



Dalian Refrigeration Co., Ltd.

2017 Semiannual Report

August, 2017

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 Annual Report describes major risks the Company may be confronted with, the risk of the market promotion for new product. 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		Meaning
Reporting period	Stands for	From Jan. 1, 2017 to Jun. 30, 2017
The Company, this Company	Stands for	Dalian Refrigeration Co., Ltd.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industries Co., Ltd., one of the subsidiary of the Company where the Company holds 100% of its shares.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd., one of the subsidiary of the Company where the Company holds 100% of its shares.
Bingshan service Company	Stands for	Bingshan technical service (dalian) Co., Ltd. one of the subsidiary of the Company where the Company holds 100% of its shares.
Bingshan Engineering & Trading	Stands for	Dalian Bingshan Engineering & Trading Co., Ltd. one of the subsidiary of this Company, where the controlling shareholder of the Company holds 76% of its shares before, one of the subsidiary of the Company where the Company holds 100% of its shares since April 2017.
Jiangsu Jingxue	Stands for	Changzhou Jingxue Freezing Equipment Co., Ltd. Now renamed as Jiangsu JingXue Insulation Technology Co., Ltd. one of the mutual shareholding companies with this Company, where the Company holds 29.212% of its shares
Panasonic Compressor	Stands for	Panasonic Compressor (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Cold-Chain	Stands for	Panasonic Cold-Chain (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Dalian Fuji-Bingshan	Stands for	Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the mutual shareholding companies of this Company, where the Company holds 49% of its shares.
Keihin Grand-Ocean	Stands for	Keihin Grand-Ocean Cooling & Heating Industry (Dalian) Co., Ltd., one of the mutual shareholding companies with this Company, where the Company holds 20% of its shares.
Bingshan Metal Technology	Stands for	Dalian Bingshan Metal Technology Co., Ltd., one of the mutual shareholding companies of the Company, the Company holds 49% of its shares since April 2017, where the controlling shareholder of the Company holds 49% of its shares before.
Bingshan Wisdom Park	Stands for	Dalian Bingshan Wisdom Park Co., Ltd., one of the mutual shareholding companies with this Company, where the Company indirect holds 19.6% of its shares.

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	000530@bingshan.com	000530@bingshan.com

III. Other situations

1. Contact of company

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

☒ Applicable ☐ Not applicable

Registered address	DALENG GUFEN Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Postcode of the Registered address	116630
Office address	DALENG GUFEN Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Postcode of the Office address	116630
Internet web site of the Company	www.daleng.cn
E-mail of the Company	000530@bingshan.com
Date of disclosure	March 25, 2017
Query indexes	http://www.cninfo.com.cn

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 2016 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?

☐ Yes ☒ No

item	2017.01-06	2016.01-06	Increase/decrease compared with previous period
Operating revenue	1,002,378,717.50	830,873,999.65	20.64%
Net profit attributable to shareholders of listed companies	98,260,163.09	70,632,718.91	39.11%
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	69,960,863.49	65,055,890.10	7.54%
Net cash flow from operating activities	-148,577,541.90	-51,268,538.89	-189.80%
Basic earning per share	0.115	0.089	29.21%
Diluted earnings per share	0.115	0.089	29.21%
Weighted average return on net asset yield	2.95%	2.64%	Increase 0.31 percentage points
	2017.6.30	2016.12.31	Increase/decrease compared with 2016.12.31
Total assets	5,372,939,781.32	5,095,986,440.32	5.43%
Owner's equity attributable to shareholders of listed companies	3,309,730,421.64	3,301,087,748.86	0.26%

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	127,853.00
Tax returned/reduced by chance	1,115.75
Government subsidies included in current profit or loss	5,521,986.23
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	27,467,019.93
Other non-operating revenue or expense	279,299.90
Influence on income tax	5,079,406.26
Influence on minority shareholders	18,568.95
Total	28,299,299.60

During the reporting period, the Company sold 1.5 million shares of guotai junan, the income from investment is 27,467,019.93 yuan.

Section 3 The Company's Business profile

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

The Company, as the largest industrial refrigeration equipment production enterprise in China, is committed to developing the business of industrial refrigeration, food freezing and cold storage, central and commercial air-conditioning, refrigeration components and engineering service, 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
Fixed assets	Significantly increased compared to the same period, mainly due to the increase in fixed assets changing from new factory buildings
Construction in progress	Significantly decreased compared to the same period, mainly due to the increase in fixed assets changing from the new factory investment.
Monetary funds	Significantly decreased compared to the same period, mainly due to the increase in foreign investment of the company during the reporting period, and the the investment in raised funds after non-public offering of shares in the same period.

2. The main overseas assets

☐ Applicable ☒ Not applicable

III. Analysis of core competence

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

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

Taking refrigeration and air-conditioning as its main business, the Company effectively combines the independent R&D and the joint ventures and cooperation, interacts positively between the integration of internal resources and business model innovation, and has formed a unique development pattern appropriate to itself and the industry.

In the reporting period, the Company's core competence above-mentioned was improved further.

Section4 Management discussion and analysis

I. Summary

In the first half of 2017, the Company focused on "activating, integrating and promoting", maintained strategic strength, activated endogenous power, integrated system resources, brought together competencies, promoted operational quality and efficiency, and strived to achieve key business targets. In the first half of 2017, the Company achieved operating income of 1,002.38 million Yuan, with a year-on-year growth of 20.64%; achieved a total profit of 104.9 million Yuan, with a year-on-year growth of 36.95%.

During the reporting period, the Company succeeded in completing the overall removal and reconstruction, the intelligent, environmental, efficient and safe new plant was put into use. On May 7, 2017, the Company's new plant – Bingshan Double D Port Industrial Park officially opened. On June 26, 2017, Premier Li Keqiang went to the Company's new factory for field research and gave positive evaluation.

During the reporting period, the Company's subsidiary Wuxin Refrigeration basically completed the nationwide regional distribution for the demonstration of its new products, the income of new products increased by more than 50% on a year-on-year basis, the strategic transformation results are obvious. Based on the successful launch of China's first set of natural gas pipeline pressure energy for generating electricity and cold energy recovery system, multiple application projects in many places were proceeding orderly by technology marketing and government marketing.

During the reporting period, the Company's subsidiary Bingshan Engineering Company continued to deepen the market segmentation, and the orders in cold chain logistics, fishing industry, beer dairy products, fine chemicals and other fields achieved great growth. Signed natural gas distributed energy sources electromechanical general contract with Jiangsu Runchang, the total contract amount was about 160 million Yuan. And signed the first high-end indoor snow field project with Guangzhou Wanda, snow and ice business achieved a new breakthrough.

During the reporting period, the Company's subsidiary Bingshan Service Company flexibly used Bingshan internet of things cloud platform, actively expanded new service business fields, and signed the first machine room hosting contract with Tianjin Ershang which initiated the machine room hosting of large-scale ammonia system in the refrigeration industry, the maintenance income had a year-on-year growth of more than 50%.

During the reporting period, the horizontal scroll compressor for rail transit air conditioning newly developed by the Company's related Company Panasonic Compressor has been well expanded in subway, light rail and other fields. It also achieved new results in the expansion of overseas market, the income in European market increased by about 50% on a year-on-year basis. Impact by the state's policies of reorganizing the electric bus market and cutting down the subsidies, the sales volume of horizontal scroll compressor for electric bus sharply reduced, coupled with the rapid rise in the price of bulk raw materials, the net profit greatly declined on a year-on-year basis.

During the reporting period, the Company's related Company, Panasonic Cold Chain, conformed to the new trend of consumption and actively expanded and subdivided the blue ocean market. The convenience store business, new developed SF and Beijing 7-11 and other customers, and the income achieved a year-on-year growth of 28%. Biomedical care, medical ultra-low temperature refrigerator, blood refrigerator, incubator and other new products in the hospitals, blood stations, and scientific research and other fields have achieved application breakthroughs, and the income achieved a year-on-year growth of more than 50%.

During the reporting period, the Company's related Company Fushi Bingshan fully realized the intelligent upgrading of products, and the product diversification has taken a solid step. In addition

to beverage machine, the large food machine, coffee machine, liquor machine, box lunch machine and other new models have completed development and began mass production. The world-leading intelligent manufacturing new plant for vending machine has been constructed and put into operation; the production capacity has been doubled and can better respond to the rapid growth of unmanned vending machine.

During the reporting period, based on the overall positioning of cold and hot industrial investment platform, the Company increased the capital operation, and implemented the first batch of acquisition to high-quality assets of controlling shareholders. The acquisition has been completed by the end of April 2017, and the Company currently holds 100% stake in BSET and 49% stake in Bingshan Metal Technology.

During the reporting period, the Company has rented out both land and housing of old factory to Bingshan Wisdom Park Company for its construction and development. Bingshan Wisdom Park shall center on the intelligent science and technology, focus on breaking through the internet of things, big data applications, wisdom recuperation, wisdom education and other fields, strive to build Bingshan industrial ecosphere, and create new engine for business growth.

II. Analysis of main business

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

Monetary unit: RMB Yuan

	Report period	Same period of last year	Increase or decrease from the same period of last year	Reason for variation
Operating revenue	1,002,378,717.50	830,873,999.65	20.64%	
Operating cost	817,281,905.05	668,264,784.49	22.30%	
Selling and distribution expenses	43,854,411.28	42,351,876.57	3.55%	
Administrative expenses	109,566,823.88	108,150,791.47	1.31%	
Financial expenses	2,994,727.94	1,531,833.61	95.50%	The exchange gains of the company's subsidiary Bingshan Engineering & Trading in the same period of last year is larger
Income tax	6,161,546.29	5,537,970.33	11.26%	
Net cash flow coming from operating activities	-148,577,541.90	-51,268,538.89	-189.80%	The cash paid for purchasing commodities and receiving labor service increased
Net cash flow coming from investment activities	-207,575,313.90	-41,156,797.85	-404.35%	Cash paid for investment increased
Net cash flow coming from fund-raising activities	108,033,298.11	771,474,292.38	-86.00%	the raised funds 560 million after non-public offering of shares in the same period.
Net increase in cash and cash equivalents	-248,795,325.48	679,769,831.26	-136.60%	

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

☐ Applicable ☒ Not applicable

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

Main business structure

Monetary unit: RMB yuan

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues from the same period of last year	Increase/decrease of operating costs from the same period of last year	Increase/decrease of gross profit from the same period of last year
By industry						
Refrigeration and air-conditioning	987,663,610.92	810,698,503.30	17.92%	19.99%	22.07%	Decrease 1.39 percentage points
Others	14,715,106.58	6,583,401.75	55.26%	89.16%	59.41%	Increase 8.35 percentage points
By product						
Refrigeration and air-conditioning equipment	987,663,610.92	810,698,503.30	17.92%	19.99%	22.07%	Decrease 1.39 percentage points
Others	14,715,106.58	6,583,401.75	55.26%	89.16%	59.41%	Increase 8.35 percentage points
By region						
Northeast China	787,815,543.06	638,069,794.27	19.01%	10.65%	12.17%	Decrease 1.10 percentage points
East China	33,257,952.38	30,168,028.13	9.29%	525.27%	627.37%	Decrease 12.73 percentage points
Central China	88,132,066.23	71,445,667.04	18.93%	91.88%	86.00%	Increase 2.56 percentage points
Overseas	93,173,155.83	77,598,415.61	16.72%	37.73%	36.45%	Increase 0.78 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

	30-6-2017		30-6-16		Proportion increase/decrease
	Amount	Proportion to the total assets	Amount	Proportion to the total assets	
Monetary funds	469,049,698.39	8.73%	921,341,559.47	19.12%	Decrease 10.39 percentage points
Accounts receivable	903,229,293.38	16.81%	800,671,319.79	16.62%	Increase 0.19 percentage points
Inventories	413,011,874.26	7.69%	293,140,904.67	6.08%	Increase 1.61 percentage points
Investment property	88,435,542.39	1.65%	24,191,921.50	0.50%	Increase 1.15 percentage points
Long-term equity investment	1,507,902,442.59	28.06%	1,216,177,395.25	25.24%	Increase 2.82 percentage points
Fixed assets	742,865,721.32	13.83%	431,589,357.99	8.96%	Increase 4.87 percentage points
Construction in progress	107,488,807.06	2.00%	179,319,154.71	3.72%	Decrease 1.72 percentage points
Short-term loans	215,319,700.00	4.01%	162,600,000.00	3.37%	Increase 0.64 percentage points
Long-term loans	160,000,000.00	2.98%	160,000,000.00	3.32%	Decrease 0.34 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 531,653,458.05 yuan, the final number is 555,798,336.45 yuan.

V. Analysis of investments**1. External equity investments****(1) External investments**

External investments		
Investment in the report period (yuan)	Investment in the same period of last year (yuan)	Amount of variation
1,507,902,442.59	1,216,177,395.25	23.99%

2. The significant equity investment during the reporting period

√ Applicable □ Not applicable

During the reporting period ,49 percent equity of Bingshan Metal Technology held by Bingshan Group was transferred to the Company. The details see the announcement on China Securities, HK

Commercial Daily and Cninfo website on February 16,2017

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

(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 applicable

During the reporting period, the use of funds raised of the Company please see< the special report of 2017 semi-annual use and deposit of funds raised>which published on <http://www.cninfo.com.cn> on August 26,2017.

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)
Fuji Bingshan	participating company	Vending Machine	JPY 4,000 million	462,114,429.55	363,486,181.90	281,314,832.40	42,126,232.55	35,811,680.85
Panasonic Compressor	participating company	Refrigeration and air-conditioning	JPY 6,200 million	1,868,938,586.80	1,165,876,208.10	740,643,397.50	59,793,229.44	50,867,695.06

Subsidiary companies obtained or disposed in the reporting period

☒Applicable ☐Not applicable

Name	the way of obtained or disposed Subsidiary companies in the reporting period	The impact on overall production and performance
Dalian Bingshan Engineering & Trading Co., Ltd	Business combination under the same control	Through this equity integration, the company will have independent export sales channels, further increase the overseas market sales and service system construction, and combine the commercialization with professionalization to achieve the sustainable development of international market.

VIII. The structured corporate bodies which the Company controlled

☐Applicable ☒Not applicable

IX.Estimation of the business performance for Jan.-Sept., 2017

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

Risk of slightly high accounts receivable.

Response measures: place extra emphasis on controlling increment and reducing stock, further strengthen the management of accounts receivable. Control the amount of new accounts receivable by full payment for picking up goods, reducing or canceling quality guarantee deposit, and taking bank credit tool as a guarantee, etc. Establish special creditor's rights management agencies, develop special solutions, and strengthen the debt-cleaning for accounts receivable with a long period.

Section 5 Important Issues

I. Shareholders' general meeting convened in the reporting period

1. Shareholders' general meeting within this reporting period

Session number of meeting	The type of the meeting	The proportion of participate investors	date	Disclosing date	Disclosing index
The 1 st Extraordinary Shareholders' General Meeting of 2017	extraordinary Shareholders' general meeting	30.31%	March 7, 2017	March 8, 2017	http://www.cninfo.com.cn
2016 Annual Shareholders' General Meeting	Annual Shareholders' General Meeting	30.75%	May 19, 2017	May 20, 2017	http://www.cninfo.com.cn

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

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. The 2016 restricted stock incentive plan has been implemented and completed granting the restricted stock on September 2016. 12, 884 thousand shares restricted stock has been granted to the 118 incentive objects. 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 287,790 thousand yuan, accounting for 32.70% of the budgeted amount for the year 2017. This included 124,380 thousand yuan, accounting for 31.10% of the budgeted amount for the year 2017, for purchasing supporting products for package projects from associated parties, and 163,410 thousand yuan, accounting for 34.04% of the budgeted amount for the year 2017, from selling supporting parts and components to associated parties.

2. Associated transactions related to purchases or sales of assets

The 12th meeting of the 7th Board of Directors of the company and the 1st extraordinary general meeting of 2017 examined and approved the company to accept the transfer of 76% equity stake of Dalian Bingshan Engineering and Trading Co., Ltd. held by Bingshan Group, and accept the transfer of 49% equity stake of Dalian Bingshan Metal Technology Co., Ltd. held by Bingshan Group, above-mentioned transactions have been completed in the reporting period.

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

On June 22, 2017, 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 total rent for the previous three years is RMB 20.34 million, of which the rent in 2017 is RMB 4.62 million, the rent in 2018 is RMB 7.86 million, and the rent in 2019 is RMB 7.86 million. From January 2020, the two parties will negotiate and determine the rent of the next three years according to the local market changes.

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 will transfer 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.Other important contracts

☐ Applicable ☒ Not applicable

XV Social responsibilities**1. Performance of precise poverty alleviation social responsibility**

(1) Overview of the Semiannual targeted poverty alleviation

In the first half of 2017, the company joined hands with the controlling shareholders and continued to implement the targeted poverty alleviation to the targeted poverty alleviation unit – Songlin Village, Guangmingshan Town, Zhuanghe City. The main measures and practices are as follows:

First is to attach great importance, the company has made the overall planning for poverty alleviation in early 2017, aiming to give prominence to the key points and earmark funds for specified purposes only.

Second is to make field research and solve the living difficulties. In order to better understand the situation of poverty alleviation, the company has organized the responsible person in grass-roots units to Songlin Village for visiting and condoling, getting to know its production and development situation so as to shoot the arrow at the target and offer practical aids.

(2) Follow-up targeted poverty alleviation plan

In the second half of 2017, the company will continue to promote the targeted poverty alleviation work, combine with the government's policy on poverty alleviation, and solve the site, road and traffic problems in poverty alleviation and the reemployment of surplus labors.

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

☐ Applicable ☒ Not applicable

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	82,340,713	13.46%	-55,246,643	27,094,070	3.16%
Executive lock stock	154,117	0.31%	+2,507,853	2,661,970	0.31%
Restricted stock after starting	58,645,096	9.59%	-58,645,096	0	0
Equity incentive restricted stock	23,541,500	2.85%	+881,600	24,432,100	2.85%
II. Circulating share capital	529,435,845	86.54%	+299,957,266	829,393,111	96.84%
1. Domestically listed ordinary shares	356,935,845	58.34%	+230,957,266	587,893,111	68.64%
2. Domestically listed foreign shares	172,500,000	28.20%	+69,000,000	241,500,000	28.20%
III. Total shares	611,776,558	100%	244,710,623	856,487,181	100%

2. The reason for the Change in share capital

On March 16, 2017, Yu Fuchun, the chairman of the Board of Supervisors of the company, left office, the company's shares held by him should be locked within six months after his resignation; on May 23, 2017, the company's restricted stock incentive phase II of 2015 was unlocked; in June 2017, the company implemented the 2016 annual equity apportion, which increased 4 shares by every 10 shares of capital reserve; on June 20, the company relieved the restrictions on non-public offering of shares. During the reporting period, the above matters caused changes in the company's total number of shares and the share structure.

3. The approval of the Change in share capital

The company's 2016 annual profit distribution plans was approved by 2016 Shareholders' General Meeting.

4. transfer of ownership of the Change in share capital

☐ Applicable ☒ Not applicable

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

(1)The basic per share of 2016 is 0.31yuan; According to the latest equity is adjusted for 0.22 yuan;

(2)The diluted per share of 2016 is 0.31 yuan; According to the latest equity is adjusted for 0.22 yuan;

(3)The net assets per share of 2016 is 5.30yuan; According to the latest equity is adjusted for 3.79 yuan

(4)The basic per share of the first quarter of 2017 is 0.05yuan; According to the latest equity is adjusted for 0.036 yuan;

(5)The diluted per share of the first quarter of 2017 is 0.05yuan; According to the latest equity is adjusted for 0.036yuan;

(6)The net assets per share of the first quarter of 2017 is 5.35 yuan; According to the latest equity is adjusted for 3.82yuan.

II. Securities issuance and listing

☐ Applicable ☒ Not applicable

III. Number of shareholders and their shareholding

Total number of shareholders in the reporting period			41,442		
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	19.96%	170,916,934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8.58%	73,503,150	0	0
Zheshang Juchao industry grow hybrid securities investment fund	Others	2.56%	21,896,286	0	0
Zheshang Juchao New thinking hybrid securities investment fund	Others	1.58%	13,503,638	0	0
National Social Security Funds 104 Portfolio	Others	1.31%	11,199,297	0	0
Industrial Securities Golden Kylin No. 2 Collective Asset Management Plan	Others	1.07%	9,163,753	0	0
National Social Security Funds 503 Portfolio	Others	0.96%	8,210,314	0	0
Caitong Capital Kunze No. 2 Securities vInestment Fund	Others	0.96%	8,210,313	0	0
Shenzhen B & D Capital Fengnian Jinjia No. 1 Fund	Others	0.96%	8,210,313	0	0
Lin Zhenming	Overseas natural person	0.73%	6,230,000	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	
Zheshang Juchao industry grow hybrid securities investment fund		21,896,286		RMB denominated ordinary shares	
Zheshang Juchao New thinking hybrid securities investment fund		13,503,638		RMB denominated ordinary shares	
National Social Security Funds 104 Portfolio		11,199,297		RMB denominated ordinary shares	
Industrial Securities Golden Kylin No. 2 Collective Asset Management Plan		9,163,753		RMB denominated ordinary shares	
National Social Security Funds 503 Portfolio		8,210,314		RMB denominated ordinary shares	
Caitong Capital Kunze No. 2 Securities vInestment Fund		8,210,313		RMB denominated ordinary shares	
Shenzhen B & D Capital Fengnian Jinjia No. 1 Fund		8,210,313		RMB denominated ordinary shares	
Lin Zhenming		6,230,000		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

III. Variation in controlling shareholders or actual controllers

Variation in controlling shareholders in the report period

☐ Applicable ☒ Not applicable

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

Variation in actual controllers in the report period

☐ Applicable ☒ Not applicable

Section 7 Information on Preferred Stock

☐ Applicable ☒ Not applicable

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

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

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

√Applicable □ Not applicable

Name	Position	Office-holding state	Shares held at beginning of period (shares)	Increase on holding of shares in this period (shares)	Decrease in holding of shares in this period (share)	Shares held at the end of period (shares)
Ji Zhijian	Chairman	Incumbent	1,413,450	565,380	0	1,978,830
Xu Junrao	Director	Incumbent	925,249	370,100	0	1,295,349
Liu Kai	Vice Chairman	Incumbent	989,400	395,760		1,385,160
Ding Jie	Director, GM	Incumbent	725,000	290,000	0	1,015,000
Fan Yuekun	DGM	Incumbent	500,000	200,000		700,000
Ma Yun	Chief Financial Officer	Incumbent	500,000	200,000	0	700,000
Song Wenbao	Board secretary	Incumbent	424,200	169,680	0	593,880
Yu Fuchun	Chairman of Board of Supervisors	Leaving office	15,211	6,084	0	21,295
Wang Zhiqiang	DGM	Leaving office	515,349	206,140	0	721,489
Total	--	--	6,007,859		0	8,411,003

Changes in shareholding by directors, supervisors and senior managers within the period is due to the implementation of the company's transfer the capital reserve to increase capital stock of 2016

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

Name	Position assumed	Type	Date	Reason
Yu Fuchun	Supervisor	Leaving the post	Mar.14,2017	Resign from the Company
Kijima Tadatoshi	Director	Leaving the post	Feb.6,2017	Resign from the Company due to retirement
Wang Zhiqiang	DGM	Leaving the post	Jun.29,2017	Resign from the Company
Mao Chunhua	Chairman of Board of Supervisors	Be employed	Mar.20,2017	Be employed
Cao Lili	Worker Supervisor	Be employed	Mar.13,2017	Be employed
Takagi Toshiyuki	Director	Be employed	Mar.8,2017	Be employed

Section 9 Financial report

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

II. Accounting statement

BALANCE SHEET

Prepared by Dalian Refrigeration Co., Ltd.

June 30, 2017

Unit: RMB Yuan

Assets	30-June-2017		31-Dec-2016	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	469,049,698.39	332,267,178.95	715,215,638.54	496,417,106.54
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Notes receivable	134,782,598.58	60,811,908.85	126,408,249.59	90,509,540.07
Accounts receivable	903,229,293.38	146,161,403.30	807,109,959.54	117,575,405.74
Accounts in advance	136,203,278.69	80,925,475.30	108,033,313.10	96,269,883.15
Interest receivables			723,955.56	723,955.56
Dividend receivable	38,800,000.00	38,800,000.00	39,025.00	
Other receivables	63,715,968.69	6,014,786.24	57,257,456.57	4,368,505.07
Inventories	413,011,874.26	172,918,505.26	349,538,424.06	151,230,744.47
Assets held for sale				
Non-current asset due within one year				
Other current assets	21,770,677.86	13,826,495.20	43,254,044.92	30,563,139.06
Total current assets	2,180,563,389.85	851,725,753.10	2,207,580,066.88	987,658,279.66
Non-current assets:				
Finance asset held available for sales	569,709,995.04	568,394,852.54	545,565,116.64	544,249,974.14
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,507,902,442.59	1,985,253,706.97	1,292,912,901.49	1,713,412,501.09
Investment property	88,435,542.39	88,435,542.39	28,605,652.94	28,605,652.94
Fixed assets	742,865,721.32	503,193,466.85	511,008,545.87	274,262,264.28
Construction in progress	107,488,807.06	101,144,912.42	321,646,676.78	320,329,247.78
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	138,524,025.75	72,911,635.80	154,714,212.52	88,113,279.88
Expense on Research and Development				
Goodwill	1,750,799.49		1,750,799.49	
Long-term expenses to be apportioned	5,790,104.14	4,938,060.17	4,448,719.77	3,658,276.80
Deferred income tax asset	29,908,953.69	6,406,297.52	27,753,747.94	6,751,619.50
Other non-current asset				
Total non-current asset	3,192,376,391.47	3,330,678,474.66	2,888,406,373.44	2,979,382,816.41
Total assets	5,372,939,781.32	4,182,404,227.76	5,095,986,440.32	3,967,041,096.07

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, 2017

Unit: RMB Yuan

Liabilities and shareholders' equity	30-June-2017		31-Dec-2016	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	215,319,700.00	160,000,000.00	45,000,000.00	
Derivative financial liabilities				
Notes payable	181,421,206.76	78,225,093.74	194,562,734.79	85,834,371.87
Accounts payable	881,939,767.63	250,428,330.64	857,725,428.48	340,987,669.38
Accounts received in advance	143,969,111.21	38,241,742.21	150,098,892.29	74,949,113.25
Wage payable	27,193,989.51	1,453,268.58	50,256,392.86	9,796,460.53
Taxes payable	16,608,505.28	1,869,666.68	18,405,089.48	1,234,137.19
Interest payable				
Dividend payable	863,516.60	533,156.00	863,516.60	533,156.00
Other accounts payable	198,334,369.48	165,568,837.96	115,320,734.80	74,954,775.74
Liabilities held for sale				
Non-current liabilities due within one year				
Other current liabilities				
Total current liabilities	1,665,650,166.47	696,320,095.81	1,432,232,789.30	588,289,683.96
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	83,073,834.77	39,070,834.77	57,396,619.00	12,836,619.00
Deferred income tax liabilities	79,518,586.46	79,518,586.46	75,683,681.95	75,683,681.95
Other non-current liabilities				
Total non-current liabilities	322,592,421.23	278,589,421.23	293,080,300.95	248,520,300.95
Total liabilities	1,988,242,587.70	974,909,517.04	1,725,313,090.25	836,809,984.91
Shareholders' equity				
Share capital	856,487,181.00	856,487,181.00	611,776,558.00	611,776,558.00
Other equity instruments				
Capital public reserve	758,068,857.25	797,647,244.54	1,052,686,774.25	1,036,115,161.54
Specialized reserve	67,615,856.00	67,615,856.00	67,615,856.00	67,615,856.00
Other comprehensive income	453,106,783.01	452,144,682.34	431,639,323.52	430,413,556.77
Special preparation				
Surplus public reserve	649,787,077.21	649,787,077.21	620,578,847.52	620,578,847.52
Retained profit	659,896,379.17	519,044,381.63	652,022,101.57	498,962,843.33
Translation of foreign currency capital				
Total owner's equity attributable to parent company	3,309,730,421.64	3,207,494,710.72	3,301,087,748.86	3,130,231,111.16
Minority interests	74,966,771.98		69,585,601.21	
Total owner's equity	3,384,697,193.62	3,207,494,710.72	3,370,673,350.07	3,130,231,111.16
Total liabilities and shareholder's equity	5,372,939,781.32	4,182,404,227.76	5,095,986,440.32	3,967,041,096.07

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, 2017

Unit: RMB Yuan

Items	January-June, 2017		January-June, 2016	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	1,002,378,717.50	349,829,026.25	830,873,999.65	320,569,072.88
Including: Operating income	1,002,378,717.50	349,829,026.25	830,873,999.65	320,569,072.88
II. Total operating cost	992,114,223.92	349,824,353.81	837,666,113.26	326,095,453.00
Including: Operating cost	817,281,905.05	295,995,983.48	668,264,784.49	268,472,467.44
Taxes and associate charges	8,177,166.95	3,703,168.02	6,357,716.42	989,231.06
Selling and distribution expenses	43,854,411.28	674,115.60	42,351,876.57	1,157,365.43
Administrative expenses	109,566,823.88	52,988,925.98	108,150,791.47	54,874,915.91
Financial expense	2,994,727.94	1,050,468.36	1,531,833.61	180,568.43
Impairment loss	10,239,188.82	-4,588,307.63	11,009,110.70	420,904.73
Add: Gain/(loss) from change in fair value				
Gain/(loss) from investment	87,875,295.69	105,942,061.06	75,949,019.25	76,688,140.71
Including: income from investment on affiliated enterprise and jointly enterprise	48,681,040.63	49,382,705.41	59,987,593.85	60,980,888.19
III. Operating profit	98,139,789.27	105,946,733.50	69,156,905.64	71,161,760.59
Add: non-business income	6,830,966.75	4,866,012.27	7,728,227.93	6,541,575.73
Including: profit from non-current asset disposal	143,329.77	78,112.29	64,284.56	18,634.56
Less: non-business expense	67,875.87		284,024.49	65,248.12
Including: loss from non-current asset disposal	15,476.77		189,436.67	5,248.12
IV. Total profit	104,902,880.15	110,812,745.77	76,601,109.08	77,638,088.20
Less: Income tax	6,161,546.29	345,321.98	5,537,970.33	989,657.21
V. Net profit	98,741,333.86	110,467,423.79	71,063,138.75	76,648,430.99
Net profit attributable to parent company	98,260,163.09	110,467,423.79	70,632,718.91	76,648,430.99
Minority shareholders' gains and losses	481,170.77		430,419.84	
VI. After-tax net amount of other comprehensive incomes	21,467,459.49	21,731,125.57	-156,318,611.18	-156,318,611.18
After-tax net amount of other comprehensive incomes attributable to owners of the Company	21,467,459.49	21,731,125.57	-156,318,611.18	-156,318,611.18
(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	21,467,459.49	21,731,125.57	-156,318,611.18	-156,318,611.18
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	21,731,125.57	21,731,125.57	-156,318,611.18	-156,318,611.18
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	120,208,793.35	132,198,549.36	-85,255,472.43	-79,670,180.19
Total comprehensive income attributable to parent company	119,727,622.58	132,198,549.36	-85,685,892.27	-79,670,180.19
Total comprehensive income attributable to minority shareholders	481,170.77		430,419.84	
VIII. Earnings per share				
(I) basic earnings per share	0.115		0.089	
(II) diluted earnings per share	0.115		0.089	

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, 2017

Unit: RMB Yuan

Items	January -June, 2017		January -June, 2016	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	723,102,679.71	261,996,773.84	646,904,092.73	259,220,476.51
Write-back of tax received	8,747,344.02	1,115.75	8,501,285.87	
Other cash received concerning operating activities	47,641,383.74	33,440,766.76	22,163,876.94	15,102,431.77
Subtotal of cash inflow arising from operating activities	779,491,407.47	295,438,656.35	677,569,255.54	274,322,908.28
Cash paid for purchasing commodities and receiving labor service	631,160,168.61	281,659,408.50	443,227,516.70	195,922,929.14
Cash paid to/for staff and workers	177,808,786.10	70,029,214.82	166,852,204.03	67,168,303.41
Taxes paid	40,531,325.05	4,393,809.59	48,505,792.69	6,772,361.54
Other cash paid concerning operating activities	78,568,669.61	10,122,365.06	70,252,281.01	23,317,407.77
Subtotal of cash outflow arising from operating activities	928,068,949.37	366,204,797.97	728,837,794.43	293,181,001.86
Net cash flows arising from operating activities	-148,577,541.90	-70,766,141.62	-51,268,538.89	-18,858,093.58
II. Cash flows arising from investing activities:				
Cash received from recovering investment	1,500,000.00	1,500,000.00		145,827.12
Cash received from investment income	44,490,765.66	54,451,740.66	47,177,286.07	47,132,686.07
Net cash received from disposal of fixed, intangible and other long-term assets	200,520.00		89,140.00	43,000.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	46,191,285.66	55,951,740.66	47,266,426.07	47,321,513.19
Cash paid for purchasing fixed, intangible and other long-term assets	77,106,599.56	70,648,520.68	81,871,897.67	74,864,341.64
Cash paid for investment	176,660,000.00	176,660,000.00	6,551,326.25	13,135,728.15
Net cash received from payment of subsidiaries and other business units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	253,766,599.56	247,308,520.68	88,423,223.92	88,000,069.79
Net cash flows arising from investing activities	-207,575,313.90	-191,356,780.02	-41,156,797.85	-40,678,556.60
III. Cash flows arising from financing activities				
Cash received from absorbing investment	4,900,000.00		561,931,354.34	561,931,354.34
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries	4,900,000.00			
Cash received from loans	221,269,700.00	160,000,000.00	291,400,000.00	240,000,000.00
Other cash received concerning financing activities	21,576,815.56	0.00	20,710,827.68	720,332.73
Subtotal of cash inflow from financing activities	247,746,515.56	160,000,000.00	874,042,182.02	802,651,687.07
Cash paid for settling debts	52,010,000.00		52,600,000.00	
Cash paid for dividend and profit	63,497,016.56	62,191,592.93	39,846,628.47	36,997,965.58

distributing or interest paying				
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash paid concerning financing activities	24,206,200.89		10,121,261.17	3,430,000.00
Subtotal of cash outflow from financing activities	139,713,217.45	62,191,592.93	102,567,889.64	40,427,965.58
Net cash flows arising from financing activities	108,033,298.11	97,808,407.07	771,474,292.38	762,223,721.49
IV. Influence on cash due to fluctuation in exchange rate	-675,767.79	164,586.98	720,875.62	-24,068.33
V. Net increase of cash and cash equivalents	-248,795,325.48	-164,149,927.59	679,769,831.26	702,663,002.98
Add: Balance of cash and cash equivalents at the period -begin	691,238,822.98	495,217,106.54	255,381,841.47	147,439,134.15
VI. Balance of cash and cash equivalents at the period-end	442,443,497.50	331,067,178.95	935,151,672.73	850,102,137.13

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

2017.01-06

Unit: RMB Yuan

Items	2017.01-06								
	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	611,776,558.00	1,052,686,774.25	67,615,856.00	431,639,323.52		620,578,847.52	652,022,101.57	69,585,601.21	3,370,673,350.07
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	611,776,558.00	1,052,686,774.25	67,615,856.00	431,639,323.52		620,578,847.52	652,022,101.57	69,585,601.21	3,370,673,350.07
III. Increase/ decrease of amount in this year ("-" means decrease)	244,710,623.00	-294,617,917.00		21,467,459.49		29,208,229.69	7,874,277.60	5,381,170.77	14,023,843.55
(I) Total comprehensive incomes				21,467,459.49			98,260,163.09	481,170.77	120,208,793.35
(II) Capital increased and reduced by owners		-49,907,294.00						4,900,000.00	-45,007,294.00
1. Common shares increased by shareholders		-56,150,000.00						4,900,000.00	-51,250,000.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity		6,242,706.00							6,242,706.00
4. Other									
(III) Profit distribution						29,208,229.69	-90,385,885.49		-61,177,655.80
1. Withdrawing surplus public reserve						29,208,229.69	-29,208,229.69		
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					1,008,404.87				1,008,404.87
2. Used in the period					-1,008,404.87				-1,008,404.87
(VI) Other									
IV. Balance at the end of this period	856,487,181.00	758,068,857.25	67,615,856.00	453,106,783.01		649,787,077.21	659,896,379.17	74,966,771.98	3,384,697,193.62

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

Items	2016.01-12								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits		
I. balance at the end of last year	360,164,975.00	630,264,991.95	39,503,800.00	589,988,118.05		580,769,740.16	525,925,066.25	66,257,548.71	2,713,866,640.12
1. Change of accounting policy									
2. Correction of errors in previous period									
3. Business combination under the same control		30,000,000.00					19,688,488.45		49,688,488.45
II. Balance at the beginning of this year	360,164,975.00	660,264,991.95	39,503,800.00	589,988,118.05		580,769,740.16	545,613,554.70	66,257,548.71	2,763,555,128.57
III. Increase/ decrease of amount in this year ("-" means decrease)	251,611,583.00	392,421,782.30	28,112,056.00	-158,348,794.53		39,809,107.36	106,408,546.87	3,328,052.50	607,118,221.50
(I) Total comprehensive incomes				-158,348,794.53			182,234,151.73	3,297,165.48	27,182,522.68
(II) Capital increased and reduced by owners	71,529,096.00	572,504,269.30	28,112,056.00					1,108,887.02	617,030,196.32
1. Common shares increased by shareholders	71,529,096.00	560,231,963.55	28,112,056.00					1,108,887.02	604,757,890.57
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity		12,227,168.00							12,227,168.00
4. Other		45,137.75							45,137.75
(III) Profit distribution						39,809,107.36	-75,825,604.86	-1,078,000.00	-37,094,497.50
1. Withdrawing surplus public reserve						39,809,107.36	-39,809,107.36		
2. Distribution to all owners (shareholders)							-36,016,497.50	-1,078,000.00	-37,094,497.50
3. Others									
(IV) Internal carrying forward of owners' equity	180,082,487.00	-180,082,487.00							
1. New increase of share capital from capital reserves	180,082,487.00	-180,082,487.00							
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period					1,982,950.50				1,982,950.50
2. Used in the period					-1,982,950.50				-1,982,950.50
(VI) Other									
IV. Balance at the end of this period	611,776,558.00	1,052,686,774.25	67,615,856.00	431,639,323.52		620,578,847.52	652,022,101.57	69,585,601.21	3,370,673,350.07

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2017.01-06

Unit: RMB Yuan

Items	2017.01-06								
	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		-238,467,917.00		21,731,125.57		29,208,229.69	20,081,538.30	77,263,599.56
(I) Total comprehensive incomes					21,731,125.57			110,467,423.79	132,198,549.36
(II) Capital increased and reduced by owners			6,242,706.00						6,242,706.00
1. Common shares increased by shareholders									
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			6,242,706.00						6,242,706.00
4. Other									
(III) Profit distribution							29,208,229.69	-90,385,885.49	-61,177,655.80
1. Withdrawing surplus public reserve							29,208,229.69	-29,208,229.69	
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						1,008,404.87			1,008,404.87
2. Used in the period						-1,008,404.87			-1,008,404.87
(VI) Other									
IV. Balance at the end of this period	856,487,181.00		797,647,244.54	67,615,856.00	452,144,682.34		649,787,077.21	519,044,381.63	3,207,494,710.72

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

Items	2016.01-12								
	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	360,164,975.00		640,764,783.03	39,503,800.00	588,759,190.43		580,769,740.16	428,747,299.72	2,559,702,188.34
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	360,164,975.00		640,764,783.03	39,503,800.00	588,759,190.43		580,769,740.16	428,747,299.72	2,559,702,188.34
III. Increase/ decrease of amount in this year ("-" means decrease)	251,611,583.00		395,350,378.51	28,112,056.00	-158,345,633.66		39,809,107.36	70,215,543.61	570,528,922.82
(I) Total comprehensive incomes					-158,345,633.66			146,041,148.47	-12,304,485.19
(II) Capital increased and reduced by owners	71,529,096.00		575,432,865.51	28,112,056.00					618,849,905.51
1. Common shares increased by shareholders	71,529,096.00		563,160,559.76	28,112,056.00					606,577,599.76
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			12,227,168.00						12,227,168.00
4. Other			45,137.75						45,137.75
(III) Profit distribution							39,809,107.36	-75,825,604.86	-36,016,497.50
1. Withdrawing surplus public reserve							39,809,107.36	-39,809,107.36	
2. Distribution to all owners (shareholders)								-36,016,497.50	-36,016,497.50
3. Others									
(IV) Internal carrying forward of owners' equity	180,082,487.00		-180,082,487.00						
1. New increase of share capital from capital reserves	180,082,487.00		-180,082,487.00						
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						1,982,950.50			1,982,950.50
2. Used in the period						-1,982,950.50			-1,982,950.50
(VI) Other									
IV. Balance at the end of this period	611,776,558.00		1,036,115,161.54	67,615,856.00	430,413,556.77		620,578,847.52	498,962,843.33	3,130,231,111.16

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

III. Notes to the accounting statement

(All amounts in RMB Yuan unless otherwise stated)

1. General information

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

The general meeting for 2016 fiscal year held on 19th May 2017 approved the profit distribution policy for the year of 2016, which agrees the profit distribution is based on the total 611,776,558 number of shares as share capital, paid out cash dividend of 1Yuan for every 10 shares (before tax) and share dividend of 4 common shares for every 10 shares through capital reserve.

The address of the Company's registered office as same as head office is No.106, Liaohe East Road, Dalian Economic and Technological Development Zone, China. The parent company of the Company is Dalian Bingshan Group Co., Ltd., and there is no ultimate controller regulated by the relevant laws. 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. ant law, regulations and rules.

2. The scope of consolidation

There are 15 entities included in the current consolidated financial statements, including:

Names of subsidiaries	Types	Level	Proportion of shareholding (%)	Proportion of votes (%)
Dalian Bingshan Group Engineering Co., Ltd.	Subsidiary	1	100	100
Dalian Bingshan Group Sales Co., Ltd.	Subsidiary	1	100	100
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Subsidiary	1	70	70
Dalian Bingshan Guardian Automation Co., Ltd.	Subsidiary	1	100	100
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Subsidiary	1	100	100
Wuhan New World Refrigeration Industrial Co., Ltd.	Subsidiary	1	100	100
Bingshan Technology Service (Dalian) Co., Ltd.	Subsidiary	1	100	100
Dalian Universe Thermal Technology Co., Ltd.	Subsidiary	1	55	55
Dalian Xinminghua Electrical Technology Co., Ltd.	Subsidiary	1	100	100
Dalian Bingshan Engineering & Trading Co., Ltd.	Subsidiary	1	51	51
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Sub-subsidiary	2	100	100
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd.	Sub-subsidiary	2	100	100
Dalian Bingshan -P&A Recreation Development Engineering Co., Ltd.	Sub-subsidiary	2	51	51
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd.	Sub-subsidiary	2	51	51
Shanghai Bingshan Technology Service Co., Ltd.	Sub-subsidiary	2	51	51

This year, there are 2 more entities were included in the scope of consolidation, Dalian Bingshan Engineering & Trading Co., Ltd. and Chengdu Bingshan Refrigeration Engineering Co., Ltd.

On February 15, 2017, the company's board of directors decided to accept the transfer of 76% equity stake of Dalian Bingshan Engineering and Trading Co., Ltd., the company's former associated company, after the acceptance of this transfer, Dalian Bingshan Engineering and Trading Co., Ltd. became a wholly-owned subsidiary of the company. As of June 30, 2017, the above equity transaction has been completed. Therefore, the company held 100% equity stake of Dalian Bingshan Engineering and Trading Co., Ltd. when establishing the consolidated statements of current period. As Dalian Bingshan Engineering and Trading Co., Ltd. is also a subsidiary of the parent company Dalian Bingshan Group Co., Ltd., the company has merged the subsidiary Dalian Bingshan Engineering and Trading Co., Ltd. by the same control in current period, when establishing the consolidated balance sheet, adjusted the beginning data of relevant projects of consolidated balance sheet, and also adjusted the comparable data of the corresponding period when establishing the income statements and cash flow statements.

The Board of Directors of the company's subsidiary Dalian Bingshan Group Engineering Co., Ltd. decided Dalian Bingshan Group Engineering Co., Ltd. and Chengdu New World Refrigeration Equipment Engineering Co., Ltd. jointly invest and build a joint venture Chengdu Bingshan Refrigeration Engineering Co., Ltd., Dalian Bingshan Group Engineering Co., Ltd. invested RMB 5.1 million in cash, holding 51% stake. As of June 30, 2017, Chengdu Bingshan Refrigeration Engineering Co., Ltd. has officially started operating.

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

IV Financial Statements Preparation Basis

1. Basic of preparation of financial statements

(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, i.e. 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 realisation. 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 acquiree should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration, after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquire, the difference should be recognized as non-operating income.

6. Method of preparation of consolidated financial statements

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

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

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

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

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

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

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

movement on the remeasurement of 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 disposals price and respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted for capital surplus or share premium, no enough capital surplus, then adjusted for retained earnings.

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

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

7. Joint arrangement classification and joint operation accounting

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

8. Cash and cash equivalent

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

9. Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

10. Financial assets and financial liabilities

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

(1) Financial assets

1) Classification, recognition and measurement

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

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

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

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

2) Recognition and measurement of transfer of financial assets

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

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

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

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

3) Impairment of financial assets

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

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

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

On balance sheet date, the Company executes individually inspection on each available-for-sale financial statement, if the fair value of the equity instruments which is invested on the balance sheet date is lower than its initial investment cost for more than 50% (including 50%) or lower than its initial investment cost for the duration time for more than 1 year (including 1 year), which indicates that it had occurred impairment; if the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 20% (including 20%) but not reaches at 50%, the Company will comprehensively considerate the other relevant factors such as the price volatility etc. and will judge the equity investment whether had occurred impairment.

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

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 amortised amount, the current fair value and the impairment losses originally recorded into the profits and losses account.

For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is

reversed and directly recognized in equity. However, the impairment losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is linked to the equity instrument and which shall be settled 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 amortised cost on the reversing day if no impairment provided before.

(2) Financial liabilities

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.

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.

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 grouply 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

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

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

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

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

Risk-free No bad debt provision is needed

(3) Individually insignificant amount 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 year end thorough inventory check, at the balance sheet date inventory impairment should be provided or adjusted according to inventory category. For the finished goods, raw material held for sale etc which shall be sold directly, the net realizable value should be confirmed at the estimated

selling price less estimated selling expenses and related tax and expenses. The raw material held for production, its realizable value should be confirmed at the estimated selling price of finished goods less estimated cost of completion, estimated selling expenses and related tax. The net realizable value of inventories held for execution of sale contracts or labor contracts shall be calculated based on the contract price. If the quantities of inventories in the Group are more than quantities if inventories subscribed in the sales contracts, the net realizable value of the excessive part of the inventories should be calculated based on the general selling price. When the impairment indicators disappear, impairment provision shall be reversed and

13. Long-term equity investment

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

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

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

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

If the equity of investee under common control is acquired by stages and business combination incurs in the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. For example, if the equity of investee under common control is acquired by stages and business combination incurs in the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company since acquisition is determined as for the initial cost of long-term equity investment. The difference between the cost initially recognized and carrying amount of long-term equity investment prior to the business combination plus the newly paid consideration for further share acquired, and capital reserve shall be adjusted accordingly. If not 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 incurs in 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 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 of the equity investment held previously plus newly increased investment cost are taken as the initial investment cost under cost model. If equity investment is held under equity method before the acquisition date, other comprehensive income under equity method previously shall not be adjusted accordingly. When disposing of the investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Equity held prior to acquisition date as available for sale financial assets under fair value model, accumulated change on fair value previously recorded in other comprehensive shall be transferred into investment gain/loss for the period.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the

cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

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

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

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

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

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

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

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

14. Investment property

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

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

15. Fixed assets

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

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

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

Category	Useful life (years)	Estimated net residual value rate	Annual depreciation rate
Housing and Buildings	20-40	3%、5%、10%	2.25-4.85%
Machinery equipment	10-22	3%、5%、10%	4.09-9.7%
Transportation equipment	4-15	3%、5%、10%	6-24.25%
Electronic equipment	5	3%、5%、10%	18-19.4%
Others equipment	10-15	3%、5%、10%	6-9.7%

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

16. Construction in progress

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

17. Borrowing costs

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

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

18. Intangible assets

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

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

19. Impairment of non-current assets

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

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

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

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

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

20. Long-term deferred expenses

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

21. Employee benefits

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

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

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

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

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

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

22. Contingent liabilities

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

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

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

23. Share based payment

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

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

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

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

24. Principle of recognition of revenue

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

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.

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

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

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

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:

Amount can be measured reliably

Relevant economic benefit probably flow into the company

The stage of completion of the service can be estimated reliably

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

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

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.

Revenue from construction contract

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:

Amount can be measured reliably

Relevant economic benefit probably flow into the company

Cost actually incurred can be well distinguished and measured reliably

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:

Relevant economic benefit probably flow into the company

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.

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

If contract cost may be 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.

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.

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

.25. Government grants

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

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

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

26. Deferred tax assets and deferred tax liabilities

The deferred income tax assets or the deferred income tax liabilities should be recognized according to the differences (temporary difference) between the carrying amount of the assets or liabilities and its tax base. Deferred tax assets shall be respectively recognised for deductible tax losses that can be

carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years. No deferred tax liabilities shall be recognized 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 realised or liability is settled.

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

27. Lease

The leases of the Group refer to operating lease.

The rents paid for operating leases shall be recorded into the relevant asset costs or the profits and losses for the current period by using the straight-line method over each period of the lease term. Rents received, if the Group as a lessor shall be recognised as income under straight line method.

28. Other significant accounting policy and estimate

Safety production cost

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

29. Changes in Accounting Policies, Accounting Estimates

Change in significant accounting policies None

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%
Business tax	Revenue from property lease, examination fee, surcharge	3%, 5%
City construction tax	Value-added tax payables, business tax	7%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%, 1.5%
Enterprise income tax (EIT)	Current period taxable profit	15%, 25%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	RMB 6 per square meter

Notes for tax entities with different EIT rate

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

(2) Income tax of subsidiaries and associates

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

Tax entities	EIT rate
The Company	15%
Dalian Bingshan Group Engineering Co., Ltd.	15%
Dalian Bingshan Group Sales Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	25%
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.	25%
Dalian Bingshan Engineering & Trading Co., Ltd.	25%
Dalian Universe Thermal Technology Co., Ltd.	25%
Dalian New Meica Electronics Technology Co., Ltd.	25%

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

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

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

VII. Notes to the consolidated financial statements

1. Monetary fund

Items	30-06-2017	31-12-2016
Cash on hand	49,426.13	83,511.72
Cash in bank	442,394,071.37	691,155,311.26
Other monetary fund	26,606,200.89	23,976,815.56
Total	469,049,698.39	715,215,638.54

The restrained amount of monetary fund is shown as below.

Items	30-06-2017	31-12-2016
Deposit for bank acceptances	16,879,359.54	18,512,681.41
Deposit for letter of credit		
Deposit for letter of guarantee	7,326,841.35	3,064,134.15
Deposit for Migrant workers	2,400,000.00	2,400,000.00
Total	26,606,200.89	23,976,815.56

The reason of the ending balance of Monetary fund decreased 34.42% compared with the beginning balance was the raise fund from issuing of A-shares privately .

2. Notes receivable

(1) Classification

Items	30-06-2017	31-12-2016
Bank acceptance	56,952,756.05	38,332,233.37
Trade acceptance	77,829,842.53	88,076,016.22
Total	134,782,598.58	126,408,249.59

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

Items	Pledged notes
Bank acceptance	13,147,517.83
Total	13,147,517.83

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

Items	The derecognition amount	Not derecognition amount
Bank acceptance	194,498,651.07	
Trade acceptance		
Total	194,498,651.07	

3. Accounts receivable

(1) Classification

Categories	30-06-2017				Book value
	Balance		Provision for doubtful debts		
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	1,058,487,500.01	100.00%	155,258,206.63	14.67%	903,229,293.38
Total	1,058,487,500.01	100.00%	155,258,206.63	14.67%	903,229,293.38

Continued:

Categories	31-12-2016				Book value
	Balance		Provision for doubtful debts		
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	958,174,419.26	100.00%	151,064,459.72	15.77%	807,109,959.54

Total	958,174,419.26	100.00%	151,064,459.72	15.77%	807,109,959.54
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Accounts receivable which bad debt provisions are provided on age basis in the group

Account ages	30-06-2017		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	662,887,730.79	33,144,386.53	5.00%
1 to 2 years	220,610,699.98	22,061,070.00	10.00%
2 to 3 years	71,771,723.09	21,531,516.93	30.00%
3 to 4 years	40,488,812.22	20,244,406.11	50.00%
4 to 5 years	22,258,534.36	17,806,827.49	80.00%
Over 5 years	40,469,999.57	40,469,999.57	100.00%
Total	1,058,487,500.01	155,258,206.63	

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

In the current period, RMB 8,150,291.78 were accrued provision for bad debts

(3) In the current period, RMB3,956,544.87 were receivable being written-off

(4) Top 5 on amount of accounts receivable

Companies	Amount	Proportion (%)	Provision for bad debts
Panasonic Cold-Chain (Dalian) Co., Ltd.	55,909,764.67	5.28	2,795,488.23
Xin Yi Yuan Da Construction installation engineering Co., Ltd.	38,167,774.72	3.61	2,251,777.47
Beijing Huashang Bingshan Refrigeration Equipment Co., Ltd.	35,645,856.35	3.37	1,846,092.82
Yi Du(Shen Yang) cold-chain logistics development Co., Ltd.	34,315,636.60	3.24	1,715,781.83
Anheuser-busch inbev beer (China) investment Co., Ltd.	18,102,240.01	1.71	905,112.00
Total	182,141,272.35	17.21	9,514,252.35

4. Advances to suppliers

(1) The aging of advances to suppliers

Account ages	30-06-2017		31-12-2016	
	Amount	Proportion	Amount	Proportion
Within 1 year	124,609,893.58	91.49%	91,708,963.35	84.89%
1 to 2 years	9,215,028.81	6.77%	15,856,969.05	14.68%
2 to 3 years	1,910,975.60	1.40%	467,380.70	0.43%
Over 3 years	467,380.70	0.34%		
Total	68,420,154.43	--	108,033,313.10	--

(2) Top 5 on amount of advances to suppliers

Companies	Amount	Ages	% of the total advances to suppliers
Shenyang Debao Hongtai Agricultural Development Co., Ltd.	13,206,355.64	Within 1 year	9.70
Dalian Hua Li coating equipment Co., Ltd.	12,000,000.00	Within 1 year	8.81

Ao Litong Crane (Liao Ning) Co., Ltd.	9,600,000.00	Within 1 year	7.05
Shenyang Debao Jia Hong Agricultural Technology Co., Ltd.	6,395,198.00	Within 1 year	4.69
Shanghai industrial automation equipment Co., Ltd.	6,125,000.00	Within 1 year	4.50
Total	47,326,553.64		34.75

5. Interest receivable

(1) Interest receivable

Items	Closing Balance	Opening Balance
Interest on Term Deposits	0.00	723,955.56
Total	0.00	723,955.56

6. Dividends receivable

Names	30-06-2017	31-12-2016
Wu Han steel electric) Co. , Ltd.		39,025.00
Panasonic Compressor (Dalian) Co. , Ltd.	38,000,000.00	
Panasonic Refrigeration (Dalian) Co. , Ltd.	800,000.00	
Total	38,800,000.00	39,025.00

The ending balance of dividend receivable increased 99323.45% compared with the period-begin, mainly due to the undue dividend receivable increased.

7. Other accounts receivable

(1) Classification

Items	30-06-2017				
	Balance		Provision for doubtful debts		Book value
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	73,453,183.67	100.00%	9,737,214.98	13.26%	63,715,968.69
Total	73,453,183.67	100.00%	9,737,214.98	13.26%	63,715,968.69

Continued:

Items	31-12-2016				
	Balance		Provision for doubtful debts		Book value
	Amount	Proportion	Amount	Proportion	
Bad debt provided on group basis	64,905,774.51	100.00%	7,648,317.94	11.78%	57,257,456.57
Total	64,905,774.51	100.00%	7,648,317.94	11.78%	57,257,456.57

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

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

Account ages	30-06-2017		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	50,710,555.19	2,535,527.75	5.00%
1 to 2 years	12,411,446.22	1,241,144.62	10.00%
2 to 3 years	2,893,148.67	867,944.60	30.00%
3 to 4 years	4,232,918.39	2,116,459.20	50.00%
4 to 5 years	1,144,881.94	915,905.55	80.00%
Over 5 years	2,060,233.26	2,060,233.26	100.00%
Total	73,453,183.67	9,737,214.98	

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

The bad debt provision has been accrued at the amount of 2,088,897.04 Yuan during the report period

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

(4) The nature of other accounts receivable

Items	30-06-2017	31-12-2016
Guarantee deposits	46,417,396.58	34,372,184.48
Petty cash	17,116,449.09	9,061,619.39
To or fro accounts	8,924,032.46	16,038,288.24
Others	995,305.54	5,433,682.40
Total	73,453,183.67	64,905,774.51

(5) Top 5 on amount of other accounts receivable

Companies	Contents	Amount	Ages	Proportion	Provision for bad debts
Shenyang Debao Hongtai Agricultural Development Co., Ltd.	Performance bonds	12,000,000.00	Less than 1 year	16.34%	600,000.00
Shenyang Debao Jia Hong Agricultural Technology Co., Ltd.	Performance bonds	10,000,000.00	Less than 1 year	13.61%	500,000.00
Nanjing Yurun Food Co., Ltd.	Debtor transferred to be collected	3,261,654.23	3-4 years	4.44%	1,630,827.12
Dalian Delta HK& China Gas Co., Ltd.	deposit	2,730,000.00	Less than 1 year, 2-3 years	3.72%	211,500.00
Jinzhou Dalian New District Building energy efficiency management office	deposit	1,586,623.95	1-2 years, 2-3 years, 3-4 years	2.16%	215,838.58
Total		29,578,278.18		40.27%	3,158,165.70

8. Inventories

(1) Costs

Items	30-06-2017			31-12-2016		
	Book balance	Provision for impairment of inventories	Book value	Book balance	Provision for impairment of inventories	Book value
Raw materials	131,956,143.02	990,009.06	130,966,133.96	94,663,862.81	1,070,944.56	93,592,918.25
Work-in-progress	87,001,304.70		87,001,304.70	88,255,287.69		88,255,287.69

Finished goods	113,514,766.93	320,000.00	113,194,766.93	92,718,030.69	320,000.00	92,398,030.69
Materials on consignment for further processing	4,583,972.92		4,583,972.92	2,353,515.43		2,353,515.43
Low-value consumptions	170,206.24		170,206.24	209,949.86		209,949.86
Self-manufactured semi-finished products	35,801,069.44		35,801,069.44	31,999,705.01		31,999,705.01
Constructing projects	41,294,420.07		41,294,420.07	40,729,017.13		40,729,017.13
Total	414,321,883.32	1,310,009.06	413,011,874.26	350,929,368.62	1,390,944.56	349,538,424.06

(2) Provision for impairment of inventories

Items	31-12-2016	Current year addition		Current year disposal			30-06-2017
		Provision	Others	Reversal	Written-off	Others	
Raw materials	1,070,944.56			80,935.50			990,009.06
Finished goods	320,000.00						320,000.00
Total	1,390,944.56			80,935.50			1,310,009.06

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

(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	

9. Other current assets

Items	30-06-2017	31-12-2016
Enterprise income tax prepaid	3,092.45	734,482.13
the pending VAT input tax	21,350,545.27	42,164,041.41
Prepaid expenses	417,040.14	355,521.38
Total	21,770,677.86	43,254,044.92

The closing balance of the Company's other current assets has reduced by 49.67% compared with the opening balance, mainly due to the pending VAT input tax has been transferred to accounts payable taxes from this account in current period.

10. Available for sale financial assets

Items	30-06-2017			31-12-2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Equity instruments available for sale	574,777,069.20	5,067,074.16	569,709,995.04	550,711,039.12	5,145,922.48	545,565,116.64
Measured by fair value	557,222,804.70	1,424,468.25	555,798,336.45	533,156,774.62	1,503,316.57	531,653,458.05
Measured by cost	17,554,264.50	3,642,605.91	13,911,658.59	17,554,264.50	3,642,605.91	13,911,658.59

Items	30-06-2017			31-12-2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Total	574,777,069.20	5,067,074.16	569,709,995.04	550,711,039.12	5,145,922.48	545,565,116.64

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

Items	Equity t instruments available for sale	Debt instruments available for sale	Total
Cost of Equity instrument/ amortized cost of debt instrument	27,098,895.00		27,098,895.00
The total amount of fair value change in other comprehensive income	530,123,909.70		530,123,909.70
Fair value	557,222,804.70		557,222,804.70
Provision for impairment	1,424,468.25		1,424,468.25

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

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

Continued:

Names	Provision for impairment				Cash dividends during the current period
	Beginning balance	Increased during current period	Decreased during current period	Ending balance	
Zibo Traction Motor Co., Ltd.	849,000.00			849,000.00	
Liaoning Mike Group Co., Ltd.					310,000.00
Guotai Junan Investment Management Co., Ltd.	2,688,605.91			2,688,605.91	
Thermo King Container Temperature Control (Suzhou) Co., Ltd.					
Liaoning Enterprises United Industry Company	105,000.00			105,000.00	
Total	3,642,605.91			3,642,605.91	310,000.00

On 26 June 2015, Guotai Junan Securities Co., Ltd. ("Guotai Junan" for short) listed on Shanghai Stock Exchange, stock code 601211; as for the 27,098,895 shares of Guotai Junan, the Company measured the shares on fair

value. The company received cash dividend 11,153,569.05 yuan within the period.

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

Categories	Equity instruments available for sale	Debt instruments available for sale	others	Total
The impairment at the beginning of current year	5,145,922.48			5,145,922.48
Decreased during current year	78,848.32			78,848.32
The impairment at the end of the year	5,067,074.16			5,067,074.16

11. Long-term equity investments

Name	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
I Associates											
Panasonic Refrigeration (Dalian) Co., Ltd.	157,425,641.15			-5,926,187.84			1,600,000.00			149,899,453.31	
Dalian Honjo Chemical Co., Ltd.	9,642,351.34			437,965.38			1,441,499.53			8,638,817.19	
Panasonic Cold-Chain (Dalian) Co., Ltd.	217,687,237.26			3,593,423.52			4,800,000.00			216,480,660.78	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	52,952,413.79			7,216,616.73						60,169,030.52	
Panasonic Compressor (Dalian) Co., Ltd.	484,003,393.99			18,719,311.78			38,000,000.00			464,722,705.77	
Dalian Bingshan Metal Technology Co., Ltd.		172,950,000.00		4,019,745.35						176,969,745.35	
Dalian Bingshan Group Management Consulting Co., Ltd.		39,200,000.00		-390,808.03						38,809,191.97	
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	13,018,792.05			-1,201,596.65						11,817,195.40	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	769,463.27			-241,707.36						527,755.91	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	160,787,194.81			17,547,723.62						178,334,918.43	
Jiangsu JingXue Insulation Technology Co., Ltd.	151,527,707.42			3,878,101.09						155,405,808.51	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	9,410,006.56			661,471.84						10,071,478.40	

Name	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period		
Wuhan Lan Ning Energy Technology Co., Ltd.	6,132,033.33			211,819.69					6,343,853.02	
Wuhan Skaff Power Control Equipment Co., Ltd	6,156,369.01			-913,484.47					5,242,884.54	
Panasonic cold machine system (Dalian) co., LTD	23,400,297.51			1,068,645.98					24,468,943.49	
subtotal	1,292,912,901.49	212,150,000.00		48,681,040.63			45,841,499.53		1,507,902,442.59	
Total	1,292,912,901.49	212,150,000.00		48,681,040.63			45,841,499.53		1,507,902,442.59	

1.The resolution of the 11th meeting of the 7th Board of Directors of the company agreed the company and Dalian Bingshan Group Co., Ltd. to jointly invest in the construction of the joint venture Dalian Bingshan Group Management Consulting Co., Ltd., the company invested RMB 49 million in cash, holding 49% stake. As of June 30, 2017, the company actually invested RMB 39.2 million in cash, holding 49% stake, Dalian Bingshan Group Management Consulting Co., Ltd. has officially started operating.

2.The resolution of the 12th meeting of the 7th Board of Directors of the company agreed the company to accept the transfer of 49% stake of Dalian Bingshan Metal Technology Co., Ltd. (“Bingshan Metal Technology”) held by Dalian Bingshan Group Co., Ltd. The price of this equity stake assigning was based on the assessed value of net assets of Bingshan Metal Technology issued by the third-party evaluation agency by taking December 31, 2016 as the base date, the price was determined to be RMB 172,950,000 after negotiated by both parties. As of June 30, 2017, the above equity transaction has been completed and the company hold 49% equity stake of Bingshan Metal Technology.

12. Investment property**(1)Investment property details**

Items	Buildings	Land-use-rights	Construction in progress	Total
1. Original value				
(1)Beginning balance	30,031,254.35			30,031,254.35
(2)Current year addition	144,777,219.55	24,391,511.82		169,168,731.37
Outsourcing				
Transferred from Inventories\Fixed asset-original cost\Construction in progress				
Enterprise merger increase				
Shareholders invest				
Transferred from other	144,777,219.55	24,391,511.82		169,168,731.37
(3)Current year disposal				
disposal				
Transferred to other				
(4)Ending balance	174,808,473.90	24,391,511.82		199,199,985.72
2.Accumulated depreciation				
(1)Beginning balance	1,425,601.41			1,425,601.41
(2)Current year addition	99,704,194.74	9,634,647.18		109,338,841.92
provision or amortization	1,046,304.82	121,957.56		1,168,262.38
Enterprise merger increase				
Transferred from other	98,657,889.92	9,512,689.62		108,170,579.54
(3)Current year disposal				
disposal				
Transferred to other				
(4)Ending balance				
3..Provision for impairment				
(1)Beginning balance				
(2)Current year addition				
provision or amortization				
Enterprise merger increase				
Transferred from other				
(3)Current year disposal				
disposal				
Transferred to other				
(4)Ending balance	101,129,796.15	9,634,647.18		110,764,443.33
4.Book value				
(1)Ending book value	73,678,677.75	14,756,864.64		88,435,542.39

Items	Buildings	Land-use-rights	Construction in progress	Total
(2)Beginning book value	28,605,652.94			28,605,652.94

(2) Investment property without owner's certificates

Items	Book value	Reasons
# 6 workshop building on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone	28,239,511.34	Final accounts uncompleted
Total	28,239,511.34	

(3) Explanation of investment property

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

On June 22, 2017, 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 City 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 total rent for the previous three years is RMB 20.34 million, of which the rent in 2017 is RMB 4.62 million, the rent in 2018 is RMB 7.86 million, and the rent in 2019 is RMB 7.86 million. From January 2020, the two parties will negotiate and determine the rent of the next three years according to the local market changes. The closing balance of the company's investment real estate increased by 209.15% compared with the opening balance, mainly due to the transferred-in leased fixed assets and intangible assets in the current period.

13. Fixed assets

(1) Fixed assets details

Items	Buildings	Machinery	Vehicles	Other equipments	Total
1. Original value					
(1)Beginning balance	451,766,766.84	515,351,153.65	23,073,454.57	48,512,512.27	1,038,703,887.33
(2)Current year addition	263,825,468.53	33,795,270.38	1,053,512.86	862,590.72	299,536,842.49
Purchased		1,761,538.22	1,053,512.86	708,121.09	3,523,172.17
Transferred from Construction in progress	263,825,468.53	32,033,732.16		154,469.63	296,013,670.32
Enterprises merger					
Shareholders investment					
Leased in from financing					
Other transferred in					
(3)Current year reduction	144,777,219.55	10,206,010.56	2,338,456.00	759,471.26	158,081,157.37
Disposal		10,206,010.56	2,338,456.00	759,471.26	13,303,937.82
Leased out from financing					
Other transferred out	144,777,219.55				144,777,219.55
(4)Ending balance	570,815,015.82	538,940,413.47	21,788,511.43	48,615,631.73	1,180,159,572.45
2. Accumulated depreciation					

Items	Buildings	Machinery	Vehicles	Other equipments	Total
(1)Beginning balance	155,865,048.40	320,193,873.95	14,385,210.12	36,696,181.24	527,140,313.71
(2)Current year addition	5,422,525.25	12,989,084.75	899,090.56	1,368,881.01	20,679,581.57
Provision	5,422,525.25	12,989,084.75	899,090.56	1,368,881.01	20,679,581.57
Enterprises merger increased					
Other transferred in					
(3)Current year disposal	98,657,889.92	9,834,024.33	1,903,661.01	685,496.64	111,081,071.90
Disposal		9,834,024.33	1,903,661.01	685,496.64	12,423,181.98
Leased out from financing					
Other transferred out	98,657,889.92				98,657,889.92
(4)Ending balance	62,629,683.73	323,348,934.37	13,380,639.67	37,379,565.61	436,738,823.38
3..Provision for impairment					
(1)Beginning balance		555,027.75			555,027.75
(2)Current year addition					
Withdrew					
Enterprises merger increase					
Other transferred in					
(3)Current year disposal					
Disposal					
Leased out from financing					
Other transferred out					
(4)Ending balance		555,027.75			555,027.75
4.Net Book value					
(1)Ending book value	508,185,332.09	215,036,451.35	8,407,871.76	11,236,066.12	742,865,721.32
(2)Beginning book value	295,901,718.44	194,602,251.95	8,688,244.45	11,816,331.03	511,008,545.87

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

(3) Fixed assets without owner's certificates

Items	Book value	Reasons
Buildings	106,604,362.94	Final accounts uncompleted
Total	106,604,362.94	

(4) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed RMB45,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights . Please refer to the note V.18.

The closing balance of the company's fixed assets increased by 45.37% compared with the opening balance, mainly due to the construction of some new plants in the current period shifting from the construction in progress to the fixed assets.

14. Project in construction

(1) Details

Items	Budget	Balance of 31-12-2016	Increased during current period	Transferred into fixed assets during current period	Other decrease d during current period	Balance of 30-06-2017	Sources of funds	Percenta ge of complet ion
Buildings renovation	351,685,931.96	250,913,095.82	46,929,387.56	263,825,468.53		34,017,014.85	Internally generated funds	95.15%
Machinery	128,974,211.93	70,072,395.96	34,861,151.10	32,033,732.16		72,899,814.90	Internally generated funds	87.68%
Other Equipments	1,104,701.13	661,185.00	65,261.94	154,469.63		571,977.31	Internally generated funds	65.76%
Total	481,764,845.02	321,646,676.78	81,855,800.60	296,013,670.32		107,488,807.06		

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

(3) Construction in process decreased 66.58% over that of last Period, mainly due to the construction of some new plants in the current period shifting from the construction in progress to the fixed assets.

15. Intangible assets

(1) Intangible assets details

Items	Land-use-rights	Non-Patents	Others	Total
1. Original value				
(1)Beginning balance	183,963,902.62	515,224.41	15,180,450.31	199,659,577.34
(2)Current year addition				
Purchase			1,486,182.97	1,486,182.97
Internal research and development			1,486,182.97	1,486,182.97
Enterprises merger increase				
Shareholders invest				
Other transferred in				
(3)Current year disposal	24,391,511.82		625,000.00	25,016,511.82
Disposal			625,000.00	625,000.00
Other transferred out	24,391,511.82			24,391,511.82
(4)Ending balance	159,572,390.80	515,224.41	16,041,633.28	176,129,248.49
2. Amortization				
(1)Beginning balance	37,791,708.77	515,224.41	6,638,431.64	44,945,364.82
(2)Current year addition	1,702,920.02		720,442.52	2,423,362.54
Provision	1,702,920.02		720,442.52	2,423,362.54
Enterprises merger increase				
Other transferred in				
(3)Current year disposal	9,512,689.62		250,815.00	9,763,504.62
Disposal			250,815.00	250,815.00

Items	Land-use-rights	Non-Patents	Others	Total
Other transferred out	9,512,689.62			9,512,689.62
(4)Ending balance	29,981,939.17	515,224.41	7,108,059.16	37,605,222.74
3.Provision for impairment				
(1)Beginning balance				
(2)Current year addition				
Withdraw				
Enterprises merger increase				
Other transferred in				
(3)Current year disposal				
Disposal				
Other transferred out				
(4)Ending balance				
4.Net book value				
(1)Ending book value	129,590,451.63		8,933,574.12	138,524,025.75
(2)Beginning book value	146,172,193.85		8,542,018.67	154,714,212.52

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

16. Goodwill

(1) The original value of the book

Items	31-12-2016	Increased during current period		Decreased during current period		30-06-2017
Dalian Universe Thermal Technology Co., Ltd.	1,440,347.92					1,440,347.92
Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd	310,451.57					310,451.57
Total	1,750,799.49					1,750,799.49

(2) Preparation for the impairment of Goodwill

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

In the year 2016, the company purchases shares of Dalian Security Leisure Industry Co., Ltd and gains control. The transferred price is based on the net asset of Dalian Security Leisure Industry Co., Ltd on June 30th 2016. Negotiated with Dalian Security Leisure Industry Co., Ltd's shareholder Security 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 Security Leisure Industry Company's identifiable net asset is 5,049,096.85 Yuan on the purchasing day, therefore, goodwill is 310,451.57Yuan on the purchasing date.

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

17. Long-term deferred expenses

Items	31-12-2016	Increased during current period	Amortized during current period	Other decrease	30-06-2017
Employee's dormitory use right	2,427,605.34		69,239.16		2,358,366.18
Renovation and rebuilding	681,294.43	94,339.62	396,089.84		379,544.21
royalty		1,867,125.00	93,356.25		1,773,768.75
House Rental	850,320.00		53,145.00		797,175.00
The Membership fee	489,500.00		8,250.00		481,250.00
Total	4,448,719.77	1,961,464.62	620,080.25		5,790,104.14

The closing balance of the company's long-term unamortized expenses increased by 30.15% compared with the opening balance, mainly due to the newly increased unamortized royalties in the current period.

18. Deferred income tax assets/Deferred income tax liabilities

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

Items	30-06-2017		31-12-2016	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for assets impairment	126,080,465.79	26,407,039.59	124,545,784.82	25,188,239.74
Equity incentive expenses	23,346,094.00	3,501,914.10	17,103,388.00	2,565,508.20
Total	149,426,559.79	29,908,953.69	141,649,172.82	27,753,747.94

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

Items	30-06-2017		31-12-2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of available for sale financial assets	530,123,909.70	79,518,586.46	504,557,879.67	75,683,681.95
Total	530,123,909.70	79,518,586.46	504,557,879.67	75,683,681.95

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

Items	30-06-2017	31-12-2016
Deferred liabilities tax assets	29,908,953.69	27,753,747.94
Deferred income tax liabilities	79,518,586.46	75,683,681.95

(4) Unconfirmed deferred income tax assets report

Items	30-06-2017	31-12-2016
Deductable temporary difference	48,871,511.03	44,617,762.47

Items	30-06-2017	31-12-2016
Deductable losses	48,935,108.44	48,249,177.63
Total	97,806,619.47	92,866,940.10

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

Items	30-06-2017	31-12-2016	Notes
2018	2,044,154.14	2,044,154.14	
2019	1,843,026.73	1,843,026.73	
2020	11,863,347.41	11,863,347.41	
2021	31,570,033.14	32,498,649.35	
2022	1,614,547.02		
Total	48,935,108.44	48,249,177.63	--

19. Short-term loans

Terms of loans	30-06-2017	31-12-2016
Mortgage loan	45,000,000.00	45,000,000.00
Credit loan	170,319,700.00	
Total	215,319,700.00	45,000,000.00

(1) Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short-term loan RMB45,000,000 from bank and mortgaged with its buildings, machinery and land-use-rights. (2) Short-term loans increased 378.49% over that of last Period, refers to investment for the Credit loan.

20. Notes payable

Items	30-06-2017	31-12-2016
Trade acceptance notes	13,413,061.15	7,834,155.50
Bank acceptance notes	168,008,145.61	186,728,579.29
Total	181,421,206.76	194,562,734.79

21. Accounts payable

Items	30-06-2017	31-12-2016
Payable for materials	770,312,387.48	654,656,986.02
Payable for projects	106,332,889.74	199,503,352.11
Payable for equipments	5,294,490.41	3,565,090.35
Total	881,939,767.63	857,725,428.48

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Wuhan Kaixing Development Co., LTD	10,940,816.75	Project is uncompleted contract is not finished
Heilongjiang Longleng Technology Co., LTD	9,413,290.00	Project is uncompleted contract is not finished
Binzhou Shanfu Refrigeration Engineering Co., LTD	6,566,526.22	Project is uncompleted contract is not finished
Wuhan Zhongwei explosive control system Co.,Ltd	5,791,095.00	Project is uncompleted contract is not finished
BAC (Dalian) Co.,Ltd	5,250,040.00	Project is uncompleted contract is not finished
Total	37,961,767.97	Project is uncompleted contract is not finished

22. Accounts received in advance

(1) Details

Items	30-06-2017	31-12-2016
Advances on sales	143,969,111.21	150,098,892.29
Total	143,969,111.21	150,098,892.29

(2) Accounts received in advance aged over 1 year

Items	30-06-2017	Reasons
Jiangsu Ruixiang Chemical Co., Ltd.	2,023,581.40	Unsettled contract payments on sets projects
Total	2,023,581.40	

23. Payroll payable

(1) Details

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
Short-term salary	50,256,392.86	142,125,397.17	165,187,800.52	27,193,989.51
Departure welfare-defined contribution plans		18,822,599.61	18,822,599.61	
Termination benefits		41,091.97	41,091.97	
Total	50,256,392.86	160,989,088.75	184,051,492.10	27,193,989.51

(2) Short-term salary

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
1. Wages and salaries, bonuses, allowances and subsidies	33,496,485.39	112,058,251.53	133,214,933.87	12,339,803.05
2. Staff welfare	14,173,682.87	4,769,939.82	6,411,289.76	12,532,332.93
3. Social insurance		8,963,398.63	8,963,398.63	
Including: ① Medical insurance		7,069,743.07	7,069,743.07	
② Work-related injury insurance		985,144.14	985,144.14	
③ Material insurance		908,511.42	908,511.42	

④Housing subsidies				
4. Housing funds	1,575,760.60	14,340,461.54	14,415,946.26	1,500,275.88
5.Labor union fund and employee education fee	1,010,464.00	1,993,345.65	2,182,232.00	821,577.65
6. Non-currency welfare				
Total	50,256,392.86	142,125,397.17	165,187,800.52	27,193,989.51

(3) Defined contribution plans

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
Basic retirement pension		17,198,807.22	17,198,807.22	
Unemployment insurance		574,821.01	574,821.01	
Enterprise annuity		1,048,971.38	1,048,971.38	
Total		18,822,599.61	18,822,599.61	

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

There was no amount delay paid at the end of the current year. The ending balance of wages payable decreased 45.89% over that of period-begin, mainly because the year-end bonus for year of 2016 are paid in the Period.

24. Taxes payable

Items	30-06-2017	31-12-2016
Value-added tax	6,358,777.78	7,478,219.16
Business tax		
Enterprise income tax	6,589,699.75	7,007,154.72
Individual income tax	578,359.76	494,374.71
City maintenance and construction tax	485,819.98	520,432.62
Property tax	893,491.20	542,956.99
Land use tax	553,224.98	553,224.98
Education surtax	337,439.59	371,260.24
Local education surtax		
Water project fund/River route maintenance fee	323.58	1,131,727.59
Safeguard fund for disables	460.00	580.00
Non-resident enterprise income tax	707,030.62	
Stamp duty	103,878.04	305,158.47
Total	16,608,505.28	18,405,089.48

25. Dividend payable

Name of investors	30-06-2017	31-12-2016	Reasons
Ordinary share dividend	863,516.60	863,516.60	

Total	863,516.60	863,516.60	
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26. Other accounts payable**(1) Details**

Items	30-06-2017	31-12-2016
Obligation of restricted shares buy-back	67,615,856.00	67,615,856.00
Loan from non-financial institutes	5,640,000.00	6,700,000.00
Cash pledge and security deposit	9,455,099.21	8,601,269.21
Apply for reimbursement and unpaid	14,250,164.16	17,087,595.92
Cash from related parties	92,261,255.10	791,951.65
Receipts under custody	8,738,214.01	12,237,893.26
Others	373,781.00	2,286,168.76
Total	198,334,369.48	115,320,734.80

(2) Major amount aging over 1 year

Name of investors	30-06-2017	Unpaid reason
Restricted share buy back	16,930,200.00	Not reach the return condition of contract
Total	16,930,200.00	

The closing balance of the company's other payables increased by 71.99% compared with the opening balance, mainly because the equity transferred money that the company should pay to the related parties in the current period has not reached the payment period.

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

Items	30-06-2017	31-12-2016
Guarantee loan	160,000,000.00	
Total	160,000,000.00	

Guokaifazhan 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 0.16 billion Yuan with 10year's expiration at 1.2% rate. Once the fund arrives, Bingshan Group will give 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 in the form, but it is for the company itself in nature.

28.Deferred revenue

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017	Reasons
Associated with assets	52,906,670.77	31,000,000.00	832,836.00	83,073,834.77	
Associated with earnings	4,489,948.23		4,489,948.23		
Total	57,396,619.00	31,000,000.00	5,322,784.23	83,073,834.77	--

Subsidy from government

Liabilities	31-12-2016	Increased during current period	Converted to non-business incomes during current period	Other decrease	30-06-2017	Notes
Subsidy fund for highly effective heat pump and related system	3,152,624.00		275,836.00		2,876,788.00	Associated with the asset
Contribution to subsidiary company relocation	44,560,000.00		557,000.00		44,003,000.00	Associated with the asset
Environmental saving energy efficient refrigeration compressor technology industrialization project		31,000,000.00			31,000,000.00	Associated with the asset
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	5,194,046.77				5,194,046.77	Associated with the asset
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	4,489,948.23		4,489,948.23			Associated with earning
Total	57,396,619.00	31,000,000.00	5,322,784.23		83,073,834.77	

The closing balance of the Deferred revenue increased by 44.74% compared with the opening balance, mainly because the Subsidy from government increased.

29.Share capitals

items	Shares (before change)		Changes	Shares (after change)	
	number	proportion		number	proportion
I. Non-circulating share capital with restricted trade conditions	82,340,713	13.46%	-55,246,643	27,094,070	3.16%
Executive lock stock	154,117	0.02%	+2,507,853	2,661,970	0.31%
Restricted stock after starting	58,645,096	9.59%	-58,645,096	0	0
Equity incentive restricted stock	23,541,500	3.85%	+890,600	24,432,100	2.85%
II. Circulating share capital	529,435,845	86.54%	+299,957,266	829,393,111	96.84%
1. Domestically listed ordinary shares	356,935,845	58.34%	+230,957,266	587,893,111	68.64%
2. Domestically listed foreign shares	172,500,000	28.20%	+69,000,000	241,500,000	28.20%
III. Total shares	611,776,558	100%	244,710,623	856,487,181	100%

30 .Capital surpluses

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
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Capital premium	968,436,962.45		300,860,623.00	667,576,339.45
Other capital surplus	84,249,811.80	6,242,706.00		90,492,517.80
Total	1,052,686,774.25	6,242,706.00	300,860,623.00	758,068,857.25

Share premium decreased because the company 2016 annual equity apportion, which increased 4 shares by every 10 shares of capital reserve RMB 244,710,623.00, refer to note VI.29 share capital for details, others is the adjustment of Business combination under the same control.

Other capital reserve is the expense for share incentive plan.

31. Treasury stock

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
Implementation of equity incentive to buy back	67,615,856.00			67,615,856.00
Total	67,615,856.00			67,615,856.00

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

32. Other comprehensive income

Items	31-12-2016	2017.01-06					30-06-2016
		Amount for the period before income tax	*	Less: income tax	After-tax attribute to the parent company	**	
I. Later can't reclassified into profit and loss of other comprehensive income							
II. Later reclassified into profit and loss of other comprehensive income							
	431,639,323.52	45,079,646.64		23,612,187.15	21,467,459.49		453,106,783.01
1. Later reclassified into profit and loss of other comprehensive income of long term investments accounting by equity method	2,765,125.85			263,666.08	-263,666.08		2,501,459.77
2. Changes in fair value recognized in gains and losses of the available-for-sale financial assets	428,874,197.67	45,079,646.64		23,348,521.07	21,731,125.57		450,605,323.24
3. Foreign currency translation differences of financial statements							
Total	431,639,323.52	45,079,646.64		23,612,187.15	21,467,459.49		453,106,783.01

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

**After-tax attribute to minority shareholder

33. Special reserve

Items	31-12-2016	Increased during current year	Decreased during current year	30-06-2017
Safety production expenses		1,008,404.87	1,008,404.87	
Total		1,008,404.87	1,008,404.87	

34. Surplus reserves

Items	31-12-2016	Increased during current period	Decreased during current period	30-06-2017
Statutory surplus reserves	299,882,056.06			299,882,056.06
Discretionary surplus reserve	320,696,791.46	29,208,229.69		349,905,021.15
Total	620,578,847.52	29,208,229.69		649,787,077.21

The increase of the surplus reserves were because the other reserved capital RMB29.208 million-yuan was withdrawn on the basis of 20% of the company's net profit of 2016 according to the resolution of the General Meeting of Shareholders of year 2016.

35. Retained earnings

Items	30-06-2017	30-06-2016
Retained earnings at the end of prior year	652,022,101.57	525,925,066.25
Add: Changes in accounting policies		19,688,488.45
At beginning of the year after retrospective adjustment	652,022,101.57	545,613,554.70
Add: Net profit of the current period	98,260,163.09	70,632,718.91
Less: Appropriation of statutory surplus reserves	29,208,229.69	25,204,992.51
Appropriation of discretionary surplus reserve		
Appropriation of employee's welfare and bonus fund in foreign invested company		
Cash dividends		
Dividends payable for common shares	61,177,655.80	36,016,497.50
Retained earnings at the end of the current period	659,896,379.17	555,024,783.60

36. Total operating income and operating cost

(1) Total operating income and cost

Items	2017-01-06		2016-01-06	
	Income	Cost	Income	Cost
Key business	987,663,610.92	810,698,503.30	823,094,880.95	664,134,841.00
Other business	14,715,106.58	6,583,401.75	7,779,118.70	4,129,943.49
Total	1,002,378,717.50	817,281,905.05	830,873,999.65	668,264,784.49

37. Taxes and surcharges

Items	2017.01-06	2016.01-06
Business tax		1,586,176.90

City maintenance and construction tax	1,351,623.47	2,750,214.17
Education surtax	935,946.75	1,956,366.97
Dike maintenance fee	356.44	
Property tax	2,730,790.28	
Land use tax	2,450,463.10	
Stamp duty	694,759.27	
Vehicle and vessel tax	13,227.64	
Others		64,958.38
Total	8,177,166.95	6,357,716.42

38. Selling and distribution expenses

Items	2017.01-06	2016.01-06
Handle official business expenses	5,090,769.03	8,471,788.53
Salaries and subsidies	14,995,121.09	12,327,952.20
Depreciation expenses	171,586.90	209,599.16
Transportations expenses	8,587,934.72	5,813,487.27
Entertainment expenses	3,460,760.50	2,191,836.31
Traveling expenses	5,842,912.55	9,026,118.33
Maintenance and repair expenses	4,104,855.06	3,160,120.03
Advertisement and bids expenses	974,753.15	479,824.80
Others	625,718.28	671,149.94
Total	43,854,411.28	42,351,876.57

39. Administrative expenses

Items	2017.01-06	2016.01-06
Handle official business expenses	8,006,866.58	7,146,899.08
Salaries and subsidies	65,086,729.83	60,828,792.46
Depreciation expenses	4,057,494.71	4,619,430.91
Transportations expenses	0.00	149,474.47
Entertainment expenses	1,596,655.13	1,618,368.71
Traveling expenses	4,429,526.62	5,052,846.07
Maintenance and repair expenses	3,083,226.59	2,436,829.51
Advertisement expenses	270,057.65	97,363.40
Other taxes and fees	165,543.62	6,302,663.17
Insurance expenses	520,621.31	529,161.15
Research and development expenses	13,622,171.89	12,447,488.02
Amortization of long term assets	2,446,577.27	2,460,670.57
Design consultant and test service expenses	3,321,476.03	2,599,058.70
Safety production fees	1,613,203.82	1,218,456.35
Others	1,346,672.83	643,288.90
Total	109,566,823.88	108,150,791.47

40. Financial expenses

Items	2017.01-06	2016.01-06
Interest expenses	3,373,803.53	3,530,211.72
Less: Interest income	1,290,291.01	1,491,672.49

Losses on exchange(Less: Gain on exchange)	-164,598.81	-1,344,743.50
Other expenses	1,075,814.23	838,037.88
Total	2,994,727.94	1,531,833.61

The company's current financial expenses increased by 95.50% compared with the previous period, mainly due to the increase in exchange losses in the current period.

41. Impairment losses

Items	2017.01-06	2016.01-06
Provision for bad debts	10,239,188.82	11,009,110.70
Provision for obsolete inventories		
Provision for the impairment of available-for-sale financial assets		
Provision for the impairment of held to maturity investments		
Provision for the impairment of long-term equity investments		
Provision for the impairment of investing property		
Provision for the impairment of fixed assets		
Provision for the impairment of construction materials		
Provision for the impairment of construction in progress		
Provision for the impairment of bearer biological assets		
Provision for the impairment of oil assets		
Provision for the impairment of intangible assets		
Provision for the impairment of goodwill		
Provision for the impairment of other assets		
Total	10,239,188.82	11,009,110.70

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

42. Gain/ (loss) from investment

(1) Details

Items	2017.01-06	2016.01-06
Calculated by equity method	48,681,040.63	59,987,593.85
Calculated by cost method		
Gain from disposal long-term equity investment	263,666.08	
Gain from holding of financial assets available for sale	11,463,569.05	15,961,425.40
Gain from disposal financial assets available for sale	27,467,019.93	
Total	87,875,295.69	75,949,019.25

43. Non-business incomes

(1)Details

Items	2017.01-06	2016.01-06	The amount recorded in non-recurring gains and losses of current period
Gain on the disposal of non-current assets	143,329.77	64,284.56	143,329.77
Penalty and fine income	329,371.34	188,975.90	329,371.34
Subsidy fund from government			
Deferred income			
Government grants	6,355,937.98	7,459,757.74	5,523,101.98
Debts need not paid			
Others	2,327.66	14,409.73	2,327.66

Total	6,830,966.75	7,728,227.93	5,998,130.75
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(2) Subsidy fund from government

Items	2017.01-06	2016.01-06	Explanations
Small and medium enterprises international market development funds	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	52,000.00	30,000.00	Related to gain
R22 replacement subsidy	4,489,948.23	5,533,711.00	Related to gain
Taxes refund	1,115.75	1,063,210.74	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	275,836.00	Related to Asset
Contribution to subsidiary company relocation	557,000.00	557,000.00	Related to Asset
Total	6,355,937.98	7,459,757.74	

44. Non-business expenses

Items	2017.01-06	2016.01-06	The amount recorded in non-recurring gains and losses of current period
Loss on the disposal of non-current assets	15,476.77	189,436.67	15,476.77
Fines and penalties		50.00	
Outward donation	10,000.00	60,000.00	10,000.00
Others	42,399.10	34,537.82	42,399.10
Total	67,875.87	284,024.49	67,875.87

The non-operation expenditure decreased 76.10% over that of last period, mainly due to the decrease in losses of the Company's non-current assets disposal in current period.

45. Income tax expenses

(1) Details:

Items	2017.01-06	2016.01-06
Current income tax expense	8,316,752.04	6,987,420.74
Deferred income tax expense	-2,155,205.75	-1,449,450.41
Total	6,161,546.29	5,537,970.33

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

Items	2017.01-06
Total profits	104,902,880.15
Current income tax expense accounted by tax and relevant regulations	15,735,432.02
Influence of different tax rate suitable to subsidiary	3,289,822.49
Influence of income tax before adjustment	-227,549.47
Influence of non taxable income	-13,076,044.64
Influence of not deductible costs, expenses and losses	-516,760.09
Influence of deductible losses of deferred income tax assets	

Items	2017.01-06
derecognized used in previous period	
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	956,645.98
Income tax expenses	6,161,546.29

46. Other comprehensive income

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

47. Relevant information about cash flow statement

(1) Other cash received relating to operating activities

Items	2017.01-06	2016.01-06
Government grants	32,111,189.00	6,221,088.91
Received travel expense receivable	1,184,760.87	1,414,024.35
Deposit received	9,873,997.27	5,013,079.16
Received amount paid on behalf of related companies	142,350.94	1,060,540.84
interest income	2,035,021.82	918,887.36
Others	2,294,063.84	7,536,256.32
Total	47,641,383.74	22,163,876.94

(2) Other cash paid relating to operating activities

Items	2017.01-06	2016.01-06
Borrowing of travel expense	6,984,829.71	5,315,059.64
Deposit paid	13,346,261.60	16,553,871.66
Expenditure	55,759,234.64	44,419,343.39
Bank handling charges	1,075,814.23	838,037.88
Others	1,402,529.43	3,125,968.44
Total	78,568,669.61	70,252,281.01

(3) Cash receipts related to other financing activities

Items	2017.01-06	2016.01-06
Guarantee money took back	21,576,815.56	20,665,689.93
The dividend of odd lots		45,137.75
Total	21,576,815.56	20,710,827.68

(4) Other cash paid relating to financing activities

Items	2017.01-06	2016.01-06
Interests on discount of bill acceptance		
Guarantee money paid	24,206,200.89	10,121,261.17
Total	24,206,200.89	10,121,261.17

48. Complementary information for consolidated cash flow statement

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

Items	2017.01-06	2016.01-06
1. Reconciliation from the net profit to the cash flows from operating activities		
Net profit	98,741,333.86	71,063,138.75
Add: Provisions for assets impairment	10,239,188.82	11,009,110.70
Depreciation of fixed assets	21,725,886.39	20,111,817.57
Amortization of intangible assets	2,545,320.10	2,481,329.09
Amortization of long-term deferred expenses	620,080.25	773,999.86
Losses on disposal of fixed assets, intangible assets and other long-term assets	-143,329.77	-64,284.56
Losses on scrapping of fixed assets	15,476.77	189,436.67
Losses on variation of fair value		
Finance expenses	4,049,571.32	2,809,336.10
Investment losses	-87,875,295.69	-75,949,019.25
Decrease in deferred tax assets	-2,155,205.75	-1,451,002.74
Increase in deferred tax liabilities		
Decrease in inventory	-63,392,514.70	-15,688,451.44
Decrease in operating receivables	74,646,238.82	12,219,096.24
Increase in operating payables	-213,836,998.32	-83,039,729.88
Others	6,242,706.00	4,266,684.00
Net cash flows from operating activities	-148,577,541.90	-51,268,538.89
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Net increase in cash and cash equivalents		
Cash at the end of the period	691,238,822.98	255,381,841.47
Less: Cash at the beginning of the period		
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-248,795,325.48	679,769,831.26

(2) Cash and cash equivalents

Items	2017.01-06	2016.01-06
1.Cash	442,443,497.50	691,238,822.98
Including: cash on hand	49,426.13	83,511.72
Bank deposits that can be used for payment whenever necessary	442,394,071.37	935,068,161.01
Other monetary capital that can be used for payment whenever necessary		
2.Cash equivalents		
Including: Bonds mature within 3 months		
3.Balance of cash and cash equivalents at the end of the current period	442,443,497.50	691,238,822.98
Including: Cash or cash equivalents which was restricted in use of the Company and subsidiaries in the group		

49. The assets with the ownership or use right restricted

Items	30-06-2017	Reasons
Monetary fund	26,606,200.89	Guarantee money
Notes Receivable	13,147,517.83	Pledge
Fixed assets	72,766,981.60	Mortgage Loan
Intangible assets	51,878,902.00	Mortgage Loan
Total	164,399,602.32	

50. Foreign currency monetary items

Items	Ending balance of Original currency	Exchange rate	Ending balance of RMB equivalent
Monetary fund			19,765,862.99
Included: USD	2,625,475.57	6.7744	17,786,021.70
JPY	30,719,929.00	0.060485	1,858,094.91
EUR	3,752.54	7.7496	29,080.68
GBP	10,512.99	8.8144	92,665.70
Accounts receivable			910,698.17
Included: GBP	103,319.36	8.8144	910,698.17
Accounts payable			320,837.81
Included: GBP	36,399.28	8.8144	320,837.81

VIII. Changes of consolidation scope

This year, there are 2 more entities were included in the scope of consolidation, Dalian Bingshan Engineering & Trading Co., Ltd. and Chengdu Bingshan Refrigeration Engineering Co., Ltd.

On February 15, 2017, the company's board of directors decided to accept the transfer of 76% equity stake of Dalian Bingshan Engineering and Trading Co., Ltd., the company's former associated company, after the acceptance of this transfer, Dalian Bingshan Engineering and Trading Co., Ltd. became a wholly-owned subsidiary of the company. As of June 30, 2017, the above equity transaction has been completed. Therefore, the company held 100% equity stake of Dalian Bingshan Engineering and Trading Co., Ltd. when establishing the consolidated statements of current period. As Dalian Bingshan Engineering and Trading Co., Ltd. is also a subsidiary of the parent company Dalian Bingshan Group Co., Ltd., the company has merged the subsidiary Dalian Bingshan Engineering and Trading Co., Ltd. by the same control in current period, when establishing the consolidated balance sheet, adjusted the beginning data of relevant projects of consolidated balance sheet, and also adjusted the comparable data of the corresponding period when establishing the income statements and cash flow statements.

The Board of Directors of the company's subsidiary Dalian Bingshan Group Engineering Co., Ltd. decided Dalian Bingshan Group Engineering Co., Ltd. and Chengdu New World Refrigeration Equipment Engineering Co., Ltd. jointly invest and build a joint venture Chengdu Bingshan Refrigeration Engineering Co., Ltd., Dalian Bingshan Group Engineering Co., Ltd. invested RMB 5.1 million in cash, holding 51% stake. As of June 30, 2017, Chengdu Bingshan Refrigeration Engineering Co., Ltd. has officially started operating.

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

IX. Equity in other entities

1. Equity in subsidiary**(1) The structure of the enterprise group**

Name of subsidiaries	Main business address	Registered address	Business nature	Shareholding (%)		Obtaining method
				Direct	Indirect	
Dalian Bingshan Group Engineering Co., Ltd.	Dalian	Dalian	Installation	100		Establish
Dalian Bingshan Group Sales Co., Ltd.	Dalian	Dalian	Trading	100		Establish
Dalian Bingshan Air-Conditioning Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	70		Establish
Dalian Bingshan Guardian Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Establish
Bingshan Technical Service (Dalian) Co., Ltd.	Dalian	Dalian	Services	100		Establish
Dalian Xinminghua Electrical Technology Co., Ltd	Dalian	Dalian	Electronic	100		Merger
Dalian Universe Thermal Technology Co., Ltd	Dalian	Dalian	Manufacturing	55		Merger
Dalian Bingshan Engineering & Trading Co., Ltd.	Dalian	Dalian	Trading	100		Business combination under the same control
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Installation		51	Establish
Wuhan New World Refrigeration Air-Conditioning Engineering Co., Ltd.	Wuhan	Wuhan	Installation		100	Establish
Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd	Ningbo	Ningbo	Installation		51	Establish
Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd	Dalian	Dalian	Installation		100	Merger
Shanghai Bingshan Technical Service Co., Ltd	Shanghai	Shanghai	Services		51	Establish

①All the holding proportion in subsidiaries were the same with voting proportion;

②The company held over 50% voting proportion in subsidiaries;

③ The company could control these subsidiaries;

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

2. The transaction of the company with its owner's equity share changed but still controlling the subsidiary None

3. Equity in joint venture arrangement or associated enterprise**(1)The important of joint ventures or affiliated companies**

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding		Accounting methods
				Direct	Indirect	
Affiliated companies:						
Jiangsu Jingxue Freezing Equipment Co., Ltd.	Changzhou	Changzhou	Manufacturing	29.21		Equity method
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Dalian	Dalian	Manufacturing	49		Equity method

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Name of joint ventures or affiliated companies	Main business	Registered address	Business nature	Shareholding		Accounting methods
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	20		Equity method

(2) The main financial information of affiliated companies

Items	30-06-2017/2017.01-06	
	Dalian Fuji Bingshan Vending Machine Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd
Current assets	284,226,106.45	1,528,671,190.72
Non-current assets	177,888,323.10	340,267,396.08
Total assets	462,114,429.55	1,868,938,586.80
Current liabilities	91,173,704.99	703,062,378.70
Non-current liabilities	7,454,542.66	
Total liabilities	98,628,247.65	703,062,378.70
Minority interests		
Equity to the parent company	363,486,181.90	1,165,876,208.10
Net assets calculated according to the shareholding proportions	178,108,229.13	466,350,483.24
Goodwill		
Others	226,689.30	-1,627,777.47
Adjusting events		
\		
—Unrealized profits of insider tradings		
—Employee's welfare and bonus fund in foreign invested company		
Book value of equity investment of affiliated companies		
Fair value of equity investment with public offer	178,334,918.43	464,722,705.77
Operating income	281,314,832.40	740,643,397.50
Net profit	35,811,680.85	50,867,695.06
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income	35,811,680.85	50,867,695.06
The current dividends received from joint ventures		

Continued:

Items	31-12-2016/2016.01-06			
	Jiangsu JingXue Insulation Technology Co.,Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd
Current assets	544,766,000.08	280,972,490.97	324,274,111.23	1,368,463,901.88
Non-current assets	190,982,542.93	151,754,975.82	86,150,062.42	350,108,180.41
Total assets	735,748,543.01	432,727,466.79	410,424,173.65	1,718,572,082.29
Current liabilities	349,389,866.24	101,199,564.85	145,662,104.80	495,843,809.25

Items	31-12-2016/2016.01-06			
	Jiangsu JingXue Insulation Technology Co.,Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd
Non-current liabilities	3,963,050.80	3,853,400.89		
Total liabilities	353,352,917.04	105,052,965.74	145,662,104.80	495,843,809.25
Minority interests	432,553.72			
Equity to the parent company	381,963,072.25	327,674,501.05	264,762,068.85	1,222,728,273.04
Net assets calculated according to the shareholding proportions	111,579,052.67	160,560,505.51	52,952,413.79	489,091,309.22
Goodwill	39,948,654.75			
Others		226,689.30		-5,087,915.23
Adjusting events				
—Unrealized profits of insider tradings				
—Employee's welfare and bonus fund in foreign invested company				
Book value of equity investment of affiliated companies	151,527,707.42	160,787,194.81	52,952,413.79	484,003,393.99
Fair value of equity investment with public offer	177,659,054.68	285,818,272.42	396,083,571.29	835,196,599.56
Operating income	12,099,008.34	37,816,382.72	48,536,947.22	83,524,856.04
Net profit				
Net profit of discontinuing operation				
Other comprehensive income				
Total comprehensive income	12,099,008.34	37,816,382.72	48,536,947.22	83,524,856.04
The current dividends received from joint ventures	5,842,400.00		14,200,000.00	

(4) Summary financial information of insignificant affiliated companies

Items	30-06-2017/2017.01-06	31-12-2016/2016.01-06
Total book value of investment of affiliated companies	864,844,818.39	443,642,191.48
The total of following items according to the shareholding proportions	--	--
Net profit	53,747,796.11	-6,506,223.17
Other comprehensive income		
Total comprehensive income	53,747,796.11	-6,506,223.17

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

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

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

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

X. The risk related financial instruments

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

Objectives and policies of each risk management

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

(1) Market risk

1) Exchange rate risk

Most of the company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD,JPY,HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the company didn't agree any forward foreign exchange contract or currency swap contract .As at 30 June 2017, the company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	30-06-2017				
	USD	JPY	EUR	GBP	Total
Foreign currency financial assets,					
Monetary fund	17,786,021.70	1,858,094.91	29,080.68	92,665.70	19,765,862.99
accounts receivable				910,698.17	910,698.17
Subtotal	17,786,021.70	1,858,094.91	29,080.68	1,003,363.87	20,676,561.16
Foreign currency financial liability					
Accounts payable				320,837.81	320,837.81
Subtotal				320,837.81	320,837.81

The sensitive analysis:

As at June 30, 2017, because the company's foreign currency assets or liabilities were small, the change of foreign exchange rate had little impact to the company's net profit or shareholders' equity.

2) Interest rate risk

The interest risk of the Group incurred from bank loan, risk of a floating interest rate of financial liabilities that lead to the company facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the company facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. The company and Dalian Bingshan Group Co.,Ltd borrowed long term loan RMB 160,000,000.00 with fixed interest rate. The subsidiary of the company Wuhan New World Refrigeration Industrial Co., Ltd. borrowed short term loan RMB 45,000,000.00 with fixed interest rate. the subsidiaries of the Company Dalian Bingshan Engineering & Trading Co., Ltd has Short-term loans 1.5 million USD, exchange RMB 10.3197 million, loan with fixed exchange rate and 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 June 30, 2017, base on the assumption of interest rate change of 50 BP, the company's net profit will increase or decrease RMB 1,193.1 thousand Yuan

(2) Credit risk

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

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

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

As at 30 June 2017, the top five customers of receivable accounts represent 17.21% of total accounts receivable, and as at 31st December 2016 that was 19.15%.

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

2. Liquidity risk

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

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

As at June 30, 2017, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following:

Closing balance					
Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	469,049,698.39				469,049,698.39
Notes receivable	134,782,598.58				134,782,598.58
Accounts receivable	903,229,293.38				903,229,293.38
Other Receivable	63,715,968.69				63,715,968.69
Available for sale financial asset				569,709,995.04	569,709,995.04
Financial Liabilities					
Short-term loan	215,319,700.00				215,319,700.00
Notes Payable	181,421,206.76				181,421,206.76
Accounts payable	881,939,767.63				881,939,767.63
Other payable	198,334,369.48				198,334,369.48
Employee's payable	27,193,989.51				27,193,989.51

Closing balance					
Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Long-term loan	160,000,000.00				160,000,000.00
Tax payable	16,608,505.28				16,608,505.28
Dividend payable	863,516.60				863,516.60

(Continued)

Opening balance					
Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	715,215,638.54				715,215,638.54
Notes receivable	126,408,249.59				126,408,249.59
Accounts receivable	807,109,959.54				807,109,959.54
Other Receivable	57,257,456.57				57,257,456.57
Available for sale financial asset				545,565,116.64	545,565,116.64
Financial Liabilities					
Short-term loan	45,000,000.00				45,000,000.00
Notes Payable	194,562,734.79				194,562,734.79
Accounts payable	857,725,428.48				857,725,428.48
Other payable	115,320,734.80				115,320,734.80
Employee's payable	50,256,392.86				50,256,392.86
Long-term loan	160,000,000.00				160,000,000.00
Tax payable	18,405,089.48				18,405,089.48
Dividend payable	863,516.60				863,516.60

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

As at 30 June,2017,some equity investments of available-for-sale financial assets were measured at the fair value.

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

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

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

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

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

Items	Fair value at the end of current year			
	First level	Second level	Third level	Total
Sub-total of available for sale financial assets	555,798,336.45			555,798,336.45
Debt instrument investment				

Items	Fair value at the end of current year			
	First level	Second level	Third level	Total
Equity instrument investment	555,798,336.45			555,798,336.45
Other investment				
Total assets	555,798,336.45			555,798,336.45

3.Determined on the basis of continuous first level for fair value measurement according to the closed price of stock market as at 30 June,2017.

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

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

XII. Related Parties Relationships and Transactions

1. Information of the company's parent company

Name of enterprise	Registered address	Nature of business	Registered capital	The parent company's shareholding	The parent company's voting right
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	158,580,000.00	19.96%	19.96%

(1) Information of the company's parent company

Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.106, Liaohe East Road, Dalian Economic and Technological Development Zone The legal representative of Dalian Bingshan Group Co., Ltd. is Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope include research, development, manufacture, sales, service and instalment of refrigeration equipment, cooling and freezing equipement, 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) There is no ultimate controller of the Company.

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

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

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

Names of the joint ventures or affiliated companies	Relationships with the Company
Panasonic Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Cold-chain (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic compressor (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Honjo Chemical Co., Ltd	Affiliated company of the Company
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Bingshan Metal Technology Co., Ltd.	Affiliated company of the Company
Dalian Bingshan Group Management Consulting Co., Ltd.	Affiliated company of the Company

Names of the joint ventures or affiliated companies	Relationships with the Company
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd	Affiliated company of the Company
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	Affiliated company of the Company
Jiangsu JingXue Insulation Technology Co., Ltd	Affiliated company of the Company
Panasonic Cooling Machine system (Dalian) co., LTD	Affiliated company of the Company
Wuhan Lanning Science and Technology Co., Ltd.	Affiliated company of the Company's wholly owned subsidiary
Wuhan Skaff Technology Co., Ltd.	Affiliated company of the Company's wholly owned subsidiary

4. Other type of the related parties

Names of the related parties	Relationships with the Company
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Third Refrigeration Equipment Factory	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	Affiliated company of the Bingshan Group's subsidiary
Dalian Bingshan Wisdom Park Co., Ltd.	Affiliated company of the Bingshan Group's subsidiary
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC Dalian Co., Ltd	Affiliated company of Dalian Bingshan Group

5. The transactions between the Company and the related parties

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

(2) Purchases of goods from related parties

Names of the related parties	Details of transaction	2017.01-06	2016.01-06
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	20,283,928.38	16,360,358.86
Panasonic Cold-chain (Dalian) Co., Ltd.	Purchases of goods	21,060,420.38	50,006,901.04
Panasonic Compressor (Dalian) Co., Ltd.	Purchases of goods	1,772,307.69	492,916.24
Panasonic Cooling Machine system (Dalian) co., Ltd.	Purchases of goods	33,681,412.84	
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods		252,850.67
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	1,830,673.50	2,395,299.17
BAC Dalian Co., Ltd	Purchases of goods	14,369,238.45	14,214,924.03
Dalian Bingshan Metal Technology Co., Ltd.	Purchases of goods	106,572.72	135,866.73
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Purchases of goods		735,876.07
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	6,161,340.61	3,841,789.36
Jiangsu JingXue Insulation Technology Co., Ltd	Purchases of goods	13,055,394.04	4,760,451.36
Wuhan Lanning Science and Technology Co., Ltd.	Purchases of goods	9,362,494.13	
Dalian Third Refrigeration Equipment Factory	Purchases of goods	2,702,324.21	2,110,864.07
Total		124,386,106.95	95,308,097.60

Sales of goods to related parties

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Names of the related parties	Details of transaction	2017.01-06	2016.01-06
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	49,668,501.13	21,582,100.94
Panasonic Cold-chain (Dalian) Co., Ltd.	Sales of goods	70,986,986.56	69,912,571.09
Panasonic Compressor (Dalian) Co., Ltd.	Sales of goods	3,320,214.18	2,213,385.76
Panasonic Cooling Machine system (Dalian) co., Ltd.	Sales of goods	4,853,342.63	
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	11,115,873.41	17,124,023.00
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	Sales of goods	504,871.11	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd	Sales of goods	10,465,123.02	4,310,615.52
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	149,135.10	1,767,403.68
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Sales of goods	383,202.00	383,428.42
Dalian Bingshan Metal Technology Co., Ltd.	Sales of goods		40,617.44
Beijing Huashang Bingshan Serial Refrigeration Equipment Co., Ltd	Sales of goods	2,774,658.11	24,132,951.49
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	100,974.44	333,368.74
Jiangsu JingXue Insulation Technology Co.,Ltd	Sales of goods	315,847.39	214,510.03
Wuhan Lanning Science and Technology Co., Ltd.	Sales of goods	6,243,108.55	
Wuhan Skaff Technology Co., Ltd.	Sales of goods	8,961.48	
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	Sales of goods	86,622.40	
Dalian Bingshan Wisdom Park Co., Ltd	Sales of goods	1,560,340.63	
Dalian Third Refrigeration Equipment Factory	Sales of goods	870,526.88	1,271,146.60
Total		163,408,289.02	143,286,122.71

(3) Leasing fee from related party

Lessee	Leasing assets	Rental income of current period	Rental income of previous period
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Workshops	2,000,000.00	2,100,000.00
Dalian Bingshan Wisdom Park Co., Ltd	Land Offices	1,466,666.67	

Leasing fee to related party

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

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

On June 22, 2017, 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 total rent for the previous three years is RMB 20.34 million, of which the rent in 2017 is RMB 4.62 million, the rent in 2018 is RMB 7.86 million, and the rent in 2019 is RMB 7.86 million. From January 2020, the two parties will negotiate and determine the rent of the next three years according to the local market changes.

The company signed an agreement with Dalian Bingshan Group Co., Ltd. to rent out the office with 1,200 square meters in the office building to Dalian Bingshan Group Co., Ltd., the lease term is from April 1, 2017 to March 31, 2019, with annual rent of RMB 144,000.00.

The company leased the land of Dalian Bingshan Group Co., Ltd., the lease term is from January 1, 2015 to July 31, 2018, with annual rent of RMB 230,230.60.

(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) The borrowing of funds from related party

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

(6) Related party asset transfer and debt restructuring

Not applicable.

6. Amounts due from/to related parties

(1) Accounts receivable

Names of the related parties	30-06-2017		31-12-2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Panasonic Refrigeration (Dalian) Co., Ltd.	10,848,331.69	542,416.58	10,132,966.54	506,648.32
Panasonic Cold-chain (Dalian) Co., Ltd.	55,909,764.67	2,795,488.23	49,852,547.51	2,492,627.38
Panasonic Compressor (Dalian) Co., Ltd.	144,616.83	7,230.84	285,612.28	17,405.61
Panasonic Cooling Machine system (Dalian) co., Ltd.	2,993,933.72	149,696.69	988,213.08	49,410.65
Dalian Fuji Bingshan Vending Machine Co., Ltd.	2,922,990.04	146,149.50	1,520,221.58	76,011.08
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.			4,452.90	222.65
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	10,125,773.32	506,288.67	215,889.22	10,794.46
Dalian Spindle Cooling Towers Co., Ltd.	174,488.10	8,724.41	46,659.20	2,332.96
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.			6,117.31	305.87
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	35,645,856.35	1,846,092.82	38,284,385.35	3,543,453.34
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.			3,461.40	173.07
Wuhan Lanning Science and Technology Co., Ltd.	6,687,522.40	334,376.12	14,466,855.00	723,342.75

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Wuhan Skaff Technology Co., Ltd.	226,045.93	11,302.30	655,561.00	32,778.05
Dalian Third Refrigeration Equipment Factory	5,642.60	282.13	5,642.60	564.26
Dalian Bingshan Wisdom Park Co., Ltd	1,540,000.00	77,000.00		

(2) Notes receivable

Names of the related parties	30-06-2017	31-12-2016
Panasonic Refrigeration (Dalian) Co., Ltd	736,345.42	200,000.00
Panasonic Cold Chain (Dalian) Co., Ltd	13,347,517.83	15,532,736.64
Panasonic Cooling Machine system (Dalian) co., Ltd.	523,844.81	1,778.45
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	2,100,000.00	19,805,806.72
Dalian Honjo Chemical Co.,Ltd.	1,441,499.53	
Jiangsu JingXue Insulation Technology Co.,Ltd		4,277,035.00
Wuhan Lanning Science and Technology Co., Ltd.	1,000,000.00	

(3) Accounts paid in advance

Names of the related parties	30-06-2017	31-12-2016
Panasonic Refrigeration (Dalian) Co., Ltd	353,675.00	
Panasonic Cold Chain (Dalian) Co., Ltd	782,000.00	90,000.00
Panasonic Compressor (Dalian) Co., Ltd	324.00	
Panasonic Cooling Machine system (Dalian) co., Ltd.	337,800.00	
Dalian Spindle Cooling Towers Co., Ltd.	26,800.00	
BAC Dalian Co., Ltd.	70,500.00	318,220.00
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	330,000.00	
Jiangsu JingXue Insulation Technology Co.,Ltd		5,469.00

(4) Other accounts receivable

Name of the related party	30-06-2017		31-12-2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.			34,972.74	1,748.64
Wuhan Lanning Science and Technology Co., Ltd.	18,311.21	915.56	3,814.37	190.72
Wuhan Skaff Technology Co., Ltd.	341,439.18	17,071.96	320,000.00	16,000.00

(5) Accounts payable

Names of the related parties	30-06-2017	31-12-2016
Panasonic Refrigeration (Dalian) Co., Ltd.	15,380.00	50,667.31

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Panasonic Cold-chain (Dalian) Co., Ltd.	28,029,781.70	28,245,301.70
Panasonic Compressor (Dalian) Co., Ltd.	2,001,924.00	1,766,420.00
Panasonic Cooling Machine system (Dalian) co., Ltd.	26,171,116.81	3,680,482.86
Dalian Spindle Cooling Towers Co., Ltd.	5,420,760.00	5,339,188.00
BAC Dalian Co., Ltd.	39,896,539.00	29,658,022.00
Dalian Bingshan Metal Technology Co., Ltd.	795,855.70	798,283.30
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	5,877,440.52	9,520,335.93
Jiangsu JingXue Insulation Technology Co.,Ltd	13,410,090.17	8,505,375.05
Wuhan Lanning Science and Technology Co., Ltd.	4,228,397.20	15,300,000.00
Dalian Third Refrigeration Equipment Factory	1,751,349.60	2,022,156.94

(6) Notes payable

Names of the related parties	30-06-2017	31-12-2016
Panasonic Cold-chain (Dalian) Co., Ltd.		3,939,286.50
Panasonic Cooling Machine system (Dalian) co., Ltd.	2,575,319.76	
BAC Dalian Co., Ltd.	16,269,991.00	30,121,670.00
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	2,970,086.00	1,312,540.00
Jiangsu JingXue Insulation Technology Co.,Ltd	361,932.00	4,903,405.00
Wuhan Skaff Technology Co., Ltd.		620,000.00
Dalian Third Refrigeration Equipment Factory	2,000,000.00	450,000.00

(7) Accounts received in advance

Names of the related parties	30-06-2017	31-12-2016
Panasonic Cold-chain (Dalian) Co., Ltd.	428,961.00	
Panasonic Cooling Machine system (Dalian) co., Ltd.		171,000.00
MHI Bingshan Refrigeration (Dalian) Co., Ltd.		450,000.00
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	125,268.27	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	2,992,689.61	459,609.61

(8) Other accounts payable

Names of the related parties	30-06-2017	31-12-2016
Dalian Bingshan Group Co., Ltd.	91,987,136.92	294,956.06
Panasonic Cold-chain (Dalian) Co., Ltd.		216,570.00
Panasonic Compressor (Dalian) Co., Ltd.	3,118.18	9,425.59
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	270,000.00	270,000.00
Dalian Third Refrigeration Equipment Factory	1,000.00	1,000.00

XIII Share-based payment

1. Overall situation

Total equity instrument awarded by the Company in the Period	0
Total equity instrument exercised in the Period	6,090,000.00

Total equity instrument that out of operation in the Period	0
Range of the outstanding exercise price for stock option at period-end and remaining period of the contract	2015:5.56 Yuan per share, divide into 3 period, remaining contract period are 36 months 2016:5.62 Yuan per share, divide into 3 period, remaining contract period are 12, 24 and 36 months.
Range of the outstanding exercise price for other equity instrument at period-end and remaining period of the contract	

1) The Situation of Granted Restricted Share in 2015

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

2) The Situation of Granted Restricted Share in 2016

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

3) Unlock restricted stock in 2017

On May 12, 2017, the company held the 14th meeting of the 7th Board of Directors which considered and approved the Proposal on Unlocking of the Restricted Stock Incentive Plan of the Second Unlocking Period in 2015. The incentive objects conforming to the unlocking conditions this time

were 41 people, the amount of restricted stock that could apply for unlocking and be listed was 6,090,000 shares, accounting for 0.995% of the total share capital of the company at the end of the period.

2. Share-based payment settled by equity

Determination method for the fair value of equity instrument at grant date	In line with the fair value of the restricted shares at grant date (not determining the fair value change after grant date)
Determination basis for the number of exercising equity instrument	Determined by actual exercising numbers
Reason of major difference between the estimation in the Period and last period	N/A
The aggregate amount of share-based payment that reckoned into capital reserve with equity settlement	30,660,394.00
Total expenses recognized by share-based payment that settle by equity in the Period	6,242,706.00

XIV Commitments and Contingency

1. No major commitments to be disclosed till June 30, 2017.
2. No other contingency needed disclosed till June 30, 2017.

XV Events after the Balance Sheet Date

1. Significant events had not adjusted

(1) Issue shares

Not applicable.

(2) Information about profit distribution

Not applicable.

(3) Sales Return

Not applicable.

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

2. Significant sales return after balance sheet day

Not applicable.

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

XVI. Other important things needed disclosed.

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

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

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

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

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

6. Segments information

(1) Standards and accounting policies of reporting segment

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

① The operating segment could generate income and incur expenses from normal operating

activities;

②The management could evaluate its operating effect, and then decide resources assignment and its operating performance;

③The segment's information of financial position and results of operations and cash flow could be obtained.

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

① The operating segment's income should be over 10% of total income;

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

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

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

The company determined three reporting segments according to the geographic area, including Northeast China, Central China East China and overseas. The Northeast China segment included the company's head office and subsidiaries located in Dalian. The Central China segment included subsidiary company Wuhan New World Refrigeration Industrial Co., Ltd. and Chengdu Bingshan Refrigeration Engineering Co., Ltd.,The East China segment included subsidiary's subsidiary company Ningbo Bingshan Refrigeration Air Conditioner Engineering Co., Ltd and Shanghai Bingshan Technology Service Co., Ltd,The overseas segment included subsidiary company Dalian Bingshan Engineering & Trading Co., Ltd..

(3) The financial information of reporting segments

Items	30-06-2016/2016.01-06					
	Northeast China	Central China	East China	Overseas	Offset	Total
1 Operating income	117,721.06	14,012.50	3,499.88	12,820.66	47,816.23	100,237.87
Including: Income from external transaction	78,781.55	8,813.21	3,325.80	9,317.31		100,237.87
Income from internal transaction	38,939.51	5,199.29	174.08	3,503.35	47,816.23	
2 Selling expenses	109,420.12	14,849.86	3,531.51	12,227.87	49,605.47	90,423.89
Including: Investment income from associates and joint ventures	4,938.27	-70.17				4,868.10
Impairment on assets	747.64	145.29	-1.25	132.24		1,023.92
Depreciation and amortization	1,909.30	553.60	7.85	18.38		2,489.13
3 Operating profits(loss)	8,824.97	-720.00	-26.51	622.59	-1,789.24	10,490.29
4 Income tax	451.35	-0.45	2.42	162.83		616.15
5 Net profit(loss)	8,373.63	-719.55	-28.96	459.77	-1,789.24	9,874.13
6 Total assets	494,641.34	56,003.00	2,441.84	56,003.00	71,795.20	537,293.98
7 Total liabilities	133,109.45	43,879.90	969.41	43,879.90	23,014.40	198,824.26
8 Other significant non cash items	25,231.92	140.81	2.02	1.91		25,376.66
Capital expenditure	25,231.92	140.81	2.02	1.91		25,376.66

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

XVII. Notes to the financial statements of the parent company

1. Accounts receivable

(1) Classified by accounts nature

Categories	30-06-2017				Book value
	Balance		Provision for doubtful debt		
	Amount	Proportion	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	198,054,771.09	100.00%	51,893,367.79	26.20%	146,161,403.30
Minor single amount but bad debt provision provided individually					
Total	198,054,771.09	100.00%	51,893,367.79	26.20%	146,161,403.30

Continued:

Continued:					
Categories	31-12-2016				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	178,100,272.41	100.00%	60,524,866.67	33.98%	117,575,405.74
Minor single amount but bad debt provision provided individually					
Total	178,100,272.41	100.00%	60,524,866.67	33.98%	117,575,405.74

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

Account ages	30-06-2017		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	88,771,127.60	3,303,428.29	5.00%
1 to 2 years	29,620,133.26	2,962,013.33	10.00%
2 to 3 years	34,813,010.15	10,443,903.04	30.00%
3 to 4 years	16,221,938.59	8,110,969.29	50.00%
4 to 5 years	7,777,538.27	6,222,030.62	80.00%
Over 5 years	20,851,023.22	20,851,023.22	100.00%
Total	198,054,771.09	51,893,367.79	

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

In the current period, RMB -4,674,954.01 provision for bad debts

(3) In the current period, RMB 3,956,544.87 was written off in current period.

(4) Accounts receivable top 5 on amount

Companies	Amount	Proportion (%)	Provision for bad debts
Xi Yi Yuan Da Construction and Installation Engineering Co., Ltd.	38,167,774.72	19.27	2,251,777.47
Bei Dahuang Tai Hua Organic Food Co., Ltd.	9,844,000.00	4.97	2,953,200.00

MHI Bingshan Refrigeration (Dalian) Co., Ltd.	9,453,367.30	4.77	472,668.37
Zhejiang Wan Kai New Material Co., Ltd	7,800,000.00	3.94	390,000.00
Dalian Jinyu New Energy Technology Development Co., Ltd	5,500,000.00	2.78	5,500,000.00
Total	70,765,142.02	35.73	11,567,645.84

2. Other accounts receivable

(1) Classified by account nature

Items	30-06-2017				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion(%)	Amount	Proportion	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	7,328,599.97	100.00%	1,313,813.73	17.93%	6,014,786.24
Minor single amount but bad debt provision provided individually					
Total	7,328,599.97	100.00%	1,313,813.73	17.93%	6,014,786.24

Continued :

Items	31-12-2016				
	Balance		Provision for doubtful debt		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Major single amount and bad debt provision provided individually					
Bad debt provided on group basis	5,595,672.42	100.00%	1,227,167.35	21.93%	4,368,505.07
Minor single amount but bad debt provision provided individually					
Total	5,595,672.42	100.00%	1,227,167.35	21.93%	4,368,505.07

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

Account ages	30-06-2017		
	Amount	Provision for bad debts	Proportion rates
Within 1 year	4,264,820.40	213,241.02	5.00%
1 to 2 years	1,372,430.48	137,243.05	10.00%
2 to 3 years	497,850.99	149,355.30	30.00%
3 to 4 years	659,047.48	329,523.74	50.00%
4 to 5 years	250,000.00	200,000.00	80.00%
Over 5 years	284,450.62	284,450.62	100.00%
Total	7,328,599.97	1,313,813.73	

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

In the current period, RMB 86,646.38 was accrued provision for bad debts, and no amount was

switched back or regained.

(3) The nature of other accounts receivable

Items	30-06-2017	31-12-2016
Guarantee deposits	6,652,139.57	5,502,139.57
Petty cash	461,156.88	80,892.85
To or fro accounts	180,323.52	
Prepayments over settlement periods		
Others	34,980.00	12,640.00
Total	7,328,599.97	5,595,672.42

(5) Top 5 on amount of other accounts receivable

Companies	Nature	Amount	Age	Proportion(%)	Ending balance of provision for bad debts
Dalian Delta HK China gas co., Ltd	Security deposit	2,730,000.00	Less than 1 year, 2 to 3 years	37.25	211,500.00
Dalian Jinzhou New district Funding agencies and institutions accounting center	Security deposit	1,586,623.95	1 to 2 years, 2 to 3 years, 3 to 4 years	21.65	215,838.59
Dalian Municipal Construction engineering labor insurance management center	Security deposit	500,000.00	3 to 4 years	6.82	250,000.00
Dalian economic and technological development zone funding agencies and institutions accounting center	Security deposit	265,950.62	Over 5 years	3.63	265,950.62
Shandong Noel food co., Ltd	Security deposit	200,000.00	4 to 5 years	2.73	160,000.00
Total		5,282,574.57		72.08	1,103,289.21

3. Long-term equity investments

Nature	30-06-2017			31-12-2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Subsidiaries	488,938,001.94		488,938,001.94	432,788,001.94		432,788,001.94
Joint ventures & affiliated companies	1,496,315,705.03		1,496,315,705.03	1,280,624,499.15		1,280,624,499.15
Total	1,985,253,706.97		1,985,253,706.97	1,713,412,501.09		1,713,412,501.09

(1) Subsidiaries

Names	Beginning balance	Increased during current period	Decreased during current period	Ending balance	Provision for impairment of the current period	Provision for impairment
Dalian Bingshan Group Engineering Co., Ltd	93,749,675.77			93,749,675.77		
Dalian Bingshan Group Sales Company	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 Technology Service (Dalian) Co., Ltd.	22,024,000.00			22,024,000.00		
Dalian Xinminghua Electronics Co., Ltd.	43,766,243.72			43,766,243.72		
Dalian Bingshan Engineering & Trading Co., Ltd.	16,828,414.72	56,150,000.00		72,978,414.72		
Total	432,788,001.94	56,150,000.00		488,938,001.94		

(2) Joint ventures& affiliated companies

Names	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decrease d	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Chang es of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
2. Affiliated companies											
Panasonic Refrigeration (Dalian) Co., Ltd.	157,425,641.15			-5,926,187.84			1,600,000.00			149,899,453.31	
Panasonic Cold-chain (Dalian) Co., Ltd	217,687,237.26			3,593,423.52			4,800,000.00			216,480,660.78	
Panasonic Compressor (Dalian) Co., Ltd	484,003,393.99			18,719,311.78			38,000,000.00			464,722,705.77	
Dalian Honjo Chemical Co., Ltd	9,642,351.34			437,965.38			1,441,499.53			8,638,817.19	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	52,952,413.79			7,216,616.73						60,169,030.52	
Dalian Bingshan Metal Technology Co., Ltd		172,950,000.00		4,019,745.35						176,969,745.35	
Dalian Bingshan Group Management Consulting Co., Ltd.		39,200,000.00		-390,808.03						38,809,191.97	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	769,463.27			-241,707.36						527,755.91	
Dalian Fuji Bingshan Vending Machine Co., Ltd	160,787,194.81			17,547,723.62						178,334,918.43	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,018,792.05			-1,201,596.65						11,817,195.40	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	9,410,006.56			661,471.84						10,071,478.40	

Names	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Jiangsu JingXue Insulation Technology Co.,Ltd	151,527,707.42			3,878,101.09						155,405,808.51	
Panasonic cold machine system (dalian) Co., Ltd	23,400,297.51			1,068,645.98						24,468,943.49	
Total	1,280,624,499.15	212,150,000.00		49,382,705.41			45,841,499.53			1,496,315,705.03	

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

Items	2017.01-06		2016.01-06	
	Income	Cost	Income	Cost
Key business	342,083,629.25	292,041,251.33	315,122,914.65	265,496,038.46
Other business	7,745,397.00	3,954,732.15	5,446,158.23	2,976,428.98
Total	349,829,026.25	295,995,983.48	320,569,072.88	268,472,467.44

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

Items	2017.01-06	2016.01-06
Long-term equity investment income accounted for by using the cost method	17,628,766.67	
Long-term equity investment income accounted for by using the equity method	49,382,705.41	60,980,888.19
Gain on disposing long-term share equity investments		-254,172.88
Gain on holding of financial assets available for sale	11,463,569.05	15,961,425.40
Gain on disposing of financial assets available for sale	27,467,019.93	
Total	105,942,061.06	76,688,140.71

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

Non-recurring gains and losses items	Amount	Notes
1. Gain/loss from disposal of non-current assets	127,853.00	
2. Tax return or exemption exceeding authority or without formal authorization documents	1,115.75	
3. Governmental subsidy written into current gains and losses	5,521,986.23	
4. Interest from non-financial enterprises written into current gains and losses		
5. Gains/Losses on debt restructuring		
6. Reversal of provision for impairment of long-term assets		
7. Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses.	27,467,019.93	
8. Other net income and expense from non-operation	279,299.90	
Effect on income tax	5,079,406.26	
Attributable to minority shareholders' equity (after tax)	18,568.95	
Total	28,299,299.60	

2. Earnings per share

Items	The weighted average ROE	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	2.95%	0.115	0.115
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring gains and losses	2.10%	0.082	0.082

3. The differences between domestic and international accounting standards

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

Section 10 Reference Documents

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original copies of all the Company's documents and the original copies of the bulletins published on the newspapers designated by the China Securities Regulatory Commission in the report period.
3. Time for reference: from Monday to Friday 8:00 - 11:30 (am) 1:00 - 4:30 (pm)
Liaison persons: Mr. Song Wenbao, Miss Du Yu
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Board of Directors of Dalian Refrigeration Co., Ltd.
August 26, 2017