



Dalian Refrigeration Co., Ltd.

2018 Annual Report

April, 2019

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.

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 annual report is true and complete.

All the 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, including the risk of Increasing market competition risk, the market promotion for new product and new technology slow and the Accounts receivable is on the high side. See the related sections for the countermeasures to be taken by the Company.

The profit distribution proposal reviewed and adopted at this Board meeting of the Company is: Based on the total capital stock of 843,212,507 shares, the dividend of RMB 0.5 in cash (including tax) will be distributed for every 10 shares; The Company will not transfer the capital reserve to increase capital stock.

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

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Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2018 to Dec. 31, 2018
The Company, this Company	Stands for	Dalian Refrigeration Co., Ltd.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industries Co., Ltd., one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd, one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Service Company	Stands for	Bingshan Technology Service (Dalian) Co., Ltd. one of the subsidiaries of the Company where the Company holds 100% of its shares.
Panasonic Compressor	Stands for	Panasonic Compressor (Dalian) Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Cold-Chain	Stands for	Panasonic Cold-Chain (Dalian) Co., Ltd. one of the mutual shareholding companies of the Company, where the Company holds 40% of its shares.
Panasonic Refrigerating System	Stands for	Panasonic Refrigerating System (Dalian) Co., Ltd., one of the mutual shareholding companies of the Company, where the Company holds 20% of its shares
Fuji-Bingshan	Stands for	Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the mutual shareholding companies of this Company, where the Company holds 49% of its shares.
Kelvin	Stands for	Dalian Kelvin Technology Financial Leasing Co., Ltd, an indirect joint venture company
Hua Hui Da	Stands for	Dalian Bingshan Hua Hui Da Financial Leasing Co., Ltd, an indirect joint venture company
Bingshan Wisdom	Stands for	Dalian Bingshan Wisdom Park Co., Ltd, an indirect joint venture company
Fuji Bingshan Control Systems	Stands for	Dalian Fuji Bingshan Control Systems Co., Ltd., an indirect joint venture company

Section 2 About the Company

I. Company information

Short form of the stock	DALENG GUFEN; DALENG-B
Stock code	000530; 200530
Listed stock exchange	Shenzhen Stock Exchange
Legal name in Chinese	大连冷冻机股份有限公司
Legal English name and abbreviation	Dalian Refrigeration Co., Ltd. DRC
Legal representative	Ji Zhijian
Registered address	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Post code of Registered address	116630
Office address	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Post code of Office address	116630
Internet web site of the Company	www.daleng.cn
E-mail of the Company	000530@bingshan.com

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. Information disclosure and place of preparation for inquiry

Name of the newspaper designated by the Company for information disclosure	China Securities Daily and Hong Kong Commercial Daily
Address of the website designated by China Securities Regulatory Commission for publishing this Annual Report	http://www.cninfo.com.cn
Place where this Annual Report was prepared for inquiry	Securities & Legal Affairs Department of the Company

IV. Alteration to the registration

Organization code	912102002423613009
Change in main business since the Company was listed	No change
Changes in the holding shareholder	No change

V. Other related information

Accounting firm engaged by the Company

Name of accounting firm	ShineWing CPAs (Special General Partnership)
Office location of accounting firm	9/F,A Building No.,8 north street of Chao Yang Men, Dong Cheng District Beijing.

	China
Name of signing certified public accountant	Sui Guojun, Wang Dong

Sponsor the Company appointed for performance of the consistent supervision duty in the reporting period

☐ Applicable ☒ Not applicable

Financial consultant the Company appointed for performance of the consistent supervision duty in the reporting period

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indicators

	2018	2017	Increase/decrease compared with previous year	2016
Operating revenue	1,966,064,612.44	2,079,715,105.37	-5.46%	1,893,200,939.64
Net profit attributable to shareholders of listed companies	110,503,175.90	200,759,820.17	-44.96%	182,234,151.73
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	45,862,588.97	165,044,724.44	-72.21%	148,598,436.25
Net cash flow from operating activities	-119,657,885.64	-207,225,851.22	42.26%	-6,607,069.97
Basic earnings per share	0.13	0.23	-43.48%	0.22
Diluted earnings per share	0.13	0.23	-43.48%	0.22
Weighted average return on net asset yield	3.21%	5.97%	Decrease 2.76 percentage points	5.98%
	2018.12.31	2017.12.31	Increase/decrease compared with previous year	2016.12.31
Total assets	5,568,279,452.26	5,619,621,500.67	-0.91%	5,095,986,440.32
Owner's equity attributable to shareholders of listed companies	3,377,633,617.02	3,416,531,064.91	-1.14%	3,301,087,748.86

VII.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.

VIII. The quarter main financial indicators

	the first quarter	the second quarter	the third quarter	the fourth quarter
Operating revenue	515,183,744.97	513,894,791.82	482,267,734.29	454,718,341.36
Net profit attributable to shareholders of listed companies	25,593,358.53	33,424,183.75	14,417,569.50	37,068,064.12
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	24,307,838.37	32,877,338.94	13,143,470.72	-24,466,059.06
Net cash flow from operating activities	-117,217,303.00	1,888,545.83	-29,149,291.90	24,820,163.40

IX. Non-recurring profits and losses and their amounts

item	2018	2017	2016
Disposal gains and losses of non-current asset	374,143.29	552,588.02	-23,302,552.40
Government subsidies included in current profit or loss	8,124,911.87	11,830,406.39	4,072,664.60
Earnings from the Company get subsidiaries, associated companies and joint venture investment cost less than get investment should enjoy the invested entity produced by the fair value of the identifiable net assets yield	1,070,288.17		30,334,841.93
Debt restructuring gains and losses			229,833.00
The net profit and loss of the subsidiary period from the beginning to the consolidation date of the company under the same control.		1,418,670.20	
Disposal gains from investments on financial assets available for sale	66,702,217.88	27,467,019.93	27,629,395.44
Other non-operating revenue or expense	29,037.03	668,896.45	976,314.82
Influence on income tax	11,478,840.61	6,520,362.10	6,190,610.26
Influence on minority shareholders	181,170.70	-297,876.84	114,171.65
Total	64,640,586.93	35,715,095.73	33,635,715.48

During the reporting period, the Company sold 3 million shares of Guotai Jun'an, and the shares of Liaoning Mike Group Co., Ltd. held by the Company, and received investment returns of 66,702,217.88 yuan.

Section 3 The Company's Business profile

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

The Company revolves around hot and cold businesses, is committed to developing Industrial refrigeration and heating business field, commercial refrigeration and refrigeration business field, air-conditioning and environment business field, core parts business field, engineering and service business field have covered the key areas of the cold and hot industrial chain and forged the 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
Construction in progress	Significantly decreased on a year-on-year basis, mainly because the contract energy management projects transferred to fixed assets.
Other current assets	Significantly decreased on a year-on-year basis, mainly because the bank financial products were due to be collected within the reporting period.

2. The main overseas assets

☐ Applicable ☒ Not applicable

III. Analysis of core competence

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

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

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

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

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

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

Section 4 Management discussion and analysis

I. Summary

In 2018, the Company adhered to the theme of “Committing to Innovation, Focusing on Transformation, and Sharing”, insisted on developing industry-leading new products and technologies that meet market demand, innovated and developed new markets, and cultivated market segments, took the development and utilization of energy, especially the secondary energy, as the continuous development point of transformation and upgrading strategy. By leveraging the three creations platform, we made concerted efforts, assumed and shared together, and endeavored to achieve the key business indicators. In 2018, the Company achieved operating income of 1,966,060 thousand Yuan, with a year-on-year decrease of 5.46%; achieved a total profit of 118,877 thousand Yuan, with a year-on-year decrease of 45.59%, mainly due to the intensification of market competition during the reporting period and the shortage of customers' funds, based on operational risk prevention, the Company voluntarily abandoned orders with poor contract quality; after the Company relocated the new factory area, fixed expenses increased more, but the Company's capacity has not yet been fully released; implementing the strategy of transformation and upgrading, the project investment in the early stage is relatively large, and the effect needs to be gradually reflected in the following years.

During the reporting period, the Company's subsidiary, Wuhan New World Refrigeration accelerated the strategic transformation, completed the development of new products such as ultra-high temperature steam heat pump units and large-scale water vapor compressor units. The natural gas pipeline network pressure energy generation and cold energy recovery system, mine return air waste heat direct utilization system and other landmark new products realized commercial use in multiple projects in many places. It has won the AAA credit enterprise of enterprise credit assessment in China's refrigeration and air-conditioning industry.

During the reporting period, the Company's subsidiary Bingshan Engineering Company continued to deepen the hot and cold market segment by virtue of its high value-added deep enthalpy energy solutions. The company achieved new breakthroughs in the ice and snow industry and won the bid for the toboggan run simulation test section project in the Olympic Winter Games, which laid the foundation for the official toboggan project of the Olympic Winter Games; won the bid for the Ice and Snow Park project of Shenzhen Kaisa Jinshawan International Park; successfully completed the construction of Guangzhou Wanda Mall Indoor Ski Resort project; and was awarded the Grade A Qualification for the general contracting of electromechanical engineering.

During the reporting period, Bingshan Technology Service, the Company's subsidiary, quickly expanded its producer services. The machine room hosting and transportation new service was actively promoted and has covered more than 30 high-quality customers. The 4S service model of ammonia-related refrigeration enterprises began to be promoted to cities in the province except Dalian. Bingshan sharing service platform was built orderly, and began to provide services for Bingshan-funded enterprises such as Fuji Bingshan, Spindle, and so on. The refrigeration and air-conditioning equipment maintenance and transportation service was selected into the 2018 national-level service industry standardization pilot project.

During the reporting period, Panasonic Compressor, the Company's associated company, actively promoted the transformation and focused on developing high-margin customers and markets. The sales volume of horizontal scroll compressors for electric buses has recovered significantly. The horizontal scroll compressor for rail transit

air conditioning has achieved good results in the expansion in subway, light rail and other fields, and successfully entered the German metro. The horizontal DC inverter fully enclosed electric scroll compressor was selected into the “2018 Energy Conservation and Environmental Protection Product Catalogue of Chinese Association of Refrigeration”.

During the reporting period, Panasonic Cold Chain, an associated company of the Company, conformed to the new trend of consumption and further expanded and subdivided the blue ocean market. It created the all-fields cold chain solution for different retail formats by virtue of the big data and the technological advantages of artificial intelligence field. It made effective cooperation with key customers such as Hema Fresh, Jingdong, Lawson, Ito Yokado, Luckin Coffee, and so on. And it was awarded the First Batch of Green Factories in Liaoning Province.

During the reporting period, the Company's associated company, Panasonic Appliances Refrigeration System effectively improved its core competitiveness, successfully realized the commercial use of CO₂ transcritical piston refrigeration compressor unit in the domestic supermarket retail field. It also won the bid for Jingdong Beijing Daxing Pharmaceutical Storage Project and Wuhan Cold Storage Project, and the total contract amount is over 60 million yuan. The application-oriented container products can achieve full temperature control to meet the high quality requirements of new retail food.

During the reporting period, the Company's associated company, Fuji Bingshan, further promoted the development of product intelligence, modularization, and diversification, and newly added platform machine product line based on the six product lines of beverage machine, food machine, liquor machine, dairy machine, coffee machine, and lunch box machine so as to rapidly respond to the custom-made products and effectively respond to the demand of new retail platform. It introduced the R1234yf new refrigerant production line, leading the industry's safety and green environmental development trend.

During the reporting period, the Company actively promoted the cultivation and incubation of new businesses while the original business was undergoing transformation and upgrading. Kelvin, an indirect joint venture company, focused on the unmanned retail field, its self-developed “Billions self-service retail platform” and “DingDangKuaiXiu platform” were fully launched, and the new retail model was rapidly promoted. The Company's indirect joint venture, Bingshan Huahuida, effectively expanded the financial leasing business around high-quality customers in Bingshan cold and hot business, not only boosted the sales and payment collection of the various funded enterprises of Bingshan, but also achieved good business performance. Bingshan Wisdom Park Company, the Company's indirect joint venture company, cooperated in the comprehensive utilization of the old factory area, gathered and searched new kinetic energy for Bingshan, and currently has more than 50 contracted customers. The Company's indirect joint venture company, Fuji Bingshan Control Systems deeply explored the energy-saving potential, provided customers with integrated energy management and control solutions to help the smart energy management of Bingshan.

II. Analysis of main business

1. Summary

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

2. Sales income and costs**(1) Sales income structure**

	2018		2017		Year-on-year increase/decrease
	Amount	Proportion to the Sales costs	Amount	Proportion to the Sales costs	
Total sales income	1,966,064,612.44	100%	2,079,715,105.37	100%	-5.46%
By industry					
Refrigeration and air-conditioning equipment	1,927,029,771.66	98.01%	2,043,986,956.70	98.28%	-5.72%
Others	39,034,840.78	1.99%	35,728,148.67	1.72%	9.26%
By product					
Refrigeration and air-conditioning equipment	1,927,029,771.66	98.01%	2,043,986,956.70	98.28%	-5.72%
Others	39,034,840.78	1.99%	35,728,148.67	1.72%	9.26%
By region					
Northeast China	1,549,289,563.45	78.80%	1,639,118,557.71	78.81%	-5.48%
Central China	372,846,607.73	18.96%	358,707,022.50	17.25%	3.94%
East China	43,928,441.26	2.24%	81,889,525.16	3.94%	-46.36%

(2) Main business structure

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues on a year-on-year basis	Increase/decrease of operating costs on a year-on-year basis	Increase/decrease of gross profit on a year-on-year basis
By industry						
Refrigeration and air-conditioning	1,927,029,771.66	1,630,189,642.82	15.40%	-5.72%	0.28%	Decrease 5.07 percentage points
By product						
Refrigeration and air-conditioning equipment	1,927,029,771.66	1,630,189,642.82	15.40%	-5.72%	0.28%	Decrease 5.07 percentage points
By region						
Northeast China	1,510,254,722.67	1,295,477,266.45	14.22%	-5.81%	3.13%	Decrease 7.44 percentage points
Central China	372,846,607.73	294,692,971.03	20.96%	3.94%	-0.62%	Increase 3.62 percentage points
East China	43,928,441.26	40,019,405.34	8.90%	-46.36%	-45.14%	Decrease 2.02 percentage points

(3) Was the Company's sales income on material objects more than that on labor service?

√ Yes □ No

Industry category	Item	2018	2017	Year-on-year increase/decrease
Main refrigeration unit for industrial or commercial use	Sales volume	1,968	2,058	-4.37%
	Production output	1,956	2,044	-4.31%
	Inventory level	373	385	-3.12%

Reason for change in the related data by 30% or higher on a year-on-year basis

□ Applicable √ Not applicable

(4) Major orders in the hand of the Company

□ Applicable √ Not applicable

(5) Sales cost structure

Industry category	Item	2018		2017		Year-on-year increase/decrease
		Amount	Proportion to the operating costs	Amount	Proportion to the operating costs	
Refrigeration and air-conditioning	Direct materials	1,393,081,314.56	84.36%	1,370,277,944.02	83.37%	1.66%
	Labor wages	163,759,365.48	9.92%	179,276,307.57	10.91%	-8.66%
	Depreciation	30,260,793.13	1.83%	27,966,168.83	1.70%	8.20%
	Utilities	16,769,627.04	1.02%	14,846,776.23	0.90%	12.95%
	Others	47,417,275.78	2.87%	51,286,246.29	3.12%	-7.54%
	Total operating costs	1,651,288,375.99	100.00%	1,643,653,442.93	100.00%	0.46%

(6) Was the Company's consolidated range change during the reporting period?

√Applicable □Not applicable

Compared with the previous year, the main body included in the consolidated financial statements in this year increased the share of Wuhan Lanning Energy Technology Co., Ltd. due to the share purchase by subsidiary, and reduced the share of Shanghai Bingshan Technology Services Co., Ltd. due to the share sale by subsidiary.

(7) Major change or adjustment in the Company's products or service in the reporting period

□ Applicable √ Not applicable

(8) Information on the Company's major customers and major suppliers

Information on the Company's major customers

Total sales volume from top five customers (yuan)	397,005,794.59
Proportion of the total sales volume from top five customers to the annual sales volume	20.19%
Proportion of the related party total sales volume from top five customers to the annual sales volume	16.27%

Information on the Company's top five customers

No.	Name of customer	Sales volume (yuan)	Proportion to the annual sales volume
1	Panasonic Cold-chain (Dalian) Co., Ltd	176,605,613.78	8.98%
2	Panasonic Refrigeration (Dalian) Co., Ltd.	101,207,395.30	5.15%
3	Dalian Fuji-Bingshan Vending Machine Co., Ltd	42,006,216.30	2.14%
4	Rongcheng Xiangsheng Trading Co., Ltd.	39,037,155.12	1.98%
5	Guangzhou Wanda Cultural Tourism City Investment Co., Ltd.	38,149,414.09	1.94%
Total	—	397,005,794.59	20.19%

Information on the Company's major suppliers

Total purchase volume from top five suppliers (yuan)	225,665,234.72
Proportion of the total purchase volume from top five suppliers to the annual purchases volume	13.45%
Proportion of the related party total purchase volume from top five suppliers to the annual purchases volume	11.12%

Information on the Company's top five suppliers

No.	Name of supplier	Purchase volume (yuan)	Proportion to the annual purchase volume
1	Panasonic Cold-chain (Dalian) Co., Ltd.	60,072,034.60	3.58%
2	BAC Dalian Co., Ltd.	45,572,758.35	2.72%
3	Panasonic Refrigeration (Dalian) Co., Ltd.	43,218,491.58	2.58%
4	Shenyang Bao Gang Northeast Trade Co., Ltd.	39,176,410.78	2.33%
5	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	37,625,539.41	2.24%
Total	—	225,665,234.72	13.45%

3. Expenses

	2018	2017	Increase/decrease of gross profit on a year-on-year basis	Explain for major changes
Selling expenses	109,791,230.22	113,422,315.47	-3.20%	
Administrative expenses	195,039,866.99	193,221,098.64	0.94%	
Financial expenses	20,643,295.20	10,855,836.96	90.16%	Short-term borrowings increased during the reporting period, and interest expenses increased accordingly
R&D expenses	46,904,366.84	38,124,492.93	23.03%	

4. R&D expenditure

During the reporting period, the Company focused on the deep enthalpy energy system solutions, focused on the key market segments in the wide temperature zone, and actively promoted the research and development, trial production and optimization of new products.

Information on R&D expenditure

	2018	2017	Increase/decrease on a year-on-year basis
The quantity of the person engaged in R&D	263	268	-1.87%
The quantity proportion of the person engaged in R&D	15.71%	15.52%	0.19%
The spending amount on R&D (yuan)	75,763,034.87	93,795,151.25	-19.22%
R&D spending accounts for the proportion of revenue	3.85%	4.51%	-0.66%
The amount of R&D investment capitalization (yuan)	0.00	0.00	0%

Reasons for the remarkable change in R&D spending accounts for the proportion of revenue compared with the previous year

√ Applicable □ Not applicable

During the reporting period, the Company further strengthened the work of product standardization, modularization and generalization, and reduced the investment in R&D and trial-production of non-standard new products accordingly.

5. Cash flows

Item	2018	2017	Year-on-year increase/decrease
Sub-total of cash inflows from operating activities	1,501,370,222.45	1,602,754,173.31	-6.33%
Sub-total of cash outflows from operating activities	1,621,028,108.09	1,809,980,024.53	-10.44%
Net amount of cash flow generated in operating activities	-119,657,885.64	-207,225,851.22	42.26%
Sub-total of cash inflows from investing activities	230,947,719.04	126,820,377.97	82.11%
Sub-total of cash outflows from investing activities	168,215,062.63	475,753,422.49	-64.64%
Net amount of cash flow generated in investing activities	62,732,656.41	-348,933,044.52	117.98%
Sub-total of cash inflows from financing activities	617,574,287.80	495,706,515.56	24.58%
Sub-total of cash outflows from financing activities	617,055,022.42	263,709,646.02	133.99%
Net amount of cash flow generated in financing activities	519,265.38	231,996,869.54	-99.78%
Net increase in cash and cash equivalents	-59,989,971.84	-326,545,416.67	81.63%

Reason for change in the related data by 30% or higher on a year-on-year basis

√ Applicable □ Not applicable

1. Net cash flow arising from operation activities have a significant increase on a y-o-y basis, mainly because the payment by bills for purchasing commodities increased during the reporting period.

2. Net cash flow arising from investing activities have a significant increase on a y-o-y basis, mainly because the Company purchased 49% shares of Dalian Bingshan Metal Technology Co., Ltd. held by Dalian Bingshan Group Co., Ltd. last year.

3. Net cash flow arising from financing activities have a significant decrease on a y-o-y basis, mainly because the cash payment for debt repayment increased during the reporting period.

Reason for remarkable difference between the cash flows from the Company's operating activities in the reporting period and the net annual profit

√ Applicable □ Not applicable

There was a remarkable difference between the net amount of cash flow generated in operating activities of the Company and the net annual profit in the reporting period, mainly due to that the proportion of returns on investment to the total profit of the Company was higher.

III. Analysis of the non-main business

□ Applicable √ Not applicable

IV. Analysis of assets & liabilities

1. Remarkable change in assets

Monetary unit: RMB yuan

	2018.12.31		2017.12.31		Proportion increase/decrease
	Amount	Proportion to the total assets	Amount	Proportion to the total assets	
Monetary funds	343,026,485.11	6.16%	394,809,694.11	7.03%	Decrease 0.87 percentage points
Accounts receivable	1,107,546,588.30	19.89%	1,036,255,895.79	18.44%	Increase 1.45 percentage points
Inventories	450,195,300.53	8.08%	352,279,664.64	6.27%	Increase 1.81 percentage points
Investment property	100,338,241.99	1.80%	103,861,275.27	1.85%	Decrease 0.05 percentage points
Long-term equity investment	1,619,693,570.97	29.09%	1,568,255,738.12	27.91%	Increase 1.18 percentage points
Fixed assets	953,298,058.11	17.12%	890,874,647.40	15.85%	Increase 1.27 percentage points
Construction in progress	19,796,212.82	0.36%	82,999,382.90	1.48%	Decrease 1.12 percentage points
Short-term loans	250,000,000.00	4.49%	349,801,300.00	6.22%	Decrease 1.73 percentage points
Long-term loans	160,000,000.00	2.87%	160,000,000.00	2.85%	Increase 0.02 percentage points

2. Assets & liabilities which are measured by fair value

√ Applicable □ Not applicable

Finance asset held available for sales measured in fair value is 501,871,535.40 yuan at the year beginning, and 369,195,071.40 yuan at the year end, with a selling amount of 48,976,121.23 yuan.

V. Analysis of investments

1. The overall situation

√ Applicable □ Not applicable

Investment in 2018(yuan)	Investment in 2017(yuan)	Amount of variation
1,622,611,186.07	1,568,255,738.12	3.28%

2. The significant equity investment during the reporting period

□ Applicable √ Not applicable

3 The significant non-equity investment during the reporting period

□ Applicable √ Not applicable

4. The financial asset investment

(1) The securities investment

√ Applicable □ Not applicable

Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning	Changes in the profit and loss of the fair value in this period	Accumulative change of fair value credited to equity	Current sale amount	Report period profit and loss	Book value in the ending	Accounting subjects	Source of funds
601211	Guotai Jun'an	24,098,895.00	fair value measurement	501,871,535.40	0.00	294,408,505.80	48,976,121.23	10,839,558.00	369,195,071.40	Financial assets available for sale	Own funds
total		24,098,895.00	--	501,871,535.40	0.00	294,408,505.80	48,976,121.23	10,839,558.00	369,195,071.40	--	--

(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

The total commitment investment for raised-fund of non-public issuance of shares in 2016 amounted to 580 million Yuan, after adjustment, total investment turns to 566.3715 million Yuan. In reporting period, amount of 158.9016 million Yuan invested, and pre-phase investment 87.6 million Yuan was replaced with the raised-fund. On Dec. 10, 2018, the Company held the 25th session of 7th BOD to consider and adopt the Report on the Closing of Private Issuance and Investment Projects in 2016 and the Permanent Supplementary Liquidity of Savings Collection Fund. The Company agreed to use the savings fund (including the accumulated interest on bank deposits and income from management) for the permanent replenishment of liquidity. Now the Company has completed the relevant procedures for the cancellation of special account of raised funds. In 2018, the Company raised 174.54 million yuan by issuing non-public exchangeable company bonds. The Company has used all the raised funds to repay bank loans. In March 2019, the Company cancelled the special account of the exchangeable company bond raised funds.

Actual time for raised-fund in the private placement in place appeared later, in previous phase, the Company has limit in contribution of the raised-fund project with self-raised fund, and process layout and plan in the new plant are continues to improved during the implementation in follow up process, the time for new-type equipment input and debugging progress are later than expected. In consideration of the progress payment and guarantee money for the equipment, being decided by the Company after research in purpose of guarantee a smooth transition of the new-aged plants, and reducing the impact on routine operation of the Company from relocation, the serviceable condition state of the relocation deferred to end of May in 2017 from year-end of 2016. The Report of Deferring Serviceable Condition State of the Raised-Fund Project was deliberated and approved by the 13th session of 7th BOD on 21 April 2017. The production and operation of the Company's new plant is normal till the end of 2018.

By the end of 30 June 2016, the pre-invested money for raised-fund project with self-raised capital amounting to 87,597,055.10 Yuan, the Dahua CPA carried out assurance service on the above mentioned money and issued an Assurance Report of Dalian Refrigerator Co., Ltd. Pre-invested the Raised-fund Project with Self-raised Fund (Da Hua He Zi[2016] No. 0034330). And on 5 July 2016, the 6th session of 7th BOD and 5th session of 7th

Supervisory Committee have deliberated and approved the “Report of Replace the Pre-Invested Fund with Raised-Fund ”, independent directors propose a clear agreement.

Till end of the reporting period, part raised funds were saved, mainly for equipment guarantee funds, engineering guarantee funds and the remaining engineering funds, which shall be paid after completion acceptance and settlement audit, and the accumulated interest on bank deposits and income from management.

VI. The material assets and equity sale

1. The material assets sale

☐Applicable ☒Not applicable

2. The material equity sale

☒Applicable ☐Not applicable

During the reporting period, the shares of Liaoning Mike Group Co., Ltd. held by the Company was disposed. For details, see the related public notice disclosed on November 24, 2018.

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)	Net profit (yuan)
Panasonic Refrigeration	mutual shareholding company	Refrigeration and air-conditioning	JPY 3,450 million	1,057,926,386.79	441,808,285.40	901,900,860.21	44,764,243.37
Panasonic Compressor	mutual shareholding company	Scroll Compressor	JPY 6,200 million	1,703,350,891.30	1,218,819,202.43	1,429,072,323.70	113,375,199.37
Jiangsu Jingxue	mutual shareholding company	New building energy-saving board, refrigerated storage door	RMB 81,000 thousand	943,320,073.74	462,200,870.48	594,134,424.82	53,999,805.04
Bingshan Metal	mutual shareholding company	High-grade building hardware, plumbing equipment	USD 18,064.5 thousand	386,504,595.25	312,905,694.32	455,607,253.17	61,916,031.92

Subsidiary companies obtained or disposed in the reporting period

☒Applicable ☐Not applicable

Compared with the previous year, the main body included in the consolidated financial statements in this year increased the share of Wuhan Lanning Energy Technology Co., Ltd. due to the share purchase by subsidiary, and reduced the share of Shanghai Bingshan Technology Services Co., Ltd. due to the share sale by subsidiary.

VIII. The structured corporate bodies which the Company controlled

☐Applicable ☒Not applicable

IX. Development prospect of the Company

1. Industry development trend

In recent years, the influence of refrigeration and air conditioning industry in China's national economy is growing, conferring increasing influence upon consumption upgrade, food safety and livelihood improvement. Besides, development model under an entire set of service, modularization, information and intelligence is experiencing rapid growth, with constant entrance of new market players and constant emerging of new hot spots. The field of competition, competitors, products, connotation is constantly changing.

In 2018, the refrigeration and air-conditioning industry was facing a complex and severe market situation at home and abroad. The problems of intensified market competition, increased cost pressure, and difficulty in improving efficiency were plaguing the operation and development of the industry.

In 2019, the industry will continue to differentiate, competition will continue to intensify, difficulties and opportunities coexist. The transformation and upgrading of major enterprises in the industry will be further accelerated. Intelligent manufacturing, green manufacturing and service-oriented manufacturing will become increasingly prominent, and the pace of high-quality development will be more robust.

2. Challenges and opportunities faced by the Company

(1) Opportunities faced by the Company

China government has accelerated the people-oriented new urbanization, accelerated the agricultural supply side structural reform and increased investment in food, sanitary, health, pension and other livelihood areas. In addition, all levels of governments have introduced policies to support the cold chain logistics, which will secure a relatively market growth of refrigeration industry, which in turn increases market demands of our major operations. With the innovative business model, strong technology bases, backwardness advantages of the intelligent factory and system advantages, the Company is capable of capturing the above opportunities in a good position.

(2) Challenges faced by the Company

Due to the complicated process of transformation and upgrading, there may be significant risk factors that have not yet been identified. The speed of commercialization of new technology and new products needs to be accelerated.

3. Development planning of the Company

The Company will focus on the refrigeration and heating industries under the operation policy of innovation and value creation, promote business integration with the parent company and subsidiaries as the core business, integrate internal and external resources, upgrade the industrial chain, innovate business model, strengthen technological innovation, improve and expand the business scale and development space, improve employees' benefits and realize sustained, healthy and harmonious development, thus to become an enterprise trusted and respected by customers, partners and the society.

4. Capital requirement and fund sourcing plan

In 2019, the capital expected to be required for the Company's production operation and capital operation will be financed by its own funds and appropriate financing.

5. Main risks the Company faces and response measures

(1) Increasing market competition risk

Countermeasures: focus on refrigeration and heating industries, deeply plough market segmentation and seek for business blue sea; improve intelligent manufacturing and service-based manufacturing in an orderly manner; accelerate transformation and upgrading of the existing business; accelerate cultivation of new businesses; create the iceberg cause and common interest.

(2) Risk of slow marketing of new products and technologies

Countermeasures: create differentiated competitiveness of new products and technologies; strengthen technology marketing and service marketing, better satisfy individual needs of customers; make effective use of finance

leasing, contract energy management, project companies and other innovative modes.

(3) Risk of high level of trade receivables

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

6. Business plan in 2019

Sales revenue: 2,150 million yuan, an approximate increase of 9% compared with the sales revenue of 1,966.06 million yuan in 2018.

Total profit: 145 million yuan, an approximate increase of 22% compared with the total profit of 118.88 million yuan in 2018.

In 2019, the Company will take "pioneering, pragmatic, collaborative and action" as the theme, comprehensively promote the deep enthalpy energy system solutions, in order to win in the competition as an important performance evaluation standard, turn restrictions into coordination, turn control into service, firm confidence, take immediate action, and strive to achieve the main business objectives.

In 2019, the main business strategies are as follows:

(1) Strengthen the sorting out of strategic resources. To sort out the relevant academic institutions in this industry and its subdivisions, and pay close attention to the market dynamics and the direction of technological development. To sort out the social and public relations related to market segmentation, pay attention to the development trend of the industry, and grasp the first-hand information. To sort out key customers, strengthen customer relationship. To sort out agents, broaden distribution channels, survival of the fittest. To sort out suppliers, centralize limited resources to superior suppliers.

(2) Strengthen market development. Guided by the deep enthalpy energy system solutions, we will stabilize the traditional market by improving quality, reducing cost, improving delivery rate and improving service. We are brave to open up new market areas and new undertakings by choosing the right market entry point.

(3) Strengthen internal management. In R&D, we should do a good job in R&D, cost reduction, new product development, product optimization and so on. In terms of production, we should do a good job in improving quality, reducing costs, reducing inventory, safe production, intelligent manufacturing, standard manufacturing and so on. In the financial aspect, we should do a good job in the implementation of financial indicators, business data analysis, risk control, cash flow management and so on.

The above-mentioned business plan does not represent the earnings forecast of listed companies for the year of 2019. Whether it can be achieved depends on the changes of market conditions and the efforts of management teams and other factors. There are great uncertainties. Investors should pay special attention to it.

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

Receiving time	Way of receiving	Received object type	Basic situation index
Jan.10, 2018	Field investigation	Institution	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000530&orgId=gssz0000530
Jan.19, 2018	Field investigation	Institution	
Jan.25, 2018	Field investigation	Institution	
May 4, 2018	Field investigation	Small and Medium-sized Investors in Dalian	
May 15, 2018	Field investigation	Institution	
May 29, 2018	Field investigation	Institution	
May 30, 2018	Field investigation	Institution	
Nov.7,2018	Field investigation	Institution	
Number of reception			8
amount of reception for Institution			29
amount of reception for Individual			30
Whether to disclose, reveal or disclose unpublished significant information			no

Section 5 Important Issues

I Profit distribution and dividend payment

By giving consideration to both the return to shareholders and the Company's long-term development, and in combination of the Company's profit made in the this year, the Company formulated the 2017 annual dividend distribution plan of paying the cash of 0.5 yuan for every 10 shares. Reviewed and adopted at the Company's general meeting, the Company's Board of Directors has implemented the plan in July 2018.

Formulation and implementation of the Company's cash dividend distribution policy in the reporting period complied with the Company's Articles of Association and the general meeting's resolution, and the dividend distribution standard and proportion were defined and clear and the applicable decision-making procedure and system were complete. The independent directors agreed on it and the legal rights and interests of minority shareholders were well protected.

Special notes to cash dividend payout policy	
If the regulations of the Articles of Association or the requirements of the shareholders of the company meeting are met:	Yes
If the dividend payout standard and proportion is definite and clear-cut:	Yes
If relevant decision-making procedure and mechanism is complete:	Yes
If the independent directors have performed their duties and played their due role:	Yes
If small and medium shareholders have the opportunity to sufficiently express their opinions and appeals and if their legal rights and interests are sufficiently protected:	Yes
If the condition and procedure for adjusting or changing the cash dividend payout policy is compliant and transparent:	Yes

Table of profit distribution plan, plan of share-granting with capital accumulation fund of the Company in recent three years

Dividend year	Profit distribution plan	Plan of share-granting with capital accumulation fund
2018	RMB 0.5 yuan (cash) for every 10 shares (including tax)	none
2017	RMB 0.5 yuan (cash) for every 10 shares (including tax)	none
2016	RMB 1 yuan (cash) for every 10 shares (including tax)	with capital reserve every 10 transfer 4 shares.

year	Cash dividend amount (tax included)	Dividends in the annual consolidated net income attributable to common shareholders of the Company	Accounted for in the consolidated net income attributable to common shareholders of the Company
2018	42,160,625.35	110,503,175.90	38.15%
2017	42,795,449.05	200,759,820.17	21.32%
2016	61,177,655.80	182,234,151.73	33.57%

The Company made profit in the reporting period and the undistributed profit of the parent company was positive but no cash dividend distribution plan was proposed.

☐ Applicable ☒ Not applicable

II Profit distribution preplan, and preplan of share-granting with capital accumulation fund of the Company

Bonus shares to be presented for every 10 shares (shares)	0
Dividend to be distributed for every 10 shares (RMB yuan) (including tax)	0.50
Transferred shares to be presented for every 10 shares (shares)	0
Equity base for distribution preplan (shares)	843,212,507
Total amount of cash dividend distribution (RMB yuan) (including tax)	42,160,625.35

Profit distributable to the shareholders in the current year	145,926,616.89
Proportion of cash dividend distribution accounting for total profit distribution	100%
Cash dividend distribution policy:	
When the development stage of the company belongs to a growth period with important fund disbursement arrangement(s), the proportion of cash dividend distribution accounting for this profit distribution should reach 20% at minimum when conducting profit distribution.	
Notes to details about preplan for profit distribution or capital stock increase with capital reserve	
According to the audit by ShineWing CPAs (Special General Partnership), the net profit made by the parent company of the Company in 2018 was RMB 162.141 million and 10% of the net profit (RMB 16.214 million) was drawn as the legal surplus reserve. Therefore, the profit distributable to the shareholders in the current year was RMB 145.93 million. Plus the initial undistributed profit of RMB 573.847 million and minus the dividend of RMB 42.795million of common shares paid in 2017 and the drawn free surplus reserve of RMB 36.726 million (20%), the accumulated profit distributable to the shareholders was RMB 640.251 million.	
The Company's profit distribution preplan for 2018:	
Based on the net profit made by the parent company of the Company in 2018 (162.141 million), 20% of the net profit (RMB 32.428 million) will be drawn as the free surplus reserve;	
Based on the total capital stock of 843,212,507 shares, the dividend of RMB 0.5 in cash (including tax) will be distributed for every 10 shares, the total cash dividend is RMB 42.161 million, and the cash dividend for B share is converted and paid in Hong Kong dollars.	

III Implementation of commitments

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

☐Applicable ☒Not applicable

2. The company's assets or projects have earnings forecasts, and the reporting period is still in the period of earnings forecasts. The company explains the reasons why the assets or projects have reached the original earnings forecasts.

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

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

V. Explain to the "non standard audit report" from the board of directors, board of supervisors of the Company

☐Applicable ☒Not applicable

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

☒Applicable ☐Not applicable

"The Notice of amendment to the standard enterprise's financial statements format" (Caikuai[2018]No.15 File announced by the Ministry of Finance on 15th June, 2018(hereinafter referred to as Caikuai No. 15 File). Due to the No.15 File, some of asset items and liability items have been merged and some of income statements items have been separated, and "interpretation of financial statement format for the company in 2018" was announced on 7th September, 2018. Handling charge of personal income tax shall be clearly presented under "other income", the actual subsidy received from government shall be presented under operating cash flow column when preparing the cash flow statement regardless of asset related or income related.

The Company has prepared the financial statements in accordance with new statements format and retrospectively made adjustment to the changes mentioned and respectively adjusted the comparing figures in accordance with financial statements presentation, No. 30, accounting standards applicable in China.

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

☐Applicable ☒Not applicable

XIII. Change in the range of consolidated statements compared with the financial statements of the previous year

☒Applicable ☐ Not applicable

Compared with the previous year, the main body included in the consolidated financial statements in this year increased the share of Wuhan Lanning Energy Technology Co., Ltd. due to the share purchase by subsidiary, and reduced the share of Shanghai Bingshan Technology Services Co., Ltd. due to the share sale by subsidiary.

IX. Engagement and dismissal of the accounting firm

Currently engaged accounting firm

Name of domestic accounting firm	ShineWing CPAs (Special General Partnership)
Remuneration paid to the domestic accounting firm (in 10 thousand yuan)	107
Continuous audit service years of the domestic accounting firm	3
Name of certified public accountants with the domestic accounting firm	Sui Guojun, Wang Dong

If the CPA firm retaining was changed in this period

☐Applicable ☒Not applicable

X. Facing suspend and terminate listing after the annual report disclosure

☐ Applicable ☒ Not applicable

XI. Bankruptcy restructuring related matters

☐ Applicable ☒ Not applicable

XII. Major lawsuit and arbitration issues

☐ Applicable ☒ Not applicable

XIII. Punishment and rectification

☐ Applicable ☒ Not applicable

XIV The credibility of companies and its controlling shareholder, actual controller

☒Applicable ☐ Not applicable

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

XV. The implementation and effect of equity incentive

☒Applicable ☐ Not applicable

The 2015 restricted stock incentive plan has been implemented and completed granting the restricted stock on March 2015, following first batch of unlock on April 22, 2016, and second batch of unlock on May 23, 2017, and third batch of unlock on May 15, 2018. The 2016 restricted stock incentive plan has been implemented and completed granting the restricted stock on December 2016, following first batch of unlock on December 19, 2017. After proved by the Company's 1st shareholders' general meeting in 2019, the Company's restricted stock incentive plan in 2016 has been terminated, and the repurchase and cancellation has been completed. For details, see the series announcement on China Securities, HK Commercial Daily and Cninfo website.

XVI. 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 64,038 thousand yuan, accounting for 72.77% of the budgeted amount for the year 2018. This included 235,250 thousand yuan, accounting for 73.52% of the budgeted amount for the year 2018, for purchasing supporting products for package projects from associated parties, and 405,130 thousand yuan, accounting for 72.34% of the budgeted amount for the year 2018, from selling supporting parts and components to associated parties.

2. Associated transactions related to purchases or sales of assets**3. Important associated transactions with joint external investments****4. Current associated rights of credit and liabilities**

☐ Applicable ☒ Not applicable

5. Other associated transactions

☒Applicable ☐ Not applicable

Approved by the 22th Meeting of the 7th Board of Directors, the Company and Dalian Bingshan Group Co., Ltd. jointly invested 100 million yuan in Dalian Bingshan Group Management Consulting Co., Ltd.

For details, please see the related announcement on China Securities, HK Commercial Daily and Cninfo website.

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

(1) the hosting status

☐ Applicable ☒ Not applicable

(2) the contracting status

☐ Applicable ☒ Not applicable

(3) the leasing status

☒ Applicable ☐ Not applicable

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

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

On April 21, 2017, the Company convened the 13th meeting of 7th Board of Directors, and approved to rent out the whole land and house of the Company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd., with rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters. The lease term is from April 1, 2017 to December 31, 2036. The rent in 2018 is RMB 7.86 million.

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. Entrust others to cash assets management

(1) Trust management

☒ Applicable ☐ Not applicable

(ten thousand yuan)

Specific type	Source of fund	Amount of occurrence	Undue balance	Overdue amount
Bank financial products	Temporarily unused raised fund	7,600	0	0
Total		7,600	0	0

(2) Entrusted loans

☐ Applicable ☒ Not applicable

(3) Other important contracts

☐ Applicable ☒ Not applicable**XVIII. Social responsibilities**☒ Applicable ☐ Not applicable**1. Performance of precise poverty alleviation social responsibility****(1) Overview of the annual targeted poverty alleviation**

In 2018, the Company and its controlling shareholder carried out targeted measures in poverty alleviation in the Songlin Village, Guangmingshan Town, Zhuanghe City, the fixed-point poverty alleviation continually. Main helping measures are:

Firstly, actively docking and fulfilling responsibilities. The Company has identified the responsibility department of poverty alleviation docking and initiated docking communication with Songlin Village. At the same time, the budget of poverty alleviation funds is prepared in full to ensure that the poverty alleviation funds are fully and timely.

Secondly, precise poverty alleviation and facility poverty alleviation. The Company donated money to help Songlin Village prepare for the party building cultural square, gave support to improve the cultural life of villagers, and put the work of helping into practice.

Thirdly, follow-up and focus on it. The Company will continue to follow up the poverty alleviation work in Songlin Village, and make intensive efforts in facility poverty alleviation and industrial poverty alleviation.

(2) Follow-up targeted poverty alleviation plan

In 2019, the Company will promote the poverty alleviation with innovative measures, ensuring an actual effect achieved from the works.

Firstly, continue to maintain close contact with Songlin Village, in combination with on-site investigation, timely understanding of local support needs, on the basis of building cultural plaza, combining with the production and marketing of agricultural and sideline products with local characteristics, formulate specific measures to help propaganda and market expansion, strengthen the "hematopoietic" ability of poor villagers, and increase economic income.

Secondly, continue to organize volunteer teams to donate daily necessities and school supplies to help students with disabilities.

Thirdly, continue to strengthen education to alleviate poverty, so that more children of poor families can go to school and read books, and provide educational assistance to children of poor families.

2. Performance of other social responsibility

For the specific performance of social responsibilities by the Company, refer to the social responsibility report for 2018.

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

☒ Yes ☐ No

Enterprise or subsidiary	Main pollutant and features	Way of discharge	Number of discharge outlet	Distribution of the discharge outlet	Emission concentration	Pollutant discharge standard implemented	Total discharge	Total approved emissions	Excessive emission
Dalian Refrigeration Co., Ltd.	COD	sequence	1	Unified discharged	208 mg/L	DB21 1627-2008	4.48 tons	6 tons	Not over standard
Dalian Refrigeration Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	28.8 mg/L	DB21 1627-2008	0.3 tons	0.9 tons	Not over standard
Dalian Refrigeration Co., Ltd.	Dust	sequence	1	Unified discharged	10.6 mg/m ³	GB9078-1996	3.1 tons	6.8 tons	Not over standard
Panasonic Appliances Compressor (Dalian) Co., Ltd.	COD	sequence	1	Unified discharged	21 mg/L	DB21 1627-2008	2.58 tons	5.4 tons	Not over standard
Panasonic Appliances Compressor (Dalian) Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	0.45 mg/L	DB21 1627-2008	0.043 tons	0.8 tons	Not over standard
Panasonic Appliances Compressor (Dalian) Co., Ltd.	Petroleum	sequence	1	Unified discharged	0.6 mg/L	DB21 1627-2008	0.06 tons	0.3 tons	Not over standard
Panasonic Appliances Compressor (Dalian) Co., Ltd.	Mixed dust	sequence	2	Assembly Workshop; Shell Workshop	8.52 mg/m ³ ; 8.67 mg/m ³	GB16297-1996	0.2 tons	5.1 tons	Not over standard

XIX. Other important matters

☐ Applicable ☒ Not applicable

XX. Other important matters of subsidiary company

☐ Applicable ☒ Not applicable

Section 6 Change in Share Capital and Shareholders' Information

I. Change in share capital

1. Change in share capital

items	Shares (before change)		Changes	Shares (after change)	
	number	proportion		number	proportion
I. Non-circulating share capital with restricted trade conditions	21,545,455	2.52%	-5,500,291	16,045,164	1.88%
II. Circulating share capital	834,941,726	97.48%	4,447,197	839,388,923	98.12%
1. Domestically listed ordinary shares	593,441,726	69.28%	4,447,197	597,888,923	69.89%
2. Domestically listed foreign shares	241,500,000	28.20%		241,500,000	28.23%
III. Total shares	856,487,181	100.00%	-1,053,094	855,434,087	100.00%

The reason for the Change in share capital

On February 12, 2018, the Company's 2016 restricted stock incentive plan was partially cancelled; on May 15, 2018, the Company's 2015 restricted stock incentive plan was unlocked in the third batch; and on May 30, 2018, the Company's 2015 restricted stock incentive plan was partially cancelled.

The things mentioned above in the report have caused the change of the total amount of shares and the structure of stock.

Approval of changes in shares

☒ Applicable ☐ Not applicable

The partially cancellation of 2016 restricted stock incentive plan was approved by the 17th meeting of 7th Board of Directors, and the 3rd Extraordinary Shareholders' General Meeting of 2017 of the Company. The third patch of unlock and partially cancellation of 2015 restricted stock incentive plan was approved by the 21st meeting of 7th Board of Directors of the Company.

The influence of change in share capital on the 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 2017 is 0.23 yuan; According to the latest equity is adjusted for 0.23 yuan;

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

(3) The net assets per share of 2017 is 3.99 yuan; According to the latest equity is adjusted for 3.99 yuan.

2. The restricted shares changes

☒ Applicable ☐ Not applicable

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

II. Securities issuance and listing

1. Securities issuance in the report period

☒ Applicable ☐ Not applicable

During the reporting period, the Company issued 176 million yuan of non-public exchangeable corporate bonds with Guotai Jun'an stock as the target. The bonds were issued on July 30, 2018 and listed on the Shanghai Stock Exchange on August 6, 2018. The bonds are valid for three years.

2. Change in total shares of the Company and structure of shareholders

For details, please see the "I Change in share capital"

3. Internal staff shares

☐ Applicable ☒ Not applicable

III. Shareholders and actual controller

1. Number of shareholders and their shareholding

1. Number of shareholders and their shareholding					
Total number of shareholders in the reporting period	51,061	Total number of shareholders as of the last month before disclosure of the annual report		60,697	
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	19.98%	170,916,934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8.59%	73,503,150	0	0
Lin Zhenming	Foreign natural person	0.74%	6,369,740	0	0
Wu An	Domestic natural person	0.53%	4,500,000	0	0
Sun Huiming	Domestic natural person	0.51%	4,384,079	0	0
BOCI SECURITIES LIMITED	Overseas legal person	0.41%	3,471,602	0	0
Dalian industrial development investment Co., Ltd.	Domestic non-state-owned legal person	0.40%	3,406,725	0	0
Liu Zonghui	Domestic natural person	0.39%	3,356,650	0	0
Xue Hong	Domestic natural person	0.35%	2,980,000	0	0
Chen Naisheng	Domestic natural person	0.27%	2,311,330	0	0
Shareholding of top ten shareholders without sale restriction					
Name	Number of shares without sale restriction		Type of shares		
Dalian Bingshan Group Co., Ltd.	170,916,934		RMB denominated ordinary shares		
Sanyo Electric Co., Ltd.	73,503,150		Domestically listed foreign shares		
Lin Zhenming	6,369,740		Domestically listed foreign shares		
Wu An	4,500,000		Domestically listed foreign shares		
Sun Huiming	4,384,079		Domestically listed foreign shares		
BOCI SECURITIES LIMITED	3,471,602		Domestically listed foreign shares		
Dalian industrial development investment Co., Ltd.	3,406,725		RMB denominated ordinary shares		
Liu Zonghui	3,356,650		RMB denominated ordinary shares		
Xue Hong	2,980,000		Domestically listed foreign shares		
Chen Naisheng	2,311,330		RMB denominated ordinary shares		
Notes to the associated relationship and uniform actions of the above shareholders		Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.			

2. Controlling shareholder of the Company

Name of holding shareholder	Legal representative	Founding date	Unified social credit code	Main business
Dalian Bingshan Group Co., Ltd.	Ji Zhijian	Jul. 3, 1985	912102002412917931	Research, development, manufacture, sales, service and installation of industrial refrigeration products, freezing and cold storage products, large-, medium- and small-size air-conditioning products, petrochemical equipment products, electronic and electric control products, home appliance products and environment protection products.
Shares held by the holding shareholder in other overseas and domestic listed companies as the holding shareholder or ordinary shareholder in the reporting period	None			

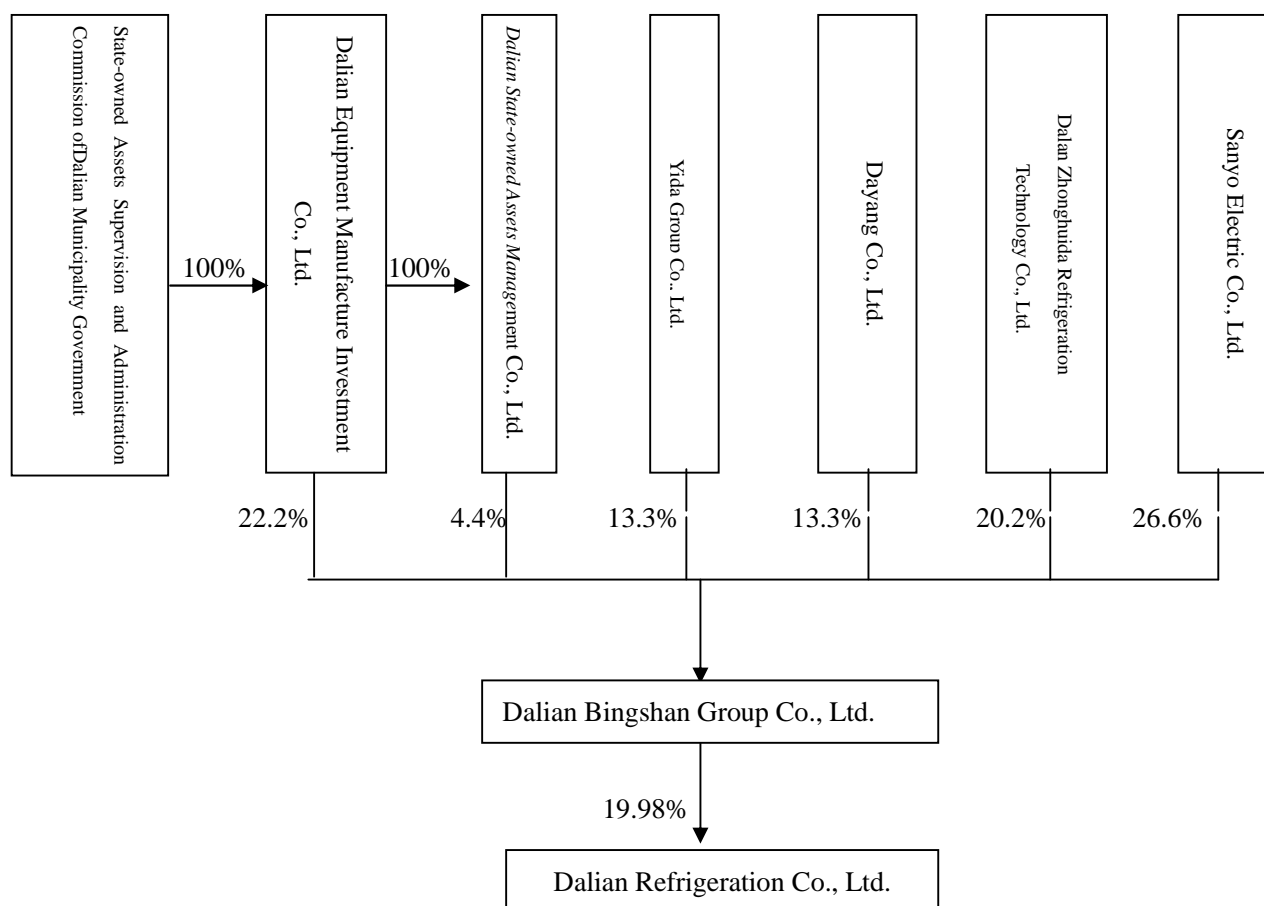
Change in the holding shareholder in the reporting period

☐ Applicable ☒ Not applicable

3. Actual controller of the Company

The company has no actual controller.

According to the actual situation of Dalian Refrigeration Co., Ltd. and its controlling shareholders, and compared with the related laws and regulations including Company Law of People's Republic of China, Management Regulation on Listing Company Acquisition and Stock Listing Rules of Shenzhen Stock Exchange, with the confirmation of Liaoning Huaxia law firm, the Company released the Public Notice on Not Having Actual Controller.(No: 2015-025), which was published on B04 of China Securities, A19 of HK Commercial Daily and Cninfo website on April 24 2015.



The actual controller controlled the Company through a trust or other asset management

☐ Applicable ☒ Not applicable

4. Other legal-person shareholders holding of 10% or more shares

☐ Applicable ☒ Not applicable

5. controlling shareholders, actual controllers, restructuring the constraint to the stake and other commitments underweight

☐ 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, Senior Management and Staff

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

Name	Position	Office-holding state	Sex	Age	Starting date of office term	Ending date of office term	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	M	52	Mar. 27, 2014	Jan.17, 2022	1,528,830	0	0	1,528,830
Ding Jie	Vice Chairman, GM	Incumbent	M	56	Jan. 21, 2016	Jan.17, 2022	1,015,000	0	0	1,015,000
Xu Junrao	Director	Incumbent	F	56	Mar. 27, 2014	Jan.17, 2022	1,030,349	0	35,000	995,349
Fan Yuekun	Director ,DGM	Incumbent	M	55	Otc.20, 2015	Jan.17, 2022	700,000	0	0	700,000
Takagi Toshiyuki	Director	Incumbent	M	62	Mar. 7,2017	Jan.17, 2022	0	0	0	0
Shin Kudo	Director	Incumbent	M	56	Jan. 21, 2016	Jan.17, 2022	0	0	0	0
Dai Dashuang	Independent director	Incumbent	F	68	Feb.12, 2015	Jan.17, 2022	0	0	0	0
Liu Jiwei	Independent director	Incumbent	M	58	Feb.12, 2015	Jan.17, 2022	0	0	0	0
Wang Yan	Independent director	Incumbent	F	55	May.20 2015	Jan.17, 2022	0	0	0	0
Mao Chunhua	Chairman of Board of Supervisors	Incumbent	F	53	Mar. 20, 2017	Jan.17, 2019	0	0	0	0
Dai Yuling	Supervisor	Incumbent	F	41	Jan. 21, 2016	Jan.17, 2022	0	0	0	0
Hu Xitang	Supervisor	Incumbent	M	51	Dec.26, 2018	Jan.17, 2022	0	0	0	0
Ma Yun	Chief Financial Officer	Incumbent	M	47	Jan. 21, 2016	Jan.17, 2022	700,000	0	175,000	525,000
Song Wenbao	Board Secretary	Incumbent	M	45	Feb. 5, 2013	Jan.17, 2022	593,880	0	0	593,880
Liu Kai	Original Vice Chairman	Leaving office	M	44	Feb. 5, 2013	Apr.2, 2018	1,385,160	0	300,000	1,085,160
Cao Lili	Original Supervisor	Leaving office	F	40	Mar. 13,2017	Dec.26, 2018	0	0	0	0
Total	--	--	--	--	--	--	6,953,219	0	510,000	6,443,219

On January 17, 2019 the Company held the 1st Extraordinary Shareholders' General Meeting of 2019, to carry out the management changing work. The meeting elected Ji Zhijian, Ding Jie, Xu Junrao, Fan Yuekun, Takagi Toshiyuki, and Watabe Shinichi to be the directors of the Company. Elected Dai Dashuang, Liu Jiwei, and Wang Yan to be the independent directors of the Company. Elected Hu Xitang, Zhao Huiming, and Dai Yuling to be the supervisors of the Company.

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

Name	Position held	Type	Date	Reason
Liu Kai	Vice Chairman	Leaving office	Apr.2, 2018	Resign from the Company due to work change
Cao Lili	Worker Supervisor	Leaving the office	Dec.26, 2018	Expiration of term
Hu Xitang	Worker Supervisor	Be employed	Dec.26, 2018	Be elected
Ding Jie	Vice Chairman	Be employed	Apr.20, 2018	Be elected
Fan Yuekun	Director	Be employed	May 18, 2018	Be elected

III Office holding

Professional background, main work experiences and the main duties and responsibilities of incumbent directors, supervisors, senior managers of the Company

Name	Position held	Professional background	Main work experience	main duties and responsibilities
Ji Zhijian	Chairman	doctorate degree in management of the Dalian University of Technology	Successively acting as GM, Chairman of Panasonic Cold-Chain.; Chairman and President of Dalian Bingshan Group Co., Ltd.; Chairman of the Company.	Related responsibilities of the Chairman
Ding Jie	Vice Chairman, GM	graduate from Xi'an Jiaotong University major in compressor and refrigeration technology, owed a master of business administration of Huazhong University of Science and Technology	Successively acting as GM, Chairman of Wuhan new world Refrigeration Co., Ltd. ; Vice Chairman and GM of the Company.	Related responsibilities of the Director Related responsibilities of the GM
Xu Junrao	Director	The MBA and senior account	Successively acting as the Financial Majordomo, director of the Company; Vice President and chief accountant of Dalian Bingshan Group Co., Ltd.	Related responsibilities of the Director
Fan Yuekun	Director , DGM	graduated from Tsinghua University with a bachelor degree, major in engineering physics, and MBA of Dalian University of Technology;	Successively acting as the general manager of operation & management division and GM assistant of Panasonic Cold-Chain; served as GM of Dalian HURLLY Group Co., Ltd.; served as the general manager of operation & management division of the Company, the Deputy General Manager of the Company.	Related responsibilities of the Director, and assist the GM
Takagi Toshiyuki	Director	graduated from Osaka Prefecture University;	He had been work in the technology division, the information machine division, PC department, IT product department, AVC	Related responsibilities of

			network department of Panasonic Electric Industrial Co., Ltd and Panasonic system network Co., Ltd. He serves as director in Panasonic Electric Industrial Co., Ltd, the deputy director of the electrochemical residential equipment machine Co., Ltd, the director of air-condition Co., Ltd.	the Director
Shin Kudo	Director	graduated from Japan Soka University	Successively acting as manager of counselor and manager of ministry of Supervision of Panasonic Electric Industrial Co., Ltd. The chief accountant of Panasonic Electric (China), Panasonic Electric AP(China)	Related responsibilities of the Director
Dai Dashuang	Independent director	professor, international project management appraiser, Chinese registered consulting engineer.	She serves as professor and doctoral tutor of the school of business administration of Dalian university of Technology, the director of project management research center of Dalian university of technology.	Related responsibilities of the Independent director
Liu Jiwei	Independent director	doctor of management, professor of accounting, CPA.	He has served successively as the director of finance department, professor of the accountancy of Dongbei University of Finance and Economics.	Related responsibilities of the Independent director
Wang Yan	Independent director	graduate from China University of Political Science and Law, professor of law	She has served successively as vice dean of law school of Dongbei University of Finance and Economics, the director of Chinese society of Economic Law ,the president of the Economics law seminar of Liaoning Province law society, and the arbitrator of Dalian Arbitration Commission.	Related responsibilities of the Independent director
Hu Xitang	Worker Supervisor	graduated from Nanjing University of Science and Technology	served as the chairman of the labor union of the Company.	Related responsibilities of the Supervisor
Mao Chunhua	Chairman of Board of Supervisors	Senior Accountant	Successively acting as Vice Head, and Head of the Financial Dept. of the Company.	Related responsibilities of the Supervisor
Dai Yuling	Supervisor	Accountant	acting as the deputy chief of the Financial Dept. of Dalian Bingshan Group Company Ltd.	Related responsibilities of the Supervisor
Ma Yun	Chief Financial Officer	The Accountant	He has served successively as the Deputy chief of the Financial Management Dept. of the Company, the supervisor of the Company, and the Chief Financial Officer of Dalian Bingshan Group Sales Co., Ltd.	Related responsibilities of CFO
Song Wenbao	Board Secretary	graduate from Zhejiang University, CFA	Successively acting as representative for securities affairs, board secretary of the Company.	Related responsibilities of Board Secretary

Office holding in shareholder unit

√ Applicable □ Not applicable

Name of office holder	Shareholder unit name	Position held in shareholder unit	If receiving remuneration or allowance from shareholder unit
Ji Zhijian	Dalian Bingshan Group Co., Ltd.	Chairman of the Board, President	Yes
Xu Junrao	Dalian Bingshan Group Co., Ltd.	Vice President and chief accountant	Yes

Office holding in other units

√ Applicable □ Not applicable

name	unit name	Position held in other unit	If receiving remuneration or allowance from other unit
Ji Zhijian	Dalian Bingshan Group Management Consulting Co., Ltd.	Chairman	no
	Dalian Zhong Huida Refrigeration Technology Co., Ltd.	Chairman	no
Ding Jie	Wuhan New World Refrigeration Industry Co., Ltd.	Chairman	no
	Dalian Bingshan Group Engineering Co., Ltd.	Chairman	no
	Dalian Bingshan Sales Co., Ltd.	Chairman	no
	Wuhan Lanning Energy Technology Co., Ltd.	Chairman	no
	Wuhan SCF Power Control Equipment Co., Ltd.	Chairman	no
Fan Yuekun	Dalian Fuji Bingshan Control Systems Co., Ltd.	Chairman	no
	Bingshan Technology Service (Dalian) Co., Ltd.	Chairman	no
Dai Dashuang	Yingkou Port Liability Co., Ltd.	The independent	yes
	Dalian Huarui Heavy Industry Group Co., Ltd.	The independent	yes
Liu Jiwei	Lingyuan Iron and Steel Co., Ltd	The independent	yes

IV. Remuneration paid to directors, supervisors, and senior management

Decision-making procedure, decision-making basis and actual payment of remuneration for directors, supervisors and senior management

Decision-making procedure: the Company's remuneration plan for directors and supervisors was proposed by the Company's Remuneration and Evaluation Committee of the Board of Directors, and after approval by the Board of Directors, submitted to the general meeting for adoption and put into effect. The Company's remuneration plan for senior management was put into effect after approval by the Company's Board of Directors.

Decision-making basis: it was decided on the basis of main responsibilities and importance of the concerned position and the remuneration level of similar positions in other similar enterprises and evaluated and rewarded through the Company's examination procedure for assets operation performance.

The total amount of remunerations actually (pre-tax) paid by the Company to directors, supervisors, and senior management was 3.7814 million yuan.

Particulars about the annual remuneration of directors, supervisors and senior staff members

Name	Annual remuneration and allowance(pre-tax)paid by the Company (ten thousand yuan)
Ji Zhijian	0
Ding Jie	90.19
Xu Junrao	0
Fan Yuekun	78.28
Takagi Toshiyuki	0
Shin Kudo	0

Dai Dashuang	8
Liu Jiwei	8
Wang Yan	8
Mao Chunhua	19.86
Dai Yuling	0
Hu Xitang	44.40
Ma Yun	74.16
Song Wenbao	47.25
Total	378.14

Equity incentive plans granted to directors, supervisors and senior management of the Company in the reporting period

☐ Applicable ☒ Not applicable

V. Status of the Company's staff

1. As of Dec. 31, 2018 the Company and its major subsidiary had 1,674 enrolled employees, including 915 persons engaged in production; 258 persons engaged in marketing; 263 persons engaged in engineering and technology; 35 persons engaged in financing; and 203 persons engaged in management.

2. As of Dec. 31, 2018, among enrolled employees of the Company and its major subsidiary, 62 persons have the educational background of Master or higher; 492 persons have the educational background of university; 511 persons have the educational background of junior college; and 609 persons have the educational background of secondary technical school or lower.

3. The Company applied the employee job performance wage system with distribution according to positions and performance of an employee.

4. The Company formulated the annual training plan and gave purposeful training to an employee in consideration of his/her post requirement.

5. Labor outsourcing

☐ Applicable ☒ Not applicable

Section 9 Corporate Governance

I. Basic situation of corporate governance

Within the reporting period, the Company centered around the operation subject as “Leading innovation, Creating value” with the theme “Commitment to Innovation, Effort to Transform, Share and Share”, relying on the opportunity of overall relocation and transformation of the Company, to further deepen and perfect the normative internal control system and upgrade the governing level of the Company continuously.

There were no problems with the Company concerning horizontal competition caused by restructures and other reasons. The main normal associated transactions between the Company and the associated companies included purchasing the supporting products for package projects from the associated companies, and selling the supporting parts and components to the associated companies and providing them with the labor service. Associated transactions between the Company and the associated companies are necessary for normal production and operation and helpful for the Company’s healthy development, and therefore will continue. The Company will strictly follow the related decision-making procedures and fulfill the obligation in information disclosure in order to further regulate associated transactions.

Was there any deviation of the Company's corporate governance from the requirements in the Company Law and China Securities Regulatory Commission's regulations?

☐ Yes ☒ No

There was no deviation of the Company's corporate governance from the requirements in the Company Law and China Securities Regulatory Commission's regulations.

II. Status of the Company's business, staff, asset, organization and finance separations from the holding shareholder

The Company was separated from the holding shareholder in business, staff, asset, organization and finance, and has the independent and complete business and operation capability.

III. Horizontal competitions

☐ Applicable ☒ Not applicable

IV Shareholders’ general meeting convened in the reporting period

1. Annual 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
2017 Annual Shareholders’ General Meeting	Annual Shareholders’ general meeting	30.78%	May 18.2018	May 19.2018	http://www.cninfo.com.cn

V. Independent directors’ execution of duties in the reporting period

1. Attendance of independent directors to the meetings of the Board of Directors and general meetings

Attendance of independent directors to the meetings of the Board of Directors						
Name of independent director	Number of due board meetings in the reporting period	Number of attendances on the spot	Number of attendance by communication	Number of attendance by proxy	Number of absences	Failure to attend in person for successive two times or not
Dai Dashuang	8	1	7	0	0	No
Liu Jiwei	8	1	7	0	0	No
Wang Yan	8	1	7	0	0	No
Number of attendances as a non-voting delegate		4				

2. Objections to the related matters of the Company raised by independent directors

The independent directors have raised no objections to the related matters of the Company in the reporting period.

3. Other description of independent directors' execution of duties

For details of the Company's independent directors' execution of duties, see the 2018 annual work report of the independent directors of the Company.

VI.. Execution of duties of the special committees under the Board of Directors in the reporting period**1. Execution of duties of the audit committee under the Board of Directors**

With performance of its duty according to the Implementation Rules for the Audit Commission under the Board of Directors and the Annual Reporting Work Rules for the Audit Commission, the Audit Commission under the Board of Directors supervised the Company's internal audit system and its implementation, audited the Company's accounting information and its disclosure and assessed the work of the external audit institution.

In the work of evaluation of a normative internal control system of the Company, the Auditing Commission brought into play actively the duty of organization, leadership and supervision. According to the Company internal control defect recognition standard, it examined and recognized the internal control defect recognition summary table developed by the internal control evaluation work group of the Company, and had an examination reading of the internal control evaluation report of the Company for 2018, believing that the status quo of the internal control system of the Company complies with related requirements and with the actual situation of the Company and it is being carried out satisfactorily. The internal control evaluation report of the Company for 2018 reflects the above facts accurately.

In the Company's 2018 annual audit work, the Audit Commission conducted positive communication and effective coordination with the audit institution ShineWing CPAs. The Audit Commission conducted communication with the person in charge of the project of the audit institution on the audit work plan, schedule, matters that should be noticed in audit and other matters and reached an agreement with them. In the process of audit, they kept close information on the progress of audit work and urged the audit institution many times to ensure the quality and schedule in the audit work. Through serious review of the Company's annual finance report and annual report after completion of the audit work, the Audit Commission believed that the Company's finance report was comprehensive and authentic, and the finance report and other information disclosed by the Company were objective and true, having reflected the true annual financial status of the Company.

The Audit Commission believed that in the 2018 annual audit service for the Company, ShineWing CPAs implemented the audit for the Company on the practicing basis of independency, objectivity and fairness and strictly abided by the new accounting standards. They worked out a well-considered plan, allocated all necessary personnel, positively contacted our Audit Commission and independent directors, and completed the 2018 annual audit service for the Company through its industrious and conscientious working. It is suggested that ShineWing CPAs should be reengaged as the auditing agency for the Company in 2019.

2. Execution of duties of the remuneration and evaluation committee under the Board of Directors

With performance of its duty according to the Implementation Rules for the Remuneration and Evaluation Commission under the Board of Directors, the Remuneration and Evaluation Commission under the Board of Directors examined the annual salary and remuneration level of the Company's directors, supervisors and senior executives, and believed that the decision-making procedure for salary and remuneration of the above persons and the paying standard complied with the laws and regulations and the Company's regulations, and the salary and remuneration information disclosed in the Company's Annual Report for 2018 was authentic and exact.

VII. Work of the Board of Supervisors

Was there any risk with the Company found by the Board of Supervisors in their supervision activities in the reporting period?

☐ Applicable ☒ Not applicable

The Board of Supervisors had no objections to the matters under supervision in the reporting period.

VIII. Performance evaluation and incentive system for senior management

Combined with the 2015 restricted stock incentive plan and 2016 restricted stock incentive plan, the Company evaluated and rewarded senior management through the Company's examination procedure for assets operation performance in the reporting period.

IX. The internal control system**1. Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control.**

☐ Applicable ☒ Not applicable

There was no material weakness in the internal control found in the reporting period.

2. Report on self-evaluation of internal control

Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control	
There was no material weakness in the internal control found in the reporting period.	
Date of disclosing the full text of the report on self-evaluation of internal control	Apr. 20, 2019
Disclosure reference to the full text of the report on self-evaluation of internal control	For the 2018 annual report on self-evaluation of internal control of the Company, visit the website www.cninfo.com.cn .

3. Internal control audit report

Description of the deliberation opinions in the internal control audit report	
We think that as of Dec. 31, 2018, Dalian Refrigeration Co., Ltd. had maintained an effective internal control over the financial reports in all material aspects according to Basic Enterprise Internal Control Specification and relevant regulations.	
Date of disclosing the full text of the internal control audit report	Apr. 20, 2019
Disclosure reference to the full text of the internal control audit report	For the 2018 annual internal control audit report of the Company, visit the website www.cninfo.com.cn .

Did the accounting firm issue the internal control audit report with nonstandard opinions?

☐ Applicable ☒ Not applicable

Was the internal control audit report issued by the accounting firm consistent with the opinion in the self-evaluation report of the Board of Directors?

☒ Yes ☐ No

Section 10 Information on Corporate Bonds

☐ Applicable ☒ Not applicable

Section 11 Financial Report

I. Auditor's Report

XYZH/2019DLA20116

To the shareholders of Dalian Refrigeration Company Limited

1. Opinion

We have audited the financial statements of Dalian Refrigeration Company Limited ("Dalian Refrigeration Company"), which comprise the consolidated as well as Company's balance sheet as at 31 December 2018, the Company's and the consolidated income statement, cash flow statement and statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Dalian Refrigeration Company present fairly, in all material respects, the Company's and the consolidated financial position as at 31 December 2018, the Company's and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

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

3. Key Audit Matters

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

Revenue recognition	
Key Audit Matter	How the matter was addressed in the audit
Revenue of Dalian Refrigeration Company and its subsidiaries mainly come from sales of products and installation. The key concern about the sales revenue is due to the large sales quantities and any potential misstatements existing in the revenue recognition within the appropriate accounting period. Key concern about installation income is because the accounting involved by significant accounting estimate and judgment. Having considered these matters, we recognized revenue recognition as key audit matters.	<p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> 1. Understand and evaluate effectiveness of design and operation of the management 's internal control over revenue 2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin by segmenting the business and sales in conjunction with industry development and actual situation of Dalian Refrigeration Company. 3. Sampling test the sales contracts, identify the clause and terms in respect to the risk and reward transfer of the ownership. Evaluate the recognition timing of revenue whether is in line with the accounting standards. 4. Sampling select product sales revenue record,

	<p>reconcile to sales invoice, contracts, dispatch note, acceptance note; Sampling select installation sales revenue record, reconcile to invoice, installation contracts and completion report and Evaluate the recognition of revenue whether is in line with the accounting standards</p> <p>5. Checking actual installation cost by reviewing the contract, invoice and supportive document with signature for the equipment received to evaluate the cost whether it really incurred.</p> <p>6. Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period.</p>
<p>4. Other Information</p> <p>The management of Dalian Refrigeration Company (hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises the information included in the Dalian Refrigeration Company 2018 annual report, but does not include the financial statements and our auditor’s report thereon.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.</p> <p>5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements</p> <p>The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the Management is responsible for assessing Dalian Refrigeration Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Dalian Refrigeration Company or to cease operations, or have no realistic alternative but to do so.</p> <p>Those charged with governance are responsible to overseeing Dalian Refrigeration Company’s financial reporting process.</p> <p>6. Auditor’s Responsibilities for the Audit of the Financial Statements</p> <p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p> <p>During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:</p> <p>Identify and assess the risks of material misstatement of the financial statements, whether due to fraud</p>	

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

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

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

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

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

ShineWing Certified Public AccountantsLLP

CICPA: Sui Guojun (Audit Partner)

CICAP: Wang Dong

China, Beijing

April 19, 2019

II. Accounting statement

BALANCE SHEET				
Prepared by Dalian Refrigeration Co., Ltd.		December 31, 2018		Unit: RMB Yuan
Assets	31-Dec-2018		31-Dec-2017	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	343,026,485.11	186,976,185.10	394,809,694.11	234,655,092.14
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Notes receivable and Accounts receivable	1,278,838,632.86	482,389,295.25	1,209,074,071.99	414,013,403.75
Notes receivable	171,292,044.56	63,673,648.65	172,818,176.20	57,455,446.82
Accounts receivable	1,107,546,588.30	418,715,646.60	1,036,255,895.79	356,557,956.93
Accounts in advance	158,405,300.50	69,577,538.44	140,808,375.21	33,125,666.30
Other receivables	48,508,755.15	14,003,269.34	53,954,243.16	4,694,581.36
Interest receivables	318,886.12	318,886.12	1,871,783.33	1,871,783.33
Dividend receivable	33,450.00		33,450.00	
Inventories	450,195,300.53	194,747,632.08	352,279,664.64	149,549,915.80
Assets held for sale				
Non-current asset due within one year				
Other current assets	18,266,589.12	8,056,055.09	114,907,269.33	102,402,409.84
Total current assets	2,297,241,063.27	955,749,975.30	2,265,833,318.44	938,441,069.19
Non-current assets:				
Finance asset held available for sales	382,186,729.99	380,771,587.49	515,783,193.99	514,468,051.49
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,619,693,570.97	2,201,953,842.42	1,568,255,738.12	2,044,438,551.88
Investment property	100,338,241.99	111,421,702.70	103,861,275.27	114,812,363.92
Fixed assets	953,298,058.11	725,516,578.53	890,874,647.40	658,637,271.68
Construction in progress	19,796,212.82	18,010,457.61	82,999,382.90	80,314,961.09
Productive biological asset				
Oil and gas asset				
Intangible assets	147,018,592.71	70,049,323.57	143,918,516.87	71,715,598.15
Expense on Research and Development				
Goodwill	1,750,799.49		1,750,799.49	
Long-term expenses to be apportioned	12,873,428.19	11,244,777.00	14,431,131.01	12,737,555.16
Deferred income tax asset	34,082,754.72	4,303,943.48	31,913,497.18	5,815,160.93
Other non-current asset				
Total non-current asset	3,271,038,388.99	3,523,272,212.80	3,353,788,182.23	3,502,939,514.30
Total assets	5,568,279,452.26	4,479,022,188.10	5,619,621,500.67	4,441,380,583.49

BALANCE SHEET (CONTINUED)

Prepared by Dalian Refrigeration Co., Ltd.

December 31, 2018

Unit: RMB Yuan

Liabilities and shareholders' equity	31-Dec-2018		31-Dec-2017	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	250,000,000.00	250,000,000.00	349,801,300.00	260,000,000.00
Financial liabilities which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial liabilities				
Notes payable and Accounts payable	1,132,891,095.19	412,799,816.79	1,150,407,485.30	504,111,353.53
Accounts received in advance	122,151,101.00	29,579,144.85	147,172,195.05	61,450,463.91
Wage payable	31,856,136.59	7,376,290.42	46,751,562.36	11,445,665.15
Taxes payable	13,608,212.32	3,399,150.12	29,992,558.62	1,274,710.89
Other accounts payable	63,313,958.43	30,439,931.10	68,917,431.20	31,258,415.49
Interest payable	1,369,527.78	1,369,527.78	379,085.53	379,085.53
Dividend payable	533,156.00	533,156.00	863,516.60	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	2,999,574.93			
Other current liabilities				
Total current liabilities	1,616,820,078.46	733,594,333.28	1,793,042,532.53	869,540,608.97
Non-current liabilities:				
Long-term loans	160,000,000.00	160,000,000.00	160,000,000.00	160,000,000.00
Bonds payable	176,000,000.00	176,000,000.00		
Long-term account payable	1,532,949.94			
Long-term wage payable				
Projected liabilities				
Deferred income	103,542,093.79	60,907,828.40	100,336,504.07	56,890,504.07
Deferred income tax liabilities	51,954,442.22	51,954,442.22	71,429,566.31	71,429,566.31
Other non-current liabilities				
Total non-current liabilities	493,029,485.95	448,862,270.62	331,766,070.38	288,320,070.38
Total liabilities	2,109,849,564.41	1,182,456,603.90	2,124,808,602.91	1,157,860,679.35
Shareholders' equity				
Share capital	855,434,087.00	855,434,087.00	856,487,181.00	856,487,181.00
Capital public reserve	760,365,342.00	804,867,436.83	757,532,081.34	802,034,176.17
Less: Treasury stock	21,026,106.00	21,026,106.00	23,305,370.40	23,305,370.40
Other comprehensive income	296,909,965.55	295,947,864.88	407,269,002.11	406,306,901.44
Special preparation				
Surplus public reserve	721,091,040.02	721,091,040.02	668,150,375.30	668,150,375.30
General risk reserve				
Retained profit	764,859,288.45	640,251,261.47	750,397,795.56	573,846,640.63
Translation of foreign currency capital				
Total owner's equity attributable to parent company	3,377,633,617.02	3,296,565,584.20	3,416,531,064.91	3,283,519,904.14
Minority interests	80,796,270.83		78,281,832.85	-
Total owner's equity	3,458,429,887.85	3,296,565,584.20	3,494,812,897.76	3,283,519,904.14
Total liabilities and shareholder's equity	5,568,279,452.26	4,479,022,188.10	5,619,621,500.67	4,441,380,583.49

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

INCOME STATEMENT

Prepared by Dalian Refrigeration Co., Ltd.

January-December, 2018

Unit: RMB Yuan

Items	January-December, 2018		January-December, 2017	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	1,966,064,612.44	575,336,492.16	2,079,715,105.37	616,759,880.66
Including: Operating income	1,966,064,612.44	575,336,492.16	2,079,715,105.37	616,759,880.66
II. Total operating cost	2,070,981,320.75	649,360,788.76	2,045,840,192.64	633,137,078.08
Including: Operating cost	1,651,288,375.99	508,226,342.48	1,643,653,442.93	507,660,774.60
Taxes and associate charges	18,385,555.85	9,190,820.60	19,553,933.04	7,988,392.84
Selling and distribution expenses	109,791,230.22	774,651.62	113,422,315.47	891,189.19
Administrative expenses	195,039,866.99	90,172,124.16	193,221,098.64	91,774,158.28
Research and development expenses	46,904,366.84	21,552,749.89	38,124,492.93	20,473,796.12
Financial expense	20,643,295.20	14,053,888.25	10,855,836.96	4,027,140.72
Interest expense	18,805,308.74	14,770,581.51	10,526,056.47	7,389,102.60
Interest income	2,487,236.95	1,921,776.06	4,865,429.43	4,232,187.62
Impairment loss	28,928,629.66	5,390,211.76	27,009,072.67	321,626.33
Add: Other income	5,700,277.26	2,056,087.00	1,771,176.72	128,650.51
Gain/(loss) from investment	215,559,030.70	235,219,734.52	180,132,262.51	198,438,477.12
Including: income from investment on affiliated enterprise and jointly enterprise	137,440,422.49	137,949,633.91	140,904,557.45	141,879,121.47
Gain/(loss) from change in fair value				
Gain/(loss) from Exchange				
Gain/(loss) from asset disposal	374,143.29	271,569.52	552,588.02	1,851,943.49
III. Operating profit	116,716,742.94	163,523,094.44	216,330,939.98	184,041,873.70
Add: non-business income	2,789,542.50	211,209.29	2,330,234.97	527,565.75
Less: non-business expense	629,617.30	82,400.85	187,380.52	0
IV. Total profit	118,876,668.14	163,651,902.88	218,473,794.43	184,569,439.45
Less: Income tax	6,858,302.64	1,511,217.45	13,917,742.62	936,458.57
V. Net profit	112,018,365.50	162,140,685.43	204,556,051.81	183,632,980.88
1. Net profit from continuous operation	112,018,365.50	162,140,685.43	204,556,051.81	183,632,980.88
2. Net profit from discontinuing operation				
Net profit attributable to parent company	110,503,175.90	162,140,685.43	200,759,820.17	183,632,980.88
Minority shareholders' gains and losses	1,515,189.60		3,796,231.64	
VI. After-tax net amount of other comprehensive incomes	-110,359,036.56	-110,359,036.56	-24,370,321.41	-24,106,655.33
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-110,359,036.56	-110,359,036.56	-24,370,321.41	-24,106,655.33
(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	-110,359,036.56	-110,359,036.56	-24,370,321.41	-24,106,655.33
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	-110,359,036.56	-110,359,036.56	-24,106,655.33	-24,106,655.33

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 income attributable to minority shareholders				
VII Total comprehensive income	1,659,328.94	51,781,648.87	180,185,730.40	159,526,325.55
Total comprehensive income attributable to parent company	144,139.34	51,781,648.87	176,389,498.76	159,526,325.55
Total comprehensive income attributable to minority shareholders	1,515,189.60		3,796,231.64	
VIII. Earnings per share				
(I) basic earnings per share	0.130		0.230	
(II) diluted earnings per share	0.130		0.230	

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

CASH FLOW STATEMENT

Prepared by Dalian Refrigeration Co., Ltd. January-December, 2018

Unit: RMB Yuan

Items	January - December, 2018		January - December, 2017	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1,406,762,006.49	478,478,693.07	1,490,364,517.50	466,954,711.78
Write-back of tax received	37,310,011.82	21,407,074.38	13,249,610.37	
Other cash received concerning operating activities	57,298,204.14	22,740,262.64	99,140,045.44	67,958,978.50
Subtotal of cash inflow arising from operating activities	1,501,370,222.45	522,626,030.09	1,602,754,173.31	534,913,690.28
Cash paid for purchasing commodities and receiving labor service	1,033,353,346.60	489,595,806.59	1,208,906,954.40	503,456,875.87
Cash paid to/for staff and workers	351,958,914.28	128,932,475.57	328,550,494.59	125,201,385.18
Taxes paid	88,740,477.26	8,443,980.99	97,569,294.79	9,617,239.24
Other cash paid concerning operating activities	146,975,369.95	25,098,969.48	174,953,280.75	25,669,693.09
Subtotal of cash outflow arising from operating activities	1,621,028,108.09	652,071,232.63	1,809,980,024.53	663,945,193.38
Net cash flows arising from operating activities	-119,657,885.64	-129,445,202.54	-207,225,851.22	-129,031,503.10
II. Cash flows arising from investing activities:				
Cash received from recovering investment	3,000,000.00	3,000,000.00	1,500,000.00	1,500,000.00
Cash received from investment income	150,471,312.40	150,437,862.40	124,960,986.95	134,921,961.95
Net cash received from disposal of fixed, intangible and other long-term assets	4,564,174.11	429,000.00	359,391.02	46,000.00
Net cash received from disposal of subsidiaries and other units	-3,087,767.47			
Other cash received concerning investing activities	76,000,000.00	76,000,000.00		
Subtotal of cash inflow from investing activities	230,947,719.04	229,866,862.40	126,820,377.97	136,467,961.95
Cash paid for purchasing fixed, intangible and other long-term assets	154,087,329.20	142,823,008.41	121,653,422.49	107,072,028.97
Cash paid for investment	9,900,000.00	109,800,000.00	221,950,000.00	221,950,000.00
Net cash received from payment of subsidiaries and other business units	4,227,733.43		56,150,000.00	56,150,000.00
Other cash paid concerning investing activities			76,000,000.00	76,000,000.00
Subtotal of cash outflow from investing activities	168,215,062.63	252,623,008.41	475,753,422.49	461,172,028.97
Net cash flows arising from investing activities	62,732,656.41	-22,756,146.01	-348,933,044.52	-324,704,067.02
III. Cash flows arising from financing activities				
Cash received from absorbing investment			4,900,000.00	
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries			4,900,000.00	
Cash received from loans	410,954,000.00	400,000,000.00	467,829,700.00	320,000,000.00
Cash received from issuing bonds	174,504,000.00	174,504,000.00		
Other cash received concerning financing activities	32,116,287.80		22,976,815.56	1,200,000.00
Subtotal of cash inflow from financing activities	617,574,287.80	574,504,000.00	495,706,515.56	321,200,000.00
Cash paid for settling debts	510,674,100.00	410,000,000.00	162,890,000.00	60,000,000.00

Cash paid for dividend and profit distributing or interest paying	63,418,879.42	56,097,200.94	71,104,725.59	68,187,672.87
Including: dividends or profit paid by subsidiaries to minority shareholders	3,615,000.00			
Other cash paid concerning financing activities	42,962,043.00	3,446,078.94	29,714,920.43	
Subtotal of cash outflow from financing activities	617,055,022.42	469,543,279.88	263,709,646.02	128,187,672.87
Net cash flows arising from financing activities	519,265.38	104,960,720.12	231,996,869.54	193,012,327.13
IV. Influence on cash due to fluctuation in exchange rate	-3,584,007.99	-438,278.61	-2,383,390.47	161,228.59
V. Net increase of cash and cash equivalents	-59,989,971.84	-47,678,907.04	-326,545,416.67	-260,562,014.40
Add: Balance of cash and cash equivalents at the period -begin	364,693,406.31	234,655,092.14	691,238,822.98	495,217,106.54
VI. Balance of cash and cash equivalents at the period-end	304,703,434.47	186,976,185.10	364,693,406.31	234,655,092.14

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2018.01-12

Unit: RMB Yuan

Items	2018.01-12								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
I. balance at the end of last year	856,487,181.00	757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30	750,397,795.56	78,281,832.85	3,494,812,897.76
1. Change of accounting policy									
2. Correction of errors in previous period									
3. Merger of enterprises under the same control.									
II. Balance at the beginning of this year	856,487,181.00	757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30	750,397,795.56	78,281,832.85	3,494,812,897.76
III. Increase/ decrease of amount in this year ("↓" means decrease)	-1,053,094.00	2,833,260.66	-2,279,264.40	-110,359,036.56		52,940,664.72	14,461,492.89	2,514,437.98	-36,383,009.91
(I) Total comprehensive incomes				-110,359,036.56			110,503,175.90	1,515,189.60	1,659,328.94
(II) Capital increased and reduced by owners	-1,053,094.00	2,833,260.66	-2,279,264.40					4,614,248.38	8,673,679.44
1. Common shares increased by shareholders	-1,053,094.00	-2,392,984.94	-2,279,264.40					4,614,248.38	3,447,433.84
2. Capital increased by holders of other equity instruments									-
3. Amounts of share-based payments recognized in owners' equity		5,226,245.60							5,226,245.60
4. Other									-
(III) Profit distribution						52,940,664.72	-96,041,683.01	-3,615,000.00	-46,716,018.29
1. Withdrawing surplus public reserve						52,940,664.72	-52,940,664.72		
2. Withdrawing general risk preparation.									
3. Distribution to all owners (shareholders)							-42,795,399.87	-3,615,000.00	-46,410,399.87
4. Others							-305,618.42		-305,618.42
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Carry forward retained earnings from changes in defined benefit plans									
5. Others									
(V) Specific reserve									
1. Withdrawn for the period					2,133,519.76				2,133,519.76
2. Used in the period					-2,133,519.76				-2,133,519.76
(VI) Other									
IV. Balance at the end of this period	855,434,087.00	760,365,342.00	21,026,106.00	296,909,965.55		721,091,040.02	764,859,288.45	80,796,270.83	3,458,429,887.85

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

Prepared by Dalian Refrigeration Company Limited

2018.01-12

Unit: RMB Yuan

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

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Dalian Refrigeration Company Limited

2018.01-12

Unit: RMB Yuan

Items	2018.01-12								
	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	856,487,181.00		802,034,176.17	23,305,370.40	406,306,901.44		668,150,375.30	573,846,640.63	3,283,519,904.14
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	856,487,181.00		802,034,176.17	23,305,370.40	406,306,901.44		668,150,375.30	573,846,640.63	3,283,519,904.14
III. Increase/ decrease of amount in this year ("-" means decrease)	-1,053,094.00		2,833,260.66	-2,279,264.40	-110,359,036.56		52,940,664.72	66,404,620.84	13,045,680.06
(I) Total comprehensive incomes					-110,359,036.56			162,140,685.43	51,781,648.87
(II) Capital increased and reduced by owners	-1,053,094.00		2,833,260.66	-2,279,264.40					4,059,431.06
1. Common shares increased by shareholders	-1,053,094.00		-2,392,984.94	-2,279,264.40					-1,166,814.54
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			5,226,245.60						5,226,245.60
4. Other									
(III) Profit distribution							52,940,664.72	-95,736,064.59	-42,795,399.87
1. Withdrawing surplus public reserve							52,940,664.72	-52,940,664.72	-
2. Distribution to all owners (shareholders)								-42,795,399.87	-42,795,399.87
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,133,519.76			2,133,519.76
2. Used in the period						-2,133,519.76			-2,133,519.76
(VI) Other									
IV. Balance at the end of this period	855,434,087.00		804,867,436.83	21,026,106.00	295,947,864.88		721,091,040.02	640,251,261.47	3,296,565,584.20

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

Prepared by Dalian Refrigeration Company Limited

2018.01-12

Unit: RMB Yuan

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

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

III. Notes to the accounting statement

(All amounts in RMB Yuan unless otherwise stated)

I. General Information

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

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

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

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

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting

authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3rd provisional general meeting held on 13th September 2016, the 9th meeting of the 7th generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20th, 2016 and set 20th September 2016 as share granted date, and granted 12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22nd November, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23rd November, 2016.

On May 19, 2017, the general meeting for 2016 fiscal year was held and profit appropriation scheme for 2016 FY was approved, which was every 10 shares will be increased by 4 shares through capital reserve based on the total 611,776,558 number of shares. After the profit appropriation scheme, the registered capital was changed to RMB856,478,181.00Yuan.

On December 28, 2017, the company held the 3rd extraordinary shareholders meeting in 2017, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2016 Restricted Stock Incentive Plan". On March 8, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 856,487,181 Yuan to 855,908,981 Yuan.

On May 4, 2018, the company held the 21st meeting of the 7th Board of Directors, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2015 Restricted Stock Incentive Plan". On June 29, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 855,908,981 Yuan to 855,434,087 Yuan

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

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

commercial trade and material supply and marketing.

II. The scope of consolidation

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

Names of subsidiaries	Types	Level	Proportion of shareholding (%)	Proportion of votes (%)
Dalian Bingshan Group Engineering Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan Group Sales Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Subsidiary	2	70	70
Dalian Bingshan JiaDe Automation Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	Subsidiary	2	100	100
Wuhan New World Refrigeration Industrial Co., Ltd.	Subsidiary	2	100	100
Bingshan Technical Service (Dalian) Co., Ltd.	Subsidiary	2	100	100
Dalian Niweisi LengNuan Technology Co., Ltd.	Subsidiary	2	55	55
Dalian Xinminghua Electrical Technology Co., Ltd.	Subsidiary	2	100	100
Dalian Bingshan International Trading Co., Ltd.	Subsidiary	2	100	100
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd.	Sub-subsidiary	3	100	100
Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd.	Sub-subsidiary	3	100	100
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd.	Sub-subsidiary	3	51	51
Wuhan Lanning Energy Technology Co., Ltd.	Sub-subsidiary	3	54.55	54.55
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Sub-subsidiary	3	51	51

This year, entities within the consolidation scope are changed comparing to last year. Because Wuhan Lanning Energy Technology Co., Ltd was newly acquired and Shanghai Bingshan was sold.

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

III. Financial Statements Preparation Basis

(1) Preparing basis

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

(2) Going concern

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

IV. Significant Accounting Policies and Accounting Estimates

1. Declaration for compliance with accounting standards for business enterprises

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

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

The Group adopts RMB as functional currency.

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

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

For a business combination not under same control, the asset, liability and contingent liability

obtained from the acquirer shall be measured at the fair value on the acquisition date. The combination cost shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquire, and sum of all direct expenses(if the combination is achieved in stages, the combination cost shall be the sum of individual transaction). The difference when combination cost exceeds proportionate share of the fair value of identifiable net assets of acquire should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration , after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquire, the difference should be recognized as non-operating income.

6. Method of preparation of consolidated financial statements

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

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

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

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

If a business consolidation under common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation under common control is finally achieved in stages, when preparing the consolidated financial statements, adjustments shall be made for the current consolidation status as if consolidation has always been there since the point when the ultimate controlling party starts to control. In preparation of comparative figures, asset and liability of the acquiree shall be consolidated into the Group's comparative financial

statements, but to the extent no earlier than the point when the Group and acquiree are both under ultimate control and relevant items under equity in comparative financial statements shall be adjusted for net asset increased in combination. To avoid the duplicated computation of net asset of acquiree, for long-term equity investment held by the Group before the consolidation, relevant profit and loss, other comprehensive income and movement in other net asset, recognized for the period between the combination date and later date when original shareholding is obtained and when the Group and the acquiree are under common control of same ultimate controlling party, shall be respectively used for writing down the opening balance of retained earnings of comparative financial statements and profit and loss for the current period.

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

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

(1) Financial assets

1) Classification, recognition and measurement

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

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

embedded derivative(s) is prohibited; it is a hybrid instrument that is required to be separated but unable to be measured separately either at acquisition or at the end of a subsequent financial reporting period. They are measured at fair value subsequently. Change on fair value shall be recognized in the profit and loss. Interest or cash dividends received during the period in which such financial assets are held, are recognized as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognized as 'Gain or loss on Investment' and adjust the gain or loss from changes in fair value accordingly.

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

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

2) Recognition and measurement of transfer of financial assets

A financial asset is derecognised when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the entity transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the entity has given up

its control of the financial asset although the entity neither transfers nor retains all risks and rewards of the financial asset.

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

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

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

3) Impairment of financial assets

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

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

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

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

The aforesaid "cost" recognized in line with the initial investment cost of available for sale financial instrument deducting principal recovered, amount amortized and the impairment

losses recorded into profits or losses. “fair value” recognized through the closing price of Securities Exchange at period end unless the investment of available for sale equity instrument was in the restricted stock trade period. For investment of available for sale equity instrument was in the restricted stock trade period, recognized in line with the closing price of Securities Exchange at period end deducting the risk of market player cannot sell the equity instrument, thus, require compensation.

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

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

(2) Financial liabilities

1) Classification, basis for recognition and measurement

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

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

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

2) Financial liability derecognition

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

3) Fair value measurement of financial asset and financial liability

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

11. Provision for bad debts of receivables

The Group shall review the carrying amount of receivables fully at the balance sheet date. The Group shall calculate the full provision for bad debts for the following receivables: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time. Other solid evidences indicates that the receivables could not be paid or be of a slim chance.

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

debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

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

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

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

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

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

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

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

Accrual reason	The individual amount is not significant, but the accrued bad debt provision on the basis of portfolio can not reflect its risk characteristic
Accrual method	The bad debt provisions should be accrued based on

the difference between current value of future cash flow and the carrying amount.

12. Inventories

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

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

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

13. Long-term equity investment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Where the entity has no longer control over the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for using equity method providing remaining joint control or significant influence over the investee company. The difference between carrying amount of disposed investment and

consideration received actually shall be recognized in the profit and loss for the period as investment gain or loss, and investment shall be adjusted accordingly as if it was accounted for under equity model since acquisition. Where the entity has on longer joint control or significant influence in the investee as a result of disposal, the investment shall be changed to be accounted for as available for sale financial assets, and difference between the carrying amount and disposal consideration shall be recognized in profit and loss for the period, and the difference between the fair value of remaining investment at the date of losing control and its carrying amount shall be recognized in the profit or loss for the year as investment gain or loss.

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

14. Investment property

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

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

15. Fixed assets

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

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

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

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

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

Finance lease shall be recognized when one of the conditions are met, (1) the ownership of the asset belongs to the company when the lease term is due, (2) the company has the option to buy the asset and buy price is far lower than the fair value when exercising the option. (3) lease term is most of the asset life (4) no significant difference between the present value of minimum lease premium and fair value on the lease commencement date.

On commencement date, leased asset shall be recognized at the lower of fair value and the PV of minimum lease payment, long term payable shall be recognized at the minimum lease payment and the difference is unrecognized financing expense.

The depreciation policy of the leased fixed assets shall be consistent with that of the self-owned fixed assets. If the ownership of asset can be reliably acquired by the lease term due date, leased asset shall be depreciated through the expected service life, otherwise, it shall be depreciated within the lower of the lease term and expected service life of the asset.

16. Construction in progress

Constructions in progress are carried down to fixed assets based on the construction budget and actual costs on the date when completing and achieving estimated usable status, and the fixed assets should be withdrew depreciation in the next month. Adjustment will be conducted upon confirmation of their actual values after implementing the completion and settlement procedures.

17. Borrowing costs

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, and should be measured at actual costs. 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, which the actual costs should be determined by the fair value.

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

19. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment property, fixed assets, construction in progress and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. Goodwill 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.

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.

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. The amortization period should be determined by the contract. If the contract without the amortization period specification, 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 unilateral withdraw the termination benefits due to employment termination plan or due to redundancy suggestion, or when the entity can recognize the restructuring cost or expense arising from paying termination benefits.

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

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

22. Contingent liabilities

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

Provision is originally measured on the best estimate of outflow for paying off the present obligations.

When determining the best estimate, need 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.

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. According to the fair value which the Group incurred liabilities, and recognizing acquired services as costs or expenses, and adjust liabilities accordingly.

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

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

24. Principle of recognition of revenue

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

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

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

transferred so the revenue is recognized.

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

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

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

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

Total service income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Service revenue for the current period shall be recognized based on the figure worked out on the total income multiply by the percentage of completion of the service after deducting the service revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total cost multiply by the percentage of completion of the service after deducting the service cost recognized in the prior period.

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

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

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

(3) Revenue from construction contract

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

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

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

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

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

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 date 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 cost recognized in the prior period. Construction contract income is recognized to the extent where the change of the contract, claim for compensation and bonus can bring the income and can be measured reliably.

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

.25. Government grants

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

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

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

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

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

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

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

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

26. Deferred tax assets and deferred tax liabilities

The deferred income tax assets or the deferred income tax liabilities should be recognized

according to the differences (temporary difference) between the carrying amount of the assets or liabilities and its tax base. Deferred income tax assets shall be respectively recognized for deductible tax losses that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years. No deferred income tax liabilities shall be recognized for any temporary difference arising from goodwill initially recognition. No deferred income 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 income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

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

27. Lease

The Company's leasing business includes operating lease and financing lease.

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

As a financing lease lessee, the lower of the fair value of leased assets and the present value of the minimum lease payments is recognized as the leased asset, the minimum lease payments are recognized as the long-term payables, and the difference is recognized as unrecognized finance expense at the inception of the lease. The company shall adopt the effective interest method to amortize and record as the financial costs during the assets lease term.

28. Held for sale

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

asset(or disposal group) to its fair value less costs to sell if the carrying amount is higher than its fair value less costs to sell. In the meantime, provision for assets impairment shall be made.

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

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

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

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

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

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

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

(9) When held for sale assets or disposal group cannot meet the criteria for held for sale classification so that they are not recognized as held for sale or non-current asset will be removed from disposal group, they shall be measured at the lower of the following amounts: (1)carrying amount of assets prior to it classified as held for sale, which is the amount after depreciation, amortization or impairment adjustment as it had not been classified as held for sale ; (2)recoverable amount.

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

29. Discontinued operation

When meeting any one of the following criteria, the component can be identified separately and the component has already been disposed off or classified as held for sale: (1) the component represents one independent main business or one single main business area; (2)the component plans to be part of the related plan which represents one independent main business or one single main business area; (3)the component was specially acquired for resale

30. Other significant accounting policies, accounting Estimates

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

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

(1) Impairment of receivable

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

(2) Provision of inventory impairment

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

(3) Provision of goodwill impairment

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

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

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

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

(4) Provision of fixed asset impairment

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

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

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

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

(5) Recognition of deferred tax assets

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

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

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

31. Changes in Accounting Policies, Accounting Estimates

(1) Change in significant accounting policies

“The Notice of amendment to the standard enterprise's financial statements format” (Caikuai[2018]No.15 File announced by the Ministry of Finance on 15th June, 2018(hereinafter referred to as Caikuai No. 15 File). Due to the No.15 File, some of asset items and liability items have been merged and some of income statements items have been separated, and “interpretation of financial statement format for the company in 2018” was announced on 7th September, 2018. Handling charge of personal income tax shall be clearly presented under “other income”, the actual subsidy received from government shall be presented under operating cash flow column when preparing the cash flow statement regardless of asset related or income related.

The Company has prepared the financial statements in accordance with new statements format and retrospectively made adjustment to the changes mentioned and respectively adjusted the comparing figures in accordance with financial statements presentation, No. 30, accounting standards applicable in China.

Effect on the comparison figure as follows:

Items	Figure prior to December 31,2017	Effect on amount	Restated figure on January 1,2018	memo

Items	Figure prior to December 31,2017	Effect on amount	Restated figure on January 1,2018	memo
Notes receivable	172,818,176.20	-172,818,176.20		
Accounts receivable	1,036,255,895.79			
Notes receivable & Accounts receivable		1,209,074,071.99	1,209,074,071.99	
Interest receivable	1,871,783.33	-1,871,783.33		
Dividend receivable	33,450.00	-33,450.00		
Other receivable	52,049,009.83	1,905,233.33	53,954,243.16	
Notes payable	260,443,167.67	-260,443,167.67		
Accounts payable	889,964,317.63	-889,964,317.63		
Notes payable &Accounts payable		1,150,407,485.30	1,150,407,485.30	
Interest payable	379,085.53	-379,085.53		
Dividend payable	863,516.60	-863,516.60		
Other payable	67,674,829.07	1,242,602.13	68,917,431.20	
Administration expense	231,345,591.57	-38,124,492.93	193,221,098.64	
R&D expense		38,124,492.93	38,124,492.93	

(2) Changes in significant accounting estimates

None.

V. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%,16%,13%,11%, 6%,5%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%

Enterprise income tax(EIT)	Current period taxable profit	15%,25%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	Fixed amount per square meter
Other tax		According to the relevant provisions of the state and local

Notes for tax entities with different EIT rate

Tax entities	EIT rate
Dalian Refrigeration Company	15%
Dalian Bingshan Group Engineering Co., Ltd.	25%
Dalian Bingshan Group Sales Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	15%
Dalian Bingshan JiaDe Automation Co., Ltd.	15%
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%
Bingshan Technical Service (Dalian) Co.,Ltd.	15%
Dalian Bingshan International Trading Co.,Ltd	25%
Dalian Niweisi LengNuan Techonoligy Co., Ltd.	15%
Dalian Xinminghua Electrical Technology Co., Ltd	15%

2. Tax preference

The company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200279, 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 16th November, 2018 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR20181200562, 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 15th November, 2018 approved by Hubei Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau. The Certificate No. is GR201842000605, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Bingshan Technical Service (Dalian) Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200155, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Niweisi LengNuan Techonoligy Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200108, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Xinminghua Electrical Technology Co., Ltd obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200301, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

VI. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, "opening" refers to January 1, 2018; "closing" refers to December 31, 2018; "current period" refers to the period from January 1, 2018 to December 31, 2018; and "last period" refers to the period from January 1, 2017 to December 31, 2017; with the currency unit RMB.

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	74,387.33	62,880.11
Cash in bank	304,629,047.14	364,630,526.20
Other cash and cash equivalents	38,323,050.64	30,116,287.80
Total	343,026,485.11	394,809,694.11
Including: sum of deposits overseas		

Note: other monetary funds is restricted, including deposit for bank acceptance notes of

29,755,016.08Yuan, guarantee deposit of 7,568,034.56 Yuan, migrant deposit of 1,000,000.00Yuan, total of 38,323,050.64 Yuan.

2. Notes receivable and accounts receivable

Items	Closing Balance	Opening Balance
notes receivable	171,292,044.56	172,818,176.20
receivable	1,107,546,588.30	1,036,255,895.79
Total	1,278,838,632.86	1,209,074,071.99

2.1 Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	50,386,649.84	59,496,684.07
Trade acceptance notes	120,905,394.72	113,321,492.13
Total	171,292,044.56	172,818,176.20

(2) Pledged notes receivable up to December 31, 2018.

Items	Closing pledged amount
Bank acceptance notes	9,181,872.34
Trade acceptance notes	
Total	9,181,872.34

(3) Notes receivable endorsed or discounted but not mature at the end of year

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	380,977,142.84	
Trade acceptance notes	74,120,832.14	
Total	455,097,974.98	

2.2 Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount					

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,301,174,006.57	100.00	193,627,418.27	14.88	1,107,546,588.30
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	1,301,174,006.57	100.00	193,627,418.27	14.88	1,107,546,588.30

(Continued)

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

individual amount and separate bad debt provision					
Total	1,208,205,492.85	100.00	171,949,597.06	14.23	1,036,255,895.79

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
Within 1 year	738,964,217.63	36,948,210.88	5.00
1 to 2 years	348,501,230.55	34,850,123.06	10.00
2 to 3 years	77,199,013.58	23,159,704.07	30.00
3 to 4 years	65,271,061.94	32,635,530.99	50.00
4 to 5 years	26,023,168.04	20,818,534.44	80.00
Over 5 years	45,215,314.83	45,215,314.83	100.00
Total	1,301,174,006.57	193,627,418.27	—

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

The bad debt provision has been accrued at the amount of 28,458,939.70 Yuan, due to merge, receivable increased 83,082.50 Yuan and decreased 296,952.78 Yuan during the report period. Bad debt reversal or withdrawn incurred at the amount of 564,616.10 Yuan during the year.

(3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	7,131,864.31

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Xinyi Yuanda construction and Installation Engineering Co., Ltd.	32,748,744.00	Within 1 year 1-2 years 2-3 years	2.52	5,357,592.61
Ningxia Wangwa Coal	29,002,800.00	Within 1 year	2.23	1,450,140.00
Shenzhen Zhaofude Tourism development	24,749,430.13	Within 1 year	1.90	1,237,471.51
Xiangyang Tongjitang Logistic	24,300,000.00	Within 1 year	1.87	1,215,000.00
Tianjin Haijixing Agriculture Products	22,615,517.00	Within 1 year	1.74	1,130,775.85

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Logistic				
Total	133,416,491.13		10.26	10,390,979.97

3. Advances to suppliers

(1) Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	107,871,448.52	68.10	96,449,107.72	68.50
1 to 2 years	33,233,538.29	20.98	43,020,607.78	30.55
2 to 3 years	16,117,708.59	10.17	871,279.01	0.62
Over 3 years	1,182,605.10	0.75	467,380.70	0.33
Total	158,405,300.50	100.00	140,808,375.21	100.00

Significant prepayment over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Dalian HOLLEY Coating Equipment Co., Ltd.	12,000,000.00	1-2 years 2-3years	Contract is not fully implemented
Dalian Ganghe Trading Co.,Ltd	8,444,300.00	1-2 years	Contract is not fully implemented
Mitsubishi Heavy Industries Air Conditioning Systems (Shanghai) co. LTD	5,220,700.00	1-2 years	Contract is not fully implemented
Shanghai POMA Automation Equipment Co.,ltd	4,272,900.00	2-3years	Contract is not fully implemented
Dalian Shengda Mechanic	3,163,296.60	2-3years	Contract is not fully implemented
Total	33,101,196.60	—	—

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

Company	Closing Balance	Aging	% of the total advances to suppliers
Dalian Shentong Electric	16,845,909.86	Within 1 year	10.63

Company	Closing Balance	Aging	% of the total advances to suppliers
Co., Ltd.			
Dalian HOLLEY Coating Equipment Co., Ltd.	12,000,000.00	1-2 years 2-3 years	7.58
Dalian Ganghe Trading Ltd	8,444,300.00	1-2 years	5.33
Shenyang Baogang Northeast Trading Co.,Ltd	6,187,698.58	Within 1 year	3.91
Nanjing Bingshan Electro-Mechanical Equipment Co. , Ltd	5,738,545.20	Within 1 year	3.62
Total	49,216,453.64		31.07

4. Other receivable

Items	Closing Balance	Opening Balance
Interest receivable	318,886.12	1,871,783.33
Dividend receivable	33,450.00	33,450.00
Other receivable	48,156,419.03	52,049,009.83
Total	48,508,755.15	53,954,243.16

4.1 Interest receivable

(1) Interest receivable classification

Items	Closing Balance	Opening Balance
Interest on Term deposits	318,886.12	921,783.33
Bank financial product		950,000.00
Total	318,886.12	1,871,783.33

The closing balance of the interest receivable decreased 82.96% comparing with opening balance because of bank financial product interest decrease.

4.2. Dividends receivable

(1) Dividends receivable

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

4.3. Other receivables

(1) The categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	55,773,046.43	100.00	7,616,627.40	13.66	48,156,419.03
Other receivables with significant individual amount and separate bad debt provision					
Total	55,773,046.43	100.00	7,616,627.40	13.66	48,156,419.03

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	59,207,829.92	100.00	7,158,820.09	12.09	52,049,009.83
Other receivables with significant individual amount					

and separate bad debt provision					
Total	59,207,829.92	100.00	7,158,820.09	12.09	52,049,009.83

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing proportion (%)
Within 1 year	34,331,425.87	1,716,571.29	5.00
1-2 years	12,586,685.18	1,258,668.52	10.00
2-3 years	5,115,834.33	1,534,750.30	30.00
3-4 years	993,899.04	496,949.52	50.00
4-5 years	677,571.21	542,056.97	80.00
Over 5 years	2,067,630.80	2,067,630.80	100.00
Total	55,773,046.43	7,616,627.40	—

(2) Provision for bad debt

The bad debt provision has been accrued at the amount of 460,213.96Yuan, due to merge, receivable increased 1,625.00Yuan and decreased 2,031.65Yuan during the report period.

(3) Other receivables written off in current period

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

(4) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	30,393,406.84	43,339,402.91
Petty cash	9,674,473.91	7,879,896.91
Accounts payable	13,564,390.30	5,520,797.71
Others	2,140,775.38	2,467,732.39
Total	55,773,046.43	59,207,829.92

(5) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Liaoning Mike Group	Share transfer receipt	8,588,400.00	Within 1 year	15.40	429,420.00
Dalian Delta HK&	Deposit	2,730,000.00	2-3years	4.89	969,000.00

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
China Gas Co., Ltd.			4-5years		
Jiangsu Fuqiang New Material Co.,Ltd	Deposit	1,870,000.00	Within 1 year 1-2years	3.35	148,500.00
Army 63833	Deposit	1,600,000.00	Within 1 year	2.87	80,000.00
National Tax office of Dalian	Deposit	1,300,000.00	Within 1 year	2.33	65,000.00
Total		16,088,400.00		28.84	1,691,920.00

5. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	93,238,803.85	1,095,201.13	92,143,602.72
Working in progress	87,240,651.75		87,240,651.75
Finished goods	188,490,721.70	88,460.00	188,402,261.70
Low-value consumable	143,386.78		143,386.78
Self-manufactured semi-finished products	24,660,370.80		24,660,370.80
Constructing projects	52,606,275.99		52,606,275.99
Materials on consignment for further processing	4,998,750.79		4,998,750.79
Total	451,378,961.66	1,183,661.13	450,195,300.53

(Continue)

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

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase	Decrease		Closing Balance
		Accrual	Reverse/ Written- off	Others transferred	
Raw materials	1,120,202.77	9,476.00	34,477.64		1,095,201.13
Finished goods	358,460.00		270,000.00		88,460.00
Total	1,478,662.77	9,476.00	304,477.64		1,183,661.13

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

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

6. Other current assets

Item	Closing Balance	Opening Balance	Nature
Prepaid income tax presented at net amount after offsetting	664,806.52	1,247,766.25	
VAT to be deducted	16,769,344.48	37,613,420.40	
Bank financial product		76,000,000.00	
Prepaid turnover tax	3,020.15		
Prepaid expenses	829,417.97	46,082.68	
Total	18,266,589.12	114,907,269.33	

The closing balance of the other current assets decreased 84.10% comparing with the opening balance because bank financial product “Suixin E” bought from ICBC bank last year is due.

7. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Booking balance	Provision	Carrying amount	Booking balance	Provision	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity	387,096,107.50	4,909,377.51	382,186,729.99	520,850,268.15	5,067,074.16	515,783,193.99

Item	Closing Balance			Opening Balance		
	Booking balance	Provision	Carrying amount	Booking balance	Provision	Carrying amount
instruments						
Measured as fair value method	370,461,843.00	1,266,771.60	369,195,071.40	503,296,003.65	1,424,468.25	501,871,535.40
Measured as cost method	16,634,264.50	3,642,605.91	12,991,658.59	17,554,264.50	3,642,605.91	13,911,658.59
Others						
Total	387,096,107.50	4,909,377.51	382,186,729.99	520,850,268.15	5,067,074.16	515,783,193.99

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

Items	Equity instruments available for sale	Total
Cost	24,098,895.00	24,098,895.00
Fair value	369,195,071.40	369,195,071.40
FV accumulated change recognized in other comprehensive income	346,362,948.00	346,362,948.00
Provision for impairment	1,266,771.60	1,266,771.60

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

Investee	Book Value			
	Opening Balance	Increase	Decrease	Closing Balance
Zibo traction motor co., ltd.	849,000.00			849,000.00
Liaoning Mike group Limited	1,020,000.00		1,020,000.00	
Guotai Junan investment management company	3,057,316.00			3,057,316.00
Cold King container temperature control Co., Ltd.	11,207,806.00			11,207,806.00
Liaoning enterprises Industrial Co., Ltd.	105,000.00			105,000.00
Dalian Guolian Energy Development Co.,Ltd		100,000.00		100,000.00

Investee	Book Value			
	Opening Balance	Increase	Decrease	Closing Balance
Wuhan steel electric Limited	1,315,142.50			1,315,142.50
Total	17,554,264.50	100,000.00	1,020,000.00	16,634,264.50

(Continue)

Investee	Provision for impairment				Shareholding percentage	Cash dividend
	Opening Balance	Increase	Decrease	Closing Balance		
Zibo traction motor co., ltd.	849,000.00			849,000.00	0.76	
Liaoning Mike group Limited by Share Ltd						300,000.00
Guotai Junan investment management company	2,688,605.91			2,688,605.91	0.22	
Cold King container temperature control Co., Ltd.					17.80	
Liaoning enterprises Industrial Co., Ltd.	105,000.00			105,000.00	4.20	
Dalian Guolian Energy Development Co.,Ltd					10.00	
Wuhan steel electric Limited					0.06	33,450.00
Total	3,642,605.91			3,642,605.91	—	333,450.00

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

Category	Equity instruments available for sale	Total
Beginning balance	5,067,074.16	5,067,074.16
Increased during current year		
Including: transfer from other comprehensive income		
Decreased during current year	157,696.65	157,696.65

Category	Equity instruments available for sale	Total
Including: transfer from fair value rising		
Ending balance	4,909,377.51	4,909,377.51

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

Guotai Junan Securities Co., Ltd. was listed on Shanghai Stock Security Exchange on 26th June 2015, and until 31st December, 2018, the company held 24,098,895.00 numbers of shares of Guotai Junan Securities Co., Ltd which was measured at fair value at the year end. The company received cash dividend RMB 10,839,558.00Yuan.

DALIAN REFRIGERATION COMPANY LIMITED
Notes to financial statements for the year ended December 31, 2018

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

8.Long-term equity investments

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Associates											
Panasonic Appliances Air-Conditioning and Refrigeration (Dalian) Co.Ltd	161,817,616.82			16,473,241.56			3,000,000.00			175,290,858.38	
Dalian Honjo Chemical Co., Ltd.	9,113,011.88			631,746.15			912,160.20			8,832,597.83	
Panasonic Cold-Chain (Dalian) Co., Ltd.	227,050,807.57			11,171,813.19			6,000,000.00			232,222,620.76	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	57,604,812.32			9,345,875.45			5,200,000.00			61,750,687.77	
Panasonic Compressor (Dalian) Co., Ltd.	490,004,241.55			41,722,233.04			47,826,800.00			483,899,674.59	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,359,504.81			423,834.55						13,783,339.36	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,431,141.16			-163,001.57						1,268,139.59	

DALIAN REFRIGERATION COMPANY LIMITED

Notes to financial statements for the year ended December 31, 2018

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Dalian Fuji Bingshan Vending Machine Co., Ltd.	179,841,223.64			8,416,237.11						188,257,460.75	
Changzhou Jingxue Refrigeration Equipment Co., Ltd.	166,092,058.74			14,717,114.30			5,842,400.00			174,966,773.04	
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	12,042,441.30			1,731,826.59						13,774,267.89	
Wuhan Lanning Energy Science Co., Ltd.	6,086,785.99	4,500,000.00		-518,539.72					-10,068,246.27		
Wuhan Sikafu Power Control Equipment Co., Ltd	5,227,052.33			9,328.30						5,236,380.63	
Panasonic cold Machine System (Dalian) Co., Ltd	27,824,664.42			5,004,924.40			2,108,000.00			30,721,588.82	
Dalian Bingshan Metal Technology Co., Ltd	163,116,631.47			28,821,912.86			19,344,983.17			172,593,561.16	
Dalian Bingshan Group Management and Consulting Co., Ltd	47,643,744.12	9,800,000.00		-348,123.72						57,095,620.40	
Total	1,568,255,738.12	14,300,000.00		137,440,422.49			90,234,343.37		-10,068,246.27	1,619,693,570.97	

1. The general meeting of Wuxin Refrigeration Company, the Company's subsidiary decided to acquire 27.27% of shareholding of Wuhan Lanning Energy

DALIAN REFRIGERATION COMPANY LIMITED**Notes to financial statements for the year ended December 31, 2018**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Technology Co., Ltd. After acquisition, Wuhan Lanning Energy Technology Co., Ltd became the subsidiary of Wuxin Refrigeration Company. Up to December 31,2018, the above acquisition has been completed.

2. The 22nd meeting of the 7th generation of board of directors was held on August 24th, 2018, and approved to increase capital to Dalian Bingshan Group Management and Consulting Co.,ltd together with Dalian Bingshan Group. The increased capital is 0.1billion Yuan and both parties should subscribe the capital in accordance with original shareholding percentage, Dalian Refrigeration Company will hold 49% shareholding of Dalian Bingshan Group Management and Consulting Co.,ltd and needs to pay 49million Yuan in total. 9.8million Yuan has been paid in full before October 31,2018. The rest of 39.2million Yuan shall be subscribed in full within 20years. The first payment of Dalian Refrigeration Company has been made to Dalian Bingshan Group Management and Consulting Co.,ltd on October 22nd,2018.

9. Investment property

(1) Investment property measured as cost method

Item	Property & Building	Land-use-rights	Total
I. Initial Cost			
1. Opening Balance	192,739,104.84	24,391,511.82	217,130,616.66
2. Increase	2,131,995.27		2,131,995.27
(1) Outsourcing	10,000.00		10,000.00
(2) Transferred from Construction in progress	2,121,995.27		2,121,995.27
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	194,871,100.11	24,391,511.82	219,262,611.93
II. Accumulated Depreciation			
1. Opening Balance	103,390,779.09	9,878,562.30	113,269,341.39
2. Increase	5,167,198.31	487,830.24	5,655,028.55
(1) Provision or amortization	4,491,165.63	487,830.24	4,978,995.87
(2) Acquired from business combination	676,032.68		676,032.68
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	108,557,977.40	10,366,392.54	118,924,369.94
III. Impairment Reserve			

Item	Property & Building	Land-use-rights	Total
1. Opening Balance			
2. Increase			
(1) Provision or amortization			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance			
IV. Book Value			
1. Closing book value	86,313,122.71	14,025,119.28	100,338,241.99
2. Opening book value	89,348,325.75	14,512,949.52	103,861,275.27

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

The 13th meeting of the 7th generation board was held on April 22, 2017, and approved to rent out the old plant and land located in No. 888, South West RD, Shahekou District, Dalian to Bingshan Huigu Company. The lease contract is from April 1st, 2017 to December 31, 2036. The company has signed the “estate leasing contract” with Dalian Bingshan Huigu Development Company based on the requirement of utilization of old land and plant and new business foster plan. Current year’s lease premium is 7.86 million Yuan.

On June 1st, 2017, the company’s subsidiary, Bingshan Lingshe, signed the leasing contract with Dalian Jingxue Energy Saving Technology Co. LTD and rented out # 7 building of workshop located on No. 92, Tieshan West Rd, DDA, Dalian. The rental area is 3653.76 square metres, and annual rent is RMB 1 million Yuan in 2018 with the contracted date between June 1st, 2017 and May 31st, 2022. Bingshan Lingshe also rented out Room 201, # 4 building located on No. 92, Tieshan West Rd, DDA, Dalian to Dalian Jingxue Energy Saving Technology Co. LTD. The rental area is 25 square metres, and annual lease premium is RMB 15K with the contracted date

between June 1st, 2017 and May 31st, 2022

(2) Investment property without owner's certificates

Items	Book value	Reasons
# 6 building of workshop on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone	27,141,086.54	Deed is in the progress
Total	27,141,086.54	

10. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	953,298,058.11	890,874,647.40
Fixed asset clearance		
Total	953,298,058.11	890,874,647.40

(1) Fixed assets detail

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
I. Initial Cost					
1. Opening Balance	593,149,871.12	655,338,106.93	19,678,537.43	66,346,865.13	1,334,513,380.61
2. Increase	104,812,577.39	19,899,632.38	831,994.11	2,074,178.60	127,618,382.48
(1) Purchase	360,360.36	6,378,366.78	549,852.99	1,531,721.73	8,820,301.86
(2) Transferred from construction-in-progress	104,452,217.03	7,993,782.84		485,025.84	112,931,025.71
(3) Sold and buy back		5,527,482.76			5,527,482.76
(4) Acquired from business combination			282,141.12	57,431.03	339,572.15
3. Decrease	2,121,995.27	7,594,514.54	3,312,221.67	402,773.63	13,431,505.11
(1) Disposal		2,628,728.28	3,312,221.67	339,424.90	6,280,374.85
(2) Transferred to other	2,121,995.27				2,121,995.27
(3) Sold and buy back		4,965,786.26			4,965,786.26
(4) Acquired				63,348.73	63,348.73

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
from business combination					
4.Closing Balance	695,840,453.24	667,643,224.77	17,198,309.87	68,018,270.10	1,448,700,257.98
II. Accumulated Depreciation					
1.Opening Balance	64,073,553.49	328,334,086.43	12,874,279.49	37,839,494.30	443,121,413.71
2. Increase	20,244,190.98	31,605,929.51	1,740,140.11	6,219,925.89	59,810,186.49
(1)Accrued	20,244,190.98	31,605,929.51	1,695,467.81	6,201,811.33	59,747,399.63
(2)Acquired from business combination			44,672.30	18,114.56	62,786.86
3. Decrease	676,032.68	4,345,465.81	2,690,143.95	335,077.39	8,046,719.83
(1) Disposal		2,365,893.15	2,690,143.95	318,112.85	5,374,149.95
(2) Transferred to other	676,032.68				676,032.68
(3) Sold and buy back		1,979,572.66			1,979,572.66
(4)Acquired from business combination				16,964.54	16,964.54
4.Closing Balance	83,641,711.79	355,594,550.13	11,924,275.65	43,724,342.80	494,884,880.37
III. Impairment Reserve					
1.Opening Balance		517,319.50			517,319.50
2. Increase					
(1)Accrued					
3. Decrease					
(1) Disposal					
4.Closing		517,319.50			517,319.50

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
Balance					
IV.Book Value					
1.Closing book value	612,198,741.45	311,531,355.14	5,274,034.22	24,293,927.30	953,298,058.11
2.Opening book value	529,076,317.63	326,486,701.00	6,804,257.94	28,507,370.83	890,874,647.40

(2) Financing lease

Item	Initial Cost	Accumulated Depreciation	Impairment Reserve	Book Value
Machinery Equipment	2,527,482.76	67,764.48		2,459,718.28
Total	2,527,482.76	67,764.48		2,459,718.28

(3) Fixed assets as pending certificate of ownership

Item	Book value	Reason for Pending
New office building ,Lianhe #1 plant, #2plant,Jiacu plant and dormitory	257,924,083.97	Deed is in the progress
Newly built plant	45,975,967.68	Deed is in the progress
Functional Lab plant	16,121,233.97	Deed is in the progress
Lianhe #3,#4 plant	41,033,454.85	Land is pledged and deed cannot be granted
Total	361,054,740.47	

11. Construction-in-progress

Item	Closing Book Value	Opening Book Value
Construction-in-progress	19,796,212.82	82,999,382.90
Construction material		
Total	19,796,212.82	82,999,382.90

(1) Construction in progress details

Item	Closing Balance	Opening Balance
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	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Buildings reconstruction	14,866,010.00		14,866,010.00	16,348,332.17		16,348,332.17
Improvement of machinery	3,342,959.0		3,342,959.00	1,633,725.79		1,633,725.79
Construction of intelligent software	1,587,243.82		1,587,243.82			
Self-heating circulation equipment from mine air return				65,017,324.94		65,017,324.94
Total	19,796,212.82		19,796,212.82	82,999,382.90		82,999,382.90

(2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Buildings reconstruction	16,348,332.17	19,538,157.34	21,020,479.51		14,866,010.00
Improvement of machinery	1,633,725.79	8,249,634.41	6,540,401.20		3,342,959.00
Construction of intelligent software		1,587,243.82			1,587,243.82
Self-heating circulation equipment from mine air return	65,017,324.94	20,352,820.06	85,370,145.00		
Total	82,999,382.90	49,727,855.63	112,931,025.71		19,796,212.82

(Continued)

Name	Budget	Percent of investment against budget(%)	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Buildings reconstruction	357,527,099.00	95.23	95.23				Self financing
Improvement of machinery	189,192,929.00	90.10	90.10				Self financing
Construction of intelligent software	5,360,000.00	29.61	29.61				Self financing

Name	Budget	Percent of investment against budget(%)	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Self-heating circulation equipment from mine air return	85,370,145.00	100.00	100.00				Self financing
Total	—	—	—				—

12. Intangible assets

(1) Intangible assets list

Item	Land use right	Patent	Non Patent	Others	Total
I. Initial Cost					
1. Opening Balance	152,890,196.80	11,800,000.00		16,774,618.38	181,464,815.18
2. Increase		6,000,000.00	5,000,000.00	1,130,215.28	12,130,215.28
(1) Purchase				1,123,377.67	1,123,377.67
(2) Transferred from construction-in-progress		6,000,000.00	5,000,000.00	6,837.61	11,006,837.61
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4. Closing Balance	152,890,196.80	17,800,000.00	5,000,000.00	17,904,833.66	193,595,030.46
II. Accumulated amortisation					
1. Opening Balance	28,878,884.36	294,999.99		8,372,413.96	37,546,298.31
2. Increase	3,095,102.98	2,612,657.96	1,500,004.00	1,822,374.50	9,030,139.44
(1) Accrued	3,095,102.98	1,657,555.96	500,000.00	1,821,120.94	7,073,779.88
(2) Increase from merger		955,102.00	1,000,004.00	1,253.56	1,956,359.56

Item	Land use right	Patent	Non Patent	Others	Total
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4. Closing Balance	31,973,987.34	2,907,657.95	1,500,004.00	10,194,788.46	46,576,437.75
III. Impairment Reserve					
1. Opening Balance					
2. Increase					
(1) Accrued					
(2) Others					
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4. Closing Balance					
IV. Book Value					
1. Closing book value	120,916,209.46	14,892,342.05	3,499,996.00	7,710,045.20	147,018,592.71
2. Opening book value	124,011,312.44	11,505,000.01		8,402,204.42	143,918,516.87

13. Goodwill

(1) Original cost of goodwill

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprises merger increase	Other	Disposal	Other	
Dalian Niweisi LengNuan Techonoligy Co.,	1,440,347.92					1,440,347.92

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprises merger increase	Other	Disposal	Other	
Ltd.						
Dalian Bingshan Security Leisure Industrial Engineering Co., Ltd	310,451.57					310,451.57
Total	1,750,799.49					1,750,799.49

(2) Goodwill impairment provision

Goodwill calculation method:

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

In the year 2016, the company purchases shares of Dalian BingshanBaoan Leisure Industry Co., Ltd and gains control. The transferred price is based on the net asset of Dalian BingshanBaoan Leisure Industry Co., Ltd on June 30th 2016. Negotiated with Dalian BingshanBaoan Leisure Industry Co., Ltd's shareholder Baoan Water Project (China) Limited Company, the transfer price is the combination cost on the purchasing date which is 5,359,548.42 Yuan, the fair value of proportion of Dalian BingshanBaoan Leisure Industry Company's identifiable net asset is 5,049,096.85 Yuan on the purchasing day, therefore, goodwill is 310,451.57Yuan on the purchasing date.

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

14. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Employee's dormitory use right	2,289,127.02		138,478.32		2,150,648.70

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Renovation and rebuilding	882,132.14		45,045.00		837,087.14
Lease	744,030.00		106,290.00		637,740.00
Membership fee for Golf	473,000.00		16,500.00		456,500.00
Technology entrance fee of cold and heat machinery	1,587,056.25		373,425.00		1,213,631.25
Greenland of new factory	8,400,754.18		892,115.52		7,508,638.66
Warranty extension	55,031.42			55,031.42	
Service fee from Technology center		106,918.24	37,735.80		69,182.44
Total	14,431,131.01	106,918.24	1,609,589.64	55,031.42	12,873,428.19

15. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	158,842,386.89	31,736,544.09	139,387,243.38	27,485,104.23
Share option			13,881,215.49	2,082,182.32
Incentive expense				
Unrealized profit from internal transaction	15,641,404.20	2,346,210.63	15,641,404.17	2,346,210.63
Total	174,483,791.09	34,082,754.72	168,909,863.04	31,913,497.18

(2) Deferred tax liabilities without offsetting

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value change of the available-for-sale financial assets	346,362,948.00	51,954,442.22	476,197,108.65	71,429,566.31
Total	346,362,948.00	51,954,442.22	476,197,108.65	71,429,566.31

(3) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	47,316,245.31	45,359,761.94
Deductible loss	50,277,991.93	6,173,430.97

Item	Closing Balance	Opening Balance
Total	97,594,237.24	51,533,192.91

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

Year	Closing Balance	Opening Balance	Notes
2018		1,196,797.80	
2019			
2020	3,240,819.97	3,240,819.97	
2021	31,012,868.08	1,735,813.20	
2022			
2023	16,024,303.88		
Total	50,277,991.93	6,173,430.97	

16. Short-term loan

(1) Category of short term loan

Loan category	Closing Balance	Opening Balance
Credit loan	250,000,000.00	349,801,300.00
Total	250,000,000.00	349,801,300.00

17. Notes payable & Accounts payable

Category	Closing Balance	Opening Balance
Notes payable	273,401,536.58	260,443,167.67
Accounts payable	859,489,558.61	889,964,317.63
Total	1,132,891,095.19	1,150,407,485.30

17.1 Notes payable

Notes Category	Closing Balance	Opening Balance
Bank acceptance notes	236,562,369.70	221,572,037.67
Commercial acceptance notes	36,839,166.88	38,871,130.00
Total	273,401,536.58	260,443,167.67

Note: There is no expired note unpaid at the year end.

17.2 Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	610,777,680.58	593,418,202.00
Project payments	192,942,733.62	244,492,384.60

Item	Closing Balance	Opening Balance
Equipment payments	51,953,768.99	48,813,078.50
Others	3,815,375.42	3,240,652.53
Total	859,489,558.61	889,964,317.63

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Dalian Yida Construction Company	18,729,717.59	Payment is undue
Wuhan KaiXing Economic Development Co., Ltd	9,782,382.75	Payment is undue
WaFangDian HongGuang Machinery Manufacturing Co., Ltd	9,682,383.22	Payment is undue
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Payment is undue
Jiangsu Jingxue Freezing Equipment Co., Ltd.	9,061,899.38	Payment is undue
Total	56,669,672.94	—

18. Accounts received in advance

(1) Received in advance

Item	Closing Balance	Opening Balance
Advanced on sales	122,151,101.00	147,172,195.05
Total	122,151,101.00	147,172,195.05

(2) Accounts received in advance aged over 1 year

Company	Closing Balance	Reason
Dandong Port Group Co.,Ltd	5,000,000.00	Contract is not competed
Total	5,000,000.00	

19. Employee's payable

(1) Category of employee's payable

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	46,740,296.95	318,082,850.35	332,967,010.71	31,856,136.59
Post-employment benefit—defined	11,265.41	37,927,313.90	37,938,579.31	

Item	Opening Balance	Increase	Decrease	Closing Balance
contribution plan				
Termination benefits		196,231.73	196,231.73	
Other welfare due within 1 year				
Total	46,751,562.36	356,206,395.98	371,101,821.75	31,856,136.59

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	35,683,852.35	247,545,271.59	259,013,011.70	24,216,112.24
Welfare	8,456,835.18	14,504,178.37	18,191,130.38	4,769,883.17
Social insurance	5,684.41	20,409,669.16	20,415,353.57	
Include: Medical insurance	4,977.21	15,954,854.10	15,959,831.31	
Supplemental insurance		3,401.74	3,401.74	
On-duty injury insurance	295.07	2,335,916.95	2,336,212.02	
Maternity insurance	412.13	2,115,496.37	2,115,908.50	
Housing funds	1,539,229.07	30,750,889.87	30,563,030.83	1,727,088.11
Labor union and training expenses	1,054,695.94	4,338,059.84	4,249,702.71	1,143,053.07
Short-term leave with pay				
Short term profit share plan				
Others		534,781.52	534,781.52	
Total	46,740,296.95	318,082,850.35	332,967,010.71	31,856,136.59

(3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
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Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	10,924.64	36,379,250.82	36,390,175.46	
Unemployment insurance	340.77	1,191,463.08	1,191,803.85	
Company Annuity Plan		356,600.00	356,600.00	
Total	11,265.41	37,927,313.90	37,938,579.31	

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

20. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	5,008,187.41	12,550,353.23
Enterprise income tax	4,011,845.57	13,418,675.14
Individual income tax	2,477,602.40	628,015.54
City maintenance and construction tax	308,110.57	907,478.69
Real estate tax	887,197.28	882,771.72
Land use tax	553,224.98	553,224.98
Education surcharge	210,076.03	613,577.67
River toll fee	557.18	
Safeguard fund for disables	460.00	480.00
Stamp duty	150,950.90	437,981.65
Total	13,608,212.32	29,992,558.62

21. Other accounts payable

Item	Closing Balance	Opening Balance
Interest payable	1,369,527.78	379,085.53
Dividend payable	533,156.00	863,516.60
Other accounts payable	61,411,274.65	67,674,829.07
Total	63,313,958.43	68,917,431.20

21.1 Interest payable

Item	Closing Balance	Opening Balance
Interest on short term loan	384,416.67	379,085.53
Interest on corporate bond	985,111.11	

Item	Closing Balance	Opening Balance
Total	1,369,527.78	379,085.53

21.2 Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	533,156.00	863,516.60
Total	533,156.00	863,516.60

21.3 Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Restricted share buy back	21,026,106.00	21,026,106.00
Loan from non-financial institutes	6,100,000.00	6,320,000.00
Cash pledge and security deposit	9,487,599.86	10,842,115.56
Apply for reimbursement and unpaid	15,032,744.10	13,699,458.65
Cash from related parties		934,995.17
Receipts under custody	4,362,549.92	12,572,889.29
Others	5,402,274.77	2,279,264.40
Total	61,411,274.65	67,674,829.07

(2) Significant other payables with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Restricted share buy back	21,026,106.00	Not reach the unlock point
Total	21,026,106.00	

22. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term loans due within one year		
Bonds due within one year		
Long-term payable due within one year	2,999,574.93	
Total	2,999,574.93	

Note: The long-term payable due within one year is the financing lease payable of RMB 2,999,574.93.

23. Long-term loan

(1) Category of long-term loan

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

Note: In 2016, CDB Development fund gave 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 10 year's expiration at 1.2% rate. Once the fund arrived, Bingshan Group gave it to the company at the same rate of 1.2% in lump sum. The above fund needed to be warranted by the company. The guarantee seems to be given for the holding shareholder, but it is for the company itself in fact.

24. Bonds payable

(1) Category of bonds payable

Category	Closing Balance	Opening Balance
Convertible corporate bonds	176,000,000.00	
Total	176,000,000.00	

(2) The changes of bond

Bond name	Par value	Issue date	Bond term	Issue Amount	Opening balance	Issued this year	Interest at par value	Discount premium amortization	Repay	Closing balance
Convertible corporate bond	176,000,000.00	2018.7.30	3 years	176,000,000.00			985,111.11			176,000,000.00
Total	176,000,000.00	-	-	176,000,000.00			985,111.11			176,000,000.00

(3) Convertible corporate bond

Approved by the Shanghai Stock Exchange "Letter of No-Objection to the Non-public Issuance of Convertible Corporate Bonds of Dalian Refrigeration Co., Ltd." ([2018] No. 125), the company non-publicly issued 1.76 million number of convertible corporate bonds on July 30, 2018, at a par value of 100 Yuan, and raised a total of 176 million Yuan. The bond is based on simple annual interest rate with a fixed interest rate of 1.3%. It is repayable once a year and pays interest once a year. The relevant issuance costs are RMB 1,496,000.00.

The term of the bond swap is from the first trading day after the 6 months of issuance of the convertible corporate bonds to the maturity date of the convertible corporate bonds, which is from January 30, 2019 to July 2021. 29th. If the due date is on a statutory

holiday or a public holiday, it will be postponed to the next trading day. The initial conversion price is 18 Yuan per share.

On the principal payment date of this bond, the company will pay all convertible bonds to investors at the price of 108% of the par value of the convertible bonds (excluding the last annual interest).

25. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	1,532,949.94	
Specific payable		
Total	1,532,949.94	

25.1 Category by nature

Nature	Closing Balance	Opening Balance
Financial lease	856,524.11	
Sale and leaseback	676,425.83	
Total	1,532,949.94	

26. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	100,336,504.07	12,871,308.31	9,675,483.98	103,532,328.40	
Sale&leaseback contract		13,786.40	4,021.01	9,765.39	
Total	100,336,504.07	12,885,094.71	9,679,504.99	103,542,093.79	—

(2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Recorded into other income	The value offset cost and expense this year	Closing Balance	Related with asset/equity
Subsidy fund for highly effective heat pump and related system	2,600,952.00			551,672.00	2,049,280.00	Asset related

Government subsidy item	Opening Balance	Increase	Recorded into other income	The value offset cost and expense this year	Closing Balance	Related with asset/equity
Contribution to subsidiary company relocation	43,446,000.00		1,114,000.00		42,332,000.00	Asset related
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	15,932,227.94	1,383,429.61		1,418,843.27	15,896,814.28	Asset Related/Income related
Compressor IC system	4,166,451.67	830,000.00		342,796.08	4,653,655.59	Asset related
Ultrasonic intelligent defrost technology	4,000,000.00	4,000,000.00	207,500.00	3,486,822.07	4,305,677.93	Asset Related/Income related
Eco Compressor project	30,190,872.46			2,553,850.56	27,637,021.90	Asset related
R290 replacement of R22 large industrial screw unit		4,877,498.70			4,877,498.70	Asset related
R290 replacement of R22 industrial double stage screw unit		1,780,380.00			1,780,380.00	Asset related
Total	100,336,504.07	12,871,308.31	1,321,500.00	8,353,983.98	103,532,328.40	

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

26. Share capital

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

Note: On December 18, 2017, the company held the 3rd temporary shareholders meeting in 2017, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2016 Restricted Stock Incentive Plan". On March 8, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 856,487,181 Yuan to 855,908,981 Yuan.

On May 4, 2018, the company held the 21st meeting of the 7th Board of Directors, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2015 Restricted Stock Incentive Plan". On June 29, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 855,908,981 Yuan to 855,434,087 Yuan.

27. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	676,326,831.54	19,665,314.32	2,773,227.66	693,218,918.20
Other capital reserves	81,205,249.80	5,606,488.32	19,665,314.32	67,146,423.80
Total	757,532,081.34	25,271,802.64	22,438,541.98	760,365,342.00

Note: The increase in the share premium and the decrease in other capital reserves is the other capital reserve carried forward and recognized during the waiting period since the Company terminated the implementation of the 2016 restricted stock incentive plan at the end of the year. Other capital reserve is the amortization of share incentive plan.

29. Treasury Share

Items	Opening Balance	Increase	Decrease	Closing Balance
Share incentive buy-back	23,305,370.40	1,166,814.54	3,446,078.94	21,026,106.00
Total	23,305,370.40	1,166,814.54	3,446,078.94	21,026,106.00

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

30. Other comprehensive income

Items	Opening Balance	2018					Closing Balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss in other comprehensive income	Less: income tax	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
I. Later can't reclassified into profit and loss of other comprehensive income							
Re-measured the change in the defined benefit plan							
Other comprehensive income that cannot be transferred to profit or loss under the equity method							
II. Later reclassified into profit and loss of other comprehensive income	407,269,002.11	-84,556,464.00	38,486,042.15	-12,683,469.59	-110,359,036.56		296,909,965.55
Other comprehensive income that can be transferred to profit or loss under the equity method	2,501,459.77						2,501,459.77
Changes in fair value recognized in gains and losses of the available-for-sale financial assets	404,767,542.34	-84,556,464.00	38,486,042.15	-12,683,469.59	-110,359,036.56		294,408,505.78
Held-to-maturity investments are reclassified as gains and losses on available-for-sale financial assets							
Effective portion of cash flow hedge gains and losses							
Foreign currency financial statement conversion difference							
Other comprehensive income total	407,269,002.11	-84,556,464.00	38,486,042.15	-12,683,469.59	-110,359,036.56		296,909,965.55

31. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		2,133,519.76	2,133,519.76	
Total		2,133,519.76	2,133,519.76	

32. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	318,245,354.15	16,214,068.54		334,459,422.69
Discretionary surplus reserve	349,905,021.15	36,726,596.18		386,631,617.33
Total	668,150,375.30	52,940,664.72		721,091,040.02

Note: The company made profit distribution within the reporting period. According to the 2017 annual meeting, 20% of net profit in the 2017 fiscal annual report is provided for discretionary surplus reserve of 36.7266 million Yuan. In the meanwhile, 10% of net profit of parent company is provided for statutory surplus reserve of 16.2141 million Yuan.

33. Undistributed profits

Item	2018	2017
Closing balance of 2017	750,397,795.56	658,387,158.97
Add: Adjustments to the opening balance of undistributed profits		
Including: additional retrospective adjustments according to the new accounting standards		
Change on accounting policy		
Correction of prior period significant errors		
Change on combination scope under same control		
Other factors		
Opening balance of 2018	750,397,795.56	658,387,158.97
Add: net profit attributable to shareholders of parent company in the year	110,503,175.90	200,759,820.17
Less: Provision for statutory surplus reserves	16,214,068.54	18,363,298.09
Provision for any surplus reserves	36,726,596.18	29,208,229.69
Provision of general risk		
Dividends payable for common shares	42,795,399.87	61,177,655.80
Common stock dividends converted to equity		

Item	2018	2017
Extract employee rewards and welfare funds	305,618.42	
Closing balance of 2018	764,859,288.45	750,397,795.56

34. Operating revenue and cost

Items	2018		2017	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	1,927,029,771.66	1,630,189,642.82	2,043,986,956.70	1,625,595,014.87
Revenue from other operation	39,034,840.78	21,098,733.17	35,728,148.67	18,058,428.06
Total	1,966,064,612.44	1,651,288,375.99	2,079,715,105.37	1,643,653,442.93

34. Taxes and surcharges

Items	2018	2017
City construction tax	2,608,031.47	3,872,117.40
Education surcharge	1,778,127.27	2,670,598.37
Property tax	7,498,485.12	6,132,613.95
Land use tax	4,900,926.22	4,900,926.20
Vehicle and vessel tax	28,624.48	32,024.47
Stamp duty	1,481,783.81	1,718,435.64
Others	89,577.48	227,217.01
Total	18,385,555.85	19,553,933.04

35. Selling expenses

Items	2018	2017
Official business expense	14,541,723.98	16,172,326.40
Employee benefit	37,524,589.01	37,798,487.92
Depreciation expense	306,944.63	334,486.58
Transportation expense	19,836,339.76	18,548,242.98
Business entertaining expense	11,812,108.77	12,056,961.89
Travel expense	13,858,056.93	13,229,495.33
Maintenance and repair expense	8,831,446.27	12,791,435.69
Advertisement and bids expense	2,567,404.72	2,184,356.83
Other expense	512,616.15	306,521.85
Total	109,791,230.22	113,422,315.47

36. Administrative expenses

Items	2018	2017
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Items	2018	2017
Official expense	23,529,993.42	22,474,616.19
Employee benefit	123,406,243.48	121,595,998.08
Depreciation expense	12,980,398.28	8,182,795.40
Transportation expense	391,017.67	171,491.59
Business entertaining expense	3,581,472.84	3,512,217.30
Travel expense	5,437,732.44	7,530,675.32
Maintenance and repair expense	5,501,445.69	6,108,789.47
Advertisement expense	530,748.08	287,869.52
Other taxes and fee	671,954.81	1,524,590.51
Insurance expense	868,433.40	910,211.97
Long-term assets amortization	7,937,790.99	5,546,087.90
Design consultant and test service expense	4,664,309.45	10,015,427.50
Safety production cost	3,622,742.67	3,979,165.98
Other expense	1,915,583.77	1,381,161.91
Total	195,039,866.99	193,221,098.64

37. Technology development expense

Items	2018	2017
Employee benefit	34,930,702.72	30,960,300.28
Depreciation and amortization expense	3,940,392.29	3,718,544.85
Raw material	6,166,891.75	1,832,069.57
Entrust external R&D investment	1,004,716.96	1,103,396.20
Other expense	861,663.12	510,182.03
Total	46,904,366.84	38,124,492.93

39. Financial expenses

Items	2018	2017
Interest expenses	18,805,308.74	10,526,056.47
Less: Interest income	2,487,236.95	4,865,429.43
Add: Exchange loss	2,149,687.05	2,458,197.49
Add: Others expenditure	2,175,536.36	2,737,012.43
Total	20,643,295.20	10,855,836.96

Note: The amount of this period increased by 90.16% compared with the previous period, mainly due to the increase in the interest rate of borrowings and the increase in interest expenses.

40. Assets impairment losses

Items	2018	2017
Loss of bad debts	28,919,153.66	26,816,177.67
Provision for inventory impairment	9,476.00	192,895.00
Total	28,928,629.66	27,009,072.67

41. Other income

Items	2018	2017
VAT refund	483,731.06	657,176.72
Grant given by the government for relocation	1,114,000.00	1,114,000.00
Government subsidy	4,094,657.00	
Personal income tax handling fee refund	7,889.20	
Total	5,700,277.26	1,771,176.72

Note: This period increased by 221.84% compared with the previous period, mainly due to the increase of government subsidy projects. For more details, please refer to the relevant contents of “VI. 51 Government Grants” in the notes.

42. Investment income

Items	2018	2017
Long-term equity investment gain under equity method	137,440,422.49	140,904,557.45
Gain from disposing long-term equity investment	243,382.33	263,666.08
Gain from holding of FV through P&L		
Gain from disposal of FV through P&L		
Gain from holding of held to maturity financial assets		
Gain from disposing of held to maturity financial assets		
Gain from holding of financial assets available for sale		
Gain from disposal financial assets available for sale	11,173,008.00	11,497,019.05
Gain from FV remeasurement of the remaining shares after losing control	66,702,217.88	27,467,019.93
Total	215,559,030.70	180,132,262.51

43. Gain on assets disposal

Item	2018	2017	Amounts recognized into current non-recurring profit or loss
Gain on disposal group classified as held for			

sale			
Gain on non-current assets disposal	374,143.29	552,588.02	374,143.29
Gain on non-current assets disposal classified as Held for sale			
Gain on fixed assets disposal			
Gain on intangible assets disposal			
Gain on non-current assets disposal not classified as Held for sale	374,143.29	552,588.02	374,143.29
Gain on fixed assets disposal	374,143.29	552,588.02	374,143.29
Gain on intangible assets disposal			
Gain on nonmonetary asset exchange			
Gain on disposal of non-current asset in the debt restructuring			
Total	374,143.29	552,588.02	374,143.29

44. Non-operating income

(1) Non-operating income list

Item	2018	2017	Amounts recognized into non-recurring profit or loss for the year
Gain on debts restructuring			
Government grant	1,060,600.00	1,473,958.00	1,060,600.00
Unpayable dividends payable	330,360.60		330,360.60
Other items	1,398,581.90	856,276.97	1,398,581.90
Total	2,789,542.50	2,330,234.97	2,789,542.50

(2) Government grant details

Item	2018	2017	With asset/income
Company upgrade reward	50,000.00		Income related
Post-doctoral work funding	60,000.00		Income related
Grant from Dalian Quality and Technical Supervision Bureau	100,000.00		Income related
Research and development funding	300,000.00		Income related
“Small Jinxian” award fund	100,000.00		Income related
New wall materials specific fund		305,038.00	Income related
Innovation platform government subsidy	150,000.00		Income related

Item	2018	2017	With asset/income
Fostering fund in 2016	300,600.00		Income related
Fostering fund in 2015		300,000.00	Income related
International market development fund in 2016		247,200.00	Income related
Finance support		52,000.00	Income related
Service policy implemented fund in 2016		13,200.00	Income related
Exporting incentive fund		22,000.00	Income related
Patent subsidy		14,520.00	Income related
City research center and key lab fund		500,000.00	Income related
Patent bonus		20,000.00	Income related
Total	1,060,600.00	1,473,958.00	

(3) Non-operating income statement

Note: The other items of non-operating income in the current period mainly occurred when the business combination of Wuhan Lanning Energy Technology Co., Ltd. under the same control occurred in the current period, the merger cost at the acquisition date was less than the fair value of the identifiable net assets acquired, which was 1,070,288.17 Yuan.

45. Non-operating expenses

Item	2018	2017	Amounts recognized into non-recurring profit or loss for the year
Non-current assets scrap loss	350,034.46		350,034.46
Outward donation	60,000.00	10,000.00	60,000.00
Others	219,582.84	177,380.52	219,582.84
Total	629,617.30	187,380.52	629,617.30

46. Income tax expenses

(1) Income tax expenses

Items	2018	2017
Current income tax expenses	9,180,999.73	19,032,298.13
Deferred income tax expenses	-2,322,697.09	-5,114,555.51
Total	6,858,302.64	13,917,742.62

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

Items	2018
Consolidated total profit this year	118,876,668.14
Income tax expenses at applicable tax rate	17,831,500.22
Effect on subsidiary applied to different tax rate	-3,681,443.66
Effect on prior period income tax	-802,039.82
Effect on non-taxable income	-23,316,175.23
Effect on non-deductible cost ,expense and loss	4,888,292.78
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	-118,457.36
Effect on temporary difference or deductible loss from unrecognized deferred tax assets this year	14,567,268.08
Tax rate adjustment caused the opening balance of deferred tax assets /liability change	26,934.19
R&D expenditure accelerated deduction	-2,537,576.56
Income tax expense	6,858,302.64

47. Other comprehensive income

Refer to the note VI.30 Other comprehensive income for details.

48. Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	2018	2017
Government grants	18,385,645.52	58,192,890.84
Received travel expense refund	5,775,943.14	2,648,675.53
Deposit given back	25,493,801.51	30,740,218.26
Receivable from relate party	1,070,707.07	28,355.16
Interest income	3,885,734.11	4,865,429.43
Receivable from 3 rd party	714,377.76	1,886,442.36
Others	1,971,995.03	778,033.86
Total	57,298,204.14	99,140,045.44

2) Other cash paid relating to operating activities

Items	2018	2017
Business travel borrowing	8,938,421.56	6,831,117.22
Deposit paid	42,254,631.19	49,379,114.48
Expenditure	92,821,437.21	115,004,087.20
Bank handling charges	2,061,437.20	1,718,011.38

Items	2018	2017
Others	899,442.79	2,020,950.47
Total	146,975,369.95	174,953,280.75

3) Others cash received relating to investing activities

Items	2018	2017
Bank financial product	76,000,000.00	
Total	76,000,000.00	

4) Others cash paid relating to investing activities

Items	2018	2017
Bank financial product		76,000,000.00
Total		76,000,000.00

5) Others cash received relating to financing activities

Items	2018	2017
Collection of guarantee money at the year end	29,116,287.80	22,976,815.56
Sale leaseback and financial lease	3,000,000.00	
Total	32,116,287.80	22,976,815.56

6) Others cash paid relating to financing activities

Items	2018	2017
Interests on discount of bill acceptance	533,987.03	
Payment of guarantee money	37,323,050.64	29,116,287.80
Sale& leaseback and financial lease	1,658,926.39	
Repurchase of restricted stock	3,446,078.94	
Note financing is due and is paid		598,632.63
Total	42,962,043.00	29,714,920.43

(2) Supplementary information of consolidated cash flow statement

Items	2018	2017
1. Adjusting net profit into cash flows of operating activities:	—	—
Net profit	112,018,365.50	204,556,051.81
Add: Provision for impairment of assets	28,928,629.66	27,009,072.67
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	64,227,416.81	46,420,450.37
Amortization of intangible assets	6,910,625.96	5,388,917.09
Amortization of long-term deferred expenses	1,658,331.76	1,801,109.16

Items	2018	2017
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	-374,143.29	-681,321.46
Losses on write-off of fixed assets (income listed with“-”)	350,034.46	128,733.44
Change of fair value profit or loss		
Financial expense (income listed with“-”)	22,389,316.73	13,508,079.57
Investment loss (income listed with“-”)	-215,559,030.70	-180,132,262.51
Decrease of deferred tax assets(increase listed with“-”)	-2,169,257.54	-4,159,749.24
Increase of deferred tax liabilities(decrease listed with“-”)		
Decrease of inventories (increase listed with“-”)	-97,611,158.25	-2,828,958.79
Decrease of operating receivables (increase listed with“-”)	-109,025,097.10	-296,492,807.92
Increase of operating payables (decrease listed with“-”)	63,371,834.76	-34,228,577.41
Others	5,226,245.60	12,485,412.00
Net cash flows arising from operating activities	-119,657,885.64	-207,225,851.22
2. Significant investment and financing activities unrelated to cash income and expenses		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
3. Net increase (decrease) of cash and cash equivalent		
Closing balance of cash	304,703,434.47	364,693,406.31
Less: Opening balance of cash	364,693,406.31	691,238,822.98
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-59,989,971.84	-326,545,416.67

(3) Net cash paid for acquiring subsidiaries

Items	2018
Payment of Net cash and cash equivalent under the business merger during the year	4,500,000.00
Including: Wuhan Lanning Energy Technology Co., Ltd.	4,500,000.00
Less: Cash and cash equivalents held by the company on the date of purchase	272,266.57

Items	2018
Including: Wuhan Lanning Energy Technology Co., Ltd.	272,266.57
Add: Cash or cash equivalents paid in the current year for business combinations that occurred during the previous period	
Net cash paid for acquiring subsidiaries	4,227,733.43

(4) Net cash received from disposal of subsidiaries during the year

Items	2018
Cash or cash equivalents received by the disposal of subsidiary during the year	5,100,000.00
Including: Shanghai Bingshan Technology Service Co., Ltd.	5,100,000.00
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	8,187,767.47
Including: Shanghai Bingshan Technology Service Co., Ltd.	8,187,767.47
Add: Cash or cash equivalents received by the disposal subsidiary during the previous period	
Net cash received from disposal of subsidiary	-3,087,767.47

(5) Cash and cash equivalents

Items	2018	2017
Cash	304,703,434.47	364,693,406.31
Including: Cash on hand	74,387.33	62,880.11
Bank deposit used for paying at any moment	304,629,047.14	364,630,526.20
Other monetary fund for paying at any moment		
Deposit fund in central bank available for payment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	304,703,434.47	364,693,406.31
Cash and cash equivalents restricted in the parent company or subsidiary		

49. The assets with the ownership or use right restricted

Items	2018	Reasons
Monetary fund	38,323,050.64	Guarantee money
Notes Receivable	9,181,872.34	Pledge
Fixed assets	66,762,437.41	Mortgage Loan
Intangible assets	49,908,814.00	Mortgage Loan

Note: Dalian Niweisi LengNuan Techonoligy Co., Ltd. pledged the bank acceptance note to ICBC bank Dalian DDA Branch as guarantee for issuing the commercial acceptance note.

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

50. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash			8,426,752.21
Including: USD	825,826.02	6.8632	5,667,809.15
Euro	3,725.04	7.8473	29,231.51
GBP	18,667.97	8.6762	161,967.04
JPY	41,491,959.00	0.061887	2,567,812.86
Accounts receivable			44,831,612.38
Including: USD	5,661,443.12	6.8632	38,855,616.42
GBP	114,295.86	8.6762	991,653.74
JPY	80,539,406.00	0.061887	4,984,342.22
Accounts payable			12,055,841.14
Including: USD	1,145,199.14	6.8632	7,859,730.74
GBP	38,846.28	8.6762	337,038.09
JPY	62,356,752.00	0.061887	3,859,072.32

47. Government Grants

(1) Basic information

Category	Amount	Disclosure	Amount recognized in current profit and loss
High-tech enterprise recognition subsidy	1,250,000.00	Other Income	1,250,000.00
Company upgrade reward	200,000.00	Other Income	200,000.00
Patent Grant	1,070.00	Other Income	1,070.00
Special fund subsidy for the construction of manufacturing innovation center	207,500.00	Other Income	207,500.00
Grants from Economic Development	70,000.00	Other Income	70,000.00

Category	Amount	Disclosure	Amount recognized in current profit and loss
Bureau of JinPu new district			
Fund by Enterprise Technology Center verification	500,000.00	Other Income	500,000.00
Relocation compensation	1,114,000.00	Other Income	1,114,000.00
R&D investment replenishment funds	290,000.00	Other Income	290,000.00
Import discount funds	1,466,087.00	Other Income	1,466,087.00
Financial support funds	50,000.00	Other Income	50,000.00
Technology Innovation Contest Bonus	60,000.00	Other Income	60,000.00
VAT refund	483,731.06	Other Income	483,731.06
Personal tax handling fee refund	7,889.20	Other Income	7,889.20
Company upgrade reward	50,000.00	Non-operating income	50,000.00
Postdoctoral work funding	60,000.00	Non-operating income	60,000.00
Grants from Dalian Quality and Technical Supervision Bureau	100,000.00	Non-operating income	100,000.00
Research and development funding	300,000.00	Non-operating income	300,000.00
“Small Jinxian” award fund	100,000.00	Non-operating income	100,000.00
Innovation platform government subsidy	150,000.00	Non-operating income	150,000.00
Fostering fund in 2016	300,600.00	Non-operating income	300,600.00
Total	6,760,877.26	-	6,760,877.26

VII. Change of Consolidation Scope

1. Consolidation not under the same control

(1) Consolidation not under the same control occurred this year

Name of the acquiree	Time spot of equity acquisition	Cost of equity acquisition	Equity percentage (%)	equity acquisition method
Wuhan Lanning Energy	2018.03.01	10,068,246.27	54.55	Cash

Name of the acquiree	Time spot of equity acquisition	Cost of equity acquisition	Equity percentage (%)	equity acquisition method
Technology Co., Ltd.				

(Continued)

Name of the acquiree	Purchase date	Recognition basis of purchase date	Revenue of the acquiree from the purchase date to the year end	Net profit of the acquiree from the purchase date to the year end
Wuhan Lanning Energy Technology Co., Ltd.	2018.3.1	The acquisition was approved by the board of directors and administration department. The procedure of equity transfer has been processed, the funds have been paid, and the actual financial and operating policies have been actually controlled.	26,099,295.28	1,981,947.59

(2) Cost of combination and goodwill

Item	Wuhan Lanning Energy Technology Co., Ltd.
Cash	4,500,000.00
Fair value of non-cash assets	
Fair value of debt issued or obligated	
Fair value of equity securities issued	
Fair value of contingent consideration	
The fair value of the equity held before the purchase date on the date of purchase	5,568,246.27
Total of combination cost	10,068,246.27
Less: fair share of identifiable net assets acquired	11,138,534.44
The combination cost is less than the proportion of fair value of the identifiable net assets acquired	1,070,288.17

The company purchased the equity of Wuhan Lanning Energy Technology Co., Ltd. and acquired the control. The equity acquisition price is based on the net assets of Wuhan Lanning Energy Technology Co., Ltd. on February 28, 2018. After the negotiation with Cheng

XiangRong, Wu ZhiHong, and Xi'an Qitong New Energy Equipment Co., Ltd, the consideration on the purchase date was determined to be 10,068,246.27 Yuan as the acquisition costs. The company has the proportion of fair value share of the identifiable net assets on the purchase date of Wuhan Lanning Energy Technology Co., Ltd, which is 11,138,534.44 Yuan. Therefore, the combination cost on the purchase date is less than the amount of the fair value of the identifiable net assets acquired at 1,070,288.17 Yuan.

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

Items	Wuhan Lanning Energy Technology Co., Ltd.	
	Fair value at purchase date	Book value at purchase date
Assets:	28,295,063.02	28,295,063.02
Monetary fund	272,266.57	272,266.57
Notes receivables	400,000.00	400,000.00
Accounts receivables	7,789,222.50	7,789,222.50
Prepayment	1,367,914.97	1,367,914.97
Other receivables	1,258,870.59	1,258,870.59
Inventory	7,923,588.27	7,923,588.27
Fixed Asset	274,070.17	274,070.17
Intangible assets	8,887,324.13	8,887,324.13
Long term prepaid expense	100,628.94	100,628.94
Deferred income tax asset	21,176.88	21,176.88
Liability:	7,876,118.12	7,876,118.12
Accounts payable	5,917,680.91	5,917,680.91
Received in advance	1,648,374.95	1,648,374.95
Employees' payable	19,712.31	19,712.31
Tax payable	197,576.42	197,576.42
Other payables	92,773.53	92,773.53
Net assets	20,418,944.90	20,418,944.90
Less: minority interest	9,280,410.46	9,280,410.46
Acquired net assets	11,138,534.44	11,138,534.44

2. Consolidation not under the same control

None

3. Disposal of subsidiary

Name of subsidiary	Equity disposal price	Equity disposal percentage (%)	Equity disposal method	Time spot of loss of control	Recognition basis of time spot of control loss	The difference between the disposal price and the disposal of the investment in the consolidated financial statements at the level of the net assets of the
Shanghai Bingshan Technology Service Co., Ltd.	5,100,000.00	51.00	Equity transfer	2018.6.30	Equity Transfer Agreement and Resolution of Shareholders' Meeting	243,382.33

Note: Bingshan Engineering Company and Shanghai Qingneng Cold Chain Equipment Engineering Co., Ltd. (hereinafter referred to as “Shanghai Qingneng”) signed an equity transfer agreement on September 29, 2018 to transfer the 51% equity of Shanghai Bingshan Technical Service Co., Ltd. held by Bingshan Engineering Company for RMB 5.1 million. At the same time, according to the equity transfer agreement, equity transfer is based on the date of June 30, 2018, any income or loss of Shanghai Bingshan Technical Service Company during the period from the base date to the completion date of this equity transfer procedure will be fully borne by Shanghai Qingneng, the equity transferee. The disposal date is June 30, 2018. Therefore, from June 30, 2018, the company will no longer include Shanghai Bingshan Technical Service Co., Ltd in the scope of consolidation.

4. Changes in scope of consolidation for other reasons

None.

VIII. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

Name of subsidiaries	Main business address	Registered address	Business nature	Shareholding (%)		Obtaining method
				Direct	Indirect	
Dalian Bingshan Group Engineering Co., Ltd.	Dalian	Dalian	Installation	100		Establish
Dalian Bingshan Group	Dalian	Dalian	Trading	100		Establish

Name of subsidiaries	Main business	Registered address	Business nature	Shareholding (%)		Obtaining method
Sales Co., Ltd.						
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	70		Establish
Dalian Bingshan JiaDe Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Acquisition
Bingshan Technical Service (Dalian) Co.,Ltd.	Dalian	Dalian	Services	100		Establish
Dalian Xinminghua Electrical Technology Co., Ltd	Dalian	Dalian	Electronic	100		Acquisition
Dalian Niweisi LengNuan Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55		Acquisition
Dalian Bingshan International Trading Company	Dalian	Dalian	Service	100		Acquisition
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	Wuhan	Wuhan	Installation		100	Establish
Wuhan Lanning Energy Technology Co., Ltd.	Wuhan	Wuhan	Trading		54.55	Acquisition
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd	Ningbo	Ningbo	Installation		51	Establish
Dalian Bingshan Baoan Leisure Industrial Engineering Co., Ltd	Dalian	Dalian	Installation		100	Acquisition
Chengdu Bingshan	Chengdu	Chengdu	Services		51	Establish

Name of subsidiaries	Main business	Registered address	Business nature	Shareholding (%)	Obtaining method
Refrigeration Engineering Co., Ltd.					

- 1) All the proportion of shareholding in subsidiaries were the same with voting right
- 2) The company held over 50% voting right in subsidiaries
- 3) The company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right
- 4) Change on the shareholding of the subsidiaries is explained in the Note II.change on the combination scope

2. Equity in joint venture arrangement or associated enterprise

(1) The important of joint ventures or affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Panasonic Refrigeration (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	40		Equity method
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Changzhou	Changzhou	Manufacturing	29.212		Equity method
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49.00		Equity method

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

- 1) The company has the same percentage of shareholding and voting right in joint-venture or affiliated company.

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

(2) The key financial information of affiliated companies

Items	2018			
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	937,998,259.09	1,376,419,885.42	763,646,546.20	336,224,040.64
Including: Cash and cash equivalents	63,271,820.76	201,665,865.62	77,732,765.85	177,386,572.87
Non-current assets	119,928,127.70	326,931,005.88	179,673,527.54	50,280,554.61
Total assets	1,057,926,386.79	1,703,350,891.30	943,320,073.74	386,504,595.25
Current liabilities	610,291,097.47	484,391,688.87	470,852,478.59	73,598,900.93
Non-current liabilities	5,827,003.92	140,000.00	9,889,839.36	-
Total liabilities	616,118,101.39	484,531,688.87	480,742,317.95	73,598,900.93
Minority interests			376,885.32	
Equity to the parent company	441,808,285.40	1,218,819,202.43	462,200,870.48	312,905,694.32
Net assets calculated according to the shareholding proportions	176,723,314.16	487,527,680.97	135,018,118.29	153,323,790.22
Adjusting events				
—Goodwill			39,948,654.75	19,269,770.94
—Unrealized profits of insider trading				
--Others	-1,432,455.78	-3,628,006.38		
Book value of equity investment of affiliated companies	175,290,858.38	483,899,674.59	174,966,773.04	172,593,561.16

Items	2018			
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Fair value of equity investment with public offer				
Operating income	901,900,860.21	1,429,072,323.70	594,134,424.82	455,607,253.17
Financial expense	-774,487.69	-1,955,502.09	1,939,901.48	-3,340,873.14
Income tax expense	7,904,678.62	20,840,257.51	9,353,115.24	10,136,204.60
Net profit	44,764,243.37	113,375,199.37	53,999,805.04	61,916,031.92
Net profit of discontinuing operation				
Other comprehensive income				
Total comprehensive income	44,764,243.37	113,375,199.37	54,149,642.80	61,916,031.92
The current dividends received from joint ventures	3,000,000.00	47,826,800.00	5,842,400.00	19,344,983.17

(Continued)

Items	2017	
	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Current assets	1,561,263,338.96	373,991,952.58
Including: Cash and cash equivalents	222,958,963.14	86,597,714.30
Non-current assets	330,137,817.56	264,531,025.64
Total assets	1,891,401,156.52	638,522,978.22
Current liabilities	656,825,153.46	185,438,746.74
Non-current liabilities		86,523,957.30
Total liabilities	656,825,153.46	271,962,704.04
Minority interests		

Items	2017	
	Panasonic Compressor (Dalian) Co., Ltd	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Equity to the parent company	1,234,576,003.06	366,560,274.18
Net assets calculated according to the shareholding proportions	493,830,401.22	179,614,534.35
Adjusting events		
—Goodwill		
—Unrealized profits of insider trading		
--Others	-3,826,159.67	226,689.29
Book value of equity investment of affiliated companies	490,004,241.55	179,841,223.64
Fair value of equity investment with public offer		
Operating income	1,623,387,718.61	442,326,067.27
Financial expense	-362,406.98	-484,458.47
Income tax expense	26,264,317.90	10,432,796.66
Net profit	119,567,490.02	54,885,773.13
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income	119,567,490.02	54,885,773.13
The current dividends received from joint ventures	38,000,000.00	7,840,000.00

(3) Summary financial information of insignificant affiliated companies

Items	2018	2017
Affiliated company		
Total book value of investment of affiliated companies	607,706,323.17	897,265,918.24
The total of following items according to the shareholding proportions		
Net profit	134,435,892.84	69,639,419.82
Other comprehensive income		
Total comprehensive income	134,435,892.84	69,639,419.82

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

None

(5) Excessive loss of affiliated companies.

None

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

None

IX. Risk Related to Financial Instruments

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

1. Objectives and policies of each risk management

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

(1) Market risk

1) Exchange rate risk

Most of the company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD,JPY,HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the company did not agree any forward foreign exchange contract or currency swap contract .As at 31st December 2018, the company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	Closing Balance	Opening balance
Monetary fund-USD	5,667,809.15	38,639,808.80
Monetary fund-JPY	2,567,812.86	33,114.00
Monetary fund-EURO	29,231.51	29,063.88
Monetary fund-GBP	161,967.04	1,920.54
Receivable- GBP	991,653.74	760,156.78

Items	Closing Balance	Opening balance
Receivable -USD	38,855,616.42	18,390,991.72
Receivable -JPY	4,984,342.22	
Short term borrowing-USD		9,801,300.00
Payables -USD	7,859,730.74	3,685,644.26
Payables -JPY	3,859,072.32	733,045.42
Payables - GBP	337,038.09	319,556.56

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

2) Interest rate risk

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

The financial department of the company continuously monitors the interest rates level, and the management would make some adjustment to lower the interest rate risk according to the latest market situation. Climbing interest rate will increase the cost of newly increased interest-bearing liability and interest expense for unsettled interest-bearing liability at floating rate and have adverse effect on the business performance.

The sensitive analysis:

As at 31st December 2018, base on the assumption of interest rate change of 50 BP, the company's net profit of year 2018 will increase or decrease 1.2317 million Yuan.

3) Price risk

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

(2)Credit risk

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

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

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

As at 31st December 2018, the top five customers of receivable accounts balance is 133,416,491.13Yuan.

(3) Liquidity risk

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

The main fund comes from bank loan. By December 31st, 2018, the credit limit still available is 430 million Yuan and short term credit limit available is 430 million Yuan.

As at 31st December 2018, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following: Currency unity:10kYuan

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	34,302.65				34,302.65
Notes receivable	17,129.20				17,129.20
Accounts receivable	110,754.66				110,754.66
Other Receivable	4,815.64				4,815.64
Available for sale financial asset				38,218.67	
Financial Liabilities					
Short-term loan	25,000.00				25,000.00
Notes Payable	27,340.15				27,340.15
Accounts payable	85,948.96				85,948.96

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Other payable	6,141.13				6,141.13
Employee's payable	3,185.61				3,185.61
Tax payable	1,360.82				1,360.82
Dividend payable	53.32				53.32
Long-term loan			16,000.00		
Bonds Payable	17,600.00				17,600.00

X. Disclosure of Fair Value

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

Items	Fair value at the year end			
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	Total
Financial assets				
Continuously measured at FV				
Available for sale asset	369,195,071.40			369,195,071.40
(1) Investment by debt instruments				
(2) Investment by equity instruments	369,195,071.40			369,195,071.40
(3) Others				

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

Equity instrument portion of the available for sale financial assets is measured at the unadjusted closing quoted price on stock market on December 28, 2018.

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

None.

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

None..

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

None

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

None

7. Changes of valuation technique and reasons for changes

None

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

None

XI. Related Parties Relationship and Transactions

(I) Related parties relationship

1. Parent company and ultimate controller

(1) Parent company and ultimate controller

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

Note: Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.106 Liaohe East Road, Development Area, Dalian, China. The legal representative of Dalian Bingshan Group Co., Ltd. is Mr.Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope include research, development, manufacture, sales, service and installment of refrigeration

equipment, cooling and freezing equipment, different size of air-conditioners, petrochemical equipment, electronic and electronic-control products, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

(2) Change of registered capital of controlling shareholder

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

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

Controlling shareholder	Shareholding amount		Ratio of shareholding (%)	
	Closing balance	Opening balance	Ratio at year end	Ratio at beginning of year
Dalian Bingshan Group Co., Ltd.	170,916,934.00	170,916,934.00	19.98%	19.96%

2. Subsidiaries

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

3. Affiliated company and joint venture

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

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Cold-chain (Dalian) Co., Ltd	Affiliated 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
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 Iceberg Vending Machine Sales Co., Ltd	Affiliated company of the Company

Names of the joint ventures or affiliated company	Relationships with the Company
Jiangsu Jingxue Freezing Equipment Co., Ltd.	Affiliated company of the Company
Panasonic Cooling Machine system (Dalian) co., Ltd	Affiliated company of the Company
Dalian Bingshan Metal Technology Co.,Ltd	Affiliated company of the Company
Wuhan Sikafu Power Control Equipment Co., Ltd	Affiliated wholly owned subsidiary of the Company

4. Other related parties

Name of related party	Related party relationship
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC (Dalian) Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Pate Technology Co.,LTd	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Management Consulting Co., Ltd	Subsidiary of Dalian Bingshan Group
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Huigu Development Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Affiliated company of Subsidiary of Dalian Bingshan Group

(II) Related Party transactions

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

(1) Purchase of goods/receive labour services

Related party	Content	2018	2017
Panasonic cold machine system (Dalian) co., Ltd	Purchases of goods	24,670,796.39	67,655,354.93
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	43,218,491.58	47,090,734.64
BAC (Dalian) Co., Ltd	Purchases of goods	45,572,758.35	41,865,711.10
Panasonic Cold-chain (Dalian) Co., Ltd	Purchases of goods	60,072,034.60	41,897,553.16
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Purchases of goods	8,179,886.68	28,938,719.21
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	37,625,539.41	21,764,023.60
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Purchases of goods		11,965,812.07
Dalian Pate Technology Co.,LTd	Purchases of goods	7,176,638.43	4,927,599.77

Related party	Content	2018	2017
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	6,998,403.46	3,680,841.01
Panasonic compressor (Dalian) Co., Ltd	Purchases of goods	203,264.80	2,576,209.40
Dalian Bingshan Metal Technology Co., Ltd	Purchases of goods	406,183.44	500,078.87
Dalian Honjo Chemical Co., Ltd.	Purchases of goods		74,102.56
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods	456,410.26	
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Purchases of goods	674,528.28	
Total		235,254,935.68	272,936,740.32

(2) Sales of goods/ labour services provision

Related party	Content	2018	2017
Panasonic Cold-chain (Dalian) Co., Ltd	Sales of goods	176,605,613.78	173,038,902.46
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	101,207,395.30	107,638,666.72
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	42,006,216.30	34,136,856.37
Panasonic Cold Machine system (Dalian) co., Ltd	Sales of goods	23,611,100.79	21,666,442.54
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Sales of goods	9,891,321.54	21,470,860.07
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Sales of goods	3,947,000.16	14,337,123.07
Panasonic compressor (Dalian) Co., Ltd	Sales of goods	13,460,146.51	7,496,076.45
Dalian Pate Technology Co.,LTd	Sales of goods	3,011,326.99	2,180,488.20
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	Sales of goods	851,364.00	834,672.00
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Sales of goods	701,334.64	806,414.75
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Sales of goods	388,876.29	676,308.07
BAC (Dalian) Co., Ltd	Sales of goods	10,456,948.36	649,816.64
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	3,709,869.31	649,621.22

Related party	Content	2018	2017
Dalian Bingshan Huigu Development Company	Sales of goods	8,179,920.96	622,131.50
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	Sales of goods	6,070,260.04	358,332.87
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	430,939.11	284,680.37
Wuhan Sikafu Power Control Equipment Co., Ltd	Sales of goods		184,040.96
Dalian Fuji Bingshan Intelligent Control System Co., Ltd	Sales of goods	603,448.33	
Total		405,133,082.41	387,031,434.26

2. Assets Lease

(1) Assets rent out

Lessor	Lessee	Category of assets rent out	2018Lease Income	2017 Lease Income
Dalian Refrigeration Company Limited	Dalian Bingshan Group Co., Ltd.	Office	130,909.09	97,297.30
Dalian Refrigeration Company Limited	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Plant	4,000,000.00	4,000,000.00
Dalian Refrigeration Company Limited	Dalian Bingshan Huigu Development Company	Office	7,438,049.60	4,400,000.00
Dalian Refrigeration Company Limited	Panasonic Cold-chain (Dalian) Co., Ltd	Employee dormitory	79,127.27	19,617.73
Dalian Refrigeration Company Limited	Panasonic compressor (Dalian) Co., Ltd	Employee dormitory	91,428.56	38,159.80
Dalian Refrigeration Company Limited	Panasonic Refrigeration (Dalian) Co., Ltd.	Employee dormitory	77,837.84	60,900.69
Dalian Refrigeration Company Limited	Dalian Honjo Chemical Co., Ltd	Employee dormitory		3,625.28
Dalian Bingshan	Jiangsu Jingxue	Plant and office	921,083.40	462,870.00

Lessor	Lessee	Category of assets rent out	2018 Lease Income	2017 Lease Income
Lingshe Quick Freezing Equipment Co., Ltd	Energy Saving Technology Co., Ltd.			

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

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

The company signed rental contract with Dalian Bingshan Huigu Development Company, and rent out the old plant and land located in No. 888, South West RD, Shahekou District, Dalian to Dalian Bingshan Huigu Development Company from April 1st, 2017 to December 31, 2036. The land area is 167,165.61 square metres and the housing area is 105,652.43 square metres, and the rent for 2018 was 7.86 million Yuan.

(2) Assets under lease

Lessor	Lessee	Category of assets rent in	2018 Lease fees	2017 Lease fees
Dalian Bingshan Group Co.	Dalian Refrigeration Company Limited	Office, etc	106,290.00	106,290.00
Dalian Bingshan Group Co.	Dalian Refrigeration Company Limited	Land	94,943.33	162,760.00

3. Warranty provided by Related Parties

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group. Please refer to the "Note VI.23 long term borrowings"

4. Funds borrow from /lent to related party

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

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 in 2016. After the above funds are in place, Bingshan Group will allocate them to the company in full and without any additional charge. The above special fund is 0.16 billionYuan in total, the loan interest is fixed interest rate at 1.2% annual rate and paid interest 1,946,666.67Yuan for 2018.

5. Management Remuneration

Item	2018	2017
Total remuneration	3,781,400.00	3,507,800.00

(III) Balances with Related party

1.Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	2,289,340.93	114,467.05	682,000.00	34,100.00
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	13,484,313.93	2,194,502.13	8,913,856.35	524,792.82
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	6,255,865.97	312,793.30	5,296,495.78	264,824.79
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	67,486.00	3,374.30	19,500.00	975.00
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	2,301,963.32	115,098.17	3,943,798.07	197,189.90
Accounts receivable	Panasonic Cold Machine system (dalian) Co., Ltd	4,933,468.75	246,673.44	1,011,420.13	50,571.01
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	20,911,809.84	1,045,590.49	31,120,658.05	1,579,384.35
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	1,556,496.87	77,824.84	93,510.28	4,675.51

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	7,040,959.98	352,048.00	2,329,505.72	116,475.29
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	317,331.82	19,483.28	77,975.80	3,898.79
Accounts receivable	Dalian Bingshan Intelligent Control System Co., Ltd.	280,000.00	14,000.00		
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	1,935,465.61	96,773.28		
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd.	700,000.00	35,000.00		
Other receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	251,993.71	12,599.69	10,817.95	540.90
Other receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd			108,307.06	7,163.99
Other receivable	Panasonic Cold Chain (Dalian) Co., Ltd			89,016.00	4,450.80
Prepayment	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	60,214.80		782,768.00	
Prepayment	Dalian Spindle Cooling Towers Co., Ltd			37,956.00	
Prepayment	Panasonic compressor (Dalian) Co., Ltd	80.00			
Prepayment	Panasonic Refrigeration (Dalian) Co., Ltd	5,052,007.00		460,620.00	
Prepayment	Panasonic Cold Machine system (dalian) Co., Ltd			2,373.00	

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Prepayment	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	3,650,105.00			
Notes receivable	BAC (Dalian) Co., Ltd	441,001.03			
Notes receivable	Panasonic Cold Machine system (dalian) Co., Ltd	4,210,388.96		53,989.08	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	50,565,030.10		54,495,058.38	
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	11,686,954.09		14,031,393.19	
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd			1,182,028.15	
Notes receivable	Dalian Spindle Cooling Towers Co., Ltd			39,064.75	
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.			1,711,379.41	
Notes receivable	Panasonic compressor (Dalian) Co., Ltd			1,182,680.29	

2. Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	BAC Dalian Co., Ltd	9,295,740.00	6,078,640.00
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	6,137,617.64	11,799,186.85
Accounts Payable	Dalian Bingshan Pate Technology Co., Ltd	1,551,409.98	5,124,646.22
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	134,547.35	983.82
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd	2,562,898.70	7,544,866.00
Accounts Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	13,774,809.38	14,043,679.12
Accounts Payable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	295,000.00	
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	414,000.00	

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	Panasonic Cold machine system (Dalian) Co., Ltd	31,395,663.27	20,582,489.66
Accounts Payable	Panasonic Cold Chain (Dalian) Co., Ltd	3,861,712.32	13,180,390.70
Accounts Payable	Panasonic Compressor (Dalian) Co., Ltd	1,696,000.00	1,696,000.00
Accounts Payable	Panasonic Refrigeration (Dalian) Co., Ltd.	6,409,209.89	644,319.10
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd	142,587.67	
Accounts Received in Advance	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd		399,609.61
Accounts Received in Advance	Dalian Bingshan Huigu Development Co.,Ltd		1,100,000.00
Accounts Received in Advance	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.		50,000.00
Accounts Received in Advance	Panasonic Cold machine system (Dalian) Co., Ltd	23,267.70	90,360.00
Accounts Received in Advance	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	59,596.18	
Notes Payable	BAC (Dalian) Co., Ltd	30,200,000.00	47,469,964.10
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	26,838,133.04	7,812,262.79
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd		474,736.39
Notes Payable	Dalian Bingshan Pate Technology Co.,Ltd	2,021,735.79	1,503,294.01
Notes Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	411,909.94	4,860,000.00
Notes Payable	Panasonic Cold Chain (Dalian) Co., Ltd		1,657,321.00
Notes Payable	Dalian Spindle Cooling Towers Co., Ltd	6,256,661.88	
Notes Payable	Panasonic Cold machine system (Dalian) Co., Ltd	8,334,675.20	

(IV) Related Party Commitment

None

XII. Share-Based Payment

1. General situation of share payment

Items	Situation
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Items	Situation
Total equity instruments granted by the company during the period	none
Total equity instruments exercised by the company during the period	none
Total equity instruments invalid by the company during the period	8,955,840.00
The scope of the exercise price of the share options issued by the company at the year end and the remaining term of the contract	
The scope of the exercise price of other equity and the remaining term of the contract at the year end	

Note: (1) In accordance with “Restricted Share Incentive Plan (draft)” in 2016 and the 3rd extraordinary shareholder’s meeting in 2017, incentive objective, Liu Jie, Meng Yunchan, Fang Zheng, Di Jun, Zhang guanghai 5 persons resigned, therefore, they are not entitled for share incentive. These 5 persons were granted for 413,000 numbers of shares in total. In accordance with “dividend distribution plan of 2016”, based on the total number of 611,776,558 shares, every 10 shares will be granted for 4 new shares from capital reserve transfer. After transfer, sum of the unlocked restricted shares granted to these 5 persons is 578,200. On December 8, 2017, the 17th meeting of 7th generation of directors board and the 14th meeting of 7th generation of supervisors board approved “Amendment of share buyback plan of Restricted Share Incentive Plan in 2016” and “Approval of writing off bought back shares within the Restricted Share Incentive Plan in 2016”, the Company bought them back and has written off the account. Share buyback is planned to be settled by self financing and the sum of buy back price is 2,279,264.40 Yuan.

(2) On May 4, 2018, the 21st meeting of 7th generation of directors board and the 16th meeting of 7th generation of supervisors board approved “Proposal on unlocking the third unlocking period of Restricted Share Incentive Plan in 2015”, “Amendment of share buyback plan of Restricted Share Incentive Plan in 2015” and “Approval of writing off bought back shares within the Restricted Share Incentive Plan in 2015”. The total number of incentives objectives meeting this unlocking condition is 39 heads. The number of restricted stocks that can be applied for unlocking and listing is 5,919,606 numbers of shares, representing 0.692% of the total share capital of the company at the end of 2018. According to the resolution above, the company decided to cancel the qualifications of two incentives and repurchase and write off all the restricted stocks that have been granted but not yet unlocked. The total number of shares repurchased is 474,894 shares. The completion date of writing off bought back is May 30, 2018.

The funds used to pay for the repurchase of restricted stock are the company's self-owned funds, and the total repurchase price is 1,166,814.54 Yuan.

(3) On December 10, 2018, the 25th meeting of 7th generation of directors board approved “Proposal on Termination of Implementation of the 2016 Restricted Stock Incentive Plan and Repurchase of Related Restricted Stocks”. Due to the recent changes in the macro economy and market environment, the company's stock price fluctuated greatly. The company believes that it is difficult to achieve the expected incentive purpose and effect by keeping implementing the 2016 restricted stock incentive plan. After prudent consideration by the board of directors, it was decided to terminate the implementation of the 2016 restricted stock incentive plan and repurchase and write off the restricted 12,221,580 numbers of shares that have been granted but yet unlocked.

2. Share payment settled by equity

Items	Situation
Method for determining the fair value of the equity instruments granted	According to the fair value of restricted stock on granted date (the fair value changes after the grant date is uncertain)
The basis for determining the quantities of exercised equity instruments	Determined by the actual numbers of share exercised
The reasons for the significant difference between this year's estimation and last year's estimation	None
The cumulative amount of capital reserve which includes share payment settled by equity	41,714,921.09
Total cost of share payment recognized by equity settlement this year	5,226,245.60

1) The Situation of Granted Restricted Share in 2015

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

incentive targets, and set 4th March 2015 as share granted date.

2) The Situation of Granted Restricted Share in 2016

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

3) The Situation of Unlocking Restricted Shares in 2016

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

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

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

On May 4, 2018, the 21st meeting of 7th generation of directors board and the 16th meeting of 7th generation of supervisors board approved "Proposal on unlocking the third unlocking period of Restricted Share Incentive Plan in 2015", "Amendment of share buyback plan of Restricted

Share Incentive Plan in 2015” and “Approval of writing off bought back shares within the Restricted Share Incentive Plan in 2015”. The total number of incentives objectives meeting this unlocking condition is 39 heads. The number of restricted stocks that can be applied for unlocking and listing is 5,919,606 numbers of shares, representing 0.692% of the total share capital of the company at the end of 2018.

3. Termination or modification of share payment

On December 10, 2018, the 25th meeting of 7th generation of directors board and the 16th meeting of 7th generation of supervisors board approved “Proposal on Termination of Implementation of the 2016 Restricted Stock Incentive Plan and Repurchase of Related Restricted Stocks”. Due to the recent changes in the macro economy and market environment, the company's stock price fluctuated greatly. The company believes that it is difficult to achieve the expected incentive purpose and incentive effect by continuing to implement the 2016 restricted stock incentive plan. After careful study by the board of directors, it was decided to terminate the implementation of the 2016 restricted stock incentive plan and repurchase and write off the restricted 12,221,580 shares that have been granted but yet unlocked. It accounted for 1.43% of the company's total share capital at the end of 2018, and the repurchase price was 3.892 yuan/share. On February 26, 2019, the company repurchased and wrote off the restricted stock mentioned above.

XIII. Contingency

As at 31 December 2018, the Group does not have any other contingencies for disclosure.

XIV. Commitment

As at 31 December 2018, the Group does not have any other significant commitments.

XV. Events after the Balance Sheet Date

1. Significant events had not adjusted

None..

2. Information about profit distribution

The 3rd meeting of the 8th generation of board was held on 19th April 2019 and approved the profit distribution policy for the year of 2018, extracting 20% of the free surplus reserves and based on 843,212,507.00 numbers of share in total, paying out cash dividend of 0.5Yuan for every 10 shares (before tax) and cash dividend of B shares are paid in Hong Kong dollars.

3. Sales Return

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

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

XVI. Other Significant Events

1. Error correction and effect in previous period.

None

2. Debt Restructuring

The Company has no events of debt restructuring this year.

3. Asset exchange

(1) The exchange of non-monetary assets

None

(2) The exchange of other assets

None

4. Annuity Plan

None

5. Operation Termination

None

6. Segment Information

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

(1) The basis and accounting policies of reporting segments

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

- 1).The segment can generates revenue and incur expenses.
- 2).The management personnel can regularly evaluate the operation results of segments and allocate resource ,assess its performance .
- 3).The financial situation, operation results, cash flow and other accounting information of segments can be acquired.

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

(2)The financial information of reporting segments

Amount unit : Ten thousands Yuan

Items	2018				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	246,866.47	37,284.66	4,392.84	-91,937.51	196,606.46
2 Cost	257,601.50	36,939.39	4,494.76	-91,937.51	207,098.14
Impairment on assets	2,096.31	836.70	-40.15		2,892.86
Depreciation and amortization	6,242.11	1,142.43	13.04		7,397.58
3 Investment income from associates and joint venture	13,794.96	-50.91			13,744.05
4 Operating profits(loss)	13,358.84	567.89	-96.22	-1,942.83	11,887.68
5 Income tax	532.84	129.87	23.13		685.84
6 Net profit(loss)	12,825.99	438.02	-119.35	-1,942.83	11,201.83
7 Total assets	593,062.49	65,158.97	3,638.31	-105,031.82	556,827.95
8 Total liabilities	214,398.25	39,456.54	2,195.80	-45,065.63	210,984.96

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

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

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

1. Notes receivable & Accounts receivable

Item	Closing Balance	Opening Balance
Notes receivable	63,673,648.65	57,455,446.82
Accounts receivable	418,715,646.60	356,557,956.93
Total	482,389,295.25	414,013,403.75

1.1 Notes receivable

(1) Notes receivable category

Item	Closing Balance	Opening Balance
Bank acceptance notes	4,104,269.00	7,831,005.00
Commercial acceptance notes	59,569,379.65	49,624,441.82
Total	63,673,648.65	57,455,446.82

(2) Notes receivable endorsed or discounted but not mature at the end of year

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	100,322,068.84	
Commercial acceptance notes	318,300.00	
Total	100,640,368.84	

1.2 Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	479,639,088.92	100.00	60,923,442.32	12.70	418,715,646.60
Accounting age as characters	218,079,693.09	45.47	60,923,442.32	27.94	157,156,250.77
Related party within consolidation scope	261,559,395.83	54.53			261,559,395.83
Accounts receivable with insignificant individual amount and separate bad					

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
debt provision					
Total	479,639,088.92	100.00	60,923,442.32	12.70	418,715,646.60

(Continued)

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

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
Within 1 year	90,839,096.71	4,541,954.84	5
1-2 years	52,895,474.55	5,289,547.46	10
2-3 years	16,586,433.14	4,975,929.94	30

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
3-4 years	18,010,575.64	9,005,287.82	50
4-5 years	13,186,953.94	10,549,563.15	80
Over 5 years	26,561,159.11	26,561,159.11	100
Total	218,079,693.09	60,923,442.32	

(2) Bad debt provision accrued and reversed (withdraw) during the year.

The bad debt provision has been accrued in the amount of 4,476,494.58 Yuan, during the report period, bad debt provision is recollected of 469,366.10Yuan.

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

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

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	Within 1 year, 1-2 years, 2-3 years	6.83	5,357,592.61
Ningxia Wangwa Coal	29,002,800.00	Within 1 year	6.05	1,450,140.00
Guangzhou Fuli Estate Co.,Ltd	19,324,261.21	Within 1 year, 1-2 years	4.03	1,300,713.06
Yangmei Fengxi Fertilizer	16,700,000.00	1-2 years	3.48	1,670,000.00
Jilin Changjitu Development &Construction Co.,Ltd	13,080,000.00	Within 1 year, 1-2 years	2.73	754,000.00
Total	110,855,805.21		23.12	10,532,445.67

2. Other Receivables

Item	Closing Balance	Opening Balance
Interest receivable	318,886.12	1,871,783.33
Dividend receivable		
Other receivable	13,684,383.22	2,822,798.03
Total	14,003,269.34	4,694,581.36

2.1 Interest receivable

(1) Interest receivable category

Item	Closing Balance	Opening Balance
Interest on Term deposits	318,886.12	921,783.33
Interest on Bank financial product		950,000.00
Total	318,886.12	1,871,783.33

2.2 Other receivable

(1) The category of other receivables

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables with bad debt provision based on the characters of credit risk portfolio	15,380,582.50	100.00	1,696,199.28	11.03	13,684,383.22
Other receivables with insignificant individual amount and separate bad debt provision					
Total	15,380,582.50	100.00	1,696,199.28	11.03	13,684,383.22

(Continued)

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

amount and separate bad debt provision					
Total	3,605,280.13	100.00	782,482.10	21.70	2,822,798.03

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing Proportion (%)
Within 1 year	12,411,089.50	620,554.48	5.00
1-2 years	140,928.00	14,092.80	10.00
2-3 years	2,430,000.00	729,000.00	30.00
3-4 years			50.00
4-5 years	330,065.00	264,052.00	80.00
Over 5 years	68,500.00	68,500.00	100.00
Total	15,380,582.50	1,696,199.28	—

- (2) Bad debt provision accrued and reversed (withdraw) during the year.

The bad debt provision has been reversed by 913,717.18Yuan.

- (3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Equity transfer fund	8,588,400.00	
Petty cash	23,050.50	74,915.50
Guarantee deposits	6,681,152.00	3,501,260.43
Others	87,980.00	29,104.20
Total	15,380,582.50	3,605,280.13

- (4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Liaoning Mike Group	Equity transfer fund	8,588,400.00	Within 1 year	55.84	429,420.00
Dalian Delta H K China Gas C o., Ltd.	Security deposit	2,730,000.00	2-3 years, 4-5 years	17.75	969,000.00
Army 63833	Security deposit	1,600,000.00	Within 1 year	10.40	80,000.00
Huaxia Hanhua Chemical Equip	Security deposit	800,000.00	Within 1 year	5.20	40,000.00

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
ment Co., Ltd.					
Liaoning Jingwei Engineering Management Co., Ltd. Dalian Branch	Security deposit	800,000.00	Within 1 year	5.20	40,000.00
Total		14,518,400.00		94.39	1,558,420.00

3. Long-term equity investments

(1) Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment of subsidiaries	587,496,652.08		587,496,652.08	487,496,652.08		487,496,652.08
Investment of affiliates and JV	1,614,457,190.34		1,614,457,190.34	1,556,941,899.80		1,556,941,899.80
Total	2,201,953,842.42		2,201,953,842.42	2,044,438,551.88		2,044,438,551.88

(2) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Bingshan Group Construction Co., Ltd	93,749,675.77			93,749,675.77
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	36,506,570.00			36,506,570.00
Dalian Bingshan Jiade Automation Co., Ltd	6,872,117.80			6,872,117.80
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd	59,356,051.19			59,356,051.19
Dalian Niweisi LengNuan Technology Co., Ltd	48,287,589.78			48,287,589.78
Wuhan New World Refrigeration Industrial Co., Ltd	84,674,910.81	100,000,000.00		184,674,910.81
Bingshan Technical 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

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Bingshan International Trading Co.,Ltd	71,537,064.86			71,537,064.86
Total	487,496,652.08	100,000,000.00		587,496,652.08

(3) Joint ventures& affiliated companies

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change s of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
1. Affiliated companys											
Panasonic Refrigeration (Dalian) Co., Ltd.	161,817,616.82			16,473,241.56			3,000,000.00			175,290,858.38	
Panasonic Cold-chain (Dalian) Co., Ltd	227,050,807.57			11,171,813.19			6,000,000.00			232,222,620.76	
Panasonic Compressor (Dalian) Co., Ltd	490,004,241.55			41,722,233.04			47,826,800.00			483,899,674.59	
Dalian Honjo Chemical Co., Ltd	9,113,011.88			631,746.15			912,160.20			8,832,597.83	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	57,604,812.32			9,345,875.45			5,200,000.00			61,750,687.77	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	1,431,141.16			-163,001.57						1,268,139.59	
Dalian Fuji Bingshan Vending Machine Co., Ltd	179,841,223.64			8,416,237.11						188,257,460.75	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,359,504.81			423,834.55						13,783,339.36	

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change s of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	12,042,441.30			1,731,826.59						13,774,267.89	
Jiangsu Jingxue Freezing Equipment Co., Ltd.	166,092,058.74			14,717,114.30			5,842,400.00			174,966,773.04	
Panasonic cold machine system (Dalian) Co., Ltd	27,824,664.42			5,004,924.40			2,108,000.00			30,721,588.82	
Bingshan Metal Technical Service (Dalian) Co., Ltd.	163,116,631.47			28,821,912.86			19,344,983.17			172,593,561.16	
Dalian Bingshan Group Mangement and Consulting Company	47,643,744.12	9,800,000.00		-348,123.72						57,095,620.40	
Total	1,556,941,899.80	9,800,000.00		137,949,633.91			90,234,343.37			1,614,457,190.34	

Note: (1) At the 22nd meeting of the 7th generation of board of directors was held on August 24th, 2018, the company approved to jointly inject the capital of Dalian Bingshan Group Mangement and Consulting Company with Dalian Bingshan Group Co., Ltd. in monetary terms. The capital increased amount is 100 million Yuan, which is paid by the shareholders in accordance with the original capital contribution ratio. The company holds 49% of the equity of Dalian Bingshan Group Mangement and Consulting Company and pays 49 million Yuan. 9.8 million Yuan has been paid before October 31, 2018, and the remaining 39.20 million Yuan shall be paid within 20 years. The company has transferred the first payment to the company account of Dalian Bingshan Group Mangement and Consulting Company on October 22, 2018.

(2) At the 23rd meeting of the 7th generation of board of directors was held on October 26th, 2018, the company decided to increase the capital of Wuhan New World Refrigeration Industrial Co., Ltd. by 100 million Yuan. After the capital increase, the registered capital of Wuhan New World Refrigeration Industrial Co., Ltd. will increase from 100 million Yuan to 200 million Yuan.

4. Operating revenue and cost

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	548,705,260.10	493,112,549.07	595,981,322.69	495,403,921.28
Revenue from other operation	26,631,232.06	15,113,793.41	20,778,557.97	12,256,853.32
Total	575,336,492.16	508,226,342.48	616,759,880.66	507,660,774.60

5. Investment income

Items	2018	2017
Long-term equity investment gain under equity method	137,949,633.91	141,879,121.47
Gain from disposing long-term equity investment		263,666.08
Gain from holding of available for sale financial assets	11,139,558.00	11,463,569.05
Gain from disposal financial assets available for sale	66,702,217.88	27,467,019.93
Long-term equity investment gain under cost method	19,428,324.73	17,365,100.59
Total	235,219,734.52	198,438,477.12

XVIII. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Group on April 19, 2019.

Supplementary Information to the Financial Statements

1. Non-operating profit or loss

In accordance with the provisions of the China Securities Regulatory Commission, "Interpretation of Information Disclosure of Companies That Offer Securities to the Public No. 1 - Non-recurring Gains and Losses (2008)", the company's 2018 annual non-recurring gains and losses are as follows:

Items	2018	Notes
Gain or loss from disposal of non-current assets	374,143.29	
Override, no formal approval or accidental tax refund ,deduction or exemption		
Government grants recorded into profit or loss during current period	8,124,911.87	
Expenses for using funds from non financial institution recognized in current profit/loss		
Gains from acquisition of subsidiary or associates when initial cost is less than the fair value of identifiable net asset of invested company	1,070,288.17	
Profits/loss from non monetary assets exchange		
Profits/loss from investments or management of assets entrusted by others		
Assets impairment provision accrued due to force majeure, e.g.: suffering natural disasters		
Profit or loss from debts restructuring		
Expenses of enterprise restructuring		
Gain/loss on excessive part from the transaction where the trading price is obviously unfair.		
Net gain/loss of subsidiary from combination under same control between the beginning of year and consolidation date.		
Gains/ loss from contingencies arising from the normal business of the Company		
Gain/loss from change of fair value by holding or disposing the tradable financial asset and liabilities, and available for sale financial assets, other than effective hedging in relation to the company's normal business	66,702,217.88	
Reversal of impairment provision of accounts receivable separately tested for impairment		
The profits/loss from external entrusted fund		

Items	2018	Notes
Investment property subsequently measured at fair value		
The profits/gains from changes of fair value		
Effects of gain/loss from one-off adjustments of gain/loss based on laws and regulations of taxation and accounting.		
Custodian fees obtained from entrusted operations		
Non-operating revenue and expense besides the above items	29,037.03	
Other profit or loss		
Subtotal	76,300,598.24	
Effect on income tax	11,478,840.61	
Attributable to minority shareholders' equity (after tax)	181,170.70	
Total	64,640,586.93	

2. Return on equity and earnings per share

In accordance with the provisions of the China Securities Regulatory Commission, "Corporate Information Disclosure and Compilation Rules for Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)", the Company's 2018 annual weighted average net Return on assets, basic earnings per share and diluted earnings per share are as follows:

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	3.21	0.13	0.13
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	1.33	0.05	0.05

Section 12 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 copy of the auditor's report bearing the seal of the certified public accountants and the signatures and seals of the certified accountants.
3. 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.
4. Time for reference: from Monday to Friday 8:00 - 11:30 (am) 1:00 - 4:30 (pm)
Liaison persons: Mr. Song Wenbao, Ms Du Yu
Tel: 0086-411-87968130
Fax: 0086-411-87968125

Dalian Refrigeration Company Limited

20, April, 2019