,672.43
Total	100,558,702.28	88,737,103.40

39. Financial expenses

Items	2016.01-06	2015.01-06
Interest expenses	3,530,211.72	2,531,600.00
Less:Interest income	1,455,384.30	5,005,928.14
Losses on exchange(Less: Gain on exchange)	80,921.92	260,322.22
Other expenses	757,739.94	382,682.47
Total	2,913,489.28	-1,831,323.45

The financial expenses increased 259.09% over that of last period, mainly because the loan interest increased and basis of deposit decreased in the Period, then the interest income declined.

40. Impairment losses

Items	2016.01-06	2015.01-06
Provision for bad debts	10,931,405.26	2,475,284.97
Provision for obsolete inventories		
Provision for the impairment of available-for-sale financial assets		
Provision for the impairment of held to maturity investments		
Provision for the impairment of long-term equity investments		
Provision for the impairment of investing property		
Provision for the impairment of fixed assets		
Provision for the impairment of construction materials		
Provision for the impairment of construction in progress		
Provision for the impairment of bearer biological assets		
Provision for the impairment of oil assets		
Provision for the impairment of intangible assets		
Provision for the impairment of goodwill		
Provision for the impairment of other assets		
Total	10,931,405.26	2,475,284.97

The Company's asset impairment loss in current period has an increase over the previous period, mainly due to an increase in provision for bad debts of receivables in current period.

41. Gain/ (loss) from investment

(1) Details

Items	2016.01-06	2015.01-06
Calculated by equity method	60,980,888.19	48,083,081.52
Calculated by cost method		
Gain from disposal associated company		
Gain from holding of financial assets available for sale	15,961,425.40	310,000.00
Gain from disposal financial assets available for sale		
Total	76,942,313.59	48,393,081.52

(2) Other notes: The Company's investment income in current period increased 58.99% over the previous period, mainly due to the increase in investment income of financial assets available for sale during the holding period; the withdrawal of investment income has no significant restriction.

42. Non-business incomes

(1)Details

Items	2016.01-06	2015.01-06	The amount recorded in non-recurring gains and losses of
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Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

			current period
Gain on the disposal of non-current assets	64,284.56	28,868.06	64,284.56
Penalty and fine income	188,975.90	43,208.00	188,975.90
Subsidy fund from government	6,626,921.74	56,012.50	6,626,921.74
Deferred income	832,836.00	2,546,039.19	
Debts need not paid	800.00	88,269.78	800.00
Others	14,409.73	6,114.54	14,409.73
Total	7,728,227.93	2,768,512.07	6,895,391.93

(2) Subsidy fund from government

Items	2016.01-06	2015.01-06	Explanations
Subsidy for information construction from Dalian Municipal Bureau of Finance			
Aid for patent from Dalian Intellectual Property Service Centre			
Subsidy of economic support policy	30,000.00	43,400.00	Related to gain
R22 alternative project subsidies	5,533,711.00		Related to gain
Subsidy for social security		11,165.00	Related to gain
Subsidy for circular economy project			
Award for QC team			
Aid for patent from Wuhan Intellectual Property Bureau			
Subsidy and award for patent			
Mayor's Quality Award			
Financial incentive award for increasing production and sales			
Subsidy for science and technology development			
Subsidy for small and medium-sized enterprises exploiting international market			
Financial award for export			
Taxes given back	1,063,210.74	1,447.50	Related to gain
International market developing fund for small and mid size enterprises			
Subsidy for the first set of important technology equipment			
Reward for promoting increase of industry of year 2014			
Subsidy for patent from Wuhan Intellectual Property Bureau			
Subsidy for disposal of useless vehicles			
Total	6,626,921.74	56,012.50	--

The non-operation revenue increased 179.15% over that of last period, mainly due to the increase of Subsidy fund from government in the Period.

43. Non-business expenses

Items	2016.01-06	2015.01-06	The amount recorded in non-recurring gains and losses of current period
Loss on the disposal of non-current assets	189,436.67	2,394.33	189,436.67
Fines and penalties	50.00	2,071.37	50.00
Others	94,537.82		94,537.82
Total	284,024.49	4,465.70	284,024.49

The non-operation expenditure increased 6260.13% over that of last period, mainly due to the increase in losses of the Company's non-current assets disposal in current period.

44. Income tax expenses

(1) Details:

Items	2016.01-06	2015.01-06
Current income tax expense	5,588,418.91	7,360,497.09
Deferred income tax expense	-1,430,024.05	-1,668,851.78
Total	4,158,394.86	5,691,645.31

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

Items	2016.01-06
Total profits	72,076,101.54
Current income tax expense accounted by tax and relevant regulations	10,811,415.23
Influence of different tax rate suitable to subsidiary	5,420,614.00
Influence of income tax before adjustment	-1,511,065.98
Influence of non taxable income	-11,541,347.04
Influence of not deductible costs, expenses and losses	-280,923.25
Influence of deductible losses of deferred income tax assets derecognized used in previous period	3,696,573.57
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	-2,436,871.67
Income tax expenses	4,158,394.86

45. Relevant information about cash flow statement

(1) Other cash received relating to operating activities

Items	2016.01-06	2015.01-06
Government grants	6,221,088.91	54,565.00
Received travel expense receivable	5,013,079.16	5,113,665.00
Deposit received	1,060,540.84	644,271.81
Received amount paid on behalf of related companies	882,599.17	7,513,302.20
interest income	7,392,253.66	772,394.36
Others	1,414,024.35	1,014,539.73
Total	21,983,586.09	15,112,738.10

(2) Other cash paid relating to operating activities

Items	2016.01-06	2015.01-06
Borrowing of travel expense	5,315,059.64	4,880,283.65
Deposit paid	16,553,871.66	4,360,672.45
Expenditure	38,698,072.90	45,836,364.92
Bank handling charges	757,739.94	382,682.47
Others	3,125,968.44	11,055,701.02
Total	64,450,712.58	66,515,704.51

(3) Cash receipts related to other financing activities

Items	2016.01-06	2015.01-06
The dividend of odd lots	45,137.75	
Guarantee money took back	20,665,689.93	32,953,876.63
Total	20,710,827.68	32,953,876.63

(4) Other cash paid relating to financing activities

Items	2016.01-06	2015.01-06
Interests on discount of bill acceptance		39,984.00
Guarantee money paid	10,121,261.17	34,920,526.90
Total	10,121,261.17	34,920,526.90

46. Complementary information for consolidated cash flow statement

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

Items	2016.01-06	2015.01-06
1. Reconciliation from the net profit to the cash flows from operating activities		
Net profit	67,917,706.68	64,683,180.93
Add: Provisions for assets impairment	10,931,405.26	2,475,284.97
Depreciation of fixed assets	19,987,138.87	18,524,223.20
Amortization of intangible assets	2,481,329.09	2,180,457.64
Amortization of long-term deferred expenses	773,999.86	739,252.02
Losses on disposal of fixed assets, intangible assets and other long-term assets	-64,284.56	-28,868.06
Losses on scrapping of fixed assets	189,436.67	2,394.33
Losses on variation of fair value		
Finance expenses	3,547,510.15	2,486,829.17
Investment losses	-76,942,313.59	-48,393,081.52
Decrease in deferred tax assets	-1,431,576.38	-1,668,851.78
Increase in deferred tax liabilities		
Decrease in inventory	-22,756,451.69	22,423,162.65
Decrease in operating receivables	25,986,002.41	-106,331,110.05
Increase in operating payables	-78,098,619.17	-87,682,794.87
Others	4,266,684.00	
Net cash flows from operating activities	-43,212,032.40	-130,589,921.37
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Net increase in cash and cash equivalents		
Cash at the end of the period	908,820,298.30	330,091,246.94
Less: Cash at the beginning of the period	221,724,134.60	475,557,589.39
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	687,096,163.70	-145,466,342.45

(2) Cash and cash equivalents

Items	2016.01-06	2015.01-06
1.Cash	908,820,298.30	221,724,134.60
Including: cash on hand	58,492.04	57,023.71
Bank deposits that can be used for payment whenever necessary	908,761,806.26	221,667,110.89
Other monetary capital that can be used for payment whenever necessary		
2.Cash equivalents		
Including: Bonds mature within 3 months		
3.Balance of cash and cash equivalents at the end of the current period	908,820,298.30	221,724,134.60
Including: Cash or cash equivalents which was restricted in use of the Company and subsidiaries in the group		

47. The assets with the ownership or use right restricted

Items	30-06-2016	Reasons
Monetary fund	12,521,261.17	Guarantee money
Fixed assets	94,648,941.86	Subsidiaries' assets mortgaged for loans
Intangible assets	53,192,294.00	Subsidiaries' assets mortgaged for loans
Total	160,362,497.03	

48. Foreign currency monetary items

Items	Ending balance of Original currency	Exchange rate	Ending balance of RMB equivalent
Monetary fund			
Included: USD	2,188.57	6.6312	14,512.85
EUR	5.60	7.375	41.30
JPY	637,056.00	0.064491	41,084.38
GBP	66,975.04	8.9212	597,497.73
Accounts receivable			
Included: GBP	63,257.36	8.9212	564,331.56
Accounts payable			
Included: GBP	36,399.28	8.9212	324,725.26

VIII. Changes of consolidation scope

The Company's 15th meeting of the 6th session of the Board of directors decided the Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. to merge the original wholly-owned subsidiary Dalian Bingshan Metal Processing Co., Ltd. The base date of merger was December 31, 2014, and Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. became the surviving corporation after the merger. Up to June 30, 2016, above-mentioned changes have been completed, and the Company's shareholding ratio is changed to 95%. Therefore, in the current consolidated statements, one consolidation subject Dalian Bingshan Metal Processing Co., Ltd would be removed.

Dalian Universe Thermal Technology Co., Ltd., formerly known as Dalian Sanyo Efficient Refrigeration System Co., Ltd., has changed its name to be Dalian Universe Thermal Technology Co., Ltd. on May 3, 2016.

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

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 Guardian Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	95		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Dalian	Dalian	Manufacturing	100		Purchase
Bingshan Technical Service (Dalian) Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Establish
Wuhan New World Refrigeration Air-Conditioning Engineering I Co., Ltd.	Wuhan	Wuhan	Installation		100	Establish
Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd	Ningbo	Ningbo	Installation		51	Establish
Dalian Universe Thermal Technology Co., Ltd	Dalian	Dalian	Manufacturing	55		Merger

- ① All the holding proportion in subsidiaries were the same with voting proportion;
- ② The company held over 50% voting proportion in subsidiaries;
- ③ The company could control these subsidiaries;

(2) The company do not have Important Non-wholly-owned Subsidiary

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

(1) Note to owner's equity share changed in subsidiaries

The Company's 15th meeting of the 6th session of the Board of directors decided the Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. to merge the original wholly-owned subsidiary Dalian Bingshan Metal Processing Co., Ltd. The base date of merger was December 31, 2014, Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. became the surviving corporation after the merger. Up to June 30, 2016, above-mentioned changes have been completed, and the Company's shareholding ratio is changed to 95%. Therefore, in the current consolidated statements, one consolidation subject Dalian Bingshan Metal Processing Co., Ltd would be removed.

The Company's board of directors decided to accept 30% stock rights of Dalian Bingshan Group Sales Co., Ltd. held by wholly-owned subsidiary Wuhan New World Refrigeration Industrial Co., Ltd . Up to June 30, 2016, the above-mentioned stock right transfer has been completed, the Company's shareholding ratio changes to 100%, and Dalian Bingshan Group Sales Co., Ltd. becomes a wholly owned subsidiary of the Company.

The Company's board of directors decided to accept 40% stock rights of the original holding subsidiary, Dalian Bingshan Guardian Automation Co., Ltd., up to June 30, 2016, the above-mentioned stock right transfer has been completed, the Company's shareholding ratio changes to 100%, and Dalian Bingshan Guardian Automation Co., Ltd becomes a wholly owned subsidiary of the Company.

The Company's board of directors decided to transfer 5% stock rights of Wuhan New World Refrigeration Air-Conditioning Engineering Co., Ltd. to Wuhan New World Refrigeration Industrial Co., Ltd., up to June 30, 2016, the above-mentioned stock right transfer has been completed, the Company's shareholding ratio changes to 0%, Wuhan New World Refrigeration Air-Conditioning

Engineering Co., Ltd. becomes a wholly owned subsidiary of Wuhan New World Refrigeration Industrial Co., Ltd.

(2) The transaction's influence to equity of minority shareholders and attributable to the owner's equity of the parent company

Items	Dalian Bingshan Guardian Automation Co., Ltd..
Cash	5,350,000.00
Total Purchase cost	5,350,000.00
Less: Net assets calculated by the proportion of shareholding of the transaction	2,364,863.04
Difference	2,985,136.96-
Among them:adjust capital reserve	2,985,136.96

3. Equity in joint venture arrangement or associated enterprise

(1)The important of joint ventures or affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding		Accounting methods
				Direct	Indirect	
Joint ventures:						
Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd	Dalian	Dalian	Installation	50%		Equity method
Affiliated companies:						
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	20%		Equity method
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40%		Equity method
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Dalian	Dalian	Manufacturing	49%		Equity method

(2)The main financial information of joint ventures

Items	30-06-2016/2016.01-06	31-12-2015/2015.01-06
Current assets	7,316,401.95	9,006,060.68
Including: Cash and cash equivalents	707,757.51	1,132,033.68
Non-current assets	167,521.38	471,614.42
Assets total	7,483,923.33	9,477,675.10
Current liabilities	2,434,826.49	3,803,479.48
Non-current liabilities		
Total liabilities	2,434,826.49	3,803,479.48
Minority interests		
Equity to the parent company	5,049,096.84	5,674,195.62
Net assets calculated according to the shareholding proportions	2,524,548.42	2,837,097.81
Adjusting events		
—Goodwill		
—Unrealized profits of insider trading		
—Employee's welfare and bonus fund in foreign invested company		
Book value of equity investment of joint ventures	2,524,548.42	2,837,097.81

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Items	30-06-2016/2016.01-06	31-12-2015/2015.01-06
Fair value of equity investment with public offer		
Operating income	547,417.22	703,985.12
Finance expenses	-103.89	-535.21
Income tax		
Net profit	-625,098.78	-794,000.74
Other comprehensive income		
Total comprehensive income	-625,098.78	-794,000.74
The dividends received from joint ventures during current year		

(3) The main financial information of affiliated companies

Items	30-06-2016/2016.01-06		
	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	284,904,487.35	1,393,550,023.50	389,452,096.74
Non-current assets	90,765,552.36	338,825,743.26	61,267,026.08
Total assets	375,670,039.71	1,732,375,766.76	450,719,122.82
Current liabilities	155,097,916.12	585,119,988.41	177,472,374.15
Non-current liabilities			4,270,255.18
Total liabilities	155,097,916.12	585,119,988.41	181,742,629.33
Minority interests			
Equity to the parent company	220,572,123.59	1,147,255,778.35	268,976,493.49
Net assets calculated according to the shareholding proportions	44,114,424.73	458,902,311.34	131,798,481.81
Others		-2,672,795.40	
Adjusting events			
—Goodwill			
—Unrealized profits of insider tradings			
—Employee's welfare and bonus fund in foreign invested company			
Book value of equity investment of affiliated companies	44,114,424.73	456,229,515.94	131,798,481.81
Fair value of equity investment with public offer			
Operating income	396,083,571.29	835,196,599.56	285,818,272.42
Net profit	48,536,947.22	83,524,856.04	37,816,382.72
Net profit of discontinuing operation			
Other comprehensive income			
Total comprehensive income	48,536,947.22	83,524,856.04	37,816,382.72
The current dividends received from joint ventures	14,200,000.00		

Continued:

Items	31-12-2015/2015.01-06
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	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	288,372,485.62	1,394,237,128.94	361,305,733.51
Non-current assets	96,260,501.77	350,839,627.19	61,629,639.07
Total assets	384,632,987.39	1,745,076,756.13	422,935,372.58
Current liabilities	141,597,811.02	587,437,711.53	188,191,481.16
Non-current liabilities			3,583,780.65
Total liabilities	141,597,811.02	587,437,711.53	191,775,261.81
Minority interests			
Equity to the parent company	243,035,176.37	1,157,639,044.60	231,160,110.77
Net assets calculated according to the shareholding proportions	48,607,035.27	463,055,617.84	113,268,454.28
Others		-5,163,248.92	
Adjusting events			
—Goodwill			
—Unrealized profits of insider tradings			
—Employee’s welfare and bonus fund in foreign invested company			
Book value of equity investment of affiliated companies	48,607,035.27	457,892,368.92	113,268,454.28
Fair value of equity investment with public offer			
Operating income	334,917,403.41	985,412,375.73	209,861,461.28
Net profit	38,063,823.88	80,005,169.74	25,328,865.57
Net profit of discontinuing operation			
Other comprehensive income			
Total comprehensive income	38,063,823.88	80,005,169.74	25,328,865.57
The current dividends received from joint ventures	9,600,000.00		

(4) Summary financial information of insignificant affiliated companies

Items	30-06-2016/2016.01-06	31-12-2015/2015.01-06
Total book value of investment of affiliated companies	581,510,424.35	597,762,811.43
The total of following items according to the shareholding proportions	--	--
Net profit	1,853,839.21	-964,253.70
Other comprehensive income		
Total comprehensive income	1,853,839.21	-964,253.70

(5) No significant restrictions of the ability of joint venture or associated enterprise transfer funds to the company.

(6) No excess loss of joint venture or associated enterprise.

(7) No commitment related to joint venture or affiliated company needed disclose.

(8) No Contingent liabilities related to joint venture or affiliated company needed disclose.

X. The risk related financial instruments

The Company faces a variety of financial risks in the course of operation: credit risk, liquidity risk and market risk (mainly exchange risk and interest rate risk). The objective of the company’s risk

management is to obtain a proper balance between the risks and benefits, reduce the risks' negative impact on the company's operating performance.

1. Credit risk

The credit risk of the company included monetary fund, accounts receivable, notes receivable and other accounts receivable etc. The management made credit policies and supervised changes of these credit exposure.

The company's working capital was in bank with higher credit rating, so there was no significant credit risk, nor significant losses due to the default of other entity.

Company mainly faces customer credit risk caused by the credit sale. The Company would make an evaluation on new customers' credit risk before signing new contracts, which includes external credit rating and bank reference letter (when available) under certain circumstances. The Company sets quota on credit sale for each customer and such quota is the maximum amount without additional approvals. As at June 30, 2016, the big five customers of accounts receivable was 19.15% of total accounts receivable, and as at 31st December 2015 that was 11.69%.

Except guarantee events disclosed in the notes, there was no other credit risk of guarantee of the company.

2. Liquidity risk

Liquidity risk was referred to the risk of shortage of funds incurred when the enterprise perform the obligation of settlement by cash or other financial assets.

The financial department of the company continued to monitors the short term or long term capital needs to ensure maintain plenty of cash flow. And the same time they also monitor the condition of bank loan agreements and obtain commitments from banks to provide plenty of fund.

As at June 30, 2016, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following:

Items	30-06-2016					
	Book value	Original value of the book	Within 1 year	1-2 years	2-5 years	Over 5 years
Monetary fund	921,341,559.47	921,341,559.47	921,341,559.47			
Notes receivable	72,063,636.61	72,063,636.61	72,063,636.61			
Accounts receivable	800,671,319.79	941,691,457.08	800,671,319.79			
Interest receivable						
Dividends receivable						
Other receivables	38,928,913.96	44,231,284.32	38,928,913.96			
Available for sale financial assets	549,371,000.64	554,595,771.44				549,371,000.64
Subtotal	2,382,376,430.47	2,533,923,708.92	1,833,005,429.83			549,371,000.64
Short-term borrowings	162,600,000.00	162,600,000.00	162,600,000.00			
Notes payable	159,933,253.32	159,933,253.32	159,933,253.32			
Accounts payable	802,354,889.82	802,354,889.82	802,354,889.82			
Employees' compensation payable	25,839,889.64	25,839,889.64	25,839,889.64			
Taxes payable	27,925,296.64	27,925,296.64	27,925,296.64			
Dividend payable	533,156.00	533,156.00	533,156.00			
Other payables	96,758,383.05	96,758,383.05	96,758,383.05			
Subtotal	1,275,944,868.47	1,275,944,868.47	1,275,944,868.47			

Continued:

Items	31-12-2015					
	Book value	Original value of the book	Within 1 year	1-2 years	2-5 years	Over 5 years
Monetary fund	244,789,824.53	244,789,824.53	244,789,824.53			
Notes receivable	71,699,517.68	71,699,517.68	71,699,517.68			
Accounts receivable	671,423,836.87	801,499,499.03	671,423,836.87			
Interest receivable						
Other receivables	22,755,328.21	28,070,768.44	22,755,328.21			
Available for sale financial assets	733,275,249.09	738,500,019.89				733,275,249.09
Subtotal	1,743,943,756.38	1,884,559,629.57	1,010,668,507.29			733,275,249.09
Short-term borrowings	82,600,000.00	82,600,000.00	82,600,000.00			
Notes payable	234,189,011.72	234,189,011.72	234,189,011.72			
Accounts payable	660,398,503.26	660,398,503.26	660,398,503.26			
Employees' compensation payable	51,857,345.29	51,857,345.29	51,857,345.29			
Taxes payable	15,701,578.36	15,701,578.36	15,701,578.36			
Dividend payable	533,156.00	533,156.00	533,156.00			
Other payables	99,890,290.15	99,890,290.15	99,890,290.15			
Subtotal	1,145,169,884.78	1,145,169,884.78	1,145,169,884.78			

3. Market risk

(1) Exchange rate risk

Most of the company's business located in China, and settled with RMB. But the company defined exchange rate risk of foreign currency assets and future foreign currency transaction (mainly including USD,JPY,HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk.

① During the current year the company didn't buy any forward foreign exchange contract or swap contract.

② As at June 30,2016, the company's foreign currency assets and foreign currency liabilities listed in RMB as following:

Items	30-06-2016				
	USD	JPY	GBP	EUR	Total
Foreign currency financial assets,					
Monetary fund	14,512.85	41,084.38	597,497.73	41.30	653,136.26
accounts receivable			564,331.56		564,331.56
Subtotal	14,512.85	41,084.38	1,161,829.290	41.30	1,217,467.82
Foreign currency financial liability					
Accounts payable			324,725.26		324,725.26
Subtotal			324,725.26		324,725.26

Continued:

Items	31-12-2015				
	USD	JPY	GBP	EUR	Total
Foreign currency financial assets,					
Monetary fund	12,746.41	12,351.43		39.73	25,137.57
accounts receivable			1,188,836.80		1,188,836.80
Subtotal	12,746.41	12,351.43	1,188,836.80	39.73	1,213,974.37
Foreign currency financial liability					
Accounts payable	43,679.53		350,011.84		393,691.37
Subtotal	43,679.53		350,011.84		393,691.37

③ The sensitive analysis:

As at June 30, 2016, because the company's foreign currency assets or liabilities were small, the change of foreign exchange rate had little impact to the company's net profit or shareholders' equity.

(2) Interest rate risk

The interest risk of the Group incurred from bank loan, interest rate risk of a floating interest rate of financial liabilities that lead to the company facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the company facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. The company and the subsidiary of the company Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short term loan RMB 162,600,000.00, long term loan RMB 160,000,000.00 with fixed interest rate.

The financial department of the company continuously monitors the interest rates level, and the management would make some adjustment to face interest rate increasing.

The sensitive analysis:

Base on the assumption of interest rate change of 50 BP, the company's net profit of first half of 2016 will increase or decrease RMB 1,613,000.00.

XI.Fair value**1.Items measured at fair value**

As at 30 June,2016,some equity investments of available-for-sale financial assets were measured at the fair value.

Fair value level can be classified according to the input value of the lowest level that is significant to whole measurement of fair value:

First level: quote of same assets or liabilities in an active market (unadjusted).

Second level: directly (price) or indirectly (derive from price) use observable input value other than market quote of assets or liabilities in the first level.

Third level: use any input value not based on observable market data in assets or liabilities (unobservable input value).

2.Item measured at fair value at the end of current year

Items	Fair value at the end of current year			
	First level	Second level	Third level	Total
Sub-total of available for sale financial assets	535,459,342.05			535,459,342.05
Debt instrument investment				
Equity instrument investment	535,459,342.05			535,459,342.05
Other investment				
Total assets	535,459,342.05			535,459,342.05

3. Determined on the basis of continuous first level for fair value measurement according to the closed price of stock market as at 30 June, 2016.

4. The above fair value of the company did not changed in different levels.

5. Financial assets and financial liabilities not measured at fair value mainly include: Cash and bank balances, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, long-term payables, etc. The difference between the book value of financial assets and financial liabilities that are not measured at fair value and fair value is small.

XII. Related Parties Relationships and Transactions

1. Information of the company's parent company

Name of enterprise	Registered address	Nature of business	Registered capital	The parent company's shareholding	The parent company's voting right
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	158,580,000.00	20.38%	20.38%

(1) Information of the company's parent company

Dalian Bingshan Group Co., Ltd. Is a sino-foreign joint venture located No.888 Xinan Road, Shahekou District, Dalian, China. The legal representative person of Dalian Bingshan Group Co., Ltd. is Ji Zhijian, and the registered capital is RMB158.6 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 product, freezing and cooling product, different size of air-conditioners, petrochemical equipment, electronic and electronic control product, home electronic appliance, environment protect equipment and etc. (Business needed administrative permission must have the administrative license.)

(2) There is no ultimate controller of the Company.

2. The information of the subsidiaries please refers to IX. 1 of this note.

3. The information of the affiliated company and joint venture please refers to IX. 3 of this note.

The companies had related party transaction with the company during the current period or had transaction balance at the end of last period, including:

Names of the joint ventures or affiliated companies	Relationships with the Company
Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd	Joint venture of the Company
Dalian Bingshan Engineering & Trading Co., Ltd	Affiliated company of the Company
Panasonic Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Honjo Chemical Co., Ltd	Affiliated company of the Company
Panasonic Cold-chain (Dalian) Co., Ltd	Affiliated company of the Company
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic compressor (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Sanyo Meica Electronics Co., Ltd	Affiliated company of the Company
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd	Affiliated company of the Company
Wuhan Skaff Technology Co., Ltd.	Affiliated company of the Company's wholly owned subsidiary
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Affiliated company of the Company
Changzhou Jingxue Freezing Equipment Co., Ltd.	Affiliated company of the Company

Names of the joint ventures or affiliated companies	Relationships with the Company
Dalian Fuji Bingshan Vending Machine sales Co., Ltd.	Affiliated company of the Company
Wuhan Lanning Science and Technology Co., Ltd.	Affiliated company of the Company's wholly owned subsidiary

Dalian Universe Thermal Technology Co., Ltd was Affiliated company of the company during January to July of 2015, and its financial information of January to July of 2015 included in the above form.

4. Other type of the related parties

Names of the related parties	Relationships with the Company
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Subsidiary of Dalian Bingshan Group
Dalian Third Refrigeration Equipment Factory	Subsidiary of Dalian Bingshan Group
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd	Subsidiary of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Bingshan Metal Technology Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Mahe Level Control Electrical Appliances Co., Ltd	Affiliated company of Dalian Bingshan Group
Linde Engineering (Dalian) Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC Dalian Co., Ltd	Joint venture of Dalian Bingshan Group
Linde Engineering (Hangzhou) Co., Ltd	Affiliated company of Dalian Bingshan Group

5. The transactions between the Company and the related parties

(1) The transactions between the Company and the related parties, whose balance sheet has been included in the consolidated statement and between the parties themselves have been offset.

(2) Purchases of goods from related parties

Names of the related parties	Details of transaction	2016.01-06	2015.01-06
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	16,350,205.01	716,562.50
Panasonic Cold-chain (Dalian) Co., Ltd.	Purchases of goods	49,463,789.05	3,304,862.95
Panasonic Compressor (Dalian) Co., Ltd.	Purchases of goods	492,916.24	784,752.13
Dalian Sanyo Meica Electronics Co., Ltd	Purchases of goods		100,828.42
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	3,765,208.16	6,421,503.17
Dalian Third Refrigeration Equipment Factory	Purchases of goods	2,084,492.27	4,812,153.85
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	2,395,299.17	322,813.68
BAC Dalian Co., Ltd	Purchases of goods	12,887,831.74	13,730,297.37
Dalian Bingshan Engineering & Trading Co., Ltd	Purchases of goods	39,568,673.65	25,668,455.04
Dalian Bingshan Metal Technology Co., Ltd	Purchases of goods	135,866.73	155,961.17
Dalian Universe Thermal Technology Co., Ltd	Purchases of goods		763,338.56
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd	Purchases of goods	1,196,581.20	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Purchases of goods	735,876.07	1,350,427.36
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods	252,850.67	242,187.94
Changzhou Jingxue Freezing Equipment Co., Ltd.	Purchases of goods	4,760,451.36	
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Purchases of goods		
Dalian Mahe Level Control Electrical Appliances Co., Ltd	Purchases of goods		
Total		134,090,041.32	58,374,144.14

Sales of goods to related parties

Names of the related parties	Details of transaction	2016.01-06	2015.01-06
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	21,582,100.94	1,781,171.34
Panasonic Cold-chain (Dalian) Co., Ltd.	Sales of goods	57,316,492.81	15,006,735.92
Panasonic Compressor (Dalian) Co., Ltd.	Sales of goods	1,881,902.10	3,404,239.17
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	333,368.74	667,450.61
Dalian Third Refrigeration Equipment Factory	Sales of goods	1,271,146.60	806,213.11
Dalian Bingshan Engineering & Trading Co., Ltd	Sales of goods	15,835,494.96	40,431,688.39
Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd	Sales of goods		6,538.47
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd	Sales of goods	244,919.97	280,132.48
Beijing Huashang Bingshan Serial Refrigeration Equipment Co., Ltd	Sales of goods	24,132,951.49	20,449,376.92
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	17,124,023.00	5,074,438.78
Dalian Bingshan Metal Technology Co., Ltd	Sales of goods	40,617.44	51,224.53
Dalian Universe Thermal Technology Co., Ltd	Sales of goods		401,446.85
MHI Bingshan Refrigeration (Dalian) Co.,Ltd	Sales of goods	4,310,615.52	2,702,016.14
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Sales of goods	383,428.42	
Changzhou Jingxue Freezing Equipment Co., Ltd.	Sales of goods	214,510.03	
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	1,767,403.68	194,966.55
Total		146,438,975.70	91,257,639.26

(3) Leasing fee from related party

Lessee	Leasing assets	Rental income of current period	Rental income of previous period
Dalian Bingshan Group Co., Ltd.	Offices		
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Workshops	2,100,000.00	2,100,000.00
Dalian Bingshan Engineering & Trading Co., Ltd	Offices		
Total		2,100,000.00	2,100,000.00

Leasing fee to related party

Leaser	Leasing assets	Rental fees of current period	Rental fees of previous period
Dalian Bingshan Group Co., Ltd.	Offices		
Total			

The Company signed a leasing agreement with Dalian Bingshan Group Co., Ltd., and leased 576 m² of offices to Dalian Bingshan Group Co., Ltd. The rental of offices is RMB 103,680.00 per year, and the effective period of the contract is 2 years.

The Company rent office and garage of Dalian Bingshan Group Co., Ltd., and the rental is RMB142,572.00 per year for 3 years.

The company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent #

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

The Company signed a leasing agreement with Dalian Bingshan Engineering & Trading Co., Ltd., and leased 693 m² of offices to Dalian Bingshan International Trade Co., Ltd. The rental of offices is RMB 124,740.00 per year.

(4) Guarantee with related companies.

During the reporting period, aiming at the implementation of special funds of China Development Bank development fund, the Company has provided guarantee for controlling shareholder Dalian Bingshan Group Co., Ltd. The guarantee form belongs to the controlling shareholder guarantee, but actually it is a guarantee for obtaining financial support for the Company itself. During the reporting period, in addition to providing guarantee for the controlling shareholders, the Company has not provided guarantee for any illegal units or individuals.

(5) The borrowing of funds from related party

Name of the related party	Amount	Starting date	Ending date	Explanation
Dalian Bingshan Group Co., Ltd.	10,000,000.00	2006.09.01		Borrowed for moving to new location
Total	10,000,000.00			

The Company's subsidiary Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. borrowed RMB 10,000,000.00 from Dalian Bingshan Group Co., Ltd. for moving to new location, and the interests are counted same as bank loan.

(6) Related party asset transfer and debt restructuring

Not applicable.

6. Amounts due from/to related parties

(1) Accounts receivable

Names of the related parties	30-06-2016		31-12-2015	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Panasonic Compressor (Dalian) Co., Ltd.	960,089.66	48,004.48	265,820.40	27,166.02
Panasonic Refrigeration (Dalian) Co., Ltd.	7,885,612.40	394,280.62	5,473,096.64	273,654.83
Panasonic Cold-chain (Dalian) Co., Ltd.	34,652,918.52	1,732,645.93	25,195,419.27	1,259,770.96
Dalian Bingshan Engineering & Trading Co., Ltd.	1,907,481.88	95,374.09	3,410,519.80	170,525.99
BAC Dalian Co., Ltd.			112,420.00	5,621.00
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd.	473,863.52	23,693.18	484,253.52	24,212.68
Dalian Bingshan – P&A Recreation Development Engineering Ltd.			24,430.00	2,443.00
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	45,465,710.84	2,337,085.54	40,803,001.99	2,093,750.10
Dalian Fuji Bingshan Vending Machine Co., Ltd.	10,197,113.54	509,855.68	10,776,362.22	538,818.11
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	3,064,364.31	153,218.22	28,989.23	1,449.46

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Dalian Spindle Cooling Towers Co., Ltd.	1,892,743.42	94,637.17	917,881.08	45,894.05
Dalian Third Refrigeration Equipment Factory	5,642.60	282.13	5,642.60	282.13

(2) Notes receivable

Names of the related parties	30-06-2016	31-12-2015
Panasonic Compressor (Dalian) Co., Ltd	443,418.27	1,052,980.08
Dalian Bingshan Engineering & Trading Co., Ltd.	4,360,388.00	9,847,217.00
BAC Dalian Co., Ltd.		100,000.00
Panasonic Cold Chain (Dalian) Co., Ltd	22,242,891.65	20,163,705.41
Panasonic Refrigeration (Dalian) Co., Ltd		2,909,535.58
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd	1,100,000.00	1,100,000.00
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	4,195,968.00	4,000,000.00
MHI Bingshan Refrigeration (Dalian) Co., Ltd.		6,294,283.14
Dalian Spindle Cooling Towers Co., Ltd.	510,000.00	1,494,656.98

(3) Accounts paid in advance

Names of the related parties	30-06-2016	31-12-2015
Panasonic Compressor (Dalian) Co., Ltd	411,712.00	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd		378,268.10
Dalian Bingshan Engineering & Trading Co., Ltd.	18,891,997.66	18,068,922.66
Changzhou Jingxue Freezing Equipment Co., Ltd.	34,800.00	268,714.00

(4) Other accounts receivable

Name of the related party	30-06-2016		31-12-2015	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dalian Bingshan Engineering & Trading Co., Ltd	116,332.60	5,816.63		

(5) Accounts payable

Names of the related parties	30-06-2016	31-12-2015
Dalian Third Refrigeration Equipment Factory	2,778,685.48	3,437,911.21
BAC Dalian Co., Ltd.	34,330,793.00	40,548,590.02
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	5,696,095.27	8,860,105.57
Panasonic Refrigeration (Dalian) Co., Ltd.	1,200,000.00	
Panasonic Cold-chain (Dalian) Co., Ltd.	32,891,792.70	32,804,524.70
Dalian Sanyo Meica Electronics Co., Ltd.		114,905.11
Dalian Spindle Cooling Towers Co., Ltd.	2,837,250.00	344,750.00

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Dalian Bingshan Engineering & Trading Co., Ltd.	17,179,535.47	5,671,660.46
Panasonic Compressor (Dalian) Co., Ltd.	45,650.00	45,650.00
Changzhou Jingxue Freezing Equipment Co., Ltd.	7,496,856.10	5,742,746.00
Dalian Bingshan Metal Technology Co., Ltd.	281,656.75	222,692.68
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd.	605,000.00	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	307,209.90	

(6) Notes payable

Names of the related parties	30-06-2016	31-12-2015
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	4,000,000.00	6,897,040.82
BAC Dalian Co., Ltd.	20,000,000.00	1,600,000.00
Panasonic Cold-chain (Dalian) Co., Ltd.		1,597,350.00
Dalian Bingshan Engineering & Trading Co., Ltd.	2,464,302.22	2,543,514.28
Dalian Third Refrigeration Equipment Factory	1,018,772.50	2,730,000.00
Dalian Spindle Cooling Towers Co., Ltd.		1,107,249.00
Changzhou Jingxue Freezing Equipment Co., Ltd		4,227,728.00
Panasonic Compressor (Dalian) Co., Ltd.		136,199.00
Dalian Bingshan Metal Technology Co., Ltd.		100,000.00

(7) Accounts received in advance

Names of the related parties	30-06-2016	31-12-2015
Panasonic Cold-chain (Dalian) Co., Ltd.	297,855.22	1,466,923.23
Dalian Bingshan Engineering & Trading Co., Ltd.	622,008.70	79,008.70
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	214,104.30	352,929.50
MHI Bingshan Refrigeration (Dalian) Co., Ltd.		5,850.00
Panasonic Refrigeration (Dalian) Co., Ltd.	58,700.66	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	39,228.02	
Beijing Bingshan Serial Refrigeration Equipment Co., Ltd.	36.00	

(8) Other accounts payable

Names of the related parties	30-06-2016	31-12-2015
Dalian Bingshan Group Co., Ltd.	10,458,745.32	10,412,056.06
Dalian Third Refrigeration Equipment Factory	1,000.00	1,000.00
Dalian Bingshan Engineering & Trading Co., Ltd.	283.95	346.00
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	450,691.50	152,371.59
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.		61,241.27
Panasonic Compressor (Dalian) Co., Ltd.	100,751.04	

XII Share-based payment

1. Overall situation

Total equity instrument awarded by the Company in the Period	10,150,000.00
Total equity instrument exercised in the Period	10,150,000.00
Total equity instrument that out of operation in the Period	
Range of the outstanding exercise price for stock option at period-end and remaining period of the contract	5.56Yuan/Share, in three phases, the remaining period in contract respectively has 12 months, 24 months and 36 months
Range of the outstanding exercise price for other equity instrument at period-end and remaining period of the contract	

2. Share-based payment settled by equity

Determination method for the fair value of equity instrument at grant date	In line with the fair value of the restricted shares at grant date (not determining the fair value change after grant date)
Determination basis for the number of exercising equity instrument	Determined by actual exercising numbers
Reason of major difference between the estimation in the Period and last period	N/A
The aggregate amount of share-based payment that reckoned into capital reserve with equity settlement	16,457,204.00
Total expenses recognized by share-based payment that settle by equity in the Period	4,266,684.00

According to the 13th meeting of 6th session of the Board, resolution of the 1st extraordinary general meeting of 2015 and regulation of Restricted Shares Incentive Plan (Draft), the Company awarded the restricted shares to 41 equity incentive objects by way of orientate offering of A ordinary shares, totally 10,150,000 shares are rewarded with price of 5.56 Yuan/Share, and the capital amounting to RMB 56,434,000.00 in total after raised.

The equity incentive objects of the Company including the directors serves in the Company (subsidiary included), the high-level management and other core employees that recognized as incentive objects by the Board while the equity incentive plan announced, the supervisors, independent directors, foreign directors and foreign managers are excluded.

On March 4, 2015, the Company held the 15th meeting of the 6th session of the Board which examined and adopted the "Report on granting restricted stock to the incentive objects", agreed to grant 10,150,000 shares of restricted stock to 41 incentive objects, and determined the grant date of this equity incentive plan to be March 4, 2015.

XIV Commitments and Contingency

1. No major commitments to be disclosed till June 30, 2016.
2. No other contingency needed disclosed till June 30, 2016.

XV Post balance sheet issues

1. Significant events had not adjusted

- (1) Issue shares

Not applicable.

- (2) Investment

The Company's 3th meeting of the 7th session of the Board The Company's board of directors decided to accept 70% stock rights of Dalian Sanyo Meica Electronics Co., Ltd held by Sanyo Electric Co., Ltd. After the above-mentioned stock right transfer complete, the Company's shareholding ratio changes to 100%, and Dalian Sanyo Meica Electronics Co., Ltd will become a wholly owned subsidiary of the Company.

The Company's 3th meeting of the 7th session of the Board The Company's board of directors decided to invest Panasonic Appliances Refrigeration System (Dalian) Co., Ltd., Panasonic Cold Chain (Dalian) Co., Ltd., and Panasonic Compressor (Dalian) Co., Ltd. The Company contributes RMB 21 million in cash, 20% equity held for the joint venture.

The Company's 6th meeting of the 7th session of the Board The Company's board of directors decided to accept 5%

stock rights of Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. held by Japan Ryosetsu Industry Co., Ltd. After the above-mentioned stock right transfer complete, the Company's shareholding ratio changes to 100%, and Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd will become a wholly owned subsidiary of the Company.

(3) Subsidiary absorbing and merging subsidiary

The Company's 5th meeting of the 7th session of the Board agreed the wholly-owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd., to merge another wholly-owned subsidiary, Dalian Bingshan Group Sales Co., Ltd. and increase capital of 50 million Yuan by cash to Dalian Bingshan Group Engineering Co., Ltd. After the completion of this change of equity, Dalian Bingshan Group Engineering Co., Ltd. became the surviving corporation, and the Company's shareholding ratio was unchanged at 100%. Up to the balance sheet date, this work has been under way.

(4) Significant lawsuit, arbitration and commitment

Not applicable.

(5) Others

The Company's 5th meeting of the 7th session of the Board decided that the Company and Hong Kong Bao'an Hydraulic Engineering (China) Co., Ltd. should simultaneously transfer 50% stock rights of Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd. held by them to the Company's wholly owned subsidiary, Dalian Bingshan Group Engineering Co., Ltd. After the completion of this change of equity, Dalian Bingshan Bao'an Leisure Industry Engineering Co., Ltd. became a wholly owned subsidiary of Dalian Bingshan Group Engineering Co., Ltd.

2. Significant sales return after balance sheet day

Not applicable.

3. There was no other post balance sheet significant events except above mentioned.

XVI. Other important things needed disclosed.

1. There was no corrections of prior period accounting errors during the current period.

2. There was no debt restructuring during the current period.

3. There was no assets exchange during the current period.

4. The Company didn't design employer pension plan.

5. There was no discontinuing operation during the current period.

6. Segments information

(1) Standards and accounting policies of reporting segment

The company determines operating segment according to its organization structure, management rules, inside reporting system. The operating segment should satisfy following conditions:

- ① The operating segment could generate income and incur expenses from normal operating activities;
- ② The management could evaluate its operating effect, and then decide resources assignment and its operating performance;
- ③ The segment's information of financial position and results of operations and cash flow could be obtained.

The company determines reporting segment based on operating segments. The reporting segment should satisfy one of the following conditions::

- ① The operating segment's income should be over 10% of total income;
- ② The number of the operating segment's profit(or loss) should be over 10% of the number of total profit and the number of total losses.

The transfer prices between segments were decided according to the market prices. The expenses of common assets used by segments and other common expenses should be divided among the segments according to the income.

(2) Elements of determining reporting segment and types of reporting segments' products and services

The company determined three reporting segments according to the geographic area, including Northeast China, Central China and East China. The Northeast China segment included the company's head office and subsidiaries located in Dalian. The Central China segment included subsidiary company Wuhan New World Refrigeration Industrial Co., Ltd. And the East China

segment included subsidiary's subsidiary company Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd.

(3) The financial information of reporting segments

Items	30-06-2016/2016.01-06				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	103,741.55	7,232.97	537.25	33,519.78	77,991.99
Including: Income from external transaction	72,867.09	4,593.00	531.90		77,991.99
Income from internal transaction	30,874.46	2,639.97	5.35	33,519.78	0.00
2 Selling expenses	95,574.30	8,800.60	604.82	33,450.92	71,528.80
Including: Investment income from associates and joint ventures	6,098.09				6,098.09
Impairment on assets	1,099.90		-6.76		1,093.14
Depreciation and amortization	1,795.12	521.52	7.61		2,324.25
3 Operating profits(loss)	8,869.92	-1,530.31	-63.14	68.86	7,207.61
4 Income tax	411.18		4.66		415.84
5 Net profit(loss)	8,458.74	-1,530.31	-67.80	68.86	6,791.77
6 Total assets	483,807.36	48,756.35	1,587.28	52,317.72	481,833.27
7 Total liabilities	154,713.05	37,521.16	1,266.69	26,528.40	166,972.50
8 Other significant non cash items	9,110.91	517.12	6.65	793.16	8,841.52
Capital expenditure	9,110.91	517.12	6.65	793.16	8,841.52

The accounting policies of every operating segment were the same with described in the note IV. The main accounting policies, accounting estimates and corrections of accounting errors.

7. There was no significant event which would affect the decision of investor during the current period.

XVII. Notes to the financial statements of the parent company

1. Accounts receivable

(1) Classified by accounts nature

Categories	30-06-2016				Book value
	Balance		Provision for doubtful debt		
	Amount	Proportion	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	269,878,897.31	100.00%	65,458,648.65	24.25%	204,420,248.66
Minor single amount but bad debt provision provided individually					
Total	269,878,897.31	100.00%	65,458,648.65	24.25%	204,420,248.66

Continued:

Categories	31-12-2015				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	262,260,040.72	100.00%	65,568,099.85	25.00%	196,691,940.87
Minor single amount but bad debt provision provided individually					
Total	262,260,040.72	100.00%	65,568,099.85	25.00%	196,691,940.87

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

Account ages	30-06-2016		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	139,016,302.23	5,797,489.62	5.00%
1 to 2 years	56,986,569.49	5,698,656.95	10.00%
2 to 3 years	16,751,202.63	5,025,360.79	30.00%
3 to 4 years	8,461,294.73	4,230,647.36	50.00%
4 to 5 years	19,785,171.51	15,828,137.21	80.00%
Over 5 years	28,878,356.72	28,878,356.72	100.00%
Total	269,878,897.31	65,458,648.65	

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

In the current period, RMB 109,451.20 was regained.

(3) Accounts receivable top 5 on amount

Companies	Amount	Proportion (%)	Provision for bad debts
Xi Yi Yuan Da Construction and Installation Engineering Co., Ltd.	37,730,000.00	13.98	1,886,500.00
Dalian Bingshan Group Sales Company	22,271,901.76	8.25	
Bei Dahuang Tai Hua Organic Food Co., Ltd.	9,844,000.00	3.65	492,200.00
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	8,971,857.08	3.32	448,592.85
Chong Qing Chuan Wei Hong Jin New Material Co., Ltd.	6,439,980.00	2.39	321,999.00
Total	85,257,738.84	31.59	3,149,291.85

2. Other accounts receivable

(1) Classified by account nature

Items	30-06-2016				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion(%)	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	59,954,518.65	100	2,035,213.04	3.39	57,919,305.61

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Minor single amount but bad debt provision provided individually					
Total	59,954,518.65	100	2,035,213.04	3.39	57,919,305.61

Continued :

Items	31-12-2015				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	45,196,469.56	100	1,504,857.11	3.33	43,691,612.45
Minor single amount but bad debt provision provided individually					
Total	45,196,469.56	100	1,504,857.11	3.33	43,691,612.45

Other accounts receivable which bad debt provisions are provided on age basis in the group

Account ages	30-06-2016		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	50,043,169.56	613,153.20	5.00%
1 to 2 years	8,717,850.99	871,785.10	10.00%
2 to 3 years	659,047.48	197,714.24	30.00%
3 to 4 years	250,000.00	125,000.00	50.00%
4 to 5 years	284,450.62	227,560.50	80.00%
Over 5 years			
Total	59,954,518.65	2,035,213.04	

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

In the current period, RMB 530,355.93 was accrued provision for bad debts, and no amount was switched back or regained.

(3) The nature of other accounts receivable

Items	30-06-2016	31-12-2015
Guarantee deposits	21,722,146.57	11,391,139.57
Petty cash	414,626.51	76,154.99
To or fro accounts	37,817,745.57	33,729,175.00
Prepayments over settlement periods		
Total	59,954,518.65	45,196,469.56

(5) Top 5 on amount of other accounts receivable

Dalian Refrigeration Co., Ltd. 2016 Semiannual Report

Companies	Nature	Amount	Age	Proportion(%)	Ending balance of provision for bad debts
Wuhan New World Refrigeration Industrial Co., Ltd	Receivable and payable	37,780,105.57	Less than 1 year	63.01	
Dalian Tianbao Green Food Co., Ltd	Performance bonds	18,000,000.00	Less than 1 year, 1 to 2 years	30.02	1,300,000.00
Jinzhou Dalian New District organs building energy efficiency management office	Guarantee deposits	1,852,574.57	Less than 1 year, 1 to 2 years, 2 to 3 years, 4 to 5 years.	3.09	315,242.86
Dalian municipal construction engineering labor insurance management center	Migrant workers wages margin	500,000.00	2 to 3 years	0.84	150,000.00
Zhe Jiang Quzhou New agricultural industrial Co., Ltd	Performance bonds	320,000.00	Less than 1 year	0.54	16,000.00
Total		58,452,680.14		97.50	1,781,242.86

3. Long-term equity investments

Nature	30-06-2016			31-12-2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Subsidiaries	259,333,634.31		259,333,634.31	246,597,906.16		246,597,906.16
Joint ventures & affiliated companies	1,209,170,520.64		1,209,170,520.64	1,214,360,893.12		1,214,360,893.12
Total	1,468,504,154.95		1,468,504,154.95	1,460,958,799.28		1,460,958,799.28

(1) Subsidiaries

Names	Beginning balance	Increased during current period	Decreased during current period	Ending balance	Provision for impairment of the current period	Provision for impairment
Dalian Bingshan Group Engineering Co., Ltd	22,749,675.77			22,749,675.77		
Dalian Bingshan Group Sales Company	12,936,700.00	7,785,728.15		20,722,428.15		
Dalian Bingshan Metal Processing Co., Ltd	21,751,244.60		21,751,244.60			
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	36,506,570.00			36,506,570.00		
Dalian Bingshan Guardian Automation Co., Ltd	1,522,117.80	5,350,000.00		6,872,117.80		
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd	5,745,097.40	21,751,244.60		27,496,342.00		
Wuhan New World Refrigeration Industrial Co., Ltd	84,674,910.81			84,674,910.81		
Wuhan New World Refrigeration Air Conditioner Engineering Co., Ltd	400,000.00		400,000.00			
Bingshan Technology Service (Dalian) Co., Ltd.	12,024,000.00			12,024,000.00		
Dalian Universe Thermal Technology Co., Ltd	48,287,589.78			48,287,589.78		
Total	246,597,906.16	34,886,972.75	22,151,244.60	259,333,634.31		

(2) Joint ventures& affiliated companies

Names	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
1. Joint ventures											
Dalian Bingshan – P&A Recreation Development Engineering Co., Ltd	2,837,097.81			-312,549.39						2,524,548.42	
Subtotal	2,837,097.81			-312,549.39						2,524,548.42	
2. Affiliated companies											
Dalian Bingshan Engineering & Trading Co., Ltd	15,691,101.62			993,294.34						16,684,395.96	
Panasonic Refrigeration (Dalian) Co., Ltd	159,226,107.64			-4,386,685.47			5,200,000.00			149,639,422.17	
Dalian Honjo Chemical Co., Ltd	8,729,712.48			756,624.23			528,860.67			8,957,476.04	
Panasonic Cold-Chain (Dalian) Co., Ltd	215,719,525.88			2,999,101.22			8,000,000.00			210,718,627.10	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	48,607,035.29			9,707,389.44			14,200,000.00			44,114,424.73	
Panasonic Compressor (Dalian) Co., Ltd	457,892,368.92			30,737,147.02			32,400,000.00			456,229,515.94	
Dalian Sanyo Meica Electronics Co., Ltd	21,958,069.24			302,067.26						22,260,136.50	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd	22,276,332.84			-5,414,843.75						16,861,489.09	

Names	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	1,936,646.98			-457,205.02						1,479,441.96	
Dalian Fuji Bingshan Vending Machine Co., Ltd	113,268,454.28			18,530,027.53						131,798,481.81	
Changzhou Jingxue Freezing Equipment Co., Ltd.	141,722,024.61			3,534,362.32			5,842,400.00			139,413,986.93	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	4,496,415.53			3,992,158.46						8,488,573.99	
Subtotal	1,211,523,795.31			61,293,437.58			66,171,260.67			1,206,645,972.22	
Total	1,214,360,893.12			60,980,888.19			66,171,260.67			1,209,170,520.64	

4. Total operating income and operating cost**(1) Business income and cost**

Items	2016.01-06		2015.01-06	
	Income	Cost	Income	Cost
Key business	315,122,914.65	265,496,038.46	294,886,893.24	244,284,674.93
Other business	5,446,158.23	2,976,428.98	4,988,277.85	3,038,280.79
Total	320,569,072.88	268,472,467.44	299,875,171.09	247,322,955.72

5. Gain/ (loss) from investments**Category**

Items	2016.01-06	2015.01-06
Long-term equity investment income accounted for by using the cost method		3,915,784.39
Long-term equity investment income accounted for by using the equity method	60,980,888.19	48,083,081.52
Gain on selling equity of associate company		
Gain from disposal financial assets available for sale	-254,172.88	
Gain from holding of financial assets available for sale	15,961,425.40	310,000.00
Total	76,688,140.71	52,308,865.91

XVIII. Other supplementary Information**1. Non-recurring profits and losses**

Non-recurring gains and losses items	Amount	Notes
1. Gain/loss from disposal of non-current assets	-125,152.11	
2. Tax return or exemption exceeding authority or without formal authorization documents	1,063,207.13	
3. Governmental subsidy written into current gains and losses	5,563,711.00	
4. Interest from non-financial enterprises written into current gains and losses		
5. Gains/Losses on debt restructuring		
6. Reversal of provision for impairment of long-term assets		
7. Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses.		
8. Other net income and expense from non-operation	109,601.42	
Total		
Less: Affected amount of income tax from non-recurring gains and losses	1,010,614.26	
Net amount of non-recurring gains and losses		
Included: Attributable to minority shareholders' equity	23,924.37	
Attributable to the owners of parent company	5,576,828.81	

2. Earnings per share

Items	The weighted average ROE	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	2.52%	0.120	0.120
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring gains and losses	2.32%	0.110	0.110

3. The differences between domestic and international accounting standards

There were no significant differences between domestic and international accounting standards among the Company's financial statements of the current period.

Section 10 Reference Documents

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original copies of all the Company's documents and the original copies of the bulletins published on the newspapers designated by the China Securities Regulatory Commission in the report period.
3. Time for reference: from Monday to Friday 8:00 - 12:00 (am) 1:00 - 5:00 (pm)
Liaison persons: Mr. Song Wenbao, Miss Du Yu
Tel: 0086-411-86538130
Fax: 0086-411-86654530

Board of Directors of Dalian Refrigeration Co., Ltd.
August 26, 2016