



**Dalian Refrigeration Co., Ltd.**  
**2018 Semiannual Report**

**August, 2018**

## **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.**

**There is no significant risk having adverse influence on attainment of the Company's future development strategy and business targets. The paragraph "Discussion and Analysis of the Business situation" in Section 4 of this Semiannual Report describes major risks the Company may be confronted with, the risk of Increasing market competition and high level of trade receivables. See the related sections for the countermeasures to be taken by 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.**

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## Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2018 to Jun. 30, 2018
The Company, this Company	Stands for	Dalian Refrigeration Co., Ltd.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industries Co., Ltd., one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd, one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Service Company	Stands for	Bingshan Technology Service (Dalian) Co., Ltd. one of the subsidiaries of the Company where the Company holds 100% of its shares.
Panasonic Compressor	Stands for	Panasonic Appliances 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 Appliances Cold-Chain (Dalian) Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Refrigerating System	Stands for	Panasonic Refrigerating System (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 20% of its shares
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.
Kelvin	Stands for	Dalian Kelvin Technology Financial Leasing Co., Ltd, an indirect joint venture company
Bingshan Hua Hui Da	Stands for	Dalian Bingshan Hua Hui Da Financial Leasing Co., Ltd, an indirect joint venture company
Bingshan Wisdom	Stands for	Dalian Bingshan Wisdom Park Co., Ltd, an indirect joint venture company

## 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	DALENG GUFEN Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone	DALENG GUFEN Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Tel.	0411-87968130	0411-87968822
Fax	0411-87968125	0411-87968125
E-mail	<a href="mailto:000530@bingshan.com">000530@bingshan.com</a>	<a href="mailto:000530@bingshan.com">000530@bingshan.com</a>

### 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

#### 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 2017 for details.

### IV. 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?

Applicable  Not applicable

	2018.1-6	2017.1-6	Increase/decrease compared with the same period of last year
Operating revenue	1,029,078,536.79	1,002,378,717.50	2.66%
Net profit attributable to shareholders of listed companies	59,017,542.28	98,260,163.09	-39.94%
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	57,185,177.31	69,960,863.49	-18.26%
Net cash flow from operating activities	-115,328,757.17	-148,577,541.90	28.83%
Basic earnings per share	0.069	0.115	-40.00%
Diluted earnings per share	0.069	0.115	-40.00%
Weighted average return on net asset yield	1.67%	2.95%	Decrease 1.28 percentage points
	2018.6.30	2017.12.31	Increase/decrease compared with 2017.12.31
Total assets	5,577,520,750.60	5,619,621,500.67	-0.75%
Owner's equity attributable to shareholders of listed companies	3,346,184,485.59	3,416,531,064.91	-2.06%

The Net profit attributable to shareholders of listed companies Significantly decreased with the same period last year, mainly because the intensified market competition and the tight budget during the reporting period led to a significant decrease in the income from complete sets of projects, and the increase in bank borrowings led to a significant increase in financial expenses, and also the Company sold 1.5 million shares of Guotai Junan stock in the same period last year and obtained investment income of about RMB 27,460 thousand Yuan.

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

Applicable  Not applicable

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

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

### **VI. Non-recurring profits and losses and their amounts**

item	Amount
Disposal gains and losses of non-current asset	230,812.06
Government subsidies included in current profit or loss	800,600.00
Earnings from the Company get subsidiaries, associated companies and joint venture investment cost less than get investment should enjoy the invested entity produced by the fair value of the identifiable net assets yield	1,068,246.27
Other non-operating revenue or expense	154,426.97
Influence on income tax	383,065.12
Influence on minority shareholders	38,655.21
Total	1,832,364.97

## Section 3 The Company's Business profile

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

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

### II. Major changes in main assets

#### 1. Major changes in main assets

Main assets	Explain for major changes
Interest receivables	Significantly decreased on a year-on-year basis, mainly because of the interest income of bank financial products that have been accrued at the beginning of the period.
Dividend receivable	Significantly increased on a year-on-year basis, mainly due to the increase in unexpired dividends receivable.
Other current assets	Significantly decreased on a year-on-year basis, mainly because the Company took back the financial products purchased at the beginning of the period after the expiration

#### 2. The main overseas assets

Applicable  Not applicable

### III. Analysis of core competence

The Company closely focuses on main business of cold and heat; independent R&D and joint venture partnerships are cooperate with each other effectively; capital resources integration and business model innovation are in a positive interaction; the community of business and interest are being created in two ways; the develop mode with Bingshan characteristic are formed.

The Company has the most integrated cold-heat industrial chain for offering kinds of comprehensive solution services, including design, manufacture, installation and maintenance etc., and can satisfy individual requirements preferably.

The Company possesses a mature and solid marketing networks and after-sale service network on/off-line, and can offer high quality and high value-added services more initiative and faster for clients from around the city.

After overall relocation reform, the new factory of intelligence, environment protection, high efficiency and safety are put into used, which produces a strong comparative advantage for creating higher value to the customers.

While move forward with transformation and upgrading for former business, the Company will implement the cultivation for new business, thus the sustainable healthy development will come more and more feasible.

Core-competency of the Company further promoted in the reporting period.

## Section 4 Business discussion and analysis

### I. Summary

In the first half of 2018, the Company adhered to the theme of “Committing to Innovation, Focusing on Transformation, and Sharing”, insisted on developing industry-leading new products and technologies that meet market demand, innovated and developed new markets, and cultivated market segments, took the development and utilization of energy, especially the secondary energy, as the continuous development point of transformation and upgrading strategy. By leveraging the dual-creation platform, we made concerted efforts, assumed and shared together, and endeavored to achieve the key business indicators. In the first half of 2018, the Company achieved operating income of 1,029,078 thousand Yuan, with a year-on-year growth of 2.66%; achieved a total profit of 61,712 thousand Yuan, with a year-on-year decrease of 41.17%, mainly due to the reduction in the total project income because of intensified market competition and tight financial position, and the increase in financial costs because of increase in bank loans during the reporting period, and the Company sold 1,500,000 shares of Guotai Junan stock and gained about 27,460 thousand yuan of investment income during the same period of last year.

During the reporting period, the Company’s subsidiary Wuxin Refrigeration accelerated the strategic transformation, the natural gas pipeline network pressure energy generation and cold energy recovery system, mine return air waste heat direct utilization system and other landmark new products realized commercial use in multiple projects in many places. Among the enterprises funded by the Company, Wuxin Refrigeration took the lead in launching the pilot project of dual-creation incentives to further stimulate the internal motivation of strategic transformation.

During the reporting period, the Company’s subsidiary Bingshan Engineering Company continued to deepen the hot and cold market segment by virtue of its high value-added deep enthalpy energy solutions. Bingshan Engineering Company achieved new breakthroughs in the ice and snow industry and won the bid for the toboggan run simulation test section project in the Olympic Winter Games, and was awarded the Grade A Qualification for the general contracting of electromechanical engineering.

During the reporting period, Bingshan Service Company, the Company’s subsidiary, quickly expanded its producer services by virtue of the first service model in the industry, and its operating income increased by approximately 30% on a year-on-year basis. Bingshan Service Company united high quality customers through the generator room hosting and related services, established strategic cooperation with Mengniu Dairy, Anheuser-Busch InBev, and others, and signed an agreement about accessory repair and group-buying. With the support of Liaoning Provincial Government, the 4S service model of ammonia-related refrigeration enterprises began to be promoted to cities in the province except Dalian. Bingshan sharing service platform was built orderly, and began to provide services for Bingshan-funded enterprises such as Fuji Bingshan, Spindle, and so on.. Bingshan Service Company won the A rating certificate of refrigeration and air conditioning for China equipment maintenance and installation enterprise competence.

During the reporting period, Panasonic Compressor, the Company’s associated company, actively promoted the transformation and focused on developing high-margin customers and markets. The sales volume of horizontal scroll compressors for electric buses has recovered significantly. The horizontal scroll compressor for rail transit air conditioning has achieved good results in the expansion in subway, light rail and other fields. The sales volume



of dedicated compressor for refrigeration increased significantly on a year-on-year basis. The horizontal DC inverter fully enclosed electric scroll compressor was selected into the “2018 Energy Conservation and Environmental Protection Product Catalogue of Chinese Association of Refrigeration”.

During the reporting period, Panasonic Cold Chain, an associated company of the Company, conformed to the new trend of consumption and further expanded and subdivided the blue ocean market. For the convenience store business, it made effective cooperation with key customers such as Hema Fresh, Jingdong, OurHours, Lawson, and so on, and the income achieved a year-on-year growth of about 30%. For commercial kitchen business, Panasonic Cold Chain won the bid for the Great Hall of the People project. And it was awarded the First Batch of Green Factories in Liaoning Province.

During the reporting period, Panasonic Refrigeration System, the Company’s associated company, successfully applied the CO<sub>2</sub> refrigeration compressor to the cold chain system of Beijing CFS Market, which realized the first commercial use of the CO<sub>2</sub> transcritical piston refrigeration compressor unit in the domestic supermarket retail field. It also won the bid for Jingdong Beijing Daxing Pharmaceutical Storage Project and Wuhan Cold Storage Project, and the total contract amount is over 60 million Yuan.

During the reporting period, the Company’s associated company, Fuji Bingshan, further promoted the development of product intelligence, modularization, and diversification, and newly added platform machine product line based on the six product lines of beverage machine, food machine, liquor machine, dairy machine, coffee machine, and lunch box machine so as to quickly respond to the demand of new retail platform, actively deployed in the international market, and has covered Hong Kong, Macao and Taiwan regions, Australia, and Southeast Asian countries. It is the first in the industry to introduce R1234yf new refrigerant production line, leading the industry safety and green environmental development trend.

During the reporting period, the Company actively promoted the cultivation and incubation of new businesses while the original business was undergoing transformation and upgrading. Kelvin, an indirect joint venture company, focused on the unmanned retail field, strengthened the unmanned retail smart terminals and Internet platforms, and strived to open up the online and offline consumption scenarios; Bingshan Huahuida, the Company’s indirect joint venture, effectively expanded the financial leasing business around high-quality customers in Bingshan cold and hot business, boosted the sales of all investment enterprises in Bingshan, speeded up the withdrawal of funds and improved the cash flow of business activities; Bingshan Wisdom Company, the Company’s indirect joint venture company, cooperated in the comprehensive utilization of the old factory area and has achieved remarkable results in the investment promotion at present, and the remoulding work is proceeding orderly.

## II. Analysis of main business

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

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	1,029,078,536.79	1,002,378,717.50	2.66%	
Operating cost	852,843,875.27	817,281,905.05	4.35%	
Selling and distribution expenses	48,662,813.11	43,854,411.28	10.96%	
Administrative expenses	109,129,492.67	109,566,823.88	-0.40%	
Financial expenses	8,639,264.80	2,994,727.94	188.48%	interest expense increased
Income tax	3,440,444.25	6,161,546.29	-44.16%	the taxable income decreased
R&D expenses	44,250,377.08	45,107,042.29	-1.90%	
Net cash flow coming from operating activities	-115,328,757.17	-148,577,541.90	22.38%	
Net cash flow coming from investment activities	-7,756,831.93	-207,575,313.90	78.74%	the large amount of cash paid for investment in the same period last year.
Net cash flow coming from fund-raising activities	62,859,585.22	108,033,298.11	-41.81%	the cash paid by the Company and its subsidiaries for repayment of loans increased in the current period.
Net increase in cash and cash equivalents	-61,261,801.17	-248,795,325.48	75.38%	The net cash flows arising from investing activities increased

**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
<b>By industry</b>						
Refrigeration and air-conditioning	1,010,172,413.37	841,675,852.36	16.68%	2.28%	3.82%	Decrease 1.24 percentage points
Others	18,906,123.42	11,168,022.91	40.93%	28.48%	69.64%	Decrease 14.33 percentage points
<b>By product</b>						
Refrigeration and air-conditioning equipment	1,010,172,413.37	841,675,852.36	16.68%	2.28%	3.82%	Decrease 1.24 percentage points
Others	18,906,123.42	11,168,022.91	40.93%	28.48%	69.64%	Decrease 14.33 percentage points
<b>By region</b>						
Northeast China	887,032,638.68	737,965,920.61	16.81%	0.69%	3.12%	Decrease 1.96 percentage points
Central China	112,878,374.08	87,239,666.74	22.71%	28.08%	22.11%	Increase 3.78 percentage point
East China	29,167,524.03	27,638,287.92	5.24%	-12.30%	-8.39%	Decrease 4.05 percentage points

**III. Analysis of the non-main business**

□ Applicable √ Not applicable

**IV. Analysis of assets & liabilities****1. Remarkable change in assets**

Monetary unit: RMB yuan

	30-6-2018		30-6-2017		Proportion increase/decrease.
	Amount	Proportion to the total assets	Amount	Proportion to the total assets	
Monetary funds	320,888,697.16	5.75%	469,049,698.39	8.73%	Decrease 2.98 percentage points
Accounts receivable	1,128,713,203.97	20.24%	903,229,293.38	16.81%	Increase 3.43 percentage points
Inventories	426,838,934.51	7.65%	413,011,874.26	7.69%	Decrease 0.04 percentage points
Investment property	102,852,288.67	1.84%	88,435,542.39	1.65%	Increase 0.19 percentage points
Long-term equity investment	1,547,271,618.09	27.74%	1,507,902,442.59	28.06%	Decrease 0.32 percentage points
Fixed assets	870,473,528.21	15.61%	742,865,721.32	13.83%	Increase 1.78 percentage points
Construction in progress	99,096,551.25	1.78%	107,488,807.06	2.00%	Decrease 0.22 percentage points
Short-term loans	410,000,000.00	7.35%	215,319,700.00	4.01%	Increase 3.34 percentage points
Long-term loans	160,000,000.00	2.87%	160,000,000.00	2.98%	Decrease 0.11 percentage points

**2. Assets & liabilities which are measured by fair value**

√ Applicable □ Not applicable

Finance asset held available for sales in fair value Changes in fair value included in the rights and interests of the cumulative of the current period is 373,763,285.55 yuan, the final number is 399,437,712.30 yuan.

**V. Analysis of investments****1. The overall situation**

√ Applicable □ Not applicable

Investment in the report period (yuan)	Investment in the same period of last year (yuan)	Amount of variation
1,547,271,618.09	1,507,902,442.59	2.61%

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

□ Applicable √ Not applicable

**3 The significant non-equity investment during the reporting period**

□ Applicable √ Not applicable

**4. The financial asset investment****(1) The securities investment**

√ Applicable □ Not applicable

Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning	Changes in the profit and loss of the fair value in this period	Accumulative change of fair value credited to equity	Current sale amount	Report period profit and loss	Book value in the ending	Accounting subjects	Source of funds
601211	Guotai Jun'an	27,098,895.00	fair value measurement	501,871,535.40	0.00	373,763,285.55	0	10,839,558.00	399,437,712.30	Financial assets available for sale	Own funds
total		27,098,895.00	--	501,871,535.40	0.00	373,763,285.55	0	10,839,558.00	399,437,712.30	--	--

**(2) Derivative investment**Applicable Not applicable

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

**5. The use of funds raised**Applicable Not applicableDuring the reporting period, the use of funds raised of the Company please see< the special report of 2018 semi-annual use and deposit of funds raised>which published on <http://www.cninfo.com.cn> on August 25,2018.**VI. The material assets and equity sale****1. The material assets sale**Applicable Not applicable**2. The material equity sale**Applicable Not applicable**VII. Analysis of major subsidiary companies and mutual shareholding companies**Applicable Not applicable

Company name	Type	The main business	registered capital	total assets ( yuan)	net assets( yuan)	Operating income ( yuan)	Operating profit ( yuan)	Net profit ( yuan)
Panasonic Compressor	mutual shareholding company	Refrigeration and air-conditioning	JPY 6,200 million	1,813,736,277.69	1,164,525,948.65	770,577,003.95	70,476,375.73	59,081,945.56
Fuji Bingshan	mutual shareholding company	Full function vending machine	JPY 4,000 million	656,038,553.62	391,648,150.62	239,919,017.35	34,306,597.29	29,478,738.25
Dalian Bingshan Metal Technology Co., Ltd	mutual shareholding company	Pipe system connectors, high-speed rail connectors, hydraulic valve bodies, automotive engine parts, etc.	USD 18.0645 million	377,550,355.10	322,830,602.20	227,720,485.87	34,187,261.27	29,265,580.71

Subsidiary companies obtained or disposed in the reporting period

Applicable Not applicable**VIII. The structured corporate bodies which the Company controlled**Applicable Not applicable**IX. Estimation of the business performance for Jan.-Sept., 2018**

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**X. Main risks the company faces and response measures**

(1)Increasing market competition risk

Countermeasures: focus on refrigeration and heating industries, deeply plough market segmentation and seek for

business blue sea; improve intelligent manufacturing and service-based manufacturing in an orderly manner; accelerate transformation and upgrading of the existing business; accelerate cultivation of new businesses; create the iceberg cause and common interest.

(2)Risk of high level of trade receivables

Countermeasures: effective inventory management and intensified management on trade receivables; enhance quality of contract through intensified customer credit assessment and contract appraisal; effective control of increase in trade receivables by reduction of guarantee deposits, taking bank credit instruments as guarantee deposits and finance leasing; improve contract execution through stricter review on goods delivery, intensified control on project construction and post-sale service; prepare special composition solutions through professional creditor's right management institutions and accelerate settlement of trade receivables with relatively long aging.

## Section 5 Important Issues

### I. Shareholders' general meeting convened in the reporting period

Session number of meeting	The type of the meeting	The proportion of participate investors	date	Disclosing date	Disclosing index
2017 Annual Shareholders' General Meeting	Annual Shareholders' General Meeting	30.78%	May 18,2018	May19,2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### II. Profit distribution and dividend payment

Applicable  Not applicable

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

Applicable  Not applicable

### IV. Engagement and dismissal of the accounting firm

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### VII. Bankruptcy restructuring related matters

Applicable  Not applicable

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

### VIII. Major lawsuit issues

Applicable  Not applicable

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

### IX. Punishment and rectification

Applicable  Not applicable

### X. The credibility of companies and its controlling shareholder, actual controller

Applicable  Not applicable

The controlling shareholder of the Company and the Company don't exist situation such as unfulfilled the court's effective judgments or failed to pay duly a large amount of debt during the reporting period.

### XI. The implementation and effect of equity incentive

Applicable  Not applicable

The 2015 restricted stock incentive plan has been implemented and completed granting the restricted stock on March 2015, following first batch of unlock on April 22, 2016, second batch of unlock on May 23, 2017, third batch of unlock on May 15, 2018. The details see the series announcement on China Securities, HK Commercial Daily and Cninfo website.

### XII. Important associated transactions

#### 1. Important associated transactions

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 286,280 thousand yuan, accounting for 32.53% of the budgeted amount for the year 2018. This included 100,360 thousand yuan, accounting for 31.36% of the budgeted amount for the year 2018, for purchasing supporting products for package projects from associated parties, and 185,920 thousand yuan, accounting for 33.20% of the budgeted amount for the year 2018, 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

Applicable  Not applicable

**5. Other associated transactions**

Applicable  Not applicable

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

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

**XIV. Major contract and its performance****1. Hosting, contracting and leasing status**

(1) the hosting status

Applicable  Not applicable

(2) the contracting status

Applicable  Not applicable

(3) the leasing status

Applicable  Not applicable

The Company signed an agreement with Dalian Bingshan Group Co., Ltd. to lease 576 square meters of office space in the office building to Dalian Bingshan Group Co., Ltd., and the lease term is from April 1, 2017 to March 31, 2019, and the rent for 2018 is 144,000.00 Yuan.

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 for 2018 is RMB 4.2 million Yuan.

The Company signed rental contract with Dalian Bingshan Wisdom Park Co., Ltd., and rent out the whole land and house of the Company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd., with rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters. The lease term is from April 1, 2017 to December 31, 2036. The annual rent fee for 2018 is RMB 7.86 million Yuan.

**2. Guaranteeing status**

Applicable  Not applicable

Resolution of 2nd meeting of 7th session of the Board of directors agreed to provide guarantee to Dalian Bingshan Group Co., Ltd. for obtaining Development Fund of National Development Bank. Total amount of the loan was RMB120 million with interest rate 1.2%, and the loan period was 10 years. The fund can only be used for cold chain green intelligent equipment and the development of service industry. When Dalian Bingshan Group Co., Ltd. receives the fund, it has transferred all the fund to the Company with the same conditions. The above guarantee to Dalian Bingshan Group Co., Ltd. is to the Company itself actually.

**3. Trust management**

Applicable  Not applicable

On August 25, 2017, the Company held the 15<sup>th</sup> meeting of the 7<sup>th</sup> board of directors which deliberated and approved the Report on the use of Temporary Idle Raised Funds to Purchase Principal-Protected Bank Financial Products", and agreed to use temporary idle raised funds with a quota of not more than RMB 80 million for cash management so as to purchase principal-protected bank financial products in good time, and the funds may be used in a rolling manner within the above-mentioned quota, and the period of use shall not exceed one year from the date of consideration and approval by the board of directors.

As of June 30, 2018, the Company's bank financial products purchased with idle raised funds of 76 million Yuan

have been taken back at maturity.

#### 4. Other important contracts

Applicable  Not applicable

#### XV. Social responsibilities

Applicable  Not applicable

### 1. Major environmental issues

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

Yes  No

Enterprise or subsidiary	Main pollutant and features	Way of discharge	Number of discharge outlet	Distribution of the discharge outlet	Emission concentration	Pollutant discharge standard implemented	Total discharge	Total approved emissions	Excessive emission
Dalian Refrigeration Co., Ltd.	COD	sequence	1	Unified discharged	167 mg/L	DB21 1627-2008	1.76 tons	6 tons	Not over standard
Dalian Refrigeration Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	28.8 mg/L	DB21 1627-2008	0.22 tons	0.9 tons	Not over standard
Dalian Refrigeration Co., Ltd.	Dust	sequence	1	Unified discharged	10.6 mg/m <sup>3</sup>	GB9078-1996	1.60 tons	6.8 tons	Not over standard
Panasonic Compressor (Dalian) Co., Ltd.	COD	sequence	1	Unified discharged	22 mg/L	DB21 1627-2008	1.19 tons	2.8 tons	Not over standard
Panasonic Compressor (Dalian) Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	0.125 mg/L	DB21 1627-2008	0.007 tons	0.5 tons	Not over standard
Panasonic Compressor (Dalian) Co., Ltd.	petroleum	sequence	1	Unified discharged	0.99 mg/L	DB21 1627-2008	0.005 tons	0.2 tons	Not over standard
Panasonic Compressor (Dalian) Co., Ltd.	Mixed dust	sequence	2	Assembly workshop、Shell workshop	Assembly workshop : 2.03 mg/m <sup>3</sup> ; Shell workshop : 1.66 mg/m <sup>3</sup>	GB16297-1996	0.04 tons	1.3 tons	Not over standard



## **2、Fulfillment of social responsibilities for targeted poverty alleviation**

In the first half of 2018, the Company joined hands with the controlling shareholder and continued to carry through the fixed-point poverty alleviation at Songlin Village, Guangmingshan Town, Zhuanghe City. In the first half of the year, in order to improve the cultural life of the villagers, the Company funded and prepared to build the Songlin Village Cultural Square which has begun to take shape, and the Company will continue to pay attention to the construction and use, and implement the poverty alleviation work.

In the second half of 2018, the Company will innovate the support measures and continue to promote accurate poverty alleviation planning.

The first is to make thorough investigation and survey on Songlin Village, on the basis of building a cultural square, combine with the actual situation of the region, promote industrial poverty alleviation.

The second is to continue to strengthen education and poverty alleviation so as to let more children from poor families have the chance to attend school.

### **XVI. Other important matters**

Applicable  Not applicable

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

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	21,545,455	2.52%	-5,229,001	16,316,454	1.91%
Executive lock stock	2,351,175	0.28%	+1,743,699	4,094,874	0.48%
Equity incentive restricted stock	19,194,280	2.24%	-6,972,700	12,221,580	1.43%
II. Circulating share capital	834,941,726	97.48%	+4,175,907	839,117,633	98.09%
1. Domestically listed ordinary shares	593,441,726	69.28%	+4,175,907	597,617,633	69.86%
2. Domestically listed foreign shares	241,500,000	28.20%	0	241,500,000	28.23%
III. Total shares	856,487,181	100%-	-1,053,094	855,434,087	100%

The reason for the Change in share capital

On February 12, 2018, the repurchase and cancellation of part restricted stock of the Company's 2016 restricted stock incentive plan was completed; on April 2, 2018, Liu Kai, the former vice president of the Company, resigned; on May 15, 2018, the third batch of the Company's 2015 restricted stock incentive plan was unlocked; on May 30, 2018, the repurchase and cancellation of part restricted stock of the Company's 2015 restricted stock incentive plan was completed. The things mentioned above in the report have caused the change of the total amount of shares and the structure of stock.

Approval of changes in shares

Applicable  Not applicable

the repurchase and cancellation of part restricted stock of the Company's 2016 restricted stock incentive plan was approved by the 17<sup>th</sup> meeting of 7<sup>th</sup> Board of Directors of the Company and the 3<sup>rd</sup> Extraordinary general meeting of 2017; the repurchase and cancellation of part restricted stock of the Company's 2015 restricted stock incentive plan was approved by the 21<sup>th</sup> meeting of 7<sup>th</sup> Board of Directors of the Company.

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 earnings per share of 2017 is 0.23 yuan; According to the latest equity is adjusted for 0.23yuan;

(2)The diluted earnings per share of 2017 is 0.23 yuan; According to the latest equity is adjusted for 0.23 yuan;

(3)The net assets per share of 2017 is3.99 yuan; According to the latest equity is adjusted for3.99 yuan.

(4)The basic earnings per share of the first quarter of 2018 is 0.03yuan; According to the latest equity is adjusted for 0.03 yuan;

(5)The diluted earnings per share of the first quarter of 2018 is 0.03yuan; According to the latest equity is adjusted for 0.03 yuan;

(6)The net assets per share of the first quarter of 2018 is 3.98 yuan; According to the latest equity is adjusted for3.99 yuan.

2. The restricted shares changes

Applicable  Not applicable

For details, please see the Chinese version of 2018 Semiannual Report.

**II. Securities issuance and listing**

1. Securities issuance in the report period

 Applicable  Not applicable**III. Shareholders and actual controller****1. Number of shareholders and their shareholding**

Total number of shareholders in the reporting period		49,814			
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	19.98%	170,916,934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8.59%	73,503,150	0	0
Lin Zhenming	Overseas natural person	0.74%	6,349,740	0	0
Haitong securities co. LTD	State-owned legal person	0.70%	6,000,000	0	0
JOHCM INTERNATIONAL SMALL CAP EQUITY FUND	Overseas legal person	0.64%	5,432,942	0	0
Sun Huiming	Domestic natural person	0.51%	4,384,079	0	0
Wu An	Domestic natural person	0.51%	4,359,900	0	0
Caitong Capital Kunze No. 2 Securities Investment Fund	Others	0.48%	4,114,534	0	0
National Social Security Funds 104 Portfolio	Others	0.48%	4,105,157	0	0
BOCI SECURITIES LIMITED	Overseas legal person	0.41%	3,471,602	0	0
Shareholding of top ten shareholders without sale restriction					
Name	Number of shares without sale restriction		Type of shares		
Dalian Bingshan Group Co., Ltd.	170,916,934		RMB denominated ordinary shares		
Sanyo Electric Co., Ltd.	73,503,150		Domestically listed foreign shares		
Lin Zhenming	6,349,740		Domestically listed foreign shares		
Haitong securities co. LTD	6,000,000		RMB denominated ordinary shares		
JOHCM INTERNATIONAL SMALL CAP EQUITY FUND	5,432,942		Domestically listed foreign shares		
Sun Huiming	4,384,079		Domestically listed foreign shares		
Wu An	4,359,900		Domestically listed foreign shares		
Caitong Capital Kunze No. 2 Securities Investment Fund	4,114,534		RMB denominated ordinary shares		
National Social Security Funds 104 Portfolio	4,105,157		RMB denominated ordinary shares		
BOCI SECURITIES LIMITED	3,471,602		Domestically listed foreign 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

#### **IV. 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

## 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 Managers

### 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 (shares)	Shares held at the end of period (shares)
Ji Zhijian	Chairman	Incumbent	1,528,830	0	0	1,528,830
Ding Jie	Vice Chairman, GM	Incumbent	1,015,000	0	0	1,015,000
Xu Junrao	Director	Incumbent	1,030,349	0	35,000	995,349
Fan Yuekun	Director DGM	Incumbent	700,000	0	0	700,000
Takagi Toshiyuki	Director	Incumbent	0	0	0	0
Shin Kudo	Director	Incumbent	0	0	0	0
Dai Dashuang	Independent director	Incumbent	0	0	0	0
Liu Jiwei	Independent director	Incumbent	0	0	0	0
Wang Yan	Independent director	Incumbent	0	0	0	0
Mao Chunhua	Supervisor	Incumbent	0	0	0	0
Dai Yuling	Supervisor	Incumbent	0	0	0	0
Cao Lili	Supervisor	Incumbent	0	0	0	0
Ma Yun	Chief Financial Officer	Incumbent	700,000	0	175,000	525,000
Song Wenbao	Board secretary	Incumbent	593,880	0	0	593,880
Liu Kai	Former vice-chairman	Leaving	1,385,160	0	300,000	1,085,160
Total	--	--	6,953,219	0	510,000	6,443,219

### II. Changes of directors, supervisors, senior managers of the Company

Name	Position held	Type	Date	Reason
Liu Kai	Vice Chairman	Leaving office	Apr.2, 2018	Resign from the Company due to job changes
Ding Jie	Vice Chairman	Be employed	Apr.20, 2018	Be employed
Fan Yuekun	Director	Be employed	May 18, 2018	Be employed

## **Section 9 Corporate Bonds**

The Company's non-public issuance of exchangeable corporate bonds was listed at the Shanghai Stock Exchange on August 6, 2018. Until June 30, 2018., the Company did not use bonds to raise funds. As of August 1, 2018, according to the using plan disclosed in the prospectus, the raised funds of the Company's non-public issuance of exchangeable corporate bonds have been used to repay bank loans.

## Section 10 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, 2018

Unit: RMB Yuan

Assets	30-June-2018		31-Dec-2017	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	320,888,697.16	205,693,563.52	394,809,694.11	234,655,092.14
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Notes receivable	178,591,684.70	73,051,621.48	172,818,176.20	57,455,446.82
Accounts receivable	1,128,713,203.97	374,625,218.70	1,036,255,895.79	356,557,956.93
Accounts in advance	154,678,440.57	60,530,488.53	140,808,375.21	33,125,666.30
Interest receivables	950,000.00	950,000.00	1,871,783.33	1,871,783.33
Dividend receivable	60,369,200.00	63,029,200.00	33,450.00	
Other receivables	42,312,803.34	3,415,107.70	52,049,009.83	2,822,798.03
Inventories	426,838,934.51	180,427,893.87	352,279,664.64	149,549,915.80
Assets held for sale				
Non-current asset due within one year				
Other current assets	32,336,384.81	24,817,232.58	114,907,269.33	102,402,409.84
<b>Total current assets</b>	<b>2,345,679,349.06</b>	<b>986,540,326.38</b>	<b>2,265,833,318.44</b>	<b>938,441,069.19</b>
Non-current assets:				
Finance asset held available for sales	413,449,370.89	412,034,228.39	515,783,193.99	514,468,051.49
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,547,271,618.09	2,029,957,174.09	1,568,255,738.12	2,044,438,551.88
Investment property	102,852,288.67	113,864,536.10	103,861,275.27	114,812,363.92
Fixed assets	870,473,528.21	640,034,868.11	890,874,647.40	658,637,271.68
Construction in progress	99,096,551.25	97,248,717.94	82,999,382.90	80,314,961.09
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	149,687,755.65	70,385,052.18	143,918,516.87	71,715,598.15
Expense on Research and Development				
Goodwill	1,750,799.49		1,750,799.49	
Long-term expenses to be apportioned	13,709,669.51	11,991,166.08	14,431,131.01	12,737,555.16
Deferred income tax asset	33,549,819.78	5,243,052.44	31,913,497.18	5,815,160.93
Other non-current asset				
<b>Total non-current asset</b>	<b>3,231,841,401.54</b>	<b>3,380,758,795.33</b>	<b>3,353,788,182.23</b>	<b>3,502,939,514.30</b>
<b>Total assets</b>	<b>5,577,520,750.60</b>	<b>4,367,299,121.71</b>	<b>5,619,621,500.67</b>	<b>4,441,380,583.49</b>

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Mao Chunhua



**BALANCE SHEET (CONTINUED)**

Prepared by Dalian Refrigeration Co., Ltd.

June 30, 2018

Unit: RMB Yuan

Liabilities and shareholders' equity	30-June-2018		31-Dec-2017	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	410,000,000.00	330,000,000.00	349,801,300.00	260,000,000.00
Derivative financial liabilities				
Notes payable	235,976,696.89	118,614,231.94	260,443,167.67	119,034,784.44
Accounts payable	940,170,813.99	349,073,142.16	889,964,317.63	385,076,569.09
Accounts received in advance	110,572,372.72	11,524,248.47	147,172,195.05	61,450,463.91
Wage payable	21,546,377.42	1,485,433.91	46,751,562.36	11,445,665.15
Taxes payable	8,389,168.60	1,200,105.95	29,992,558.62	1,274,710.89
Interest payable			379,085.53	379,085.53
Dividend payable	44,775,220.95	43,304,860.35	863,516.60	533,156.00
Other accounts payable	60,550,664.56	27,396,702.61	67,674,829.07	30,346,173.96
Liabilities held for sale				
Non-current liabilities due within one year				
Other current liabilities				
Total current liabilities	1,831,981,315.13	882,598,725.39	1,793,042,532.53	869,540,608.97
Non-current liabilities:				
Long-term loans	160,000,000.00	160,000,000.00	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	97,362,083.39	54,473,081.39	100,336,504.07	56,890,504.07
Deferred income tax liabilities	56,064,492.86	56,064,492.86	71,429,566.31	71,429,566.31
Other non-current liabilities				
Total non-current liabilities	313,426,576.25	270,537,574.25	331,766,070.38	288,320,070.38
Total liabilities	2,145,407,891.38	1,153,136,299.64	2,124,808,602.91	1,157,860,679.35
Shareholders' equity				
Share capital	855,434,087.00	855,434,087.00	856,487,181.00	856,487,181.00
Other equity instruments				
Capital public reserve	757,087,861.76	801,589,956.59	757,532,081.34	802,034,176.17
Less: Treasury stock	21,026,106.00	21,026,106.00	23,305,370.40	23,305,370.40
Other comprehensive income	320,200,252.46	319,238,151.79	407,269,002.11	406,306,901.44
Special preparation				
Surplus public reserve	704,876,971.48	704,876,971.48	668,150,375.30	668,150,375.30
Retained profit	729,611,418.89	554,049,761.21	750,397,795.56	573,846,640.63
Translation of foreign currency capital				
Total owner's equity attributable to parent company	3,346,184,485.59	3,214,162,822.07	3,416,531,064.91	3,283,519,904.14
Minority interests	85,928,373.63		78,281,832.85	
Total owner's equity	3,432,112,859.22	3,214,162,822.07	3,494,812,897.76	3,283,519,904.14
Total liabilities and shareholder's equity	5,577,520,750.60	4,367,299,121.71	5,619,621,500.67	4,441,380,583.49

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

**INCOME STATEMENT**

Prepared by Dalian Refrigeration Co., Ltd.

January-June, 2018

Unit: RMB Yuan

Items	January-June, 2018		January-June, 2017	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	1,029,078,536.79	303,046,735.19	1,002,378,717.50	349,829,026.25
Including: Operating income	1,029,078,536.79	303,046,735.19	1,002,378,717.50	349,829,026.25
II. Total operating cost	1,036,093,228.98	317,143,199.21	992,114,223.92	349,824,353.81
Including: Operating cost	852,843,875.27	260,733,552.03	817,281,905.05	295,995,983.48
Taxes and associate charges	8,733,921.73	4,555,858.93	8,177,166.95	3,703,168.02
Selling and distribution expenses	48,662,813.11	281,553.90	43,854,411.28	674,115.60
Administrative expenses	109,129,492.67	50,452,616.69	109,566,823.88	52,988,925.98
Financial expense	8,639,264.80	5,406,975.69	2,994,727.94	1,050,468.36
Impairment loss	8,083,861.40	-4,287,358.03	10,239,188.82	-4,588,307.63
Add: Gain/(loss) from change in fair value				
Gain/(loss) from investment	66,613,044.44	73,950,865.14	87,875,295.69	105,942,061.06
Including: income from investment on affiliated enterprise and jointly enterprise	55,473,486.44	56,407,982.41	48,681,040.63	49,382,705.41
Gain/(loss) from asset disposal	230,812.06	248,128.41	127,853.00	78,112.29
Other income	109,637.40			
III. Operating profit	59,938,801.71	60,102,529.53	98,267,642.27	106,024,845.79
Add: non-business income	2,176,863.94	251,000.07	6,687,636.98	4,787,899.98
Less: non-business expense	153,590.70	80,000.00	52,399.10	
IV. Total profit	61,962,074.95	60,273,529.60	104,902,880.15	110,812,745.77
Less: Income tax	3,440,444.25	572,108.49	6,161,546.29	345,321.98
V. Net profit	58,521,630.70	59,701,421.11	98,741,333.86	110,467,423.79
(I) Classification by continuous operation				
1. Net profit from continuous operation	58,521,630.70	59,701,421.11	98,741,333.86	110,467,423.79
2. Net profit from discontinuing operation				
(II) Classification by ownership				
1. Net profit attributable to parent company	59,017,542.28	59,701,421.11	98,260,163.09	110,467,423.79
2. Minority shareholders' gains and losses	-495,911.58		481,170.77	
VI. After-tax net amount of other comprehensive incomes	-87,068,749.65	-87,068,749.65	21,467,459.49	21,731,125.57
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-87,068,749.65	-87,068,749.65	21,467,459.49	21,731,125.57
(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	-87,068,749.65	-87,068,749.65	21,467,459.49	21,731,125.57
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method			-263,666.08	
2. Gains and losses on fair value changes of available-for-sale financial assets	-87,068,749.65	-87,068,749.65	21,731,125.57	21,731,125.57
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets				
4. Effective hedging gains and losses on cash flows				

5. Foreign-currency financial statement translation difference				
6. Other				
After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	-28,547,118.95	-27,367,328.54	120,208,793.35	132,198,549.36
Total comprehensive income attributable to parent company	-28,051,207.37	-27,367,328.54	119,727,622.58	132,198,549.36
Total comprehensive income attributable to minority shareholders	-495,911.58		481,170.77	
VIII. Earnings per share				
(I) basic earnings per share	0.069		0.115	
(II) diluted earnings per share	0.069		0.115	

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, 2018

Unit: RMB Yuan

Items	January -June, 2018		January -June, 2017	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	632,708,032.41	213,979,631.33	723,102,679.71	261,996,773.84
Write-back of tax received	8,304,625.28		8,747,344.02	1,115.75
Other cash received concerning operating activities	18,524,029.58	4,274,956.26	47,641,383.74	33,440,766.76
Subtotal of cash inflow arising from operating activities	659,536,687.27	218,254,587.59	779,491,407.47	295,438,656.35
Cash paid for purchasing commodities and receiving labor service	459,421,142.63	221,317,190.65	631,160,168.61	281,659,408.50
Cash paid to/for staff and workers	189,833,832.63	70,455,961.47	177,808,786.10	70,029,214.82
Taxes paid	53,229,514.92	4,952,102.76	40,531,325.05	4,393,809.59
Other cash paid concerning operating activities	72,380,954.26	10,875,163.82	78,568,669.61	10,122,365.06
Subtotal of cash outflow arising from operating activities	774,865,444.44	307,600,418.70	928,068,949.37	366,204,797.97
Net cash flows arising from operating activities	-115,328,757.17	-89,345,831.11	-148,577,541.90	-70,766,141.62
II. Cash flows arising from investing activities:				
Cash received from recovering investment			1,500,000.00	1,500,000.00
Cash received from investment income	20,779,048.00	20,745,598.00	44,490,765.66	54,451,740.66
Net cash received from disposal of fixed, intangible and other long-term assets	4,093,774.11		200,520.00	
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities	76,000,000.00	76,000,000.00		
Subtotal of cash inflow from investing activities	100,872,822.11	96,745,598.00	46,191,285.66	55,951,740.66
Cash paid for purchasing fixed, intangible and other long-term assets	104,301,920.61	95,865,456.22	77,106,599.56	70,648,520.68
Cash paid for investment	4,327,733.43		176,660,000.00	176,660,000.00
Net cash received from payment of subsidiaries and other business units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	108,629,654.04	95,865,456.22	253,766,599.56	247,308,520.68
Net cash flows arising from investing activities	-7,756,831.93	880,141.78	-207,575,313.90	-191,356,780.02
III. Cash flows arising from financing activities:				
Cash received from absorbing investment			4,900,000.00	
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries			4,900,000.00	
Cash received from loans	313,004,000.00	300,000,000.00	221,269,700.00	160,000,000.00
Other cash received concerning financing activities	30,116,287.80		21,576,815.56	
Subtotal of cash inflow from financing activities	343,120,287.80	300,000,000.00	247,746,515.56	160,000,000.00
Cash paid for settling debts	249,904,100.00	230,000,000.00	52,010,000.00	
Cash paid for dividend and profit distributing or interest paying	9,236,961.88	7,049,450.06	63,497,016.56	62,191,592.93
Including: dividends or profit paid by subsidiaries to minority shareholders				

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Other cash paid concerning financing activities	21,119,640.70	3,446,078.94	24,206,200.89	
Subtotal of cash outflow from financing activities	280,260,702.58	240,495,529.00	139,713,217.45	62,191,592.93
Net cash flows arising from financing activities	62,859,585.22	59,504,471.00	108,033,298.11	97,808,407.07
IV. Influence on cash due to fluctuation in exchange rate	-1,035,797.29	-310.29	-675,767.79	164,586.98
V. Net increase of cash and cash equivalents	-61,261,801.17	-28,961,528.62	-248,795,325.48	-164,149,927.59
Add: Balance of cash and cash equivalents at the period -begin	364,693,406.31	234,655,092.14	691,238,822.98	495,217,106.54
VI. Balance of cash and cash equivalents at the period-end	303,431,605.14	205,693,563.52	442,443,497.50	331,067,178.95

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

2018.01-06

Unit: RMB Yuan

Items	2018.01-06								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits		
I. balance at the end of last year	856,487,181.00	757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30	750,397,795.56	78,281,832.85	3,494,812,897.76
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	856,487,181.00	757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30	750,397,795.56	78,281,832.85	3,494,812,897.76
III. Increase/ decrease of amount in this year ("+" means decrease)	-1,053,094.00	-444,219.58	-2,279,264.40	-87,068,749.65		36,726,596.18	-20,786,376.67	7,646,540.78	-62,700,038.54
(I) Total comprehensive incomes				-87,068,749.65			59,017,542.28	-495,911.58	-28,547,118.95
(II) Capital increased and reduced by owners	-1,053,094.00	-444,219.58	-2,279,264.40					9,282,452.36	10,064,403.18
1. Common shares increased by shareholders	-1,053,094.00	-2,392,984.94	-2,279,264.40					9,282,452.36	8,115,637.82
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity		1,948,765.36							1,948,765.36
4. Other									
(III) Profit distribution						36,726,596.18	-79,803,918.95	-1,140,000.00	-44,217,322.77
1. Withdrawing surplus public reserve						36,726,596.18	-36,726,596.18		
2. Distribution to all owners (shareholders)							-42,771,704.35	-1,140,000.00	-43,911,704.35
3. Others							-305,618.42		-305,618.42
(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					1,066,759.88				1,066,759.88
2. Used in the period					-1,066,759.88				-1,066,759.88
(VI) Other									
IV. Balance at the end of this period	855,434,087.00	757,087,861.76	21,026,106.00	320,200,252.46		704,876,971.48	729,611,418.89	85,928,373.63	3,432,112,859.22

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

Items	2017.01-12								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
I. balance at the end of last year	611,776,558.00	1,046,321,716.85	67,615,856.00	431,639,323.52		620,578,847.52	658,387,158.97	69,585,601.21	3,370,673,350.07
1. Change of accounting policy									
2. Correction of errors in previous period									
3. Merger of enterprises under the same control.									
II. Balance at the beginning of this year	611,776,558.00	1,046,321,716.85	67,615,856.00	431,639,323.52		620,578,847.52	658,387,158.97	69,585,601.21	3,370,673,350.07
III. Increase/ decrease of amount in this year ("-" means decrease)	244,710,623.00	-288,789,635.51	-44,310,485.60	-24,370,321.41		47,571,527.78	92,010,636.59	8,696,231.64	124,139,547.69
(I) Total comprehensive incomes				-24,370,321.41			200,759,820.17	3,796,231.64	180,185,730.40
(II) Capital increased and reduced by owners		-44,079,012.51	-44,310,485.60					4,900,000.00	5,131,473.09
1. Common shares increased by shareholders		-56,150,000.00	-44,310,485.60					4,900,000.00	-6,939,514.40
2. Capital increased by holders of other equity instruments									-
3. Amounts of share-based payments recognized in owners' equity		12,070,987.49							12,070,987.49
4. Other									-
(III) Profit distribution						47,571,527.78	-108,749,183.58		-61,177,655.80
1. Withdrawing surplus public reserve						47,571,527.78	-47,571,527.78		
2. Withdrawing general risk preparation.									
3. Distribution to all owners (shareholders)							-61,177,655.80		-61,177,655.80
4. Others									
(IV) Internal carrying forward of owners' equity	244,710,623.00	-244,710,623.00							
1. New increase of share capital from capital reserves	244,710,623.00	-244,710,623.00							
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period					2,016,809.74				2,016,809.74
2. Used in the period					-2,016,809.74				-2,016,809.74
(VI) Other									
IV. Balance at the end of this period	856,487,181.00	757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30	750,397,795.56	78,281,832.85	3,494,812,897.76

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

## STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2018.01-06

Unit: RMB Yuan

Items	2018.01-06								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	856,487,181.00		802,034,176.17	23,305,370.40	406,306,901.44		668,150,375.30	573,846,640.63	3,283,519,904.14
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	856,487,181.00		802,034,176.17	23,305,370.40	406,306,901.44		668,150,375.30	573,846,640.63	3,283,519,904.14
III. Increase/ decrease of amount in this year ("-" means decrease)	-1,053,094.00		-444,219.58	-2,279,264.40	-87,068,749.65		36,726,596.18	-19,796,879.42	-69,357,082.07
(I) Total comprehensive incomes					-87,068,749.65			59,701,421.11	-27,367,328.54
(II) Capital increased and reduced by owners	-1,053,094.00		-444,219.58	-2,279,264.40					781,950.82
1. Common shares increased by shareholders	-1,053,094.00		-2,392,984.94	-2,279,264.40					-1,166,814.54
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			1,948,765.36						1,948,765.36
4. Other									
(III) Profit distribution							36,726,596.18	-79,498,300.53	-42,771,704.35
1. Withdrawing surplus public reserve							36,726,596.18	-36,726,596.18	
2. Distribution to all owners (shareholders)								-42,771,704.35	-42,771,704.35
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						1,066,759.88			1,066,759.88
2. Used in the period						-1,066,759.88			-1,066,759.88
(VI) Other									
IV. Balance at the end of this period	855,434,087.00		801,589,956.59	21,026,106.00	319,238,151.79		704,876,971.48	554,049,761.21	3,214,162,822.07

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



Items	2017.01-12								
	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	611,776,558.00		1,036,115,161.54	67,615,856.00	430,413,556.77		620,578,847.52	498,962,843.33	3,130,231,111.16
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	611,776,558.00		1,036,115,161.54	67,615,856.00	430,413,556.77		620,578,847.52	498,962,843.33	3,130,231,111.16
III. Increase/ decrease of amount in this year ("-" means decrease)	244,710,623.00		-234,080,985.37	-44,310,485.60	-24,106,655.33		47,571,527.78	74,883,797.30	153,288,792.98
(I) Total comprehensive incomes					-24,106,655.33			183,632,980.88	159,526,325.55
(II) Capital increased and reduced by owners			10,629,637.63	-44,310,485.60					54,940,123.23
1. Common shares increased by shareholders			-1,441,349.86	-44,310,485.60					42,869,135.74
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			12,070,987.49						12,070,987.49
4. Other									
(III) Profit distribution							47,571,527.78	-108,749,183.58	-61,177,655.80
1. Withdrawing surplus public reserve							47,571,527.78	-47,571,527.78	
2. Distribution to all owners (shareholders)								-61,177,655.80	-61,177,655.80
3. Others									
(IV) Internal carrying forward of owners' equity	244,710,623.00		-244,710,623.00						
1. New increase of share capital from capital reserves	244,710,623.00		-244,710,623.00						
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,016,809.74			2,016,809.74
2. Used in the period						-2,016,809.74			-2,016,809.74
(VI) Other									
IV. Balance at the end of this period	856,487,181.00		802,034,176.17	23,305,370.40	406,306,901.44		668,150,375.30	573,846,640.63	3,283,519,904.14

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

### III. General Information

Dalian Refrigeration Company Limited (the “Company”) was reorganized and reformed from main part of former Dalian Refrigeration Factory. On December 8, 1993, the company went to the public as a listed company at Shenzhen Stock Exchange Market. On March 20, 1998, the company successfully went to the public at B share market and listed at Shenzhen Stock Exchange Market with total share capital of RMB350,014,975Yuan.

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

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

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

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3<sup>rd</sup> provisional general meeting held on 13th September 2016, the 9<sup>th</sup> meeting of the 7<sup>th</sup> generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20<sup>th</sup>, 2016 and set 20<sup>th</sup> September 2016 as share granted date, and granted 12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per

share. By 22<sup>nd</sup> November, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000 Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23<sup>rd</sup> November, 2016.

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

On December 18, 2017, the Company held the third extraordinary shareholders' meeting of 2017 which reviewed and approved the Proposal on Repurchasing and Cancelling Part Restricted Stocks of the 2016 Restricted Stock Incentive Plan". On March 8, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 856,487,181 Yuan to 855,908,981 Yuan.

On May 4, 2018, the Company held the 21st meeting of the seventh board of directors which reviewed and approved the Proposal on Repurchasing and Cancelling Party Restricted Stocks of the 2015 Restricted Stock Incentive Plan. On June 29, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 855,908,981 Yuan to 855,434,087 Yuan.

The old address of the Company's registered office as same as head office is No.888 Xinan Road, Shahekou District, Dalian, China. In 2017, the Company relocated to new factory and changed its address to No.16 East of Liao River RD, DDA, Dalian China as same as HQ's address. The parent company of the Company is Dalian Bingshan Group Co., Ltd., and there is no ultimate controller regulated by the relevant law, regulations and rules.

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

#### **IV. Financial Statements Preparation Basis**

##### **(1) Preparing basis**

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

**(2) Going concern**

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

**V. Significant Accounting Policies and Accounting Estimates****1. Declaration for compliance with accounting standards for business enterprises**

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

**2. Accounting period**

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

**3. Operating cycle**

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

**4. Functional currency**

The Group adopts RMB as functional currency.

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

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

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

## 6. Method of preparation of consolidated financial statements

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

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

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

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

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

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

If a business consolidation under non-common control is finally achieved in stages, consolidation

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

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

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

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

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

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

transaction only to the extent of the other parties' interests in the joint operation.

## **8. Cash and cash equivalent**

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

## **9. Translation of foreign currency**

### (1) Foreign currency transaction

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

### (2) Translation of foreign currency financial statements

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

## **10. Financial assets and financial liabilities**

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

### (1) Financial assets

#### 1) Classification, recognition and measurement

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

Financial assets at fair value through profit and loss include trading financial assets and those financial assets initially designated as fair value through profit and loss. When meeting one of the following conditions, the company shall classify the assets into trading financial asset: it is

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

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

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



income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. Equity instruments that a quoted price is not applicable in an active market and no fair value can be reliably measured, shall be measured at cost.

## 2) Recognition and measurement of transfer of financial assets

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

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

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

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

## 3) Impairment of financial assets

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

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

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

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

indicates that it had occurred impairment; if the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 20% (including 20%) but not reaches at 50%, the Company will comprehensively considerate the other relevant factors such as the price volatility etc. and will judge the equity investment whether had occurred impairment.

The aforesaid "cost" recognized in line with the initial investment cost of available for sale financial instrument deducting principal recovered, amount amortized and the impairment losses recorded into profits or losses. "fair value" recognized through the closing price of Securities Exchange at period end unless the investment of available for sale equity instrument was in the restricted stock trade period. For investment of available for sale equity instrument was in the restricted stock trade period, recognized in line with the closing price of Securities Exchange at period end deducting the risk of market player cannot sell the equity instrument, thus, require compensation.

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

For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is reversed and directly recognized in equity. However, the impairment losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is linked to the equity instrument and which shall be settled through the equity instrument, can not be reversed.

## 2) Provision for impairment of held-to-maturity financial assets

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

## (2) Financial liabilities

### 1) Classification, basis for recognition and measurement

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

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

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

### 2) Financial liability derecognition

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

### 3) Fair value measurement of financial asset and financial liability

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

## 11. Provision for bad debts of receivables

The Group shall review the carrying amount of receivables fully at the balance sheet date. The Group shall calculate the full provision for bad debts for the following receivables: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature

disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time. Other solid evidences indicates that the receivables could not be paid or be of a slim chance.

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

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

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

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

The basis of portfolio	
Inter-company	Accounts receivable due from subsidiaries included in consolidated scope
Accounting aging	Other than accounts receivable due from subsidiaries included in consolidated scope and individual receivable with significant amount without impairment, use the accounting aging of the receivables
The basis of bad debt provision	
Inter-company	Individual identified method
Accounting aging	Age analysis method

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

Accounting aging	Accrual percentage of the receivables (%)	Accrual percentage of other receivables (%)
Within 1 year	5	5
1-2 years	10	10
2-3 years	30	30
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

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

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

## 12. Inventories

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

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

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

## 13. Held for sale

(1) Any non-current assets or disposal group shall be classified as held for sale if the following criteria are met: (1) according to the similar transactions for selling such assets or disposal group in practice, the assets must be available for immediate sale under current condition. (2)The sale is highly probable with decision made on a probable selling proposal and the firm purchase commitment has been obtained, the sale is expected to be completed within one year. Certain regulations request that approvals must be given by relevant authority or supervision regulator before the assets can be sold. Prior to the assets initially classified as held for sale or disposal group, the carrying amounts of the asset(or all the assets and liabilities in the disposal group) shall be measured in accordance with applicable accounting standards. The Company shall recognize an impairment loss and account it in to income statement for the current period, for any initial or subsequent write- down of the asset(or disposal group) to its fair value less costs to sell if the carrying amount is higher than its fair value less costs to sell. In the meantime, provision for assets impairment shall be made.

(2) The company acquires a non-current asset(or disposal group) exclusively with a view to its

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

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

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

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

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

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

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

(7) When held for sale assets or disposal group can not meet the criteria for held for sale classification so that they are not recognized as held for sale or non-current asset will be removed from disposal group, they shall be measured at the lower of the following amounts: (1)carrying amount of assets prior to it classified as held for sale, which is the amount after depreciation,

amortization or impairment adjustment as it had not been classified as held for sale ;  
(2)recoverable amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Where the entity has no longer joint control or significant influence in the investee company as a



result of partially disposal of the investment, the remaining investment will be changed to be accounted for as available for sale financial assets, and the difference between the fair value of remaining investment at the date of losing joint control or significant influence and its carrying amount shall be recognized in the profit or loss for the year. Other comprehensive income recognized from previous equity investment under equity model shall be accounted for on the same basis as the investee directly disposing of related assets or liability when stopping using under equity model.

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

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

## 15. Investment property

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

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

## 16. Fixed assets

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

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

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

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

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

### 17. Construction in progress

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

### 18. Borrowing costs

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

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

### **19. Intangible assets**

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

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

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

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

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

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

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

When assessing goodwill for impairment, the carrying amount of goodwill shall be allocated evenly to the assets group or assets portfolio. When testing the assets group or assets portfolio including goodwill, if there is any indication of impairment, ignoring the goodwill and testing the assets group or assets portfolio alone so to work out the recoverable amount and comparing to

its carrying amount and recognize the impairment loss. After that, testing the assets group or assets portfolio with goodwill together, comparing the carrying amount of the assets group or assets portfolio(including goodwill allocation) with recoverable amount , goodwill impairment shall be recognized when the recoverable amount is lower than its carrying amount.

## **21. Long-term deferred expenses**

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

## **22. Employee benefits**

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

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

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

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

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

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

Except other long-term employee's benefit mentioned above, obligation arising from defined benefit plan shall be recognized in the profit or loss for the current period or relevant cost of assets in accordance with the period when the service are rendered by the employee.

### **23. Contingent liabilities**

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

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

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

### **24. Share based payment**

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

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

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

If the granted equity instruments are cancelled within the vesting period, the equity instrument shall be treated as accelerated vesting and the balance linked to the remaining vesting period shall be recognized in the profit or loss account, accordingly be recognized in the capital reserve. If employees or other parties can choose but fail to satisfy non-vesting conditions during the vesting period, the Company sees this as cancellation of granted equity instruments.

## 25. Principle of recognition of revenue

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

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

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

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

(2) Income from a alienating the right of use assets is recognized when satisfying requirements related economic benefit flows in very possibly, income can be measured reliably.

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

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

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

- 1) Amount can be measured reliably
- 2) Relevant economic benefit probably flow into the company
- 3) The stage of completion of the service can be estimated reliably
- 4) Cost incurred or expect to incur in the transaction can be measured reliably

Total service income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Service revenue for the current period shall be recognized based on the figure worked out on the total income

multiply by the percentage of completion of the service after deducting the service revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total cost multiply by the percentage of completion of the service after deducting the service cost recognized in the prior period.

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

- 1) Costs incurred may be probably recovered, revenue is recognized only to the extent of costs incurred that are expected to be recoverable, and costs shall be recognized as an expense in the period in which they are incurred
- 2) Costs incurred are not probable of being recovered, then these cost incurred are recognized as an expense immediately, no revenue shall be recognized.

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

(4) Revenue from construction contract

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

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

- ① Amount can be measured reliably
- ② Relevant economic benefit probably flow into the company
- ③ Cost actually incurred can be well distinguished and measured reliably
- ④ The stage of completion and the cost expected to incur for the completion of the contract can be estimated reliably

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

- ① Relevant economic benefit probably flow into the company
- ② Cost actually incurred can be well distinguished and measured reliably

Total construction contract income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Construction contract income for the current period shall be recognized based on the figure

worked out on the total contracted income multiply by the percentage of completion of the construction after deducting the revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total expected cost multiply by the percentage of completion of the construction after deducting the construction e cost recognized in the prior period. Construction contract income is recognized to the extend where the change of the contract, claim for compensation and bonus can bring the income and can be measured reliably.

- 2) If the result of the construction contract is not able to be evaluated reliably, the treatment shall apply respectively
  - ① If contract cost maybe recovered, the income is recognized at the cost actually recovered, and the cost of the contract is recognized as contract expenses of the current period when it is occurred.
  - ② If contract cost may not be recovered, the cost of the contract shall be recognized as contract expenses when incurred, and no contract revenue shall be recognized.
- 3) In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period immediately.

## **.26. Government grants**

A government grant shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

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

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

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

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

Income-related government grants that is a compensation for related expenses or losses to be



incurred in subsequent periods are recognized as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period. Government grants related to daily business, shall be recognized as other income in accordance with business nature, otherwise, shall be recognized as non-operating expenses.

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

- 1) originally recognized as offsetting of related assets' book value, assets book value shall be adjusted
- 2) if any deferred income, book value of deferred income shall be offset, excessive portion shall be accounted into income statement
- 3) Other situation, it shall be accounted into income statement directly.

## **27. Deferred tax assets and deferred tax liabilities**

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

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

## **28. Lease**

The Company's leasing business is operating lease.

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

## **29. Other significant accounting policies, accounting Estimates**

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

when estimate is changed and in future.

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

(1) Impairment of receivable

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

(2) Provision of inventory impairment

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

(3) Provision of goodwill impairment

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

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

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

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

(4) Provision of fixed asset impairment

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

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

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

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

#### (5) Recognition of deferred tax assets

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

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

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

### 30. Changes in Accounting Policies, Accounting Estimates

#### (1) Change in significant accounting policies

None

#### (2) Changes in accounting estimate

None

## VI. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%,13%,11%,6%,5%
City construction tax	Value-added tax payables, business tax	7%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%
Enterprise income	Current period taxable profit	15%,25%

tax(EIT)		
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	Fixed amount per square meter
Other tax		According to the relevant provisions of the state and local

## Notes for tax entities with different EIT rate

Tax entities	EIT rate
Dalian Refrigeration Company	15%
Dalian Bingshan Group Engineering Co., Ltd.	25%
Dalian Bingshan Group Sales Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	15%
Dalian Bingshan Guardian Automation Co., Ltd.	15%
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%
Bingshan Technology Service (Dalian) Co.,Ltd.	15%
Dalian Universe Thermal Technology Co., Ltd.	15%
Dalian New Meica Electronics Technology Co., Ltd	15%

## 2. Tax preference

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

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

The Company's subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd obtained the qualification of high and new technology enterprises on 28<sup>th</sup> October, 2015 approved by Hubei Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau. The Certificate No is GR201542000772, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years

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

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

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

The Company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 29<sup>th</sup> November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200279, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

## VII. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, "opening" refers to January 1, 2018; "closing" refers to June 30, 2018; "current period" refers to the period from January 1, 2018to June 30, 2018; and "last period" refers to the period from January 1, 2017 to June 30, 2017; with the currency unit RMB.

### 1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	77,578.47	62,880.11
Cash in bank	303,354,026.67	364,630,526.20
Other cash and cash equivalents	17,457,092.02	30,116,287.80
<b>Total</b>	<b>320,888,697.16</b>	<b>394,809,694.11</b>

Note: Other cash and cash equivalents is restricted, including deposit for bank acceptance notes of 8,299,706.54 Yuan, guarantee deposit of 8,157,385.48Yuan, migrant deposit of 1,000,000.00Yuan,

total of 17,457,092.02Yuan.

## 2. Notes receivable

### (1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	85,235,359.48	59,496,684.07
Commercial acceptance notes	93,356,325.22	113,321,492.13
<b>Total</b>	<b>178,591,684.70</b>	<b>172,818,176.20</b>

### (2) Pledged notes receivable up to June 30, 2018.

Items	Closing pledged amount
Bank acceptance notes	4,642,147.93
Commercial acceptance notes	
<b>Total</b>	<b>4,642,147.93</b>

### (2) Notes receivable endorsed or discounted but not mature at the end of the reporting period.

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	247,765,841.22	
Commercial acceptance notes		
<b>Total</b>	<b>247,765,841.22</b>	

## 3. Accounts receivable

### (1) Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,301,637,979.10	100.00	172,924,775.13	13.29	1,128,713,203.97

Accounts receivable with insignificant individual amount and separate bad debt provision					
<b>Total</b>	<b>1,301,637,979.10</b>	<b>100.00</b>	<b>172,924,775.13</b>	<b>13.29</b>	<b>1,128,713,203.97</b>

(Continued)

Items	Opening balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,208,205,492.85	100.00	171,949,597.06	14.23	1,036,255,895.79
Accounts receivable with insignificant individual amount and separate bad debt provision					
<b>Total</b>	<b>1,208,205,492.85</b>	<b>100.00</b>	<b>171,949,597.06</b>	<b>14.23</b>	<b>1,036,255,895.79</b>

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
Within 1 year	925,751,809.75	46,287,590.48	5.00
1 to 2 years	178,383,784.64	17,838,378.46	10.00
2 to 3 years	95,681,449.94	28,704,434.98	30.00
3 to 4 years	32,894,791.27	16,447,395.63	50.00

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
4 to 5 years	26,395,839.59	21,116,671.67	80.00
Over 5 years	42,530,303.91	42,530,303.91	100.00
<b>Total</b>	<b>1,301,637,979.10</b>	<b>172,924,775.13</b>	—

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

The bad debt provision has been accrued at the amount of 8,045,698.53Yuan during the report period. Bad debt reversal or withdrawn incurred at the amount of 0.00Yuan in the report period.

## 3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	7,196,152.96

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Guangzhou Fuli Estate Co.,Ltd	40,944,261.21	Within 1 year, 1-2 years	3.15	2,572,213.06
Xinyi Yuanda construction and Installation Engineering Co., Ltd.	32,748,744.00	Within 1 year, 1-2 years	2.52	2,256,374.40
Yanbian Hong Yun investment Co., Ltd.	23,470,875.05	Within 1 year	1.80	1,173,543.75
Guangzhou wanda cultural tourism city investment Co., Ltd.	23,085,251.78	Within 1 year	1.77	1,154,262.59
Panasonic Appliances Cold-Chain (Dalian) Co., Ltd.	21,822,714.66	Within 1 year	1.68	1,091,135.73
<b>Total</b>	<b>142,071,846.70</b>		<b>10.91</b>	<b>8,247,529.54</b>

## 4. Advances to suppliers

## (1) Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	126,655,392.88	81.88	96,449,107.72	68.50
1 to 2 years	25,211,269.38	16.30	43,020,607.78	30.55
2 to 3 years	1,491,048.70	0.96	871,279.01	0.62
Over 3 years	1,320,729.61	0.86	467,380.70	0.33
<b>Total</b>	<b>154,678,440.57</b>	<b>100.00</b>	<b>140,808,375.21</b>	<b>100.00</b>



## Significant prepayment over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Dalian HOLLEY Coating Equipment Co., Ltd.	12,000,000	1-2 years	Contract is not fully implemented
Shanghai POMA Automation Equipment Co.,Ltd	6,125,000	1-2 years	Contract is not fully implemented
<b>Total</b>	18,125,000	—	—

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

Company	Closing Balance	Aging	% of the total advances to suppliers
Dalian HOLLEY Coating Equipment Co., Ltd.	12,000,000.00	1-2 years	7.76
Mitsubishi Heavy Industries Air-conditioners(Shanghai) Co.,Ltd	9,236,000.00	Within 1 year	5.97
Dalian Ganghe Trading Co., Ltd.	8,444,300.00	Within 1 year,	5.46
Shanghai POMA Automation Equipment Co.,Ltd	6,125,000.00	1-2 years	3.96
BAC (Dalian) Co., Ltd.	3,528,703.20	Within 1 year	2.28
<b>Total</b>	39,334,003.20		25.43

## 5. Interest receivable

## (1) Interest receivable

Items	Closing Balance	Opening Balance
Interest on Term deposits	950,000.00	921,783.33
Bank financial product		950,000.00
<b>Total</b>	950,000.00	1,871,783.33

The closing balance of interest receivable decreased 49.25% comparing with the opening balance, mainly because of the interest income of bank financial products that have been accrued at the beginning of the period.

## 6. Dividends receivable

## (1) Dividends receivable

Company	Closing Balance	Opening Balance
Wuhan Steel and Electricity Co., Ltd.		33,450.00
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	1,500,000.00	

Company	Closing Balance	Opening Balance
Panasonic Appliances Compressor (Dalian) Co., Ltd.	47,826,800.00	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	5,200,000.00	
Jiangsu JingXue Insulation Technology Co.,Ltd	5,842,400.00	
<b>Total</b>	60,369,200.00	33,450.00

## 7. Other receivables

## (1) The categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	49,509,411.30	100.00	7,196,607.96	14.54	42,312,803.34
Other receivables with significant individual amount and separate bad debt provision					
<b>Total</b>	49,509,411.30	100.00	7,196,607.96	14.54	42,312,803.34

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables	59,207,829.92	100.00	7,158,820.09	12.09	52,049,009.83

identified bad debt provision based on the characters of credit risk portfolio					
Other receivables with significant individual amount and separate bad debt provision					
<b>Total</b>	59,207,829.92	100.00	7,158,820.09	12.09	52,049,009.83

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing proportion (%)
Within 1 year	25,653,477.81	1,282,673.89	5.00
1-2 years	15,813,991.84	1,581,399.18	10.00
2-3 years	4,655,954.18	1,396,786.26	30.00
3-4 years	588,747.82	294,373.91	50.00
4-5 years	779,324.67	623,459.74	80.00
Over 5 years	2,017,914.98	2,017,914.98	100.00
<b>Total</b>	49,509,411.30	7,196,607.96	—

(2) In the current period, RMB38,162.87 Yuan were accrued provision for bad debts

## (3) Other receivables written off in current period

Item	Written-off Amount
Other receivables written off	2,000.00

## (3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	26,757,096.90	43,339,402.91
Petty cash	12,165,054.10	7,879,896.91
Accounts payable	7,925,905.81	5,520,797.71
Others	2,661,354.49	2,467,732.39
<b>Total</b>	49,509,411.30	59,207,829.92

## (5) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Chengdu Silver low Cold Chain Logistics Co.,Ltd	Deposit	3,800,000.00	1-2 years	7.68	380,000.00
Dalian Delta HK& China Gas Co.,Ltd	Deposit	2,730,000.00	2-3 years,4-5 years	5.51	969,000.00
National Tax office of Dalian	Exporting tax refund	1,839,570.22	Within 1year	3.72	91,978.51
Jiangsu Dafenggang Bonded Logistics Center Management Co., Ltd.	Deposit	1,782,980.00	Within 1year	3.60	89,149.00
Zhoushan City Construction Industry Authority	Deposit	1,200,000.00	Within 1year	2.42	60,000.00
<b>Total</b>		11,352,550.22		22.93	1,590,127.51

## 8. Inventories

## (1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	108,510,499.27	1,050,202.77	107,460,296.50
Working in progress	69,139,142.18		69,139,142.18
Finished goods	171,478,223.11	158,460.00	171,319,763.11
Low-value consumable	165,178.29		165,178.29
Self-manufactured semi-finished products	38,737,334.70		38,737,334.70
Constructing projects	34,910,196.63		34,910,196.63
Materials on consignment for further processing	5,107,023.10		5,107,023.10
<b>Total</b>	428,047,597.28	1,208,662.77	426,838,934.51

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	93,097,749.58	1,120,202.77	91,977,546.81
Working in progress	57,136,761.54		57,136,761.54
Finished goods	138,840,644.36	358,460.00	138,482,184.36
Low-value consumable	141,351.31		141,351.31
Self-manufactured semi-finished products	32,879,154.10		32,879,154.10

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Constructing projects	27,778,087.73		27,778,087.73
Materials on consignment for further processing	3,884,578.79		3,884,578.79
<b>Total</b>	353,758,327.41	1,478,662.77	352,279,664.64

## (2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Raw materials	1,120,202.77			70,000.00		1,050,202.77
Finished goods	358,460.00			200,000.00		158,460.00
<b>Total</b>	1,478,662.77			270,000.00		1,208,662.77

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

Item	Basis for net realizable value recognition	Reasons for reverse/write-off
Raw materials	Lower of cost and NRV	Sold within the year
Finished goods	Lower of cost and NRV	Sold within the year

## 9. Other current assets

Item	Closing Balance	Opening Balance
Prepaid income tax presented at net amount after offsetting	438,014.60	1,247,766.25
VAT to be deducted	31,374,181.20	37,613,420.40
Bank financial product		76,000,000.00
Prepaid expenses	524,189.01	46,082.68
<b>Total</b>	32,336,384.81	114,907,269.33

The closing balance of the other current assets decreased 71.86% comparing with the opening balance, mainly because the Company took back the financial products purchased at the beginning of the period after the expiration.

## 10. Available-for-sale financial assets

## (1) Available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Booking balance	Provision	Carrying amount	Booking balance	Provision	Carrying amount
Available-for-sale debt						

Item	Closing Balance			Opening Balance		
	Booking balance	Provision	Carrying amount	Booking balance	Provision	Carrying amount
instruments						
Available-for-sale equity instruments	418,516,445.05	5,067,074.16	413,449,370.89	520,850,268.15	5,067,074.16	515,783,193.99
Measured as fair value method	400,862,180.55	1,424,468.25	399,437,712.30	503,296,003.65	1,424,468.25	501,871,535.40
Measured as cost method	17,654,264.50	3,642,605.91	14,011,658.59	17,554,264.50	3,642,605.91	13,911,658.59
<b>Total</b>	418,516,445.05	5,067,074.16	413,449,370.89	520,850,268.15	5,067,074.16	515,783,193.99

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

Items	Equity instruments available for sale	Total
Cost	27,098,895.00	27,098,895.00
Fair value	399,437,712.30	399,437,712.30
FV accumulated change recognized in other comprehensive income	373,763,285.55	373,763,285.55
Provision for impairment	1,424,468.25	1,424,468.25

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

Investee	Proportion of shareholding in the investee(%)	Book Value			
		Opening Balance	Increase	Decrease	Closing Balance
Zibo traction motor co., ltd.	0.76	849,000.00			849,000.00
Liaoning Mike group Limited by Share Ltd	3.57	1,020,000.00			1,020,000.00
Guotai Junan investment management Co., Ltd.	0.22	3,057,316.00			3,057,316.00
Cold King container temperature control Co., Ltd.	17.80	11,207,806.00			11,207,806.00
Liaoning enterprises Industrial Co., Ltd.	4.20	105,000.00			105,000.00

Investee	Proportion of shareholding in the investee(%)	Book Value			
		Opening Balance	Increase	Decrease	Closing Balance
Wuhan steel electric Co., Ltd.	5.60	1,315,142.50			1,315,142.50
Dlian Guolian Energy Development Co., Ltd.	10.00		100,000.00		100,000.00
<b>Total</b>		17,554,264.50	100,000.00		17,654,264.50

(Continue)

Investee	Provision for impairment				Cash dividend
	Opening Balance	Increase	Decrease	Closing Balance	
Zibo traction motor co., ltd.	849,000.00			849,000.00	
Liaoning Mike group Limited by Share Ltd					300,000.00
Guotai Junan investment management company	2,688,605.91			2,688,605.91	
Cold King container temperature control Co., Ltd.					
Liaoning enterprises Industrial Co., Ltd.	105,000.00			105,000.00	
Wuhan steel electric Limited					33,450.00
Dlian Guolian Energy Development Co., Ltd.					
<b>Total</b>	3,642,605.91			3,642,605.91	333,450.00

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

Category	Equity instruments available for sale	Debt instruments available for sale	Others	Total
Beginning balance	5,067,074.16			5,067,074.16
Increased during current year				

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

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

Guotai Junan Securities Co., Ltd. was listed on Shanghai Stock Exchange on 26<sup>th</sup> June 2015, and until 30 June, 2018, the Company held 27,098,895 shares of Guotai Junan Securities Co., Ltd which was measured at fair value at the year end. The Company received cash dividend RMB 10,839,558.00Yuan.



## 1. Long-term equity investments

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
<b>Associates</b>											
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	161,817,616.82			-4,686,758.68			3,000,000.00			154,130,858.14	
Dalian Honjo Chemical Co., Ltd.	9,113,011.88			650,448.37			912,160.20			8,851,300.05	
Panasonic Appliances Cold-Chain (Dalian) Co., Ltd.	227,050,807.57			1,292,358.19			6,000,000.00			222,343,165.76	
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	57,604,812.32			4,812,548.80			5,200,000.00			57,217,361.12	
Panasonic Appliances Compressor (Dalian) Co., Ltd.	490,004,241.55			21,742,315.65			47,826,800.00			463,919,757.20	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,359,504.81			-506,256.97						12,853,247.84	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,431,141.16			-30,242.56						1,400,898.60	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	179,841,223.64			11,137,492.91						190,978,716.55	
Jiangsu JingXue Insulation Technology Co.,Ltd	166,092,058.74			4,565,836.59			5,842,400.00			164,815,495.33	

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	12,042,441.30			3,183,741.25						15,226,182.55	
Wuhan Lanning Energy Science Co., Ltd.	6,086,785.99	4,500,000.00		-518,539.72					-10,068,246.27		
Wuhan Sikafu Power Control Equipment Co., Ltd	5,227,052.33			-415,956.25						4,811,096.08	
Panasonic Refrigeration System (Dalian) Co., Ltd	27,824,664.42			1,509,718.68			2,108,000.00			27,226,383.10	
Dalian Bingshan Metal Technology Co.,Ltd	163,116,631.47			13,623,127.82						176,739,759.29	
Dalian Bingshan Group Management and Consulting Co.,ltd	47,643,744.12			-886,347.64						46,757,396.48	
<b>Total</b>	1,568,255,738.12	4,500,000.00		55,473,486.44			70,889,360.20		-10,068,246.27	1,547,271,618.09	

The board of directors of the Company's subsidiary Wuxin Refrigeration decided to acquire 27.27% equity of Wuhan Lanning Energy Technology Co., Ltd., an original associated Company of Wuxin Refrigeration. After the transfer, Wuhan Lanning Energy Technology Co., Ltd. became a subsidiary of Wuxin Refrigeration. As of June 30, 2018, the above equity transaction has been completed.

## 12. Investment property

## (1) Investment property measured as cost method

Item	Property & Building	Land-use-rights	Total
<b>I. Initial Cost</b>			
1. Opening Balance	192,739,104.84	24,391,511.82	217,130,616.66
2. Increase	2,121,995.27		2,121,995.27
(1) Outsourcing			
(2) Transferred from Construction in progress	2,121,995.27		2,121,995.27
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	194,861,100.11	24,391,511.82	219,252,611.93
<b>II. Accumulated Depreciation</b>			
1. Opening Balance	103,390,779.09	9,878,562.30	113,269,341.39
2. Increase	2,887,066.75	243,915.12	3,130,981.87
(1) Provision or amortization	2,251,330.67	243,915.12	2,495,245.79
(2) Transferred from Construction in progress	635,736.08		635,736.08
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	106,277,845.84	10,122,477.42	116,400,323.26
<b>III. Impairment Reserve</b>			
1. Opening Balance			
2. Increase			
(1) Provision or amortization			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance			
<b>IV. Book Value</b>			75
<b>1. Closing book value</b>	88,583,254.27	14,269,034.40	102,852,288.67

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

The 13<sup>th</sup> meeting of the 7<sup>th</sup> generation board was held on April 22, 2017, and approved to rent out the old plant and land located in No888, South West RD, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd. The lease premium is 7.86 million Yuan for year 2018 and contract is from April 1<sup>st</sup>, 2017 to December 31, 2036.

On June 1<sup>st</sup>, 2017, the Company's subsidiary, Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd., signed the leasing contract with Dalian Jingxue Energy Saving Technology Co. Ltd. and rented out # 7 building of workshop located on No.92, Tieshan West Rd, DDA, Dalian. The rental area is 3653.76 square metres, and annual rent is RMB 840 thousand Yuan with the contracted date between June 1<sup>st</sup>, 2017 and May 31<sup>st</sup>, 2022. Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. also rented out Room 201, # 4 building located on No.92, Tieshan West Rd, DDA, Dalian to Dalian Jingxue Energy Saving Technology Co., Ltd. The rental area is 25 square metres, and annual lease premium is RMB 15 thousand Yuan with the contracted date between June 1<sup>st</sup>, 2017 and May 31<sup>st</sup>, 2022.

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

Items	Book value	Reasons
# 6 building of workshop on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone	27,507,228.14	Deed is in the progress
#7 plant of Dalian Bingshan Ryosetsu	4,629,156.74	Deed is in the progress

## 13. Fixed assets

### (1) Fixed assets detail

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<b>I. Initial Cost</b>					
1. Opening Balance	593,149,871.12	655,338,106.93	19,678,537.43	66,346,865.13	1,334,513,380.61
2. Increase	360,360.36	12,140,809.72	429,548.81	628,429.22	13,559,148.11
(1) Purchase	360,360.36	6,021,887.05	147,407.69	570,998.19	7,100,653.29
(2) Transferred from construction-in-progress		6,118,922.67			6,118,922.67
(3) Acquired from business combination			282,141.12	57,431.03	339,572.15
3. Decrease	2,121,995.27	5,222,056.27	776,440.20	125,845.30	8,246,337.04

<b>Item</b>	<b>Property &amp; buildings</b>	<b>Machinery Equipment</b>	<b>Transportation Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
(1) Disposal		5,222,056.27	776,440.20	125,845.30	6,124,341.77
(2) Transferred to other	2,121,995.27				2,121,995.27
4. Closing Balance	591,388,236.21	662,256,860.38	19,331,646.04	66,849,449.05	1,339,817,767.57
<b>II. Accumulated Depreciation</b>					
1. Opening Balance	64,073,553.49	328,334,086.43	12,874,279.49	37,839,494.30	443,121,413.71
2. Increase	8,260,951.41	16,850,584.70	917,204.45	3,269,297.58	29,298,038.14
(1) Accrued	8,260,951.41	16,850,584.70	872,532.15	3,251,183.02	29,235,251.28
(2) Acquired from business combination			44,672.30	18,114.56	62,786.86
3. Decrease	635,736.08	2,171,519.71	661,402.01	115,450.08	3,584,107.88
(1) Disposal		2,171,519.71	661,402.01	115,450.08	2,948,371.80
(2) Transferred to other	635,736.08				635,736.08
4. Closing Balance	71,698,768.82	343,013,151.42	13,130,081.93	40,993,341.80	468,835,343.97
<b>III. Impairment Reserve</b>					
1. Opening Balance		517,319.50			517,319.50
2. Increase					
(1) Accrued					
3. Decrease					
(1) Disposal					
4. Closing Balance		517,319.50			517,319.50
<b>IV. Book Value</b>					
1. Closing book value	519,689,467.39	318,726,389.46	6,201,564.11	25,856,107.25	870,473,528.21
2. Opening book value	529,076,317.63	326,486,701.00	6,804,257.94	28,507,370.83	890,874,647.40

(2) Fixed assets as pending certificate of ownership

Item	Book value	Reason for Pending
Office,Lianhe #1 plant, #2plant,Jiacu plant and dormitory	261,209,487.71	Deed is in the progress
Newly built plant	46,720,133.52	Deed is in the progress
Functional Lab plant	16,606,422.17	Deed is in the progress
Lianhe #3&#4 plant	41,600,775.11	Land is pledged and deed can not be granted
<b>Total</b>	<b>366,136,818.51</b>	

## 14. Construction-in-progress

## (1) Construction in progress details

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Buildings reconstruction	18,343,028.40		18,343,028.40	16,348,332.17		16,348,332.17
Improvement of machinery	4,827,106.48		4,827,106.48	1,633,725.79		1,633,725.79
Self-heating circulation equipment from mine air return	75,926,416.37		75,926,416.37	65,017,324.94		65,017,324.94
<b>Total</b>	<b>99,096,551.25</b>		<b>99,096,551.25</b>	<b>82,999,382.90</b>		<b>82,999,382.90</b>

## (2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Buildings reconstruction	16,348,332.17	1,994,696.23			18,343,028.40
Improvement of machinery	1,633,725.79	9,312,303.36	6,118,922.67		4,827,106.48
Self-heating circulation equipment from mine air return	65,017,324.94	10,909,091.43			75,926,416.37
<b>Total</b>	<b>82,999,382.90</b>	<b>22,216,091.02</b>	<b>6,118,922.67</b>		<b>99,096,551.25</b>

(Continued)

Name	Budget	Percent of investment against budget(%)	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Buildings reconstruction	337,527,099.00	95.75	95.16				Self financing
Improvement of machinery	182,020,000.00	94.23	97.13				Self financing
Self-heating circulation equipment from mine air return	110,000,000.00	69.02	59.11				Self financing
<b>Total</b>	629,547,099.00	95.75	—				—

## 15. Intangible assets

## (1) Intangible assets list

Item	Land use right	Knowhow	Others	Total
<b>I. Initial Cost</b>				
1. Opening Balance	152,890,196.80	11,800,000.00	16,774,618.38	181,464,815.18
2. Increase		6,000,000.00	5,006,837.61	11,006,837.61
(1) Purchase				
(2) Acquired from business combination		6,000,000.00	5,006,837.61	11,006,837.61
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	152,890,196.80	17,800,000.00	21,781,455.99	192,471,652.79
<b>II. Accumulated amortisation</b>				
1. Opening Balance	28,878,884.36	294,999.99	8,372,413.96	37,546,298.31
2. Increase	1,547,549.49	1,818,235.74	1,871,813.60	5,237,598.83
(1) Accrued	1,547,549.49	840,685.74	893,004.04	3,281,239.27
(2) Acquired from business combination		977,550.00	978,809.56	1,956,359.56
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	30,426,433.85	2,113,235.73	10,244,227.56	42,783,897.14

Item	Land use right	Knowhow	Others	Total
<b>III. Impairment Reserve</b>				
1. Opening Balance				
2. Increase				
(1)Accrued				
(2) Others				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance				
<b>IV. Book Value</b>				
<b>1. Closing book value</b>	122,463,762.95	15,686,764.27	11,537,228.43	149,687,755.65
<b>2. Opening book value</b>	124,011,312.44	11,505,000.01	8,402,204.42	143,918,516.87

## 16. Goodwill

## (1) Original cost of goodwill

Name	Opening Balance	Increased during current year Enterprise's merger increase	Decreased during current year		Closing Balance
			Other	Disposal	
Dalian Universe Thermal Technology Co., Ltd.	1,440,347.92				1,440,347.92
Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd.	310,451.57				310,451.57
<b>Total</b>	<b>1,750,799.49</b>				<b>1,750,799.49</b>

## (2) Goodwill impairment provision

Goodwill calculation method:

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

In the year 2016, the company purchases shares of Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd. and gains control. The transferred price is based on the net asset of Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd. on June 30th 2016. Negotiated with Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd.'s shareholder P&A Water



Project (China) Limited Company, the transfer price is the combination cost on the purchasing date which is 5,359,548.42 Yuan, the fair value of proportion of Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd's identifiable net asset is 5,049,096.85 Yuan on the purchasing day, therefore, goodwill is 310,451.57Yuan on the purchasing date.

The book value of goodwill from business combination of Dalian Universe Thermal Technology Co., Ltd. and Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd. which are not under same control shall be allocated into the relevant asset group using the reasonable method since acquisition date and taken impairment test on relevant asset group where the goodwill is included. The obvious impairment indication of the goodwill hasn't been found. Thus no goodwill impairment provision has been made.

#### 17. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Employee's dormitory use right	2,289,127.02		69,239.16		2,219,887.86
Renovation and rebuilding	882,132.14		22,522.50		859,609.64
Lease	744,030.00		53,145.00		690,885.00
Membership fee for Golf	473,000.00		8,250.00		464,750.00
Technology entrance fee of cold and heat machinery	1,587,056.25		186,712.50		1,400,343.75
Greenland of new factory	8,400,754.18		446,057.76		7,954,696.42
Warranty extension	55,031.42	106,918.24	42,452.82		119,496.84
<b>Total</b>	<b>14,431,131.01</b>	<b>106,918.24</b>	<b>828,379.74</b>		<b>13,709,669.51</b>

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

##### (1) Deferred tax assets without offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	142,342,909.61	28,747,631.45	139,387,243.38	27,485,104.23
Unrealized profit from internal transaction	15,641,404.17	2,346,210.63	15,641,404.17	2,346,210.63
Share option Incentive expense	16,373,184.67	2,455,977.70	13,881,215.49	2,082,182.32
<b>Total</b>	<b>174,357,498.45</b>	<b>33,549,819.78</b>	<b>168,909,863.04</b>	<b>31,913,497.18</b>

##### (2) Deferred tax liabilities without offsetting

Item	Closing Balance	Opening Balance
------	-----------------	-----------------

	<b>Taxable temporary difference</b>	<b>Deferred tax liabilities</b>	<b>Taxable temporary difference</b>	<b>Deferred tax liabilities</b>
Fair value change of the available-for-sale financial assets	373,763,285.55	56,064,492.86	476,197,108.65	71,429,566.31
<b>Total</b>	<b>373,763,285.55</b>	<b>56,064,492.86</b>	<b>476,197,108.65</b>	<b>71,429,566.31</b>

## (3) Unrecognized deferred tax assets details

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Deductible temporary difference	44,571,529.91	45,359,761.94
Deductible loss	35,989,501.25	6,173,430.97
<b>Total</b>	<b>80,561,031.16</b>	<b>51,533,192.91</b>

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

<b>Year</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Notes</b>
2019			
2020	3,240,819.97	3,240,819.97	
2021	1,735,813.20	1,735,813.20	
2022	7,923,851.29		
2023	23,089,016.79		
<b>Total</b>	<b>35,989,501.25</b>	<b>4,976,633.17</b>	

## 19. Short-term loan

## (1) Category of short term loan

<b>Loan category</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Credit loan	410,000,000.00	349,801,300.00
<b>Total</b>	<b>410,000,000.00</b>	<b>349,801,300.00</b>

Note: The Company borrowed 330 million Yuan from bank and Wuhan New World Refrigeration Industrial Co., Ltd., a subsidiary of The Company borrowed RMB80 million from Dalian Bingshan Group Co., Ltd.

## 20. Notes payable

<b>Notes category</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Commercial acceptance notes	192,226,938.25	221,572,037.67
Bank acceptance notes	43,749,758.64	38,871,130.00
<b>Total</b>	<b>235,976,696.89</b>	<b>260,443,167.67</b>

At the end of the reporting period, there is no unpaid notes payable which is due.

## 21. Accounts payable

## (1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	733,222,259.19	593,418,202.00
Project payments	153,614,375.81	244,492,384.60
Equipment payments	52,845,201.32	48,813,078.50
Others	488,977.67	3,240,652.53
<b>Total</b>	<b>940,170,813.99</b>	<b>889,964,317.63</b>

## (2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Panasonic Cold Chain (Dalian)	13,045,170.70	Project is uncompleted contract is not finished
Dalian Yida Construction Company	9,639,904.38	Project is uncompleted contract is not finished
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Project is uncompleted contract is not finished
<b>Total</b>	<b>32,098,365.08</b>	

## 22. Received in advance

## (1) Received in advance

Item	Closing Balance	Opening Balance
Advanced on sales	110,572,372.72	147,172,195.05
<b>Total</b>	<b>110,572,372.72</b>	<b>147,172,195.05</b>

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

Company	Closing Balance	Reason
Dandong Port	5,000,000.00	Unsettled contract payments on sets projects
<b>Total</b>	<b>5,000,000.00</b>	

## 23. Employee's payable

## (1) Category of employee's payable

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	46,740,296.95	147,411,217.34	172,614,624.21	21,536,890.08
Post-employment benefit –defined contribution plan	11,265.41	19,215,407.71	19,217,185.78	9,487.34
Other welfare due within 1 year				
<b>Total</b>	<b>46,751,562.36</b>	<b>166,626,625.05</b>	<b>191,831,809.99</b>	<b>21,546,377.42</b>

## (2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	35,683,852.35	116,523,392.33	140,605,157.97	11,602,086.71
Welfare	8,456,835.18	4,965,109.28	6,123,481.55	7,298,462.91
Social insurance	5,684.41	9,768,483.12	9,769,653.11	4,514.42
Include: Medical insurance	4,977.21	7,624,674.55	7,625,759.18	3,892.58
Supplemental insurance				
On-duty injury insurance	295.07	1,128,348.60	1,128,385.67	258.00
Maternity insurance	412.13	1,015,459.97	1,015,508.26	363.84
Housing funds	1,539,229.07	13,988,355.12	14,076,270.60	1,451,313.59
Labor union and training expenses	1,054,695.94	2,139,477.49	2,013,660.98	1,180,512.45
Short-term leave with pay				
Short term profit share plan				
Others		26,400.00	26,400.00	
<b>Total</b>	<b>46,740,296.95</b>	<b>147,411,217.34</b>	<b>172,614,624.21</b>	<b>21,536,890.08</b>

## (3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	10,924.64	18,630,781.10	18,632,515.85	9,189.89
Unemployment insurance	340.77	584,626.61	584,669.93	297.45
<b>Total</b>	<b>11,265.41</b>	<b>19,215,407.71</b>	<b>19,217,185.78</b>	<b>9,487.34</b>

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

The ending balance of wages payable decreased 53.91% over that of period-begin, mainly because the year-end bonus for year of 2017 are paid in the report Period.

## (4) Other explanatory of the employee's payable

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

## 24. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	4,043,935.08	12,550,353.23
Enterprise income tax	1,855,778.32	13,418,675.14
Individual income tax	485,527.04	628,015.54
City maintenance and construction tax	288,478.31	907,478.69
Real estate tax	849,538.38	882,771.72
Land use tax	553,224.98	553,224.98
Education surcharge	200,504.00	613,577.67
Green tax	657.99	
Safeguard fund for disables	440.00	480.00
Stamp duty	111,084.50	437,981.65
<b>Total</b>	<b>8,389,168.60</b>	<b>29,992,558.62</b>

The closing balance of the other current assets decreased 72.03% comparing with the opening balance , mainly because the tax payment at the beginning of the period was paid.

## 25. Interest payable

Item	Closing Balance	Opening Balance
Interest on short term loan		379,085.53
<b>Total</b>		<b>379,085.53</b>

## 26. Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	44,775,220.95	863,516.60
<b>Total</b>	<b>44,775,220.95</b>	<b>863,516.60</b>

The Company's dividend payable at the end of the period increased 5085.22% compared with the beginning of the period, mainly because the dividend payable did not reach the payment period.

## 27. Other accounts payable

## (1) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Restricted share buy back	21,026,106.00	21,026,106.00
Loan from non-financial institutes	5,640,000.00	6,320,000.00
Cash pledge and security deposit	9,510,789.65	10,842,115.56
Apply for reimbursement and unpaid	11,509,236.66	13,699,458.65
Cash from related parties	670,000.00	934,995.17
Receipts under custody	10,228,545.65	12,572,889.29
Others	1,965,986.60	2,279,264.40

Payments nature	Closing Balance	Opening Balance
<b>Total</b>	60,550,664.56	67,674,829.07

(2) Significant other payables with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Restricted share buy back	21,026,106.00	Not reach the return condition of contract
<b>Total</b>	<b>21,026,106.00</b>	

## 28. Long-term loan

(1) Category of long-term loan

Category	Closing Balance	Opening Balance
Guarantee loan	160,000,000.00	160,000,000.00
<b>Total</b>	<b>160,000,000.00</b>	<b>160,000,000.00</b>

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

## 29. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Asset related	100,336,504.07	0.00	2,974,420.68	97,362,083.39	
Revenue related					
<b>Total</b>	100,336,504.07	0.00	2,974,420.68	97,362,083.39	—

(2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Offset cost or expense	Other Change	Closing Balance	Related with asset/equity
Subsidy fund for highly effective heat pump and related system	2,600,952.00		275,836.02		2,325,115.98	Asset related
Contribution to subsidiary company relocation	43,446,000.00		556,998.00		42,889,002.00	Asset related
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	15,932,227.94		709,421.76		15,222,806.18	Asset related
Compressor IC system	4,166,451.67		155,239.62		4,011,212.05	Asset related
Ultrasonic intelligent defrost technology	4,000,000.00				4,000,000.00	Asset related
Eco Compressor project	30,190,872.46		1,276,925.28		28,913,947.18	Asset related
<b>Total</b>	100,336,504.07		2,974,420.68		97,362,083.39	

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

### 30.Share capital

Item	Opening balance	Increase/decrease (+、-)					Closing balance
		New share issued	Share dividend	Transfer from capital reserve	others	Subtotal	
<b>Total shares</b>	856,487,181.00				-1,053,094.00	-1,053,094.00	855,434,087.00

On December 18, 2017, the Company held the third extraordinary shareholders' meeting of 2017 which reviewed and approved the Proposal on Repurchasing and Cancelling Part Restricted Stocks of the 2016 Restricted Stock Incentive Plan". On March 8, 2018, after the completion of repurchase and cancellation,

the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 856,487,181 Yuan to 855,908,981 Yuan. On May 4, 2018, the Company held the 21<sup>st</sup> meeting of the seventh board of directors which reviewed and approved the Proposal on Repurchasing and Cancelling Party Restricted Stocks of the 2015 Restricted Stock Incentive Plan. On June 29, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 855,908,981 Yuan to 855,434,087 Yuan.

### 31. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	676,326,831.54		2,773,227.66	673,553,603.88
Other capital reserves	81,205,249.80	2,329,008.08		83,534,257.88
<b>Total</b>	<b>757,532,081.34</b>	<b>2,329,008.08</b>	<b>2,773,227.66</b>	<b>757,087,861.76</b>

On December 18, 2017, the Company held the third extraordinary shareholders' meeting of 2017 which reviewed and approved the Proposal on Repurchasing and Canceling Part Restricted Stocks of the 2016 Restricted Stock Incentive Plan. On May 4, 2018, the Company held the 21<sup>st</sup> meeting of the seventh board of directors which reviewed and approved the Proposal on Repurchasing and Canceling Party Restricted Stocks of the 2015 Restricted Stock Incentive Plan. On June 29, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, the share premium decreased 2,773,227.66 yuan.

(2) Other capital reserve is the expense for share incentive plan amortization.

### 32. Treasury Share

Items	Opening Balance	Increase	Decrease	Closing Balance
Share incentive buy-back	23,305,370.40		2,279,264.40	21,026,106.00
<b>Total</b>	<b>23,305,370.40</b>		<b>2,279,264.40</b>	<b>21,026,106.00</b>

The company implements restricted share incentive plan in 2016 and recognizes buy-back obligation as liability. At the year end, treasure stock is recognized based on the numbers of restricted share in the vesting period and buy back price agreed in the share incentive plan.



## 33. Other comprehensive income

Items	Opening Balance	2018.1-6				Closing Balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss in other comprehensive income	Less: income tax	After-tax attribute to the company	
<b>I. Later can't reclassified into profit and loss of other comprehensive income</b>						
<b>II. Later reclassified into profit and loss of other comprehensive income</b>	407,269,002.11	-102,433,823.10		-15,365,073.45	-87,068,749.65	320,200,252.46
Proportional other comprehensive income of investee which is reclassified into income statement under equity method	2,501,459.77					2,501,459.77
Changes in fair value recognized in gains and losses of the available-for-sale financial assets	404,767,542.34	-102,433,823.10		-15,365,073.45	-87,068,749.65	317,698,792.69
<b>Other comprehensive income total</b>	407,269,002.11	-102,433,823.10		-15,365,073.45	-87,068,749.65	320,200,252.46

## 34. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		1,066,759.88	1,066,759.88	
<b>Total</b>		1,066,759.88	1,066,759.88	

## 35. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	318,245,354.15			318,245,354.15
Discretionary surplus reserve	349,905,021.15	36,726,596.18		386,631,617.33
<b>Total</b>	668,150,375.30	36,726,596.18		704,876,971.48

The company made profit distribution within the reporting period. According to the 2017 annual meeting, 20% of net profit in the 2017 fiscal annual report is provided for discretionary surplus reserve of 36,726,596.18 Yuan.

## 36. Undistributed profits

Item	2018-06-30	2017-06-30
<b>Closing balance of 2017</b>	750,397,795.56	658,387,158.97
Add: Adjustments to the opening balance of undistributed profits		
Including: additional retrospective adjustments according to the new accounting standards		
Change on accounting policy		
Correction of prior period significant errors		
Change on combination scope under same control		
Other factors		
<b>Opening balance of 2018</b>	750,397,795.56	658,387,158.97
Add: net profit attributable to shareholders of parent company in the year	59,017,542.28	98,260,163.09
Less: Provision for statutory surplus reserves		
Provision for any surplus reserves	36,726,596.18	29,208,229.69
Provision of general risk		
Dividends payable for common shares	42,771,704.35	61,177,655.80
Share dividends		
Staff award fund	305,618.42	
<b>Closing balance of the current period</b>	729,611,418.89	659,896,379.17

## 37. Operating revenue and cost

Items	2018.01-06		2017.01-06	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	1,010,172,413.37	841,675,852.36	987,663,610.92	810,698,503.30
Revenue from other operation	18,906,123.42	11,168,022.91	14,715,106.58	6,583,401.75
<b>Total</b>	<b>1,029,078,536.79</b>	<b>852,843,875.27</b>	<b>1,002,378,717.50</b>	<b>817,281,905.05</b>

## 38. Operating taxes and surcharges

Items	2018.01-06	2017.01-06
City construction tax	1,103,174.98	1,351,623.47
Education surcharge	775,163.60	935,946.75
Property tax	3,749,949.14	2,730,790.28
Land use tax	2,450,463.10	2,450,463.10
Vehicle and vessel tax	11,988.44	13,227.64
Stamp duty	641,528.66	694,759.27
Others	1,653.81	356.44
<b>Total</b>	<b>8,733,921.73</b>	<b>8,177,166.95</b>

## 39. Selling expenses

Items	2018.01-06	2017.01-06
Official business expense	4,539,930.14	5,090,769.03
Employee benefit	18,276,891.66	14,995,121.09
Depreciation expense	156,761.63	171,586.90
Transportation expense	12,038,705.09	8,587,934.72
Business entertaining expense	4,036,343.06	3,460,760.50
Travel expense	5,624,151.75	5,842,912.55
Maintenance and repair expense	2,196,454.74	4,104,855.06
Advertisement and bids expense	1,138,461.50	974,753.15
Other expense	655,113.54	625,718.28
<b>Total</b>	<b>48,662,813.11</b>	<b>43,854,411.28</b>

## 40. Administrative expenses

Items	2018.01-06	2017.01-06
Official expense	8,232,927.98	8,006,866.58
Employee benefit	68,744,729.82	65,086,729.83
Depreciation expense	5,755,436.73	4,057,494.71
Transportation expense		

Items	2018.01-06	2017.01-06
Business entertaining expense	1,782,386.28	1,596,655.13
Travel expense	3,109,980.56	4,429,526.62
Maintenance and repair expense	1,922,753.65	3,083,226.59
Advertisement expense	459,235.50	270,057.65
Other taxes and fee		165,543.62
Insurance expense	532,158.46	520,621.31
Technology development expense	12,448,523.63	13,622,171.89
Long-term assets amortization	3,106,842.37	2,446,577.27
Design consultant and test service expense	404,122.61	3,321,476.03
Safety production cost	1,254,520.04	1,613,203.82
Other expense	1,375,875.04	1,346,672.83
<b>Total</b>	<b>109,129,492.67</b>	<b>109,566,823.88</b>

## 41. Financial expenses

Items	2018.01-06	2017.01-06
Interest expenses	8,884,281.55	3,373,803.53
Less: Interest income	2,069,056.36	1,290,291.01
Add: Exchange loss	643,842.13	-164,598.81
Add: Others expenditure	1,180,197.48	1,075,814.23
<b>Total</b>	<b>8,639,264.80</b>	<b>2,994,727.94</b>

The financial expenses increased 188.48% in the current period compared with the previous period, mainly because of the interest expense increased.

## 42. Assets impairment losses

Items	2018.01-06	2017.01-06
Loss of bad debts	8,083,861.40	10,239,188.82
Provision for inventory impairment		
<b>Total</b>	<b>8,083,861.40</b>	<b>10,239,188.82</b>

## 43. Investment income

Items	2018.01-06	2017.01-06
Long-term equity investment gain under equity method	55,473,486.44	48,681,040.63
Gain from disposing long-term equity investment		263,666.08
Gain from holding of financial assets available for sale	11,139,558.00	11,463,569.05
Gain from disposal financial assets available for sale		27,467,019.93
<b>Total</b>	<b>66,613,044.44</b>	<b>87,875,295.69</b>

## 44. Gain on assets disposal

Item	2018.01-06	2017.01-06
Gains on disposal of non-current assets	230,812.06	127,853.00
Gain on non-current assets disposal income not classified as held for sale	230,812.06	127,853.00
Including: gain on fixed assets disposal	230,812.06	127,853.00
<b>Total</b>	<b>230,812.06</b>	<b>127,853.00</b>

## 45. Other income

Items	2018.01-06	2017.01-06
VAT refund	109,637.40	
Grant given by the government for relocation		
<b>Total</b>	<b>109,637.40</b>	

## 46. Non-operating income

## (1) Non-operating income list

Item	2018.01-06	2017.01-06	Amounts recognized into non-recurring profit or loss for the year
Government grant	850,600.00	6,355,937.98	850,600.00
Penalty and fine income	258,017.67	329,371.34	258,017.67
Others	1,068,246.27	2,327.66	1,068,246.27
<b>Total</b>	<b>2,176,863.94</b>	<b>6,687,636.98</b>	<b>2,176,863.94</b>

## (2) Government grant details

Items	2018.01-06	2017.01-06	Explanations
Small and medium enterprises international market development funds	300,600.00	300,000.00	Related to gain
Allowance for exporting from new & high technology zone of Dalian		22,000.00	Related to gain
Dalian science and technology bureau		20,000.00	Related to gain
Subsidy of economic support policy	50,000.00	52,000.00	Related to gain
R22 replacement subsidy		4,489,948.23	Related to gain
Taxes refund		1,115.75	Related to gain
subsidy of a new type of wall material for the west lake district		305,038.00	Related to gain
Stabilization subsidy		333,000.00	Related to gain
Subsidy fund for highly effective heat pump and related system		275,836.00	Related to Asset
Contribution to subsidiary company relocation		557,000.00	Related to Asset
new high-tech enterprise	300,000.00		Related to gain
Patent subsidy	150,000.00		Related to gain
Postdoctoral workstation	50,000.00		Related to gain
<b>Total</b>	<b>850,600.00</b>	<b>6,355,937.98</b>	

## (3) Non-operating income statement

The Company's non-operating income decreased in the current period compared with the previous period, mainly due to the year-on-year decrease in government subsidies. Other project was that the Company purchased the shareholding equity of Wuhan Lanning Energy Technology Co., Ltd. in the current period, and the amount of the merger cost less than the fair value of the identifiable net assets acquired on the purchase date, which was 1,068,246.27 Yuan, was recognized as non-operating income.

## 47. Non-operating expenses

Item	2018.01-06	2017.01-06	Amounts recognized into
			non-recurring profit or loss for the year
Outward donation	60,000.00	10,000.00	60,000.00
Others	93,590.70	42,399.10	93,590.70
<b>Total</b>	<b>153,590.70</b>	<b>52,399.10</b>	<b>153,590.70</b>

The Non-operating expenses increased 193.12% in the current period compared with the previous period, mainly because of the Outward donation increased.

## 48. Income tax expenses

## (1) Income tax expenses

Items	2018.01-06	2017.01-06
Current income tax expenses	4,709,435.95	8,316,752.04
Deferred income tax expenses	-1,268,991.70	-2,155,205.75
<b>Total</b>	<b>3,440,444.25</b>	<b>6,161,546.29</b>

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

Items	2018.01-06
Total profits	61,962,074.95
Current income tax expense accounted by tax and relevant regulations	9,294,311.24
Influence of different tax rate suitable to subsidiary	4,964,129.93
Influence of income tax before adjustment	-2,084,780.31
Influence of non taxable income	-9,851,782.27
Influence of not deductible costs, expenses and losses	384,671.07
Influence of deductible losses of deferred income tax assets derecognized used in previous period	0.00
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	733,894.59
<b>Income tax expenses</b>	<b>3,440,444.25</b>

The Company's current income tax expenses decreased compared with the previous period, mainly due to the year-on-year decrease in the taxable income in the current period.

## 49. Other comprehensive income

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

## 50. Notes to cash flow statement

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

## 1) Other cash received relating to operating activities

Items	2018.01-06	2017.01-06
Government grants	950,600.00	32,111,189.00
Received travel expense refund	1,362,432.77	1,184,760.87
Deposit given back	12,317,606.04	9,873,997.27
Receivable from relate party		142,350.94
Interest income	2,999,084.48	2,035,021.82
Others	894,306.29	2,294,063.84
<b>Total</b>	<b>18,524,029.58</b>	<b>47,641,383.74</b>

## 2) Other cash paid relating to operating activities

Items	2018.01-06	2017.01-06
Business travel borrowing	6,452,619.29	6,984,829.71
Deposit paid	19,525,966.58	13,346,261.60
Expenditure	43,456,472.12	55,759,234.64
Payments to relate party	960,032.83	
Bank handling charges	1,013,522.20	1,075,814.23
Others	972,341.24	1,402,529.43
<b>Total</b>	<b>72,380,954.26</b>	<b>78,568,669.61</b>

## 3) Others cash received relating to investing activities

Items	2018.01-06	2017.01-06
Bank financial product	76,000,000.00	
<b>Total</b>	<b>76,000,000.00</b>	

## 4) Others cash received relating to financing activities

Items	2018.01-06	2017.01-06
Collection of guarantee money	30,116,287.80	21,576,815.56
Refund fractional dividend		
Interests on discount of bill acceptance		
<b>Total</b>	<b>30,116,287.80</b>	<b>21,576,815.56</b>

## 5) Others cash played relating to financing activities

Items	2018.01-06	2017.01-06
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Repurchase the restricted stock	3,446,078.94	
Interests on discount of bill acceptance	216,469.74	
Payment of guarantee money	17,457,092.02	24,206,200.89
<b>Total</b>	<b>21,119,640.70</b>	<b>24,206,200.89</b>

## 51. Supplementary information of consolidated cash flow statement

Items	2018.01-06	2017.01-06
<b>1. Adjusting net profit into cash flows of operating activities:</b>	—	—
Net profit	58,521,630.70	98,741,333.86
Add: Provision for impairment of assets	8,083,861.40	10,239,188.82
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	31,496,581.95	21,725,886.39
Amortization of intangible assets	3,281,239.27	2,545,320.10
Amortization of long-term deferred expenses	828,379.74	620,080.25
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	-230,812.06	-143,329.77
Losses on write-off of fixed assets (income listed with“-”)		15,476.77
Change of fair value profit or loss		
Financial expense (income listed with“-”)	9,920,078.84	4,049,571.32
Investment loss (income listed with“-”)	-66,613,044.44	-87,875,295.69
Decrease of deferred tax assets(increase listed with“-”)	-1,636,322.60	-2,155,205.75
Increase of deferred tax liabilities(decrease listed with“-”)		
Decrease of inventories (increase listed with“-”)	-74,289,269.87	-63,392,514.70
Decrease of operating receivables (increase listed with“-”)	-109,284,490.94	-95,353,761.18
Increase of operating payables (decrease listed with“-”)	22,644,645.48	-43,836,998.32
Others	1,948,765.36	6,242,706.00
Net cash flows arising from operating activities	-115,328,757.17	-148,577,541.90
<b>2. Significant investment and financing activities unrelated to cash income and expenses</b>		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
<b>3. Net increase (decrease) of cash and cash equivalent</b>		
Closing balance of cash	303,431,605.14	442,443,497.50



Less: Opening balance of cash	364,693,406.31	691,238,822.98
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-61,261,801.17	-248,795,325.48

## (2) Net cash paid for acquiring subsidiaries

Items	2018.01-06
Payment of Net cash and cash equivalent under the business merger during the year	4,500,000.00
Including: Wuhan Lanning Energy Technology Co., Ltd.	4,500,000.00
Net cash paid for acquiring subsidiaries	4,227,733.43

## (3) Cash and cash equivalents

Items	2018.6.30	2017.12.31
Cash	303,431,605.14	364,693,406.31
Including: Cash on hand	77,578.47	62,880.11
Bank deposit used for paying at any moment	303,354,026.67	364,630,526.20
Other monetary fund for paying at any moment		
Deposit fund in central bank available for payment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	303,431,605.14	364,693,406.31
Cash and cash equivalents restricted in the parent company or subsidiary		

## 52.The assets with the ownership or use right restricted

Items	2018.6.30	Reasons
Monetary fund	17,457,092.02	Guarantee money
Notes Receivable	4,642,147.93	Pledge
Fixed assets	70,714,499.92	Mortgage Loan
Intangible assets	50,565,512.00	Mortgage Loan
<b>Total</b>	143,379,251.87	

Dalian Universe Thermal Technology Co., Ltd. pledged the bank acceptance note to Bank of China Dalian Gangxi Branch as guarantee for issuing the commercial acceptance note.

Wuhan New World Refrigeration Industrial Co., Ltd signed the “maximum pledge contract” with GuangdaBank of China Wuhan branch. Property and land were pledged and Wuhan New World Refrigeration Industrial Co., Ltd was granted for credit of 70 million Yuan.

## 53.Monetary category of foreign currency

## (1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash	—	—	11,951,803.51
Including: USD	1,494,918.05	6.6166	9,891,274.77
Euro	3,752.54	7.6515	28,712.56
GBP	23,364.99	8.6551	202,226.32
JPY	30,536,934.00	0.0599	1,829,589.86
Accounts receivable	—	—	31,932,326.19
Including: USD	4,682,141.50	6.6166	30,979,857.45
GBP	110,047.11	8.6551	952,468.74
Accounts payable	—	—	6,651,947.66
Including: USD	690,203.10	6.6166	4,566,797.83
JPY	34,802,380.60	0.0599	2,085,149.83
GBP	36,399.28	8.6551	315,039.41

## VIII. Change of Consolidation Scope

## 1. Consolidation not under the same control

Name of the acquiree	Percentage (%) of shareholding acquired	Basis for combination under same control	Combination date	Basis for combination date recognition
Wuhan Lanning Energy Technology Co., Ltd.	27.27%	Ultimately under same control before and after acquisition and the control is not temporary	2018.2.28	Actually obtain the control

Name of the acquiree	Acquiree's income from acquisition date to Closing Balance	Acquiree's net profit from acquisition date to Closing Balance
Wuhan Lanning Energy Technology Co., Ltd.	5,492,433.86	-694,892.48

Note: The Company purchased the equity of Wuhan Lanning Energy Technology Co., Ltd. and achieved control in the current period. The equity transfer price was based on the net assets of Wuhan Lanning Energy Technology Co., Ltd. on February 28, 2018, after negotiating with the shareholders of Wuhan Lanning Energy Technology Co., Ltd., it's determined to take the merger

price of 10,068,246.27 Yuan as the consideration paying on the purchase date, the Company shared the fair value of the identifiable net assets of Wuhan Lanning Energy Technology Co., Ltd. on the purchase date, which was 11,136,492.55 Yuan. Therefore, the merger cost on the purchase date was less than the amount of the fair value of the identifiable net assets acquired, which was 1,068,246.27 Yuan.

#### Cost of combination

Item	Bingshan International Trading Company
cash	10,068,246.27
Total of combination cost	10,068,246.27

#### assets and liability of acquire on acquisition date

Items	Wuhan Lanning Energy Technology Co., Ltd.	
	Fair Value of Acquisition date	Book Value of Acquisition date
Assets:	28,295,063.02	28,295,063.02
Monetary fund	272,266.57	272,266.57
Receivables	7,789,222.50	7,789,222.50
Inventory	7,923,588.27	7,923,588.27
Fixed assets	274,070.17	274,070.17
Intangible assets	8,887,324.13	8,887,324.13
Liability:	7,876,118.12	7,876,118.12
Payables	5,917,680.91	5,917,680.91
Net assets	20,418,944.90	20,418,944.90
Acquired net assets	20,418,944.90	20,418,944.90

## IX. Interest in other entity

### 1. Equity of subsidiaries

#### (1) Organization structure of group company

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

Name of subsidiaries	Main	Registered	Business nature	Shareholding (%)	Obtaining
Automation Co., Ltd.					
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100	Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100	Acquisition
Bingshan Technical Service (Dalian) Co.,Ltd.	Dalian	Dalian	Services	100	Establish
Dalian New Meica Electronics Technology Co., Ltd	Dalian	Dalian	Electronic	100	Acquisition
Dalian Universe Thermal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55	Acquisition
Dalian Bingshan Engineering & Trading Co., Ltd.	Dalian	Dalian	Service	100	Acquisition
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	Wuhan	Wuhan	Installation	100	Establish
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd	Ningbo	Ningbo	Installation	51	Establish
Dalian Bingshan -P&A Recreation Development Engineering Co., Ltd	Dalian	Dalian	Installation	100	Acquisition
Shanghai Bingshan Technical Service Co., Ltd	Shanghai	Shanghai	Services	51	Establish
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Services	51	Establish
Wuhan Lanning Energy Technology Co., Ltd.	Wuhan	Wuhan	Services	54.54	Acquisition

- 1) All the proportion of shareholding in subsidiaries were the same with voting right
- 2) The company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right

3) Change on the shareholding of the subsidiaries is explained in the Note II.change on the combination scope

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

2. Equity in joint venture arrangement or associated enterprise

(1) The important of joint ventures or affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49		Equity method
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Dalian	Dalian	Manufacturing	49		Equity method

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

- 1) The company has the same percentage of shareholding and voting right in joint-venture or affiliated company.
- 2) The company doesn't have affiliated company which has significant influence although being held less than 20% voting rights.
- 3) The company doesn't have joint venture or affiliated companies which have no significant influence although being held 20% or more voting rights.

(2) The key financial information of affiliated companies

Items	30-06-2018/2018.01-06		
	Dalian Bingshan Metal Technology Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	324,974,504.89	1,500,641,807.60	656,038,553.62
Including: Cash and			

Items	30-06-2018/2018.01-06		
	Dalian Bingshan Metal Technology Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
cash equivalents			
Non-current assets	52,575,850.21	313,094,470.09	281,000,925.32
Total assets	377,550,355.10	1,813,736,277.69	656,038,553.62
Current liabilities	54,719,752.90	649,210,329.04	179,452,137.02
Non-current liabilities	54,719,752.90		84,938,265.98
Total liabilities	54,719,752.90	649,210,329.04	264,390,403.00
Minority interests			
Equity to the parent company	322,830,602.20	1,164,525,948.65	391,648,150.62
Proportions of net assets according to the shareholding percentage	158,186,995.08	465,810,379.46	191,907,593.80
Adjusting events			
—Goodwill	19,269,770.94		226,689.30
—Unrealized profits of insider trading			
--Others	-717,006.73	-1,890,622.26	-1,155,566.55
Book value of equity investment of affiliated companies	176,739,759.29	463,919,757.20	190,978,716.55
Fair value of equity investment with public offer			
Operating income	227,720,485.87	770,577,003.95	239,919,017.35
Financial expense			
Income tax expense			
Net profit	29,265,580.71	59,081,945.59	29,478,738.29
Net profit of discontinuing operation			
Other comprehensive income			
Total comprehensive income	29,265,580.71	59,081,945.59	29,478,738.29
The current dividends received from joint ventures			

Continued:

Items	31-12-2017/2017.01-06	
	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.

Items	31-12-2017/2017.01-06	
	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	1,561,263,338.96	373,991,952.58
Including: Cash and cash equivalents		
Non-current assets	330,137,817.56	264,531,025.64
Total assets	1,891,401,156.52	638,522,978.22
Current liabilities	656,825,153.46	185,438,746.74
Non-current liabilities		86,523,957.30
Total liabilities	656,825,153.46	271,962,704.04
Minority interests		
Equity to the parent company	1,234,576,003.06	366,560,274.18
Net assets calculated according to the shareholding proportions	493,830,401.22	179,614,534.35
Adjusting events		
—Goodwill		226,689.29
—Unrealized profits of insider trading		
--Others	-3,826,159.67	
Book value of equity investment of affiliated companies	490,004,241.55	179,841,223.64
Fair value of equity investment with public offer		
Operating income	740,643,397.50	281,314,832.40
Financial expense		
Income tax expense		
Net profit	50,867,695.06	35,811,680.85
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income	50,867,695.06	35,811,680.85
The current dividends received from joint ventures		

## (3) Summary financial information of insignificant affiliated companies

Items	30-06-2018/2018.01-06	31-12-2017/2017.01-06
Total book value of investment of affiliated companies	715,633,385.05	897,265,918.24
The total of following items according to the shareholding proportions		
Net profit	42,720,491.44	53,747,796.11

Items	30-06-2018/2018.01-06	31-12-2017/2017.01-06
Other comprehensive income		
Total comprehensive income	42,720,491.44	53,747,796.11

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

None

(5) Excessive loss of affiliated companies.

None

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

None

### IX. Risk Related to Financial Instruments

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

#### Objectives and policies of each risk management

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

#### (1) Market risk

##### 1) Exchange rate risk

Most of the company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD,JPY,HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the company didn't agree any forward foreign exchange contract or currency swap



contract .As at 30 June 2018, the company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	Closing Balance				
	USD	JPY	GBP	EUR	Total
Cash and cash in bank	1,954.72	410,894.00	98,556.32	511,405.04	
Accounts receivable			79,255.11	79,255.11	
<b>Subtotal</b>	1,954.72	410,894.00	<b>177,811.43</b>	<b>590,660.15</b>	
Accounts Payable			36,399.28	36,399.28	
<b>Subtotal</b>			<b>36,399.28</b>	<b>36,399.28</b>	

Items	Closing Balance	Opening balance
Monetary fund-USD	9,891,274.77	38,639,808.80
Monetary fund-JPY	1,829,589.86	33,114.00
Monetary fund-EURO	28,712.56	29,063.88
Monetary fund- GBP	202,226.32	1,920.54
Receivable- GBP	952,468.74	760,156.78
Receivable -USD	30,979,857.45	18,390,991.72
Short term borrowing-USD		9,801,300.00
Payables -USD	4,566,797.83	3,685,644.26
Payables -JPY	2,085,149.83	733,045.42
Payables - GBP	315,039.41	319,556.56
Payables - EURO		
Payables -SF		

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

## 2) Interest rate risk

The interest risk of the Group incurred from bank loan, risk of a floating interest rate of financial liabilities that lead to the company facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the company facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. The Company and Dalian Bingshan Group Co.,Ltd borrowed long term loan RMB 160,000,000.00 with fixed interest rate. The Company borrowed short term loan RMB 330,000,000.00 and The subsidiary of the Company Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short term loan RMB 80,000,000.00 with fixed interest rate.

The financial department of the company continuously monitors the interest rates level, and the management would make some adjustment to lower the interest rate risk according to the latest market situation. Climbing interest rate will increase the cost of newly increased interest-bearing liability and

interest expense for unsettled interest-bearing liability at floating rate and have adverse effect on the business performance.

The sensitive analysis:

As at 30 June 2018, base on the assumption of interest rate change of 50 BP, the Company's net profit will increase or decrease RMB 92,630 thousand Yuan.

### 3) Price risk

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

#### (2) Credit risk

The credit risk of the company comes from monetary fund, notes receivable, accounts receivable, and other accounts receivable etc. The management made credit policies and monitored changes of this credit exposure.

The company's working capital was in bank with higher credit rating, so there was no significant credit risk, nor significant losses due to the default of other entity. Upper limit policy is adopted to avoid any credit risk from financial institution.

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

As at 30 June 2018, the top five customers of receivable accounts balance is: 142,071,846.70 Yuan.

#### (3) Liquidity risk

Liquidity risk was referred to the risk of shortage of funds incurred when the enterprise fulfill the obligation of settlement by cash or other financial assets. The way to manage the liquidity risk is to ensure enough fund available to fulfill the liability by due date in prevention from unacceptable loss of or reputation damage to the Company. The Company periodically analyze the liability structure and expiry date and the financial department of the company continued to monitors the short term or long term capital needs to ensure maintain plenty of cash flow. And the same time they also monitor the condition of bank loan agreements and obtain commitments from banks to provide plenty of funds.

The main fund comes from bank loan. By 30 June 2018, the credit limit still available is 270 million Yuan and short term credit limit available is 270 million Yuan.

As at 30 June 2018, the Company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following: Currency unity: 10 thousand Yuan

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
<b>Financial Assets</b>					
Cash and cash in bank	32,088.87				32,088.87
Notes receivable	17,859.17				17,859.17
Accounts receivable	112,871.32				112,871.32
Other Receivable	4,231.28				4,231.28
Available for sale financial asset				41,344.94	41,344.94
<b>Financial Liabilities</b>					
Short-term loan	41,000.00				41,000.00
Notes Payable	23,597.67				23,597.67
Accounts payable	94,017.08				94,017.08
Other payable	6,055.07				6,055.07
Employee's payable	2,154.64				2,154.64
Tax payable	838.92				838.92
Dividend payable	4,477.52				4,477.52
Long-term loan			16,000.00		16,000.00

## XI. Disclosure of Fair Value

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

Items	Fair value at the year end			
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	Total
<b>Financial assets Continuously measured at FV available for sale</b>				
Available for sale asset	399,437,712.30			399,437,712.30
(1) Investment by debt instruments				
(2) Investment by equity instruments	399,437,712.30			399,437,712.30
(3) Others				

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

Equity instrument portion of the available for sale financial assets is measured at the unadjusted closing quoted price on stock market on June 29, 2018.

3. For continuous and discontinuous 2<sup>nd</sup> level of FV, valuation technique adopted and key parameter quantitative and qualitative information.

None.

4. For continuous and discontinuous 3<sup>rd</sup> level of FV, valuation technique adopted and key parameter quantitative and qualitative information.

None..

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

None

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

None

7. Changes of valuation technique and reasons for changes

None

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

None

## XII. Related Parties Relationship and Transactions

### (I) Related parties relationship

#### 1. Parent company and ultimate controller

##### 1) Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	158,580,000.00	19.98	19.98

Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.888 Xinan Road,

Shahekou District, Dalian, China. The legal representative of Dalian Bingshan Group Co., Ltd. is Mr. Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope includes research, development, manufacture, sales, service and installment of refrigeration equipment, cooling and freezing equipment, different size of air-conditioners, petrochemical equipment, electronic and electronic-control products, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

## 2. Subsidiaries

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

## 3. Affiliated company and joint venture

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

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Appliances Cold-chain (Dalian) Co., Ltd	Affiliated
Panasonic Appliances Compressor (Dalian) Co., Ltd	Affiliated
Dalian Honjo Chemical Co., Ltd	Affiliated
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Affiliated
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Affiliated
Dalian Fuji Bingshan Vending Machine Co., Ltd	Affiliated
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Affiliated
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	Affiliated
Jiangsu JingXue Insulation Technology Co., Ltd	Affiliated
Panasonic Refrigerating System (Dalian) Co., Ltd.	Affiliated
Dalian Bingshan Metal Technology Co., Ltd	Affiliated
Dalian Bingshan Group Management and Consulting Co., Ltd	Affiliated
Wuhan LanNing energy technology co., Ltd	Affiliated wholly owned subsidiary of the Company before,
Wuhan Sikafu Power Control Equipment Co., Ltd	Affiliated wholly owned subsidiary of the Company

The board of directors of the Company’s subsidiary Wuxin Refrigeration decided to acquire 27.27%

equity of Wuhan Lanning Energy Technology Co., Ltd., an original associated Company of Wuxin Refrigeration. After the transfer, Wuhan Lanning Energy Technology Co., Ltd. became a subsidiary of Wuxin Refrigeration. As of June 30, 2018, the above equity transaction has been completed.

#### 4. Other related parties

Name of related party	Related party relationship
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Part Technology Co.,LTd	Subsidiary of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC (Dalian) Co., Ltd	Affiliated company of Dalian Bingshan Group

#### 5. Related Party transactions

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

###### 1) Purchase of goods/receive labour services

Related party	Content	2018.1-6	2017.1-6
Dalian Part Technology Co.,LTd	Purchases of goods	4,465,731.71	2,702,324.21
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.		15,480,374.25	20,283,928.38
Panasonic Appliances Cold-chain (Dalian) Co., Ltd		33,172,331.36	21,060,420.38
Panasonic Appliances Compressor (Dalian) Co., Ltd		10,529.91	1,772,307.69
Panasonic Refrigerating System (Dalian) Co., Ltd.		9,125,437.07	33,681,412.84
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd		456,410.26	0
Dalian Spindle Cooling Towers Co., Ltd		1,260,037.60	1,830,673.50
Dalian Honjo Chemical Co., Ltd.		74,102.56	0
BAC (Dalian) Co., Ltd		20,852,695.11	14,369,238.45
Dalian Bingshan Metal Technology Co., Ltd		196,551.73	106,572.72
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd		0	0
Dalian Bingshan Group Refrigeration Equipment Co., Ltd		11,153,346.84	6,161,340.61
Jiangsu JingXue Insulation Technology Co.,Ltd		4,117,598.28	13,055,394.04
Wuhan LanNing energy technology co., Ltd		0	9,362,494.13

###### 2) Sales of goods/ labour services provision

Related party	Content	2018.1-6	2017.1-6
Dalian Part Technology Co.,LTd	Sales of goods	1,026,891.85	870,526.88
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.		42,299,738.16	49,668,501.13
Panasonic Appliances Cold-chain (Dalian) Co., Ltd		81,412,904.44	70,986,986.56
Panasonic Appliances Compressor (Dalian) Co., Ltd		7,085,867.73	3,320,214.18
Panasonic Refrigerating System (Dalian) Co., Ltd.		12,374,757.92	4,853,342.63

Dalian Fuji Bingshan Vending Machine Co., Ltd		21,933,607.05	11,115,873.41
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd		438,157.96	504,871.11
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.		4,748,243.46	10,465,123.02
Dalian Spindle Cooling Towers Co., Ltd		113,024.88	149,135.10
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.		417,336.00	383,202.00
BAC (Dalian) Co., Ltd		325,633.66	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.		5,175,496.30	2,774,658.11
Dalian Bingshan Group Refrigeration Equipment Co., Ltd		2,917,141.96	100,974.44
Jiangsu JingXue Insulation Technology Co.,Ltd		0	315,847.39
Wuhan LanNing energy technology co., Ltd		29,970.09	6,243,108.55
Wuhan Sikafu Power Control Equipment Co., Ltd		68,969.06	8,961.48
Dalian Bingshan Group Huahuida Financial Leasing Co.,LTd		437,692.80	86,622.40
Dalian Bingshan Wisdom Park Co., Ltd		5,111,008.26	1,560,340.63

3) Assets Lease

1) Assets rent out

Lessor	Lessee	Category of assets rent out	2018.-6-30 Lease Income	2017-6-30 Lease Income
The Company	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Plant	2,000,000.00	2,000,000.00
The Company	Dalian Bingshan Wisdom Park Co., Ltd	Land and property	3,717,948.50	1,466,666.67

Note: The Company signed an agreement with Dalian Bingshan Group Co., Ltd. to lease 576 square meters of office space in the office building to Dalian Bingshan Group Co., Ltd., and the lease term is from April 1, 2017 to March 31, 2019, and the rent for 2018 is 144,000.00 Yuan.

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 ,the rent for 2018 is 4,200,000.00 Yuan

the Company has signed a land and house lease contract with Dalian Bingshan Wisdom Park Co., Ltd to rent out the whole land and house of the company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd.,with

rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters, the lease term is from April 1, 2017 to December 31, 2036. the rent for 2018 is 7,860,000 Yuan

4) Guarantee with related companies.

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

5) Funds borrow from /lent to related party

Name of the related party	Amount	Starting date	Ending date	Explanation
Dalian Bingshan Group Co., Ltd.	160,000,000.00	2016.03.14	2026.03.13	Project fund investment
Dalian Bingshan Group Co., Ltd.	60,000,000.00	2017.08.31	2018.08.30	Working capital
Dalian Bingshan Group Co., Ltd.	5,820,000.00	2017.09.27	2018.09.25	Working capital
Dalian Bingshan Group Co., Ltd.	14,180,000.00	2017.12.04	2018.11.30	Working capital

## 6. Balances with Related party

### (1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	479,500.00	23,975.00	682,000.00	34,100.00
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	12,715,799.58	635,789.98	8,913,856.35	524,792.82
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	16,435,882.60	821,794.13	5,296,495.78	264,824.79
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	110,309.10	5,515.46	19,500.00	975.00
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	4,913,635.43	245,681.77	3,943,798.07	197,189.90
Accounts receivable	Panasonic Refrigeration System (Dalian) Co., Ltd.	8,063,739.78	403,186.99	1,011,420.13	50,571.01
Accounts receivable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	21,822,714.66	1,091,135.73	31,120,658.05	1,579,384.35



Accounts receivable	Panasonic Appliances Compressor (Dalian) Co., Ltd	2,916,261.70	145,813.09	93,510.28	4,675.51
Accounts receivable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	14,640,027.64	732,001.38	2,329,505.72	116,475.29
Accounts receivable	Wuhan LanNing Energy Technology Co., Ltd			7,376,782.55	368,839.13
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	128,380.00	6,419.00	77,975.80	3,898.79
Accounts receivable	Dalian Bingshan Group Refrigeration Equipment Co.,Ltd				
Accounts receivable	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.				
Accounts receivable	Dalian Bingshan Pate Technology Co.,Ltd				
Accounts receivable	Dalian Fuji Iceberg Vending Machine Sales Co., Ltd				
Other receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd			108,307.06	7,163.99
Other receivable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd			89,016.00	4,450.80
Other receivable	Wuhan LanNing Energy Technology Co., Ltd			43,680.84	2,184.04
Other receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	15,886.95	794.35	10,817.95	540.90

Prepayment	Dalian Spindle Cooling Towers Co., Ltd			37,956.00	
Prepayment	Jiangsu Jingxue Freezing Equipment Co., Ltd.	339,166.50		782,768.00	
Prepayment	Panasonic Refrigeration System (Dalian) Co., Ltd.	323,172.40		2,373.00	
Prepayment	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	363,007.00		460,620.00	
Prepayment	BAC (Dalian) Co., Ltd	3,528,703.20			
Prepayment	Panasonic Appliances Cold Chain (Dalian) Co., Ltd				
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.			1,182,028.15	
Notes receivable	Dalian Spindle Cooling Towers Co., Ltd	45,523.20		39,064.75	
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.			1,711,379.41	
Notes receivable	Panasonic Refrigeration System (Dalian) Co., Ltd.	4,185,620.46		53,989.08	
Notes receivable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	52,823,350.44		54,495,058.38	
Notes receivable	Panasonic Appliances Compressor (Dalian) Co., Ltd			1,182,680.29	
Notes receivable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	694,341.94		14,031,393.19	

## (1) Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
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Accounts Payable	BAC Dalian Co., Ltd	27,371,342.08	6,078,640.00
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	490,815.60	11,799,186.85
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd	229,965.52	140,316.68
Accounts Payable	Dalian Bingshan part Technology Co.,Ltd	1,891,872.08	5,124,646.22
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.		983.82
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd	8,276,530.40	7,544,866.00
Accounts Payable	Jiangsu Jingxue Efficient Technology Co., Ltd.	15,965,679.12	14,043,679.12
Accounts Payable	Panasonic Refrigeration System (Dalian) Co., Ltd.	20,799,972.61	20,582,489.66
Accounts Payable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	23,651,917.70	13,180,390.70
Accounts Payable	Panasonic Appliances Compressor (Dalian) Co., Ltd	1,696,000.00	1,696,000.00
Accounts Payable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	353,500.00	644,319.10
Accounts Payable	Wuhan LanNing Energy technology Co., Ltd		7,725,855.00
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	414,000.00	
Other accounts payable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	170,000.00	
Other accounts payable	Dalian BingshanWisdom Park Co.,Ltd	500,000.00	
Accounts Received in Advance	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	367,609.61	399,609.61
Accounts Received in Advance	Dalian BingshanWisdom Park Co.,Ltd		1,100,000.00
Accounts Received in Advance	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	241,778.00	50,000.00
Accounts Received in Advance	Panasonic Refrigeration System (Dalian) Co., Ltd.	88,870.00	90,360.00
Notes Payable	BAC (Dalian) Co., Ltd	43,966,119.00	47,469,964.10
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	13,634,215.00	7,812,262.79
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd		474,736.39
Notes Payable	Dalian Bingshan Pate Technology Co.,Ltd	2,130,579.79	1,503,294.01
Notes Payable	Jiangsu Jingxue Efficient Technology Co., Ltd.	4,860,000.00	4,860,000.00

Notes Payable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	1,657,321.00	1,657,321.00
Notes Payable	Wuhan LanNing Energy technology Co., Ltd		1,355,550.00

**(II) Related Party Commitment**

None

**XIII. Share-Based Payment**

## 1. General situation of share payment

Items	Situation
Total equity instruments granted by the company during the period	none
Total equity instruments exercised by the company during the period	none
Total equity instruments invalid by the company during the period	226,140.00
The scope of the exercise price of the share options issued by the company at the year end and the remaining term of the contract	2016:5.62 Yuan per share, divide into 3 period, remaining contract period are 12, 24 and 36 months.
The scope of the exercise price of other equity and the remaining term of the contract at the year end	

In accordance with “Restricted Share Incentive Plan (draft)” in 2015 and the 21st meeting of the 7th board of directors, incentive objective 2 persons resigned, therefore, they are not entitled for share incentive. These 2 persons were granted for 226,140 numbers of shares in total. In accordance with “dividend distribution plan of 2015”, after transfer, sum of the unlocked restricted shares granted to these 2 persons is 474,894. The Company bought them back and has written off the account. Share buyback is planned to be settled by self financing and the sum of buy back price is 1,166,814.54 Yuan.

## 2. Share payment settled by equity

Items	Situation
Method for determining the fair value of the equity instruments granted	According to the fair value of restricted stock on granted date (the fair value changes after the grant date is uncertain)
The basis for determining the quantities of exercised equity instruments	Determined by the actual numbers of share exercised
The reasons for the significant difference between this year’s estimation and last year’s estimation	None
The cumulative amount of capital reserve which includes	38,437,440.85

share payment settled by equity	
Total cost of share payment recognized by equity settlement this year	1,948,765.36

### 1) The Situation of Granted Restricted Share in 2015

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

### 2) The Situation of Granted Restricted Share in 2016

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

### 3) The Situation of Unlocking Restricted Shares in 2016

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

The 4<sup>th</sup> meeting of the 7<sup>th</sup> generation of director board approved "proposal for the 2<sup>nd</sup> unlocking period of restricted share incentive plan". Objectives qualifying for the unlocking

conditions are 41 persons, based on the “Profit distribution scheme of 2015”, every 10 share capital will granted for 5 new shares by transferring from capital reserve. After transferring to share capital, 6,090,000 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.71% if total of share capital.

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

#### 4) The Situation of Unlocking Restricted Shares in 2015

The 21th meeting of the 7th generation of director board approved “proposal of 3rd unlocking period of restricted share incentive plan in 2015”. Objectives qualifying for the unlocking conditions are 39 persons, based on the “Profit distribution scheme of 2016 ”, every 10 share capital will granted for 4 new shares by transferring from capital reserve. After transferring to share capital, 5,919,606 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.692 % if total of share capital.

### XIV.

#### (1)Contingency

As at 30 June 2018, the Group does not have any other contingencies for disclosure.

#### (2)Commitment

As at 30 June 2018, the Group does not have any other significant commitments.

### XV. Events after the Balance Sheet Date

#### 1. Significant events had not adjusted

Items	Content	Impact on the financial position and operating results	Reason unable to be estimated
Issuing bond	Convertible company bond privately	176,000,000.00	

#### 2. Information about profit distribution

Not applicable.

### 3. Sales Return

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

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

## **XVI. Other Significant Events**

1. Error correction and effect in previous period.

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

2. Debt Restructuring

The Company has no events of debt restructuring this year.

3. Asset exchange

(1) The exchange of non-monetary assets

None

(2) The exchange of other assets

None

4. Annuity Plan

None

5. Operation Termination

None

6. Segment Information

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

(1) The basis and accounting policies of reporting segments

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

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

2).The management personnel can regularly evaluate the operation results of segments and

allocate resource ,assess its performance .

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

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

(2)The financial information of reporting segments

Amount unit : Yuan

Items	30-06-2018/2018.01-06			Offset	Total
	Northeast China	Central China	East China		
1 Operating income	1,267,165,590.57	171,211,112.64	30,842,735.58	440,140,902.00	1,029,078,536.79
2 Cost	1,215,434,491.41	168,374,982.48	31,874,487.92	446,544,226.73	969,139,735.08
Impairment on assets	6,494,705.60	2,141,524.84	-552,369.04		8,083,861.40
Depreciation and amortization	29,013,999.97	6,511,078.77	81,122.22		35,606,200.96
3 Investment income from associates and joint venture	56,407,982.41	-934,495.97			55,473,486.44
4 Operating profits(loss)	52,486,126.13	4,054,376.43	-981,752.34	-6,403,324.73	61,962,074.95
5 Income tax	2,745,926.04	657,039.08	37,479.13		3,440,444.25
6 Net profit(loss)	49,740,200.09	3,397,337.35	-1,019,231.47	-6,403,324.73	58,521,630.70
7 Total assets	5,860,010,699.02	589,308,027.49	32,906,003.40	904,703,979.31	5,577,520,750.60
8 Total liabilities	2,098,878,597.98	433,264,693.82	18,306,629.61	405,042,030.03	2,145,407,891.38

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

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

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

1. Accounts receivable

(1) Accounts receivable category

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



Item	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	221,255,086.63	51.96	51,216,941.99	23.15	170,038,144.64
Accounting age as characters					
Related party within consolidation scope					
Accounts receivable with insignificant individual amount and separate bad debt provision	204,587,074.06	48.04			204,587,074.06
<b>Total</b>	425,842,160.69	100.00	51,216,941.99	12.03	374,625,218.70

(Continued)

Item	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	230,841,994.64	55.68	57,996,249.38	25.12	172,845,745.26
Accounting age as characters					
Related party within consolidation scope					
Accounts receivable with insignificant	183,712,211.67	44.32			183,712,211.67

Item	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
individual amount and separate bad debt provision					
<b>Total</b>	414,554,206.31	100.00	57,996,249.38	13.99	356,557,956.93

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
Within 1 year	133,035,277.12	6,651,763.86	5.00
1-2 years	25,378,433.14	2,537,843.31	10.00
2-3 years	17,557,075.64	5,267,122.69	30.00
3-4 years	12,714,364.85	6,357,182.43	50.00
4-5 years	10,834,530.88	8,667,624.70	80.00
Over 5 years	21,735,405.00	21,735,405.00	100.00
<b>Total</b>	221,255,086.63	51,216,941.99	

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

The bad debt provision has been accrued in the amount of -4,760,639.65 Yuan.

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

Item	Written off amount
Receivable actually written off	2,018,667.74

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Guangzhou Fuli Estate Co.,Ltd	40,944,261.21	Within 1 year	9.61	2,572,213.06
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	Within 1 year, 1-2 years	7.69	2,256,374.40
Yangmei Fengxi Fertilizer	16,700,000.00	Within 1 year	3.92	835,000.00
Dalian Mingdi TradingCo.,Ltd	14,130,000.00	Within 1 year	3.32	706,500.00

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Beidahuang Taihua Organic Food Co., Ltd.	9,844,000.00	1-2 years.2-3years	2.31	2,798,065.38
<b>Total</b>	<b>114,367,005.21</b>		<b>26.86</b>	<b>9,168,152.84</b>

## 2. Other Receivables

## (1) The category of other receivables

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables with bad debt provision based on the characters of credit risk portfolio	4,670,871.42	100.00	1,255,763.72	26.88	3,415,107.70
Other receivables with insignificant individual amount and separate bad debt provision					
<b>Total</b>	<b>4,670,871.42</b>	<b>100.00</b>	<b>1,255,763.72</b>	<b>26.88</b>	<b>3,415,107.70</b>

(Continued)

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision					
Other receivables with bad debt provision based on the characters of credit risk portfolio	3,605,280.13	100.00	782,482.10	21.70	2,822,798.03
Other receivables with	3,605,280.13	100.00	782,482.10	21.70	2,822,798.03

significant individual amount and separate bad debt provision					
<b>Total</b>	3,605,280.13	100.00	782,482.10	21.70	2,822,798.03

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing Proportion (%)
Within 1 year	1,600,378.42	80,018.92	5.00
1-2 years	141,928.00	14,192.80	10.00
2-3 years	2,430,000.00	729,000.00	30.00
3-4 years	0	0	50.00
4-5 years	330,065.00	264,052.00	80.00
Over 5 years	168,500.00	168,500.00	100.00
<b>Total</b>	4,670,871.42	1,255,763.72	—

- (2) Bad debt provision accrued and reversed (withdraw) in the period.

The bad debt provision has been reversed by 473,281.62Yuan.

- (3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Petty cash	284,321.02	74,915.50
Guarantee deposits	4,219,165.00	3,501,260.43
Others	130,841.00	29,104.20
To or fro accounts	36,544.40	
<b>Total</b>	4,670,871.42	3,605,280.13

- (4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Dalian Delta HK China gas Co., Ltd	Security deposit	2,730,000.00	2-3years, 4-5years	58.45	969,000.00
A certain troop of the Chinese People's Liberation Army	Security deposit	600,000.00	Within 1 year	12.85	30,000.00
Ningxia Ningdian Logistics Co., Ltd.	Security deposit	400,000.00	Within 1 year	8.56	20,000.00

<b>Name</b>	<b>Category</b>	<b>Closing Balance</b>	<b>Aging</b>	<b>% of the total OR</b>	<b>Closing Balance of Provision</b>
Legal cost	Security deposit	130,841.00	Within 1 year	2.80	6,542.05
Fazheng Project Management Group Co., Ltd. Jilin Branch	Security deposit	100,000.00	Within 1 year	2.14	5,000.00
<b>Total</b>		3,960,841.00			1,030,542.05

## 3. Long-term equity investments

## (1) Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment of subsidiaries	487,496,652.08		487,496,652.08	487,496,652.08		487,496,652.08
Investment of affiliates and JV	1,542,460,522.01		1,542,460,522.01	1,556,941,899.80		1,556,941,899.80
<b>Total</b>	2,029,957,174.09		2,029,957,174.09	2,044,438,551.88		2,044,438,551.88

## (2) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Bingshan Group Construction Co., Ltd	93,749,675.77			93,749,675.77
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	36,506,570.00			36,506,570.00
Dalian Bingshan Guardian Automation Co., Ltd.	6,872,117.80			6,872,117.80
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	59,356,051.19			59,356,051.19
Dalian Universe Thermal Technology Co., Ltd.	48,287,589.78			48,287,589.78
Wuhan New World Refrigeration Industrial Co., Ltd	84,674,910.81			84,674,910.81
Bingshan Technical Service (Dalian) Co.,Ltd.	22,024,000.00			22,024,000.00
Dalian New Meica Electronics Co., Ltd.	43,766,243.72			43,766,243.72
Dalian Bingshan Engineering & Trading Co., Ltd.	71,537,064.86			71,537,064.86
<b>Total</b>	487,496,652.08			487,496,652.08

## (3) Joint ventures&amp; affiliated companies

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
1. Affiliated companys											
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	161,817,616.82			-4,686,758.68			3,000,000.00			154,130,858.14	
Panasonic Appliances Cold-chain (Dalian) Co., Ltd	227,050,807.57			1,292,358.19			6,000,000.00			222,343,165.76	
Panasonic Appliances Compressor (Dalian) Co., Ltd	490,004,241.55			21,742,315.65			47,826,800.00			463,919,757.20	
Dalian Honjo Chemical Co., Ltd	9,113,011.88			650,448.37			912,160.20			8,851,300.05	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	57,604,812.32			4,812,548.80			5,200,000.00			57,217,361.12	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	1,431,141.16			-30,242.56						1,400,898.60	
Dalian Fuji Bingshan Vending Machine Co., Ltd	179,841,223.64			11,137,492.91						190,978,716.55	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,359,504.81			-506,256.97						12,853,247.84	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	12,042,441.30			3,183,741.25						15,226,182.55	
Jiangsu JingXue Insulation Technology Co.,Ltd	166,092,058.74			4,565,836.59			5,842,400.00			164,815,495.33	
Panasonic Refrigeration System (Dalian) Co., Ltd.	27,824,664.42			1,509,718.68			2,108,000.00			27,226,383.10	
Bingshan Metal Technical Service (Dalian) Co.,Ltd.	163,116,631.47			13,623,127.82						176,739,759.29	
Dalian Bingshan Group Mangement and Consulting Company	47,643,744.12			-886,347.64						46,757,396.48	

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
Total	1,556,941,899.80			56,407,982.41			70,889,360.20			1,542,460,522.01	



## 4. Operating revenue and cost

Item	2018.01-06		2017.01-06	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	289,931,982.40	253,608,635.31	342,083,629.25	292,041,251.33
Revenue from other operation	13,114,752.79	7,124,916.72	7,745,397.00	3,954,732.15
<b>Total</b>	<b>303,046,735.19</b>	<b>260,733,552.03</b>	<b>349,829,026.25</b>	<b>295,995,983.48</b>

## 5. Investment income

Items	2018.01-06	2017.01-06
Income from long-term equity investments under cost method	6,403,324.73	17,628,766.67
Income from long-term equity investments under equity method	56,407,982.41	49,382,705.41
Income from holding of financial assets available for sale	11,139,558.00	11,463,569.05
Income from disposing available for sale financial investments		27,467,019.93
Income from disposing long-term share equity investments		
<b>Total</b>	<b>73,950,865.14</b>	<b>105,942,061.06</b>

## XVIII. Supplementary Information to the Financial Statements

## 1. Non-operating profit or loss

Items	Amount	Notes
Gain or loss from disposal of non-current assets	230,812.06	
Override, no formal approval or accidental tax refund ,deduction or exemption		
Government grants recorded into profit or loss during current period	800,600.00	
Expenses for using funds from non financial institution recognized in current profit/loss		
Gains from acquisition of subsidiary or associates when initial cost is less than the fair value of identifiable net asset of invested company	1,068,246.27	
Profits/loss from non monetary assets exchange		
Profits/loss from investments or management of assets entrusted by others		
Assets impairment provision accrued due to force majeure, e.g.: suffering natural disasters		
Profit or loss from debts restructuring		

Expenses of enterprise restructuring		
Gain/loss on excessive part from the transaction where the trading price is obviously unfair.		
Net gain/loss of subsidiary from combination under same control between the beginning of year and consolidation date.		
Gains/ loss from contingencies arising from the normal business of the Company		
Gain/loss from change of fair value by holding or disposing the tradable financial asset and liabilities, and available for sale financial assets, other than effective hedging in relation to the company's normal business		
Reversal of impairment provision of accounts receivable separately tested for impairment		
The profits/loss from external entrusted fund		
Investment property subsequently measured at fair value		
The profits/gains from changes of fair value		
Effects of gain/loss from one-off adjustments of gain/loss based on laws and regulations of taxation and accounting.		
non-operating revenue and expense besides the above items	154,426.97	
Other profit or loss		
Subtotal		
Effect on income tax	383,065.12	
Attributable to minority shareholders' equity (after tax)	38,655.21	
<b>Total</b>	<b>1,832,364.97</b>	

## 2. Return on equity and earnings per share

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	1.72	0.069	0.069
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	1.67	0.067	0.067

## Section 11 Reference Documents

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original 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 - 11:30 (am) 1:00 - 4:30 (pm)  
Liaison persons: Mr. Song Wenbao, Ms Du Yu  
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Fax: 0086-411-87968125

Dalian Refrigeration Company Limited

25, August, 2018