

Stock Code: 900956

Stock Abbreviation: Dongbei B

**Huangshi Dongbei Electrical Appliance Co., Ltd.**

**2017 Annual Report**

## Important Notes

1. The Board of Directors, Supervisory Committee, directors, supervisors and Senior Executives of the Company hereby guarantees that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.

2. All the directors attended the board meeting.

3. Hubei Daxin Certified Public Accountants Co., Ltd. (Special General Partnership) issued standard unqualified auditors' report for the Company.

4. Mr. Zhu Jinming, Person in charge of the Company, Ms. Lu Lihua, Chief financial officer and the Ms. Ma Li, the person in charge of the accounting department (the person in charge of the accounting) hereby confirm the authenticity and completeness of the financial report enclosed in this Annual Report.

5. The profit allocation plan or the capitalization from capital public reserve during the report period examined by the Board of Directors.

Considering taking into account the company's development and the project's demand for funds, the company's 2017 profit distribution plan is formulated as: The profit allocation and the capitalization from capital public reserve will not be conducted for the Company in the report period.

6. And forward-looking statement

Applicable  Not applicable

Such as those involving the future operational plans in this report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to pay attention to possible risks.

7. Whether the controlling shareholder and its related parties did not occupy the funds of the Company for operation.

No.

8. Whether the Company did not provide guarantee in violation of specified decision-making procedure.

No.

9. Reminder of Major Risks:

Applicable  Not applicable

The Company has described the possible risks in this year's report in order to attract attention from the investors. For more refer to the "Report of the future development discussion by Board of Directors".

10. Other

Applicable  Not applicable

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## I. Definition

### 1. Definition

In this report, medium, the following words and expressions shall have the following meaning unless otherwise defined:

Definition of frequently mentioned words and expressions		
Company, The Company, We	Refers to	Huangshi Dongbei Electrical Appliance Co., Ltd.
Dongbei Group, Controlling shareholder	Refers to	Huangshi Dongbei Electromechanical Group Co., Ltd
Refrigerator Industry	Refers to	Huangshi Dongbei Refrigerator Industry Co., Ltd
Xingbei Machinery & electric	Refers to	Huangshi Xingbei Machinery & electric Co., Ltd.
Huizhi Partnership	Refers to	Huangshi Huizhi Investment Partnership (Limited partnership)
Daxin, Daxin Certified Public Accountants	Refers to	Hubei Daxin Certified Public Accountants Co., Ltd. ( Special General Partnership)
Report period	Refers to	2017
SSE	Refers to	Shanghai Stock Exchange
CSRC	Refers to	China Securities Regulatory Commission
The Securities Law	Refers to	The Securities Law of the People's Republic of China
The Company Law	Refers to	The Company Law of the People's Republic of China
Articles, The Articles of association	Refers to	The Articles of association of Huangshi Dongbei Electrical Appliance Co., Ltd.
Yuan, Million Yuan, Billion Yuan	Refers to	RMB Yuan , RMB million Yuan,RMB Billion Yuan

## II. Basic Information of the Company and Financial index

### I. Information of the Company

Chinese name of the Company	黄石东贝电器股份有限公司
Abbr. of the Chinese name of the Company	东贝B股
English name of the Company	Huangshi Dongbei Electrical Appliance Co.,Ltd
English Abbreviation	DONGBEI
Legal representative of the Company	Zhu Jinming

### II. Contact person and contact manner

	Board secretary	Securities affairs Representative
Name	Lu Lihua	Huang Jie
Contact address	No.6, Jinshan East Road, Economic & Technology Development Zone, Huangshi City, Hubei Province.	No.6, Jinshan East Road, Economic & Technology Development Zone, Huangshi City, Hubei Province.
Tel	0714-5415858	0714-5415858
Fax	0714-5415858	0714-5415858
E-mail	stock@donper.com	stock@donper.com

### III. Basic Information about the Company

Registered Address:	No.6, Jinshan East Road, Economic & Technology Development Zone, Huangshi City, Hubei Province.
Postal code of Registered address	435000
Business Address	No.6, Jinshan East Road, Economic & Technology Development Zone, Huangshi City, Hubei Province.
Postal code of Business address	435000

Website:	http://www.donper.com
E-mail	stock@donper.com

#### IV. The Place for Placing the Annual Report and the Information Disclosure

Newspapers for Information Disclosure	Shanghai Securities Daily and Hong Kong Commercial Daily
Internet Website for Publishing the Annual Report	www.sse.com.cn
The Place for Placing the Annual Report	Securities Dept. of the Company

#### V. Stock Profile

Stock Condition of the Company				
Type	Stock exchange for listing	Stock Abbreviation	Stock Code	Stock Abbreviation (Before change)
B share	Shanghai Stock Exchange	Dongbei B	900956	

#### VI. Other Relevant Information

Certified public accountants engaged by the Company (Domestic)	Name	Hubei Daxin Certified Public Accountants Co., Ltd. (Special General Partnership)
	Office address	16/F, Zhiyin Media Square, No.31, Zhongbei Road, Wuhan
	Names of the Certified Public Accountants as the signatories	Suo Boguo, Zhang Ling
Sponsor engaged by the Company for performing continuous supervision duties in reporting period	Name	
	Office address	
	Sponsor representative	
	Duration of continuous supervision	

#### VII. Main accounting data and financial indicators of the Company in the last three years

##### 1. Main accounting data

In RMB

Main accounting data	2017	2016	Changed over last year (%)	2015
Operating income	3,789,307,855.30	3,473,518,271.43	9.09	3,420,131,010.98
Net profit attributable to the shareholders of the listed company	83,402,663.88	83,040,363.66	0.44	69,792,841.69
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	56,228,437.99	57,867,834.66	-2.83	58,701,752.38
Cash flow generated by business operation, net	166,782,836.34	-87,308,500.10	Not applicable	501,750,054.81
	End of 2017	End of 2016	Changed over last year (%)	End of 2015
Net assets attributable to the shareholders of the listed company	1,147,175,783.39	1,087,134,859.75	5.52	1,003,962,628.52
Gross assets	4,701,589,019.10	4,351,074,660.89	8.06	4,441,133,850.47

##### 2. Main Financial Index

Main Financial index	2017	2016	Changed over last year( %)	2015
Basic earning per share(RMB/Share)	0.355	0.353	0.57	0.297
Diluted gains per share(RMB/Share)	0.355	0.353	0.57	0.297
Basic earning per share after deducting of non-recurring gains/losses(RMB/Share)	0.239	0.246	-2.85	0.250

Weighted average net asset earning ratio (%)	7.39	7.94	Decreased by 0.55%	7.20
Net income on asset, weighted and deducted non-recurring gain/loss(%)	4.98	5.54	Decreased by 0.56%	6.06

Notes

 Applicable  Not applicable

### VIII.The differences between domestic and international accounting standards

1.Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

 Applicable  Not applicable

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

 Applicable  Not applicable

3.Notes of the differences between domestic and international accounting standards

 Applicable  Not applicable

### IX.Main Financial Index by Quarters of 2017

	In RMB			
	First quarter (1-3 Month)	Second quarter (4-6 Month)	Third quarter (7-9 Month)	Fourth quarter (10-12 Month)
Operating income	900,572,653.41	1,057,916,938.91	1,018,869,312.24	811,948,950.74
Net profit attributable to the shareholders of the listed company	6,280,252.54	35,331,530.08	13,799,792.70	27,991,088.56
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	4,363,555.70	22,929,873.84	7,275,407.23	21,659,601.22
Net Cash flow generated by business operation	-96,839,417.65	103,241,515.97	26,320,691.58	134,060,046.44

Quarterly data and Disclosed periodic reports data discrepancies explained

 Applicable  Not applicable

### X.Items and amount of non-operating gains and losses:

 Applicable  Not applicable

	In RMB			
Items of non-operating gains and losses	Amount (2017)	Notes (If any)	Amount (2016)	Amount(2015)
Gain/loss form disposal of non-current assets.	-11,096,055.52		-7,813,437.33	-462,241.68
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents				
Governmental Subsidy accounted as current gain/loss, except for those subsidies at with amount or quantity fixed by the national government and closely related to the Company's business operation.	34,318,163.70		38,293,336.06	20,038,689.31
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses				
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair				

value of the identifiable net assets of the investees when making the investments				
Gain/loss on non-monetary asset swap				
Gain/loss on entrusting others with investments or asset management				
Asset impairment provisions due acts of God such as natural disasters				
Gains/losses of debt restructure				
Reorganization expenses, such as expenditure for allocation of employees and integration fee				
Gains/losses exceeding the fair value arising from transactions with obviously unfair prices				
Net gain and loss of the subsidiary under the common control and produced from enterprise consolidation from the beginning of the period to the consolidation date				
Gain and loss arising from contingent matters irrelevant with the Company's normal operation business				
Gain and loss from change of the fair value arising from transactional monetary assets, transactional financial liabilities as held as well as the investment income arising from disposal of the transactional monetary assets, transactional financial liabilities and financial assets available for sale excluding the effective hedging transaction in connection with the Company's normal business				
Reverse of the provision for impairment of accounts receivable undergoing impairment test individually				
Gain/loss from external entrusted loan				
Gain and loss arising from change in the fair value of the investment based real estate measure afterwards by means of fair value model				
Influence upon the current gains and losses from the once-and-for-all adjustment over the current gains and losses according to the taxation and accounting laws and regulations				
Income from custodian charge obtained from entrusted operation				
Operating income and expenses other than the aforesaid items	10,872,405.78		6,513,157.81	2,644,433.78
Other gains/losses in compliance with the definition of non-recurring gain/loss				
Influenced amount of minor shareholders' equity	- 1,506,569.15		-7,250,561.72	-7,250,561.72
Influenced amount of income tax	- 5,413,718.92		-4,569,965.82	-3,879,230.38
Total	27,174,225.89		25,172,529.00	11,091,089.31

**XI. Fair value measurement**

Applicable  Not applicable

**XII. Other**

Applicable  Not applicable

### III. Outline of Company Business

#### I. Main businesses , business mode and industry situation of the company in the reporting period

##### 1. The main business

The Company is specialized in R&D and production of high-efficiency, energy-saving and environmentally-friendly refrigeration compressors, it has more than 200 types products ranging in 7 series, and it is the leading company with the largest number of product models, the most abundant specifications and the largest power span in the industry. Also in the industry, the company is the sole enterprise that's awarded the second prize of national science and technology progress.

Business Mode: through the measures of personalized service, the company has established long-term cooperative relationship with a great number of domestic and foreign consumers which also are well-known companies. The company has been always seeking to provide customers with better quality products and better services of pre-sales, sales and after-sales. Furthermore, the company has set up the high-efficient communication mechanism with customers, established strategic partnerships with key customers and constantly pays attention to the customers' satisfaction to the company's product quality and technical services. When the sales department of the company carries out the product marketing, it will, according to different needs and requirements of users, set up the policy of "One user, One Strategy" to provide customers better personalized product and service. Meanwhile, the company has set up user-records and implemented the regular and random visits to customers, established the "One stop nanny service" for quaternary service of quality, technology, service and sales and has shaped a sound service network, thus to improve the customer satisfaction.

##### 2. Industry Description

Please refer to the fourth section-Analysis of business information

#### II. Major Changes in Main Assets

Applicable  Not applicable

Monetary funds increased by 46.54% over the same period last year, Mainly due to the increase in net cash inflow from operating activities.

Advance payment increased by 42.54% over the same period last year, Mainly due to increased project input.

Other receivable account decreased by 70.87% over the same period last year , mainly due to the expiration of the contract with Far Eastern Finance Leasing Company, and the deposit is due to the rental charge.

Inventory increased by 42.06% over the same period last year, Mainly due to the increase in raw material prices and the increase in inventory reserve volume.

The construction in process decreased by 93.94% over the same period last year, Mainly due to the



transfer of construction projects into fixed assets.

### III. Analysis On core Competitiveness

√ Applicable □ Not applicable

The company has the core competitiveness formed by five aspects of "constant and sustainable innovation for R&D of new products, diversified matching production capacity, people-oriented team cohesion, sustainable and constant innovation ability and all-round marketing ability", thus to enable a solid foundation for the company's future sustainable development.

#### 1. R & D capabilities and technology

The company has the domestic leading R & D capabilities and the R & D platform, the compressor technology center is a national recognized enterprise technology center, the company has set up a post doctoral workstation, Academician workstation and established the research and development center in Europe and The United States. The company has the compressor product technology to meet high or medium or low back pressure and high efficiency compressor type under different working fluids requirements, also, the company has more than 200 items of patents, and the company filed patent application in the foreign countries. Soon after successfully developed the high-efficient, high-level VFL series, the company has successfully developed mini VFA series. The VFA frequency conversion products have been greatly favored by the customers because of the features of "small shape, high efficiency, low noise and high reliability". Mass sales in March 2017, In October 2017, the VFX series of low-speed and high-efficiency inverter compressors successfully held a press conference.

#### 2. The world's advanced compressor production line

The company has successively established three manufacturing bases, and it has the world top compressor production line, which can produce R600a, R134a, R22, R404A, R290 and other types refrigerant compressor, with the products having 7 series and 200 specs, and the annual production capacity is 33 million units. Through the tandem-effect of each platform, the products have been sold to more than 30 countries and regions, like China, Asia, Europe and America, and the company's market share has been increased year by year.

#### 3. Frank two-way communication

The company's leaders understand that the effective communication and practice is an effective way to accelerate the staff and the related party to recognize and accept the culture of the company, and the company, through the worker's congress, special forum and so forth communication platforms, communicated with its employees. Each month, the company holds regular staff recognition conference of "People-oriented, glory in hard-working" for the purpose of motivating the team.

#### 4. Encourage innovation mechanisms

The company has established a comprehensive mechanism of innovation management, which mainly includes three parts that are innovation management, technology innovation and daily improvement, and it's a great innovation mode begins from Innovation concept-innovation mechanism-innovation system-innovation category-innovation level -innovation tools to final

achievements. The company's innovation work will focus on the long-term planning, thus to ensure the orderly conduct of the work. Furthermore, the company has set up the incentive mechanism of innovation, which will put the innovation work into the daily work system and the appraisal system. It has revised the Innovation Incentive System and the Reward and Punishment System, which better clarified the project establishment, implementation, following-up, evaluation, inspection, assessment, rewards and punishment method and standard for the innovation work, and it adopts a variety of measures in terms of material rewards, spiritual encouragements and job promotions to carry out the incentives.

#### 5. Market expansion

According to the customer satisfaction, customer distribution, customer desire and change of market demand for refrigeration compressor in the world, the company carries out the whole-process service of pre-sales, sales and after-sales. Combined with the global economic development and changes in the industry, the company greatly promoted the frequency-conversion matching products and the sales, thus to better adapt to the direction of the industry development; the overseas sales focus on the progress of the project of users in blank part of the market, thus to achieve full coverage of the entire area; the commercial products will par with the top-brand of the industry, with layout of the sales channels and setting up large customer management unit to centre on customers of Pearl River Delta and Yangtze River Delta, thus to realize the gradual increase both in sales and profits.

## IV. Management's Discussion and Analysis

### I. Management's Discussion and Analysis

In 2017, under the background of deepening structural reforms in the supply side in China and facing the severe challenges posed by the unfavorable factors, the Company well managed to meet the needs of users by virtue of the technical advantages, customer advantages, quality advantages, and scale advantages. Via continuous R & D investment and technological innovation, the Company continuously promoted the product technology upgrading, boosted the product structure adjustment and enhanced the profitability of the Company.

#### 1. Precise market positioning and timely adjustment of product structure

Facing with the fierce market competition, the Company proceeded from various aspects such as products, markets and marketing, and sought ways to find the breakthrough points to gain the market initiative. Firstly, the company positively adapted to the market trend, adjusted the product structure in a timely manner, strived to seize the market share of the frequency-conversion products, implemented the "One user, one strategy" policy, and fully promoted the VFA and VFL frequency conversion products to enter the market, therefore the annual sales of frequency-conversion compressors soared. Secondly, the Company innovated the customer management model, enhanced the market development capability, implemented the market segmentation strategy for the new sector, carried out the zone-type customer

management, and achieved the unification of market management policies and sales channels. Thirdly, the Company actively upgraded the marketing tactics, vigorously snatched the market share, re-divided the commercial and household markets with the orientation of “Big customers, big channels”, adjusted the structure of the marketing team, and strengthened the marketing incentive mechanism.

## 2. Put emphasis on the continuous improvement and comprehensively promote lean management

In order to promote the lean management in a down-to-earth manner, the Company further optimized, refined and quantified various management tasks, vigorously carried out lean management activities, and achieved remarkable results in reducing costs, increasing efficiency, reducing labor intensity and improving work efficiency. Firstly, the Company put great efforts in management, actively innovated the management methods, improved the management system, optimized the management process, and comprehensively enhanced the level of production management. Secondly, the company sought ways to reduce the costs, fully considered its own reality to find the problems, actively looked for the deep-seated reasons that restrain the further improvement, focused on the several aspects including labor cost reduction, design cost reduction, procurement cost reduction, energy cost reduction and technical process cost reduction, constantly strengthened the tracking management of various cost indicators and strived to achieve the lean management goals of cost. Thirdly, the Company actively did the good work in the environment, adhered to the guidance of lean management culture, enhanced the building-up of better staffs, and soundly promoted the quality and efficiency of the company.

## 3. Continuous scientific and technological innovation and vigorous promotion on the transformation of achievements

As a powerful driving force for the rapid development of enterprises, technological innovation must follow the market and be rooted in users. The company has increased the development efforts for the R290 commercial refrigeration compressor, and rolled out the VFX series frequency-conversion compressors in October 2017 after the VFA series compressors hit the market in the end of 2016. In the second half of last year, the orders for frequency-conversion compressors showed blowout trends, which fully demonstrated the necessity of leading the market by the technological innovation. Meanwhile, the company focused on the needs of users, and vigorously promoted various technological improvements, which played a powerful role in boosting production and promoting sales. Upon the technology of vibration and noise reduction of frequency conversion compressors, the Company's products have been sold in large quantities to Haier, Hisense, and Midea. The foundry company developed a total of 163 new products last year, and achieved innovative breakthroughs in the performance of the knuckle materials, which greatly stimulated the market demand, thus the production and sales both achieved big growth.

In 2017, the company had 18 items passed the Product Appraisal of Scientific and technological achievements at the Ministerial level, thereinto: 6 were rated as international leading and 8 were rated as internationally advanced. Meanwhile, the Company successfully applied for and received three national honors namely the "National Demonstration Green Factory", the "Service-oriented Collaborative Lean Supply Chain Construction Project" and the "National and Local Joint Engineering Research Center". In

addition, the company newly applied for 12 patents in 2017, including 4 invention patents and 8 utility models.

#### 4. All staff participate in quality management and focus on improving quality management

In terms of quality management, the company strengthened the whole process of quality control and management. Through the technical transformation of “informationization, intelligentization and lean management” on the production line, the company improved the quality online monitoring, on-line control, and product life cycle quality traceability, and continuously improved the product’s quality and competitiveness. By firmly focusing on the key point of quality improvement, the Company continuously improved the staff’s quality awareness, and developed a group of highly capable and high-quality production specialists through the in-depth activities of “Creating a team with ingenuity and striving to be an artisan in Dongbei”, and the Company fully utilized their role in leading others, thus ensued the improvement on the production quality. In 2017, the offline rate of major users of compressors showed a significant downward trend, and the Company passed the annual system audits of key users such as Haier, Hisense, Mabe, GE and Whirlpool, especially the company won the awards including Haier Quality Gold Rubik Award and Epplan Core Award and Whirlpool Outstanding Supplier. A total of 22 achievements entered the QC achievement review throughout the year. Among them, the QC team of the foundry company obtained the honor of “the national excellent quality management team” and the Oubao company's technology group of processing workshop obtained the honor of “the national quality trustworthy team”.

## II. Production and operation

In the report period, the Company earned operating income of RMB 3,789,307,855.30, which increased by 9.09% year on year. Net profit attributable to the shareholders of the listed company was RMB 83,402,663.88. which Increased by 0.44% year on year. The compressor output was 28.33 million. which Increased by 10.03% year on year. The compressor sales was 27.44 million , which Increased by 7.4% year on year.

### (I) Analysis on principal Business

#### Sheet of change analysis of relevant items of profit statement and cash flow statement

In RMB

Subject	Amount in this period	Amount in last period	Proportion (%)
Business income	3,789,307,855.30	3,473,518,271.43	9.09
Business cost	3,226,141,993.06	2,942,880,386.91	9.63
Sales expenses	125,284,709.02	121,943,017.53	2.74
Administrative expenses	264,325,298.20	271,215,165.05	-2.54
Financial expenses	53,795,275.40	41,029,022.62	31.12
Cash flow generated by operation activities, net	166,782,836.34	-87,308,500.10	Not applicable
Net cash flow generated by investment activities	-40,629,237.75	-110,535,554.86	Not applicable
Net cash flow generated by financing activities	115,443,518.01	-56,590,361.16	Not applicable
R& D expenses	151,385,325.46	154,818,413.07	-2.22

### (1) Analysis of revenue and cost

√ Applicable □ Not applicable

The Operating income increased by 9.09% over the previous year, Mainly due to the sales increase and optimize product structure.

The Operating cost increased by 9.63% over the previous year, Mainly due to the increase in sales volume and the increase in the price of bulk raw materials led to an increase in costs.

**a. The Status of key business in terms of industry of business , production and area**

In RMB

The Status of key business in terms of industry of business						
On industry	Income from key business	Cost of key business	Gross profit (%)	Increase/decrease of key business turnover (%)	Increase/decrease of key business cost (%)	Increase/decrease of gross profit (%)
Manufacturing	3,722,331,925.90	3,180,830,541.84	14.55	9.17	10.16	Decreased by 0.77%
The Status of key business in terms of production of business						
On production	Income from key business	Cost of key business	Gross profit (%)	Increase/decrease of key business turnover (%)	Increase/decrease of key business cost (%)	Increase/decrease of gross profit (%)
Compressors	3,302,406,214.13	2,839,800,021.23	14.01	11.15	12.34	Decreased by 0.91%
Auto casting and Compressors casting	380,251,764.44	313,076,460.76	17.67	-6.74	-5.88	Decreased by 0.76%
Photovoltaic power generation	39,673,947.33	27,954,059.85	29.54	28.53	3.93	Increased by 16.68%
The status of main operation in terms of Area						
On Area	Income from key business	Cost of key business	Gross profit (%)	Increase/decrease of key business turnover (%)	Increase/decrease of key business cost (%)	Increase/decrease of gross profit (%)
Domestic sales	2,789,790,616.42	2,334,176,286.96	16.33	8.90	10.11	Decreased by 0.93%
Overseas sales	932,541,309.48	846,654,254.88	9.21	9.98	10.29	Decreased by 0.25%

Notes

√ Applicable □ Not applicable

Explanation of the main business' branched industry: The current gross profit rate decreases year on year, Mainly due to the increase in the price of bulk materials in the current period, leading to an increase in the cost of main operations.

Explanation of the main business' branched product: The Alashankou project has gradually matured during this period, with a steady increase in power generation and enhanced profitability.

Explanation of the main business' branched region: The gross margins at home and abroad declined during the period, mainly due to the increase in bulk material prices and the increase in material costs of our company.

**b. Analytical Statement of Production and Sales Volume**

√ Applicable □ Not applicable

Main Product	Production	Marketing	Inventory	Production Gradient	Production Gradient	Production Gradient
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				Year on Year (%)	Year on Year (%)	Year on Year (%)
Compressors	28.33 million sets	27.44 million sets	1.88 million sets	10.28%	7.40%	50.4
Auto casting and Compressors casting	89482.31 tons	89482.31 tons	0	21.73%	21.73%	0
Photovoltaic power generation	54.58 million D	54.27 million D	0	27.91%	28.48%	0

### c. Cost analysis sheet

In RMB

The status of key business in terms of industry of business							
On industry	Items	Amount in this period	Proportion (%)	Amount in last period	Increase/decrease of key business cost(%)	Change of key business profit over the same period of last year(%)	Notes
Manufacturing	Cost of key business	3,180,830,541.84	85.78	2,887,447,650.32	84.92	10.16	
The status of key business in terms of production of business							
On production	Items	Amount in this period	Proportion (%)	Amount in last period	Increase/decrease of key business cost(%)	Change of key business profit over the same period of last year(%)	Notes
Compressors	Materials, labor costs, etc.	2,839,800,021.23	89.28	2,527,922,880.07	87.55	12.34	
Auto casting and Compressors casting	Materials, labor costs, etc.	313,076,460.76	9.84	332,627,776.65	11.52	-5.88	
Photovoltaic power generation	Materials, labor costs, etc.	27,954,059.85	0.88	26,896,993.60	0.93	3.93	

Notes

√ Applicable □ Not applicable

The increase in cost in this period was mainly due to the increase in sales volume and the increase in the price of bulk raw materials.

### d. Information of sales to major customers, and information of key suppliers

√ Applicable □ Not applicable

The sales to the company's top five customers is RMB 971.47 million, which accounts for 26.10% of the total annual sales; among them, the sales to the related parties of the top five customers is RMB 0, accounting for 0% of total annual sales.

The amount of procurement to the company's top five suppliers was RMB 1271.42 million, which accounts for 39.97% of the total annual amount of procurement; among them, the amount of

procurement to the related parties of the top five suppliers was RMB 862.3 million, accounting for 27.11% of the total annual amount of procurement.

## (2) Cost

Applicable  Not applicable

The selling expense increased by 2.74% year on year, Mainly due to the increase in sales led to the increase in transportation costs.

The administrative expenses decreased by 2.54% year on year, Mainly due to corporate management efficiency.

The Financial expenses increased by 31.12% year on year, Mainly due to the increase in exchange gains and losses.

## (3) R & D Expenses

R & D table

Applicable  Not applicable

	In RMB
Amount of Capitalization Research and Development Investment	151,385,325.46
Amount of Capitalization Research and Development Investment	0
Total of Capitalization Research and Development Investment	151,385,325.46
Proportion of total R&D expenditure to operating income (%)	4.00
Number of Research and Development persons (persons)	420
Proportion of total R&D expenditure to persons (%)	11.00
Proportion of Capitalization Research and Development Investment	0.00

Notes

Applicable  Not applicable

## (4) Cash Flow

Applicable  Not applicable

Items	2017	2016	Increase/Decrease(%)
Cash flow generated by operation activities, net	166,782,836.34	-87,308,500.10	Not applicable
Net cash flow generated by investment activities	-40,629,237.75	-110,535,554.86	Not applicable
Net cash flow generated by financing activities	115,443,518.01	-56,590,361.16	Not applicable

The cash flow statement in the 2017-annual consolidated financial statements showed: the explanation of change of net cash flow from operating activities: the net cash flow from operating activities increased over the same period last year, Mainly for the decrease of the cash for goods purchase and the payment for labor service receiving

The explanation of change of net cash flow from investing activities: the net cash flow from investing activities increased over the same period last year, Mainly due to the decrease in cash paid for the purchase of fixed assets, intangible assets and other long-term assets and investments.

The explanation for the change of net cash flow from financing activities: the net cash flow from financing activities increased over the same period last year, Mainly due to the increase in borrowing during the current period.

## (II) Explanation of the Profit's Significant Changes generated by the Non-core Business

Applicable  Not applicable

### (III) Analysis on Assets and liabilities

Applicable  Not applicable

#### 1. Assets and liabilities statement

In RMB

Name	Year-end balance	Proportion (%)	Year-end balance in last period	Proportion (%)	Changed proportion (%)	Notes
Monetary Funds	628,730,491.66	13.37	429,055,741.89	9.86	46.54	Increase in net cash inflow from operating activities
Advance payment	90,052,403.74	1.92	63,177,349.54	1.45	42.54	Increased project investment
Other receivable account	2,501,172.05	0.05	8,586,619.35	0.20	-70.87	The contract with Yuandong Finance Leasing Co., Ltd. expires, and the margin is due to rental expenses.
Inventory	547,305,010.27	11.64	385,268,984.66	8.85	42.06	Rising material prices and increase in inventory stocking
Construction in progress	949,471.84	0.02	15,656,772.91	0.36	-93.94	Achieve the intended use of the state transferred to fixed assets
Short-term loans	815,383,660.00	17.34	587,927,999.83	13.51	38.69	Bank loan amount increased
Advances received	18,526,191.08	0.39	49,836,616.76	1.15	-62.83	Due to the customer's early payment amount is reduced
Interest payable	1,650,002.38	0.04	5,101,297.79	0.12	-67.66	The interest payment method has been adjusted, resulting in reduced interest payable
Long-term payable			17,085,779.67	0.39	-100	Due to Yuandong Finance Leasing Company has paid off

#### 2. Information of restrictions of major assets as of the end of the reporting period

Applicable  Not applicable

In RMB

Category	Book value at the end of the period	Reason for Restriction
Acceptance money deposit	207,398,728.18	Financing guarantee
Pledged Term Deposit Certificate	9,000,000.00	Financing guarantee

#### 3. Other



Applicable  Not applicable

**(IV)The analysis of business information of the industry**

Applicable  Not applicable

The refrigerator market remained sluggish in 2017. Driven by the export and the freezer market, the overall production and sales volume of compressors increased in 2017. The Industry Online Statistics showed that: In the year of 2017, the production of refrigerator compressors was 151.567 million units, an increase of 9.8% year-on-year; the sales volume was 150.280 million units, an increase of 8.2% year-on-year; the production growth and the sales growth were both lower than in 2016.

Market aspect: from the growth perspective, the export growth was higher than the domestic sales growth, and the export of fully-sealed piston compressor was 45.868 million units, a YOY increase of 13% and exported to 176 countries, of which 15 countries reaching the export volume of more than 1 million units and 15 countries reaching the export volume of more than 0.1 million units. The export situation of all continents was roughly the same as that of the previous year. Asia was still the main export region of China's fully-sealed piston compressors, accounting for as high as 57 percent according to the data as of November, followed by Europe and America. The overseas markets are more attractive to compressor companies.

Product aspect: the frequency conversion and commercial use have become the new growth points. The implementation of new energy efficiency and the popularity of large-capacity refrigerators have led to an explosive growth in frequency conversion products. The Industry Online Data showed that the frequency conversion products have increased by 56% year-on-year. With the fervent trend of unmanned convenience stores and vending machines, it's shaping a new emerging market. All major fully-sealed piston compressor companies have also focused on the unmanned vending business market. The unmanned vending market has increased by 18.5% from the same period of last year. At present, although the demand of the unmanned vending market cannot be compared with the household market, the unmanned vending business market is definitely another development direction for fully-sealed piston compressors.

Profitability: the year of 2017 was a stressful year for the fully-sealed piston compressor industry. The raw material prices rose madly. The cost of labor and logistics continued to increase, and the product cost went up, but the increase in product prices did not keep up with the increase in costs. Therefore, fewer companies gained the growth in operating profit in 2017.

The company will pay close attention to the industry trends, continue to optimize the product structure in accordance with changes in the demand of end market, continue to strengthen the scientific and technological innovation and improve the management capabilities, comprehensively manage the R & D, production and quality links, improve the company's operating efficiency, speed up the development of overseas market with the help of the Belt and Road Strategy and expand the Company's market share.

**(V)The investment of the Company**

1.Investments in external parties

Applicable  Not applicable

(1) Significant equity investment

 Applicable  Not applicable

(2) Significant non-equity investment

 Applicable  Not applicable

(3) Financial Asset and Liabilities Measured by Fair Value

 Applicable  Not applicable**(VI) The sale of Significant assets and equity** Applicable  Not applicable**(VII) Analysis on principal controlling company and Mutual shareholding companies** Applicable  Not applicable

Name	Business Scope	Registered Capital (RMB'000)	Shareholding Ratio (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net Profit (RMB'000)
Wuhu Abatur Mechanical & Electrical Co., Ltd	Production and sales of refrigeration compressors, compressor motor; Related to small and medium sized castings, machinery manufacturing and related technology development, consulting.	5,000	75	162,446.11	643,99.65	4,378.85
Huangshi Dongbei Foundry Co., Ltd.	Casting of small and medium-sized cast products, house renting and parking service.	3,281.40	51.28	47,556.32	13,460.37	2,033.00
Dongbei (Wuhan) Technology Innovation Co., Ltd.	Refrigeration compressors, refrigeration equipment, motors, solar energy products, machinery and electrical technology products, electronic components, high-tech products, software products, refrigeration products and parts, auto parts, new energy products and components, optoelectronic products and parts, solar power generation systems and solar off-grid power system technology development, research, consulting and production.	800	100	756.31	751.01	-17.77
Dongbei Mechanical & Electrical (Jiangsu) Co., Ltd.	Production and sales of refrigeration compressors, compressor motor; high-tech product development, production and consulting.	20,000	100	55,766.60	13,709.63	31.63
Huangshi Dongbei International Trade Co., Ltd.	Sales of Refrigeration Compressor, Refrigeration Equipment and Parts, Photoelectric products and solar water heater .etc.	USD 1 million	100	4,532.60	-479.84	-478.98
Alashankou Dongbei Clean Energy Co., Ltd.	Solar power generation systems and off-grid solar power system design, development, production, sales, installation and service.	16,500	80	60,075.60	14,583.70	-1,505.09
Dongbei (Wuhu) Electromechanical Co., Ltd.	Sales of refrigeration compressors, refrigeration equipment and components, photovoltaic products, solar water heaters, etc.	3,000	100	10,367.81	-279.63	-159.72
Huangshi	Solar power station, ecological	15,000	75	0	0	0

Donglian New Energy Co., Ltd.	agriculture investment and development; energy contract management, new energy technology development, photovoltaic power generation system integration, import and export trade of goods (Non state restriction) .					
Fengtai Donglian New Energy Technology Co., Ltd.	Solar power station, ecological agriculture investment and development; energy contract management, new energy technology development, photovoltaic power generation system integration, import and export trade of goods.	5,000	75	0	0	0
Wutai Jinhe New Energy Co., Ltd.	Solar power station, ecological agriculture investment and development; energy contract management, new energy technology development, photovoltaic power generation system integration, import and export trade of goods.	20,000	75	0	0	0

Notes: The holding subsidiary Wuhu Abaur Mechanical & Electrical Co., Ltd. holds a 51.28% stake of Huangshi Dongbei Foundry Co., Ltd; and holds 80% stake of Alashankou Dongbei Energy-saving Co., Ltd.; in the current period there were newly added subsidiaries Huangshi Donglian New Energy Co., Ltd, Fengtai Donglian New Energy Technology Co., Ltd and Wutai Jinhe New Energy Co., Ltd due to the transfer of equity by the related party Hubei Dongbei New Energy Co., Ltd-with that the transfer price was a nominal price of 1 yuan, and all of them did not start normal operations; as of the reporting date, Huangshi Donglian New Energy Co., Ltd and Fengtai Donglian New Energy Technology Co., Ltd are handling the simple cancellation procedure, and Wutai Jinhe New Energy Co., Ltd was cancelled on May 22, 2017.

#### (VIII)The structure of the subject of corporate control

Applicable  Not applicable

#### III.Competition and development trends in the industry

##### 1.Competition pattern of pesticide industry

Applicable  Not applicable

In the future, the competition in the compressor industry will remain fierce. First of all, from the perspective of domestic and foreign markets, with the increasingly saturated domestic market, the development potential in overseas market will increase, and that will gradually become the expanding direction for compressor manufacturers; secondly, as people are more likely to require a higher refrigerator efficiency, the development will head to the lightweight, energy-saving frequency-conversion compressors; furthermore, the commercial compressors have a broader market prospect than the household compressors, so that will become a new development direction for the compressor manufacturers.

##### 2.Development Strategy

Applicable  Not applicable

In 2018, the world economy will continue to recover, and it's expected that China's economic growth rate will remain stable. The Company's business goal of 2018 is: ensure the production and sales in the whole year reaching 28 million units compressors. We will focus on the development concept of

“innovation, coordination, green, openness and sharing”, adhere to centering on the economic efficiency, deepen the quality reform and efficiency reform, transform business ideas, adjust the product structure, and enhance the development space.

### 3.Operation Plan

Applicable  Not applicable

#### A. Pay close attention to high-quality development and achieve the goal of efficiency

In 2018, the company will focus on the efficiency, realize the growth both in profits and sales, strive to achieve the mass production of VFA frequency conversion products, and increase the market share of frequency conversion compressors despite the overall market oversupply situation. The commercial-use products will be repositioned in the market, highlighting the key customers and perfecting the user demand maps.

The foreign trade needs to be better refined and the better lay-out, focusing on the market share increments in Europe and Southeast Asia. And we must seize the R600a-switching for enforcing implementation, thus to realize the goal of exporting over 10 million units.

#### B. Stay focus on technological innovation and enhance the core competitiveness

First of all, it needs to have an in-depth understanding of users' needs and pain points, make a profound analysis of all existing and future technologies that may be adopted and establish a technological innovation mechanism of “The combination of industry, academia and research” consisting of technical innovation consulting layer and decision-making layer, research and development layer and production and application layer, thus to provide the institutional guarantee for the sustainable development.

Secondly, the company will give a full play to the staff of the company and enhance the ability of independent innovation. By organizing the employees to widely carry out the “small innovations, gizmos, minor renovations, small designs, and small recommendations” activities, the Company will pay attention to the development of knowledge-based, technology-based, and compound-type employees and create a learning organization, so as to greatly improve the skill level of employees and effectively enhance the innovation abilities of employees.

Thirdly, the company will continue to utilize the leading role of the technological innovation platforms such as technical R&D centers, academician workstations and university cooperation, spare no efforts to absorb advanced technologies and continue to maintain the leading technological position. With adopting new design and new technology to improve frequency conversion products, the company will actively meet the market demands while reducing the costs.

#### C. Continuously enhance the quality improvement and promote the artisan lead

The company will continuously improve the quality awareness, strengthen the guidance and implement the quality standards training. Through the activities of “Creating a team with ingenuity and strive to be Dongbei Artisan”, the Company will cultivate a group of competent and high-quality production specialists, give full play to their leading role and ensure the enhancement of production quality. Meantime, we will strengthen the cultivation for senior personnel with rich quality experience and knowledge, so as to undertake and promote the quality management work.

Upon strict process control, the company will soundly improve the quality. From suppliers, production process, customer site and end feedbacks, the company will, with the goal of transcending customers' requirements and zero defects, soundly improve the product qualification ratio and reduce the product off-line rate at the customer site. Meanwhile, the company will implement the costs control of single unit, thus to push the improvement on the whole process of production quality.

Adhering to the practical and pragmatic management. The Company will carry out the comprehensive optimization of quality management, sorting-out, integration and unity of the management system, establish the Internet information management mode of quality management, thus to ensure an effective, efficient and practical quality management system. Through the 6S management and QC group activities, it will guide and encourage employees to enhance the awareness of responsibility. With the application of PDCA cycle, the company will improve the product quality and perfect the management methods, so as to shape a virtuous cycle of improvement and result.

#### D. Put emphasis on lean management and stimulate the business motivation

In terms of lean production management, the Company will focus on reducing costs and increasing efficiency, using digital, information, and technology means to optimize and integrate logistics flow, capital flow and information flow, and implement the whole-process and whole-system dynamic control of production and business activities. Furthermore, the company will reengineer the management processes, continuously improve the production, eliminate the waste products and reduce the costs. It is very necessary to do a good job in each process, and to meticulously and exquisitely do all things. The Company will strengthen the transformation of management processes centered on financial management, further deepen the overall budget management, truly realize the beforehand preparation for the key business indicators, with in-process control and the whole-process control including the ex post analysis.

#### 4. Potential Risks

Applicable  Not applicable

1. Market risk: the company's products are mainly used in the industries which are largely affected by the macroeconomic situation, so if there is a drastic fluctuation in macroeconomic resulting in decline in the demand of the company's products by downstream industries, there will be an impact on the operating performance of the company.

2. Risk of fluctuations in the prices of raw materials: for the company's product of refrigerator compressor, the raw material accounts for a big percentage, so in the future, the fluctuation in the prices of raw materials will directly impact the company's production costs, thus to have an impact on the operating performance of the company.

3. Risk of labor costs: the company is a traditional manufacturing enterprise, so with the continuous rise of every production elements such as labor costs, the company's operating performance will be affected.

#### 5. Other

Applicable  Not applicable

**IV. The explanation and the information about the disclosure not conformed to the Code as the provision of the Code does not applied to the company or because of special reasons**

Applicable  Not applicable

**V. Important Events**

**I Specification of profit distribution of common shares and capitalizing of common reserves**

**1. Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period**

Applicable  Not applicable

According to the Notice of Further Implementing the Matters Concerning Distribution of Cash Dividends by Listed Companies (Zheng Jia Fa (2012) No. 37 Document) issued by CSRC on May 4, 2012 and the requirements of Hubei Securities Regulatory Bureau and Shanghai Stock Exchange, the sixth meeting of the fifth board of directors of the Company held examined and adopted the proposal for implementing the dividend distribution document of CSRC and revising the clauses of the Articles of Association of the Company in respect of profit distribution. The adoption of this proposal perfected the Company's profit distribution policy, improved the transparency of profit distribution, protected public investors' lawful rights and interests and enhanced the level of the Company's overall standardized operation.

On April 20, 2017, the company held the sixteenth meeting of the sixth Board of Directors to deliberate the "Advance plan for the distribution of profits of the company in 2017", which was submitted to the company's 2017 Annual General Meeting of Shareholders for review on May 24, 2017 with an approval result. On July 13, 2017, the company disclosed the "Notice about Dividend Distribution for Year 2016", the company's 2016-profit distribution plan is: based on the total share capital of 235,000,000 shares, it's proposed that the company will distribute cash dividend of RMB 1.00 per 10 shares (tax inclusive) to all the shareholders, and the estimated profit distribution will be RMB 23,500,000, while the rest profit of RMB588,190,176.32 will be for future profit allocation; and there are no bonus shares and no increasing shares by converting capital reserves in the current year., and such dividend distribution was implemented on July 28, 2017

**2. The Company's plan for preplan for profit distribution or capitalization of capital surplus for the recent three years (including the report period)**

In RMB

Year	Number of bonus shares for every 10 shares	Amount of dividends for every 10 shares	Number of shares for every 10 shares after capital surplus capitalization	Amount of cash bonus (Included tax)	Net profit attributable to shareholders of listed company in consolidated statement of bonus year	Ratio of net profit attributable to shareholders of listed company in consolidated statement
2017	0	0	0	0	83,402,663.88	0
2016	0	1	0	23,500,000	83,040,363.66	28.30
2015	0	0	0	0	69,792,841.69	0

**3. Information about the repurchase of shares by cash offer that is included into the cash dividends**

Applicable  Not applicable

**4. In the reporting period, both the Company's profit and the parent company's retained earnings were positive however not cash dividend distribution proposal has been put forward.**

Applicable  Not applicable

The reasons for not proposing cash dividend distribution plan for common stock for the reporting period having the positive profit and having the positive profit attributable to the common stock shareholders of the parent company	The use purpose and use plan of undistributed profits
<p>As audited by Daxin Certified Public Accountants Co., Ltd. (Special General Partnership), the net profit attributable to shareholders of the parent company in 2017 was RMB 83,402,663.88, plus the undistributed profit of RMB 611,690,176.32 at the beginning of the year, with drawing the surplus reserve amount of RMB 5,581,996.78 and with the dividend distributed for common stock was RMB 23,500,000.00, thus the undistributed profit at the end of 2017 was RMB 666,010,843.42.</p> <p>Considering taking into account the company's development and the project's demand for funds, the company's 2017 profit distribution plan is formulated as: The profit allocation and the capitalization from capital public reserve will not be conducted for the Company in the report period..</p>	<p>The competition in the compressor industry has become increasingly fierce. In order to enhance the core competitiveness of the company and increase the investment in the research and development of frequency-conversion compressors, the company needs continuous investment.</p>

**II. Performance of commitments**

1. The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

√ Applicable □ Not applicable

Background of the Commitment	Commitment Type	Party who made the commitment	Commitment Content	Commitment time and duration	Whether there is a time limit for performance	Whether strictly performed in a timely manner	In the event of failure to perform in due time, specify the reasons	In the event of failure to perform in a timely manner, specify the next step of plan
The commitments made in the report of acquisition or in the statement of changes in equity	Other	Related party	Xing Bei Electromechanical committed: "in order to further ensure the independent operation of Dongbei B Share, the company and its controlled enterprises shall stay independent to Dongbei B Share in terms of aspects such as procurement, production, sales, staff, finance, asset, business and organization with in accordance with relevant laws and the regulations of regulatory documents.	From July 1, 2016 to the committed party opt out	No	Yes		
	Solving the related transaction	Related party	Refrigerator Industrial, Huizhi International, Huizhi Partnership and Xing Bei Electromechanical respectively committed as follows: " our company will strictly abide by the relevant laws, regulations, regulatory documents, Articles of Association of the listed company and the provisions of decision-making system of the related transaction to exercise the rights of shareholders; when the shareholders' general meeting votes for a related transaction that involves our company or our company's controlled enterprises, our company will perform the fair decision-making	From July 1, 2016 to the committed party opt out	No	Yes		



		<p>procedures such as performing the decision of the related transaction and avoiding the voting. 2.our company and our company's controlled enterprises will avoid or reduce the related transaction with the listed company as far as possible; for the related transaction that cannot be avoided or having the reasonable cause, it shall abide by the market principle of impartiality, fairness and openness to carry out the transaction in a fair and reasonable market price and shall sign an agreement in accordance with laws, and shall perform the lawful procedures and the obligation of information disclosure and the applying for approval in accordance with Articles of Association of the listed Company, the relevant laws and regulations and the Listing Rules of Shanghai stock Exchange, thus to ensure that the legitimate rights and interests of the listed company and the other shareholders will not be damaged in the related transactions. 3. Not take advantage of the status and influence of our company in the listed company to give a preference better than the condition offered by a third party or to seek a priority right to reach transaction in business transaction related to the listed company. 4. Our company shall not commit any illegal occupation of the funds or assets of the listed company. If the listed company provides guarantee to our company and our company's controlled enterprises, it shall be in strict accordance with the</p>					
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			provisions of laws and regulations to implement the relevant decision-making and information disclosure procedures; 5. If the actual loss caused to the listed company or its controlled enterprise arising from the breach of the above commitments, our company shall bear the liability for compensation.6. The above commitments are effective in the duration that our company directly or indirectly controls the listed company and the company maintains the status of being a listed company."					
	Solving the horizontal competition	Related party	Refrigerator Industrial, Huizhi International, Huizhi Partnership and Xing Bei Electromechanical respectively committed as follows:"1. After the completion of the tender offer, our company will impel our company or our company's controlled enterprises (if any, not contain the listed company or its controlled enterprises, the same below) not to engage in the production or business activities that directly or indirectly compete with the listed company and its controlled enterprises. 2. After the completion of the tender offer, our company will supervise and restrain the production and business activities of our company or our company's controlled enterprises, and in the case that the products or services of our company or our company's controlled enterprises is same or familiar with the products or services of the listed company and its controlled enterprises, our company shall take					

		<p>the following measures to solve it: (1) if our company and our company's controlled enterprises found any new business opportunities that will constitute direct competition with the main business of the listed company or its controlled enterprises, it shall immediately notify the listed company and its controlled subsidiaries in written and spare no effort to promote the business opportunities first provided for the listed company or its controlled enterprises in reasonable and fair terms and conditions. The listed company and its controlled enterprises shall, within 30 days after receiving the notice, have the right to notify our company or our company's controlled enterprises its intention to participate in the above-said opportunities in written, then our company or our company's controlled enterprises shall provide the new business opportunities to the listed company or its controlled enterprise for free. If the listed company and its controlled enterprises decided not to engage in such new business for some reasons, it shall promptly notify our company in writing, and our company or our company's controlled enterprises may operate the related new business on our own. (2) If the listed company and its controlled enterprises give up the afore-said competitive new business opportunities and our company or our company's controlled enterprises engage in such business opportunity that may constitute a new business</p>					
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		<p>which directly competes with the main business of the listed company or its controlled enterprises, our company shall give the rights of option to the listed company, that is, under the applicable laws and regulations of the listing rules of the stock exchange, the listed company and its controlled enterprises shall have the right to acquire, at any time, by one time or more times, any equity, assets and other interests of our company or our company's controlled enterprises related to the above-said competitive business, or the listed company or its controlled enterprises may choose operation methods such as entrusted operation or lease or contract management to possess the assets or business in the competitive business belonging to enterprises controlled by our company or our company's controlled enterprises in accordance with the provisions of relevant laws and regulations. If, under the same conditions, a third party, under the relevant laws and the relevant articles of association or the organizational documents, possesses and is about to excise the preemptive rights, then the above commitment is not applicable, but under such situation, our company or our company's controlled enterprises will spare no effort to persuade that third party to give up the preemptive rights. (3) if the Listed Company deems necessary, our company or our company's controlled enterprises will reduce our holding equity, assets and</p>					
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			<p>business to the level losing control right (if applicable) or to the level of zero, and the listed company may, in an appropriate manner, have the priority to acquire the equity, assets and business controlled by our company or our company's controlled enterprises. 4) Our company unconditionally accepts other measures that can eliminate the horizontal competition offered by the listed company. (5) Our company committed that it shall not use the status in the listed company or the actual controlling ability (if applicable) to damage the interests of the listed company and other shareholders of the listed company. (6) Since the date of the commitment letter issued, our company committed to make compensation for any actual losses, damages and expenses caused to the listed company incurred by any of the company's breach of the foregoing commitments. (7)The above commitments are effective in the duration that our company directly or indirectly controls the listed company and the company maintains the status of being a listed company."</p>					
Other	Acquirer	<p>Regarding the repayment plan, the acquirer has made the following arrangements: 1.based on the earnings forecast for the next few years, the Refrigerator Industrial can give the stable profit dividends to investment companies which invest Refrigerator Industrial. 2. Through MBO, the executives of Dongbei B</p>	<p>From June 9, 2017 to the completion of repayment</p>	Yes	Yes			

			<p>can indirectly hold Dongbei B shares via Dongbei Group, which will enable their interests to be consistent with the listed company, thus to improve the working enthusiasm of executives, reduce management costs and increase the performance of the listed company, so as to make a contribution to the profit of Refrigerator Industrial. 3. If necessary, the shareholders will provide funds to Refrigerator Industrial according to their respective proportion of capital contribution.</p>					
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2.The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

Not applicable

### III.Particulars of fund occupation and progress of debt repayment in the report period

ApplicableNot applicable

### IV.Explanation by the Board of Directors about the “ non-standard audit report ”.

ApplicableNot applicable

### V.Explain change of the accounting policies, accounting estimates and measurement methods

1.Explain retrospective restatement due to correction of significant accounting errors

ApplicableNot applicable

In 2017, the Ministry of Finance issued the "No. 42 Accounting Standard for Business Enterprises-Non-current Assets for Sale, Disposal Group, and Termination of Operation"-which is effective from May 28th 2017, and that the prospective approach is required for the non-current assets held for sale, disposal group and termination of operation existed on the effective date.

In 2017, the Ministry of Finance revised the "No. 16 Accounting Standards for Business Enterprises-Government Grants", and the revised standards are effective from June 12, 2017; the prospective approach is required for the treatment of the government grants existed on January 1, 2017; and for the newly added government grants from January 1, 2017 to the effective date, it's also required to make adjustments according to the revised standards.

In 2017, the Ministry of Finance issued the “Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises” (Cai Hui (2017) No. 30). Enterprises that implement the Accounting Standards for Business Enterprises shall prepare the 2017 financial statement and the future financial statement in accordance with the Accounting Standards for Business Enterprises and the requirements of such notice.

The main impact of the Company's implementation of the above two criteria and the No. 30 (2017) accounting document is as follows:

Changes in Accounting Policies and Causes	Name of report item affected	Amount of report item affected for the current period	Prior-period restated amount	The amount of non-operating income reported in the prior period	The amount reported in the prior period as non-operating expenses
1.Government grants related to the company's daily activities are included in other income	Other income	13,851,422.70	—	12,612,298.51	—

2.The company's analysis and explanation to the causes and influences of the correction of major accounting errors

Applicable  Not applicable

3. Information about communication with the former accounting firm

Applicable  Not applicable

4.Other notes

Applicable  Not applicable

## VI. Engagement or dismissal of certified public accountants' firm

In RMB

	Now appointing
Domestic certified public accountants engaged by the Company	Hubei Daxin Certified Public Accountants Co., Ltd.(Special General Partnership)
Remuneration for the domestic certified public accountants Recompense by the Company	45
Time for the domestic cetified public accountants serveas by the company	17
Outside accounting firm name	
Outside accounting firm rewards	
Outside accounting firm audit years	

	Name	Remuneration
CPAs firm for the internal control	Hubei Daxin Certified Public Accountants Co., Ltd.(Special General Partnership)	10
Financial Adviser		
Sponsor		

Dismissal of accounting firms note

Applicable  Not applicable

Circumstances change during the accounting firm's audit explanation

Applicable  Not applicable

## VII.Risk of suspending or terminating stock listing

1.Reasons for suspending or terminating listing

Applicable  Not applicable

2. Measures planned to be adopted by the company

Applicable  Not applicable

## VIII. Situation and reasons for the termination of listing it is facing

Applicable  Not applicable

## IX.Risk of suspending or terminating stock listing

Applicable  Not applicable

## X.Significant lawsuits and arbitrations of the Company

Applicable  Not applicable

1. Litigation, arbitration matters that have been disclosed in the temporary announcement but with no subsequent progress

Applicable  Not applicable

2. Litigation, arbitration matters that have not been disclosed in the temporary announcement or having subsequent progress

Applicable  Not applicable

3.Other

Applicable  Not applicable



**XI. Penalty to the Company and its directors, supervisors and senior executives, controlling shareholder, actual controller or buyer and particulars about rectification**

Applicable  Not applicable

**XII.Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

**XIII.Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

1.Related incentives matters that have been disclosed in the temporary announcement but with no subsequent implementation progress or change

Applicable  Not applicable

2. Information about incentives matters that have not been disclosed in the temporary announcement or having subsequent progress

Stock incentive situation

Applicable  Not applicable

Other notes

Applicable  Not applicable

Employee stock ownership plan

Applicable  Not applicable

Other incentive

Applicable  Not applicable

**XIV. Significant related-party transactions****(I) Related transactions in connection with daily operation**

1.Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

2..Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

3.Information not disclosed in temporary announcement

Applicable  Not applicable

**(II) The acquisition of assets or equity, the sale of the occurrence of the associated transactions**

1.Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

2.Matters that has been in temporary announcement disclosed, but there is progress in the implementation of the follow-up or change

Applicable  Not applicable

3.Information not disclosed in temporary announcement

Applicable  Not applicable

4. If related to a commitment of business performance, it shall disclose the business performance realized in the reporting period

Applicable  Not applicable

**(III).Significant related party transactions of common foreign investment**

1.Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

2..Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

3.Information not disclosed in temporary announcement

Applicable  Not applicable

#### (IV).Related Liabilities

1.Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

2..Matters that have been disclosed in provisional announcements and there has been no change or develop of subsequent implementation.

Applicable  Not applicable

3.Information not disclosed in temporary announcement

Applicable  Not applicable

#### (V)Other

Applicable  Not applicable

### XV.Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

Applicable  Not applicable

(2) Contract

Applicable  Not applicable

(3) Lease

Applicable  Not applicable

2.Guarantees

ApplicableNot applicable

In RMB

Particulars about the external guarantee of the Company(Barring the guarantee for the controlling subsidiaries)													
Name of guarantee target	Relation	warra ntee	Amount of guarantee	Occurrence date (date of agreement signing)	Guarantee the starting date	Guarantee the expiration date	Type of guarantee	Whether terminated	Whether guarantee exceed the delinquency date	Guarantee demurage	whether anti-guarantee exist or not	Whether provided to related parties	Relationship
Huangshi Dongbei Electrical Appliance Co., Ltd	The Company	Huangshi Aibo Technology Development	3,000.00		2017/11/20	2018/11/20	Guarantee with joint responsibility	No	No		No	Yes	

		Co., Ltd.											
Huangshi Dongbei Electrical Appliance Co., Ltd	The Company	Huangshi Dongbei Electromechanical Group Co., Ltd.	5,797.90		2017/6/12	2018/11/6	Guarantee with joint responsibility	No	No		No	Yes	
Huangshi Dongbei Electrical Appliance Co., Ltd	The Company	Huangshi Dongbei Refrigerating Co., Ltd.	9,315.51		2017/1/24	2018/10/31	Guarantee with joint responsibility	No	No		No	Yes	
Total amount of guarantee in the report (Barring the guarantee for the controlling subsidiaries)										18,113.41			
Total balance of guarantee in the report(A)(Barring the guarantee for the controlling subsidiaries)										18,113.41			
Guarantees provided by the Company to its controlled subsidiaries													
Total amount of guarantees provided to subsidiaries in the report period										171,426.00			
Total balance of guarantees provided to subsidiaries at the end of the report period(B)										104,775.49			
Total amount of guarantees provided by the company (including the guarantees provided to controlled subsidiaries)													
Total amount of guarantee (A+B)										122,888.90			
Proportion of the total guarantee in the net assets of the Company(%)										107.12			
Including:													
Guarantees provided to the shareholders, substantial controllers and the related parties (C)										18,113.41			
Guarantees provided to objects with over70%in liability/capital rate, directly or indirectly (D)										76,210.80			
Amount of guarantee over 50% of the net asset (E)										65,530.11			
Total of the above (C+D+E)										122,888.90			
Explanation of unexpired may commitment joint liability guarantee													
Guarantee explanation													

### 3. Situation of Entrusting Others for Managing Spot Asset

#### (1) Situation of Entrusted Finance

##### a. Overall information of entrusted wealth-management

Applicable  Not applicable

##### Other

Applicable  Not applicable

##### b. Information of single-item entrusted wealth-management

Applicable  Not applicable

##### Other

Applicable  Not applicable

##### c. Provision for impairment of entrusted loans

Applicable  Not applicable

## (2) Situation of Entrusted Loans

## a. Overall information of entrusted loans

Applicable  Not applicable

## Other

Applicable  Not applicable

## b. Information of single-item entrusted loans

Applicable  Not applicable

## Other

Applicable  Not applicable

## c. Provision for impairment of entrusted loans

Applicable  Not applicable

## (3) Other

Applicable  Not applicable

## 4. Other significant contract

Applicable  Not applicable

**XVI. Explanation about other significant matters**

Applicable  Not applicable

**XVII. The information of actively fulfilling the social responsibility**

## 1. Overview of the annual targeted poverty alleviation

Applicable  Not applicable

## 1. Precision poverty alleviation planning

While creating values for shareholders and improving employees' benefits, the company has been earnestly implementing the spirit of poverty alleviation, actively doing a good job of helping and supporting work, constantly paying attention to the company's hard-life masses, adhering to the "people-oriented" philosophy, expressing concern and sympathy to the company's internally distressed employees, and helping to solve real life difficulties.

## 2. Summary of Annual Precision Poverty Alleviation

On the one hand, through the establishment of the Love Fund, the company has been assisting the company's particularly impoverished employees; on the other hand, the company preferentially recruits people from poor areas to join the company; in 2017, the company invested approximately RMB 1.5 million in poverty alleviation funds.

## 3. Follow-up Precision Poverty Alleviation Plan

In 2018, the company will further conscientiously study and actively implement the important spirit of the state on poverty alleviation work, summarize the experience of poverty alleviation work, deeply understand the actual situation of the poor, provide them with necessary living conditions guarantee, and continue to create a good atmosphere for helping them.

## 2..Information about the work on social responsibility

Applicable  Not applicable

**3.Environment information**

1.If the listed company or its subsidiaries belong to the heavy polluting industry specified by the National Environmental Protection Department, please specify the information of environmental protection.

Applicable  Not applicable

2.Companies other than key polluters

Applicable  Not applicable

**3.Other notes**

Applicable  Not applicable

**4.Other notes**

Applicable  Not applicable

**XVIII. Convertible bonds**

1. Information about issuance of convertible bonds

Applicable  Not applicable

2. Information about the holder and guarantor of convertible bonds in the reporting period

Applicable  Not applicable

3. Information about the changes of convertible bonds in the reporting period

Applicable  Not applicable

Information about cumulative bonds conversion into shares in the reporting period

Applicable  Not applicable

4. Information about all the past adjustments of conversion-into-share price

Applicable  Not applicable

5.The company's liabilities, changes in credit and cash arrangements for repaying the debt in future years

Applicable  Not applicable

6. Explanation of other information of convertible bonds

Applicable  Not applicable

**VI. Change of share capital and shareholding of Principal Shareholders****I .Changes in share capital****1. Changes in share capital**

( 1 ) Change in ordinary shares

The Company has not changed ordinary shares of the Report period .

(2)Description of changes in ordinary shares

Applicable  Not applicable

(3) Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period (If any)

Applicable  Not applicable

(4) Other information necessary to disclose for the company or need to disclosed under requirement from security regulators

Applicable  Not applicable

## 2. Change of shares with limited sales condition

Applicable  Not applicable

## II. Issuing and listing

1. Information about the issuance of securities during the reporting period

Applicable  Not applicable

Description of the situation of issuance of securities during the reporting period (for bonds having different interest within the duration, please respectively specify)

Applicable  Not applicable

2. Information about changes in the total number of ordinary shares of the company and shareholder structure and the company's assets and liabilities structure

Applicable  Not applicable

3. Information about the existing internal staff shares

Applicable  Not applicable

4. Situation

## III. Shareholders and actual controlling shareholder

1. Total shareholders

Total number of common shareholders at the end of the reporting period	17,913
Total shareholders at the end of the month from the date of disclosing the annual report	17,800
The total number of preferred shareholders voting rights restored at period-end	
Total preferred shareholders at the end of the month from the date of disclosing the annual report	

2. Number of shareholders and shareholding

In shares

Particulars about the shareholding of the top ten shareholders							
Shareholder name	Increase /decrease	Number of shares held at period -end	Proportion (%)	Amount of restricted shares held	Pledged or frozen		Shareholder nature
					Status	Quantity	
Huangshi Dongbei Electromechanical Group Co., Ltd.	0	117,600,000	50.04	117,600,000	Pledge	94,094,000	Domestic Non-State-owned legal person

ISHARES CORE MSCI EMERGING MARKETS ETF	769,103	1,581,803	0.67		Unknown	Foreign Legal person
Sun Menglin	298,301	1,164,851	0.50		Unknown	Domestic natural person
Jiangsu Luoke Electric Group Co., Ltd.	0	800,000	0.34	800,000	No	Domestic Non-State-owned legal person
Lin Yongtian	158,600	658,600	0.28		Unknown	Domestic natural person
Lin Yuyong	406,846	512,746	0.22		Unknown	Domestic natural person
China Merchants Securities (HK) Co., Ltd.	30,000	511,864	0.22		Unknown	Foreign Legal person
Yao Weifang	6,200	441,700	0.19		Unknown	Domestic natural person
Oriental Securities (HK) Co., Ltd.	421,035	421,035	0.18		Unknown	Foreign Legal person
Ji Mingyu	61,922	409,900	0.17		Unknown	Domestic natural person

## Shareholding of top 10 shareholders of unrestricted shares

Name of the shareholder	Quantity of unrestricted shares held at the end of the reporting period	Share type	
		Share type	Quantity
ISHARES CORE MSCI EMERGING MARKETS ETF	1,581,803	Foreign shares placed in domestic exchange	
Sun Menglin	1,164,851	Foreign shares placed in domestic exchange	
Zhou Xiaohai	896,200	Foreign shares placed in domestic exchange	
Lin Yongtian	658,600	Foreign shares placed in domestic exchange	
Lin Yuyong	512,746	Foreign shares placed in domestic exchange	
China Merchants Securities (HK) Co., Ltd.	511,864	Foreign shares placed in domestic exchange	
Yao Weifang	441,700	Foreign shares placed in domestic exchange	
Oriental Securities (HK) Co., Ltd.	421,035	Foreign shares placed in domestic exchange	
Ji Mingyu	409,900	Foreign shares placed in domestic exchange	
Shao Liping	400,900	Foreign shares placed in domestic exchange	

Explanation on associated relationship among the aforesaid shareholders	
Description of the preferred shareholders whose voting rights were restored and their numbers of holding shares	

## Shareholding of top 10 shareholders of Conditional shares

√Applicable □Not applicable

No	Name of the shareholder	Quantity of conditional shares held	Restricted shares can be traded on		Restricted conditions
			Time can be traded	New number of shares can be traded	
1	Huangshi Dongbei Electromechanical Group Co., Ltd.	117,600,000			
2	Jiangsu Luoke Electric Group Co., Ltd.	800,000			
3	Wuhan Xinhua Hardware Factory	400,000			
4	Changshu Tianyin Electromechanical Co., Ltd.	400,000			
5	Zhuji Liming Decoration Engineering Co., Ltd.	400,000			
6	Shaoxing Xingbei Pressing Co., Ltd	400,000			
7					
8					
9					
10					
Explanation on associated relationship among the aforesaid shareholders					

## 3. Strategic investors or general legal persons due to the placing of new shares to become the top 10 shareholders

□ Applicable √ Not applicable

**IV. Brief introduction of the controlling shareholder and actual controller**

## (1) The controlling shareholder

## 1. Legal

√Applicable □Not applicable

Name	Huangshi Dongbei Electromechanical Group Co., Ltd
Legal representative	Yang Baichang
Date of incorporation	January 18, 2002
Principal business activities	Production and sales of refrigerating compressors and electrical motors of compressors, development and consultation of high-tech products. Housing rental, car rental, real estate development.
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	
Other explanation	

## 2. Natural person

□ Applicable √ Not applicable

## 3. It does not exist a special explanation of the controlling shareholder by the company



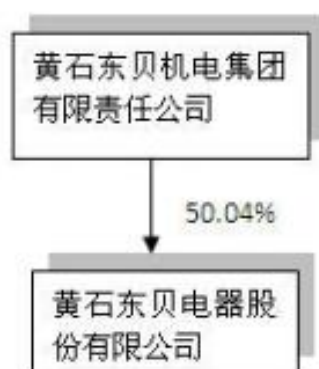
Applicable  Not applicable

4. Index and date of change information of the controlling shareholder during the reporting period

Applicable  Not applicable

5. The block diagram of the property right and control relationship between the Company and controlling shareholders

Applicable  Not applicable



(2) Actual controller

1. Legal

Applicable  Not applicable

2. Natural person

Applicable  Not applicable

3. It does not exist a special explanation of the actual controller by the company

Applicable  Not applicable

The company's controlling shareholder is Huangshi Dongbei Electromechanical Group Co., Ltd, whose controlling shareholder is Huangshi Dongbei Refrigerator Industrial Co., Ltd. In light of that the single shareholder of Huangshi Dongbei Refrigerator Industrial Co., Ltd is Huangshi Huizhi Investment Partnership (limited partnership) which is a limited partnership company and its executive partner-Huangshi Xingbei Electromechanical Co., Ltd has no controlling shareholder and actual controller, thus the company has no actual controller. For details, please see "Huangshi Electric Equipment Co., Ltd's Suggestive Announcement about Changes in the equity structure of the controlling shareholder and the change of the actual controller". (Announcement No.2016-032)

4. Index and date of change information of the actual controller during the reporting period

Applicable  Not applicable

5. The block diagram of the property right and control relationship between the Company and the actual controller

Applicable  Not applicable

6. The actual controller controlled the company through trust or other asset management means

Applicable  Not applicable

(3) Other information about the controlling shareholder and the actual controller

Applicable  Not applicable

**V. Other legal person shareholders holding more than ten percent shares**

Applicable  Not applicable

**VI. Description of the situation of limit on reducing shares**

Applicable  Not applicable

**VII. Situation of the Preferred Shares**

Applicable  Not applicable

### VIII.Particulars about Directors, Supervisors, Senior Executives and Employees

#### I.Change of shareholding and particulars about remuneration

1. The change of shareholding of directors, supervisors and senior executives who currently hold their posts or left their posts in the report period and particulars about their remuneration

√Applicable Not applicable

In shares

Name	Position	Sex	Age	Beginning date of office term	Expiration date of office term	<u>Shares held at the year-beg inning</u>	<u>Shares held at the year-end</u>	Increase or decrease in the amount of shares for the year	Reason of the change	The total amount of remuneration received from the Company in the report period (RMB'0000) (Before tax)	The total remuneration from shareholder or other related -parties in the report period (RMB'0000)
Zhu Jinming	Board Chairman	Male	54	2017.5.24	2020.5.24	0	0	0			
Ruan Zhengya	Director	Male	47	2017.5.24	2020.5.24	0	0	0			
Zhao Dayou	Independent director	Male	63	2017.5.24	2018.5.24	0	0	0		5	
Yu Yumiao	Independent director	Male	52	2017.5.24	2020.5.24	0	0	0		5	
Xie Jincheng	Independent director	Male	56	2017.5.24	2020.5.24	0	0	0		5	
Lu Lihua	Deputy General Manager and Secretary to the Board	Female	47	2017.5.24	2020.5.24	0	0	0		37.59	
Zhu Yushan	Deputy General Manager	Male	36	2017.5.24	2020.5.24	0	0	0		32.12	
Gao Jianjun	Deputy General Manager (Have left office)	Male	40	2017.5.24	2018.3.29	0	0	0		52.90	
Dou Zuowei	Deputy General Manager	Male	36	2017.5.24	2020.5.24	0	0	0		45.16	
Wang Shiwu	Chairman of the board of supervisors	Male	45	2017.5.24	2020.5.24	0	0	0			
Jiang Min	Supervisor	Male	49	2017.5.24	2020.5.24	0	0	0			
Hu Rongzhi	Supervisor (Have left office)	Female	42	2017.5.24	2018.3.29	0	0	0		14.93	
Lu Yanying	Independent director (Have left office)	Female	59	2014.5.20	2017.5.24	0	0	0			
Lin Yinkun	Director,	Male	46	2017.5.24	2018.1.4	0	0	0		121.50	

	General Manager (Have left office)										
Total	/	/	/	/	/	/	/	/	/	319.20	/

Name	Work Experience
Zhu Jinming	He has served as director and Vice president Manager of Huangshi Dongbei Electromechanical Co., Ltd. From 2002 to May 2010, and he served as Director and President of Huangshi Dongbei Electromechanical Group Co., Ltd. and Director of the Company since May 2010. he served as board chairman of the Company since November 27, 2015.
Ruan Zhengya	He served as general manager of Changzhou Luoke Electric Co., Ltd. since 2004, He was served as director of the company since May 2008.
Zhao Dayou	He now serves as director of Tourism Planning, Research and Development Center of Three Gorges University, deputy director of Three Gorges Culture, Economy and Social Development Research Center of Hubei University Culture and Social Science Key Research Base, member of Yichang City Planning Commission and Yichang CPPCC, and academic pacesetter of Three Gorges University for regional economy.
Yu Yumiao	Had been served as the teaching assistant, lecturer, associate professor in the accounting and auditing department of school of Economics of Wuhan University, professor of accounting department of business school of Wuhan University; currently, serves as professor and doctoral tutor in accounting department of school of economics and management of Wuhan University; since December 15, 2015, has been served as the company's independent director.
Xie Jincheng	He once served as Dean and Secretary of the Party Committee of the School of Continuing Education of Zhongnan University of Economics and Law. He is currently a professor at the School of Finance of Zhongnan University of Economics and Law and deputy director of China Investment Research Center of Zhongnan University of Economics and Law.
Lu Lihua	She served as Director of Financial Department and assistant of General Manager of Huangshi Dongbei Electrical Appliance Co., Ltd since 2005, She now served as Deputy General Manager, and Secretary to the Board and Director of the Company.
Zhu Yushan	He once served as deputy director of the company's information center, production department director, assistant general manager, and director, and now serves as deputy general manager of the company.
Dou Zuowei	He used to be the project manager of LG Electronics Co., Ltd., the head of the new model of the LG Compressor Division, and the head of the development department of the LG Compressor Division. He is now the deputy general manager of the company.
Gao Jianjun	He used to be the production supervisor of Wuxi Guangyang Bearing Co., Ltd. (Japan company), the senior production supervisor/quality manager of Seagate International Technology Co., Ltd. (US company), and the quality manager of Wuxi Yingdexi Appliance Technology Co., Ltd. (Italian company). He used to be Deputy General Manager of the company. General manager.
Wang Shiwu	From November 2010 to January 2017, he took the posts of Deputy Director and Director of the Office of the Leading Group in Correcting Unhealthy Winds of the Huangshi City Government, Director of the Office of Optimization of the Economic Development Environment, Director of the Enforcement and Efficiency Supervision Office of the Huangshi City Commission for Discipline Inspection, and the Fourth Disciplinary Inspection of the Huangshi Commission for Discipline Inspection Director of the room, since January 2017 has served as Secretary of the Disciplinary Committee and Chairman of the Labor Union of Huangshi Dongbei Electromechanical Group Co., Ltd.
Jiang Min	He served as Director of Financial Department of Huangshi Dongbei Electromechanical Group Co., Ltd., and now acts as assistant president of Huangshi Dongbei Electromechanical Group Co., Ltd. He served as Supervisor of the Company since May 2011.
Hu Rongzhi	Worked in Huangshi Dongbei Electrical Appliance Co., Ltd. in 1994, engaged in parts sorting, product design, technical standards, technical management, project declarations and other work, once worked as director of the manager office of Huangshi Dongbei Electric Co., Ltd., currently serving as Huangshi Dongbei Electromechanical Group Co., Ltd. Responsible company management department minister.
Lu Yanying	She served as Teacher of School of Management, Huazhong University Of Science & Technology and School of Management, Wuhan University of Hydraulic and Electrical Engineering, and now acts as professor of Economics and Management School of Wuhan University.
Lin Yinkun	He served as deputy director of process workshop, director of Manager office, Minister of quality Dept of the Company, General Manager of Wuhu Abaur Mechanical & Electrical Co., Ltd. He now served as director and General Manager of the Company.

Other notes

Applicable Not applicable

2.Directors, supervisors and senior management of equity during the reporting period was granted incentive

Applicable Not applicable

## II.Particulars about duty performance of directors, supervisors and senior executives who currently hold their posts or left their posts in the report period

1. Posts held at corporate shareholders

Applicable Not applicable

Name	Name of corporate shareholder	Position	Starting date of term of office	Expiry date of term of office
Zhu Jinming	Dongbei Group	President		
Wang Shiwu	Dongbei Group	Secretary of the discipline Inspection Commission, Chairman of the Union		
Jiang Min	Dongbei Group	Vice president		
Posts held at corporate shareholders				

2.Posts held at other units

Applicable Not applicable

Name	Name of other units	Position	Starting date of term of office	Expiry date of term of office
Zhao Dayou	Three Gorges University	Professor		
Lu Yanying	Wuhan University	Ph.D.Supervisor ,Accounting professor of economics and management		
	Oceanwide holdings	Independent Director		
	Semir	Independent Director		
	Jinyu medicine	Independent Director		
Xie Jincheng	Zhongnan University of Economics and Law	professor at the School of Finance, Deputy Director of China Investment Research Center		
Lu Yanying	Wuhan University	Accounting professor of economics and management		
	Shanli Shares	Independent Director		
Posts held at other units				

## III. Remuneration of directors, supervisors and senior executives

Applicable Not applicable

The decision-making procedure for remuneration of directors, supervisors and senior executives:	The shareholders' general meeting decided the remuneration .
The determine of remuneration of the basis of directors, supervisors and senior executives	According to the early development of various economic indicators to determine the end of the completion of the total remuneration
Remuneration of directors, supervisors and senior executives	As of the date of this report, the remuneration of directors, supervisors and senior management personnel have been paid.
Total actual remuneration of all directors, supervisors and senior management in the end of the report period.	Refer to the chapter (1) The change of hold share and remuneration

#### IV. Change in directors, supervisors and senior executives

Applicable Not applicable

Name	Titles	Change situation	Reason
Lu Yanying	Independent director	Leave his post	Re-election of the Board
Wang Shiwu	Supervisor	Election	Re-election of the Board
Ma Yanping	Supervisor	Leave his post	Re-election of the Board

#### V. Information about the received punishments from the securities regulatory agencies in the most recent three years

Applicable Not applicable

**VI. The structure of employees in the parent Company and the principal subsidiaries****(1)Particulars of Employees**

The number of employees in the parent Company	2,894
The number of employees in the principal subsidiaries	923
Total	3,817
Parent Company and subsidiaries are required to bear the costs of retired employees.	286
Divided by function	
Type	Person
Production personnel	3,122
Sales personnel	80
Technical personnel	420
Financial personnel	36
Administrative personnel	159
Total	3,817
Education status	
Type	Total (Person)
Junior college and above	1,522
Technical secondary school and Senior High School	2,295
Total	3,817

**(2) Remuneration policy**

Applicable  Not applicable

According to business development of company status, developed a level of remuneration and benefits policies that adapted to the development stage, is committed to create a happy life for the employees.(3)

**(3) Training plan**

Applicable  Not applicable

Staff training is divided into two blocks: 1. pre-job training: training new employees to achieve three level training. So that new employees are familiar with and agree with the corporate culture to adapt to work as soon as possible. 2. job training: to carry out a variety of training in accordance with the annual training plan. Enhance staff skills and qualities to ensure that employees complete tasks.

**(4) Outsourcing situation**

Applicable  No Applicable

**(5) Other**

Applicable  No Applicable

## IX. Administrative structure

### I. Basic state of corporate governance

Applicable  Not applicable

During the report period, the company has strictly fulfilled the requirements of “Corporate Law”, “Securities Law”, “Articles of Association”, China Securities Regulatory Commission, Shanghai Stock Exchange, the relevant laws and regulations and the regular documents, continuously improved the corporate governance structure, strengthened the information disclosure, standardized the company’s operation, and enhanced the governance level of the company. The shareholders meeting, the Board of Directors, the Supervisor Committee and the management of the company shall have clear rights and duties, and the corporate governance structure of the company has basically met the modern enterprise system and the requirements of “Governance Rules of Listed Companies”. To continually strengthen the relevant standard governance, the company has issued “Annual Evaluation Report of Internal Control for Dongbei B Shares”, “Audit Report of Internal Control for Dongbei B Shares”, “Management Method of Foreign Investment for Dongbei B Shares” and other series of standard governance system of the company according to the relevant laws and regulations of China Securities Regulatory Commission and Shanghai Stock Exchange. The company has abided by “Registration and Filing System on Learners of Inside Information for Dongbei B Shares”, “Confidential System of Inside Information for Dongbei B Shares” and “Registration and Management System on Learners of Inside Information for Dongbei B Shares” to conscientiously do the registration and record on learners of inside information well, and timely fill in the registration form of inside information learners. During the reporting period, the company strictly in accordance with the requirements of the above system, strict implementation of the relevant provisions, earnestly inside information insider's registration, filing work to strengthen the confidentiality of inside information, to ensure fair information disclosure.

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC, Any discrepancies should explain why

Applicable  Not applicable

### II. Brief Introduction of Shareholders' General Meeting

Sessions	Meeting Date	Disclosure index	Disclosure date
Annual Genral Meeting of 2016	May 24,2017	www.sse.com.cn	May 25,2017

The statement of Shareholders' General Meeting:

Applicable  Not applicable

Proposal on Amending the Articles of Association of the Company;

The 2016 Annual General Meeting of Shareholders examined and approved the following proposals:

The Work Report of the Board of Directors For 2016;

The work Report of the Supervisory Committee for 2016;



Annual report for 2016 and its summary;

Proposal for the Final Accounting Report for 2016;

Proposal for the Preplan for Profit Distribution for 2016;

Proposal for Renewing the Engagement of Certified Public Accountants and the Proposal for Internal Audit Institution;

Proposal of the company and its subsidiaries' 2017-year applying for a comprehensive credit line and the authorization for providing guarantee to the financing within the comprehensive credit line

Proposal on Providing the Guarantee to the Company's Controlling Shareholder and its Subsidiaries in 2017;

Proposal on Providing the Guarantee to Huangshi Aibo Technology Development Co., Ltd;

Proposal for The information of Daily Related Transactions of 2016 and Announcement of Expected Daily related transactions in 2017;

Proposal for Election of Directors;

Proposal for Election of Independent Directors;

Proposal for Election Supervisors.

### III. Routine work of the board of directors

#### (1) Board meetings and resolutions

Name	Whether the independent directors	Attendance of board meetings						Attendance of the shareholders' general meeting
		The supposed times of attendance this year	The attendance record of shareholders' general meeting	Number of meetings attendance by means of communication	Attendance through agent (times)	Absence (times)	Whether on the reasons why not personally attend the meeting of the board of director for twice successively.	The attendance record of shareholders' general meeting
Zhu Jinming	No	5	5	3	0	0	No	1
Lin Yinkun	No	5	5	3	0	0	No	1
Ruan Zhengya	No	5	5	3	0	0	No	1
Zhao Dayou	Yes	5	5	3	0	0	No	1
Yu Yumiao	Yes	5	5	3	0	0	No	1
Xie Jincheng	Yes	3	2	3	1	0	No	1
Lu Yanying	Yes	2	2	1	0	0	No	1

Explanation personally did not attend two consecutive meetings of the Board

Applicable Not applicable

The number of the meetings of the board of directors within the year	5
Of which: Number of field meetings	2
Number of meetings held by means of communication	3
Site and the number of meetings was held of communication	0

(2)Objection of independent directors on some relevant issues

Applicable Not applicable

(3)Other

Applicable Not applicable

**IV.Important observations and recommendations in their duties during the reporting period raised under the Special Committee of the Board**

Applicable Not applicable

During the reporting period, the Board of Directors under the special committee are in favor of the bill under consideration in the performance of their duties, have not made other comments and suggestions.

**V.The Supervisory Committee found that the company's explanation risk**

Applicable Not applicable

During the reporting period, the Supervisory Committee of the company regularly reports, according to the operation, financial condition, as well as related party transactions and other internal control self-assessment report and other work to perform supervisory duties. Supervisory Committee on oversight matters during the reporting period without objection.

**VI. The company and its controlling shareholder in business, personnel, assets, organization, finance and other aspects of existence does not guarantee the independence, can not maintain the ability to operate independently of note**

Applicable Not applicable

The company's countermeasures, work schedule and follow-up work plan to the existed horizontal competition

Applicable Not applicable

**VII.Particulars about mechanism of appraisal of senior executives and establishment and implementation of stimulation mechanism in the report period**

Applicable Not applicable

During the reporting period, Dongbei B shares senior management compensation management approach "firm basis for consideration by the Board of Directors and the annual management objectives for senior managers to check and assessment.

**VIII. Whether disclose the self-assessment report on internal control**

Applicable  Not applicable

The company will disclose the Company's 2017 Annual Self-assessment Report on Internal Control at the date of disclosing the annual report, for the full text, please see the company's announcements

disclosed on Shanghai Stock Exchange website ([www.sse.com.cn](http://www.sse.com.cn)).

Description of material deficiencies in the internal control during the reporting period

Applicable  Not applicable

**IX. Statement on auditor's report on internal control**

The Company prepared and disclosed Report on Self-evaluation of Internal Control for 2017. Hubei Daxin Certified Public Accountants Co., Ltd. audited the internal control of the Company and issued Auditor's Report on Internal Control. The full text of the said report was published at the website of Shanghai Stock Exchange (<http://www.sse.com.cn>). Refer to the appendix for details of the auditor's report on internal control.

Whether the disclosure of internal control audit report: Yes

**X.Other**

Applicable  Not applicable

**X. Corporation bonds**

Applicable  Not applicable

## XI. Financial Report

### I. Auditor's Report

√ Applicable □ Not applicable

#### Auditor's Report

Da Xin Shen Zi (2018)No.:2-00315

#### To all shareholders of Huangshi Dongbei Electrical Appliance Co., Ltd.

##### I. Opinion

We have audited the financial statements of Huangshi Dongbei Electrical Appliance Co., Ltd. (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2017, and the income statement, the statement of cash flows and the statement of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2017 and its operating results and cash flows for the year then ended.

##### II. Basis for Our Opinion

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

##### III. Key Audit Matters

Key audit matters are those matters that, 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 opinion thereon, and we do not provide a separate opinion on these matters.

###### (A) Recognition of domestic operating income

###### 1. Description of the matter

Please refer to the related disclosures of Note 3-(21) and Note 5-(34) of the financial report. The Company's operating income mainly comes from the sales of refrigeration compressor products to refrigeration equipment manufacturers in domestic and overseas markets.

According to the company's accounting policy, there are two ways to recognize the income of the domestic business: the first one is recognizing the income upon the purchaser's confirmation of receipt after its use; the second way is recognizing the income when sending out the goods. We focus on the cut-off of the recognition of operating income in the first approach, as there may be a time difference between the timing of the receipt of the product by the domestic refrigeration equipment manufacturer

and the time of sales confirmation, leading to that there may be a risk that the sales income is not recognized within the appropriate period. Therefore, we deem the recognition of domestic operating income as a key audit matter.

## 2. Countermeasures in Audit

Our main audit procedures carried out for income recognition are as follows:

(1) Understand the internal control loop of sales and payments collection, test and evaluate the effectiveness of the design and implementation of internal controls related to income recognition;

(2) Through the interview with the management of the company (hereinafter referred to as “the management”) to understand the income recognition policy, check the relevant clauses of the major customers’ contracts, analyze whether the actual implementation of the income recognition policy is appropriate, and review whether the relevant accounting policies are consistently applied;

(3) Examine the original documents such as contracts or orders, delivery orders, receipts, shipping documents and so forth of major customers, and verify whether the income recognition is consistent with the disclosed accounting policy;

(4) Implement the analysis procedure for the operating income, compare it with the historical gross profit margin, analyze the changes in the gross profit margin, and review the rationality of the income;

(5) For the domestic sales business, the documents related to income recognition, such as contracts or orders, signed delivery receipts and billing statements, are checked through sampling;

(6) Perform the cut-off test on operating income to confirm whether the income recognition is recorded in the correct accounting period. A comparative analysis of the changes in income shall be carried out to mainly compare the annual income and the income of the short-period near the end of the year with those in the same period in previous years, and the confirmation procedure shall be carried out for the major customers to understand the reasons for the differences, with selecting the customer confirmation receipts before and after the date of the balance sheet for checking the accounting records.

## (B) The relationship between related parties and the completeness of the transaction

### 1. Description of the matter

Please refer to the relevant disclosures in note7 of the financial report. As of December 31, 2017, the Company had related party transactions involving different types of transactions with related parties, and we make our attention deeming the relationship between related parties and the completeness of the transaction as the key audit matter.

## 2. Countermeasures in Audit

Our main audit procedures for the related parties’ relationship and their related transactions are as follows:

(1) Get to know the controls related to the related transaction of related parties, test and evaluate the effectiveness of the design and implementation of internal controls related to related parties’ transaction;

(2) Examine the relevant records or documents to determine whether there are related party relationships or related party transactions that the management has not previously identified or disclosed

to certified public accountants;

(3) During the audit process, be vigilant about the following transactions and consider whether there are related parties that are not identified at the time of the planned audit;

1. Transactions with unusual conditions in price interest rates, guarantees, payments, etc.;
2. Transactions with clear illogic on business grounds;
3. Transactions with that the substance is inconsistent with the form;
4. Transactions handled in an abnormal manner;
5. Large or significant transactions with certain customers or suppliers.

#### **IV. Other information**

The management of the Company is responsible for the other information. The other information comprises information of the Company's annual report in 2017, but excludes the financial statements and our auditor's report.

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

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

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

#### **V. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **VI. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when

it exists. Misstatements can arise from fraud or error and are 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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, omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 or, if such disclosures are inadequate, to 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 the Company to cease to continue as a going concern.

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, 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 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 where applicable, related safeguards.

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

precludes public disclosure about the matter or when, in extremely 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.

Hubei Daxin Certified Public Accountants Co., Ltd. ( Special General Partnership)  
 Chinese C.P.A.: Suo Baoguo(Project Partner)  
 Beijing China Chinese C.P.A.:Zhang Ling

March 29, 2018

## II. Financial statements

### Consolidated Balance Sheet

December 31, 2017

Prepared by: Huangshi Dongbei Electrical Appliance Co., Ltd.

In RMB

Items	Notes	Year-end balance	Year-beginning balance
Current asset:			
Monetary fund		628,730,491.66	429,055,741.89
Settlement provision			
Outgoing call loan			
Financial assets measured at fair value with variations accounted into current income account			
Derivative financial assets			
Note receivable		760,479,711.09	670,495,870.59
Account receivable		996,019,110.70	1,036,597,776.58
Prepayments		90,052,403.74	63,177,349.54
Insurance receivable			
Reinsurance receivable			
Provisions of Reinsurance contracts receivable			
Interest receivable			
Dividend receivable			
Other account receivable		2,501,172.05	8,586,619.35
Repurchasing of financial assets			
Inventories		547,305,010.27	385,268,984.66
Assets held for sales			
Non-current asset due in 1 year			
Other current asset		82,726,575.63	78,299,066.78
Total of current assets		3,107,814,475.14	2,671,481,409.39
Non-current assets:			
Loans and payment on other's behalf disbursed			
Disposable financial asset			
Expired investment in possess			
Long-term receivable			
Long term share equity investment		7,901,853.76	8,807,441.97
Property investment		3,216,703.28	3,381,747.44
Fixed assets		1,438,011,522.04	1,518,584,062.55
Construction in progress		949,471.84	15,656,772.91
Engineering material			



Fixed asset disposal			
Production physical assets			
Gas & petrol			
Intangible assets		125,139,532.21	123,019,135.36
R & D petrol			
Goodwill			
Long-germ expenses to be amortized		7,802,851.16	9,108,739.38
Differed income tax asset		1,149,509.67	1,035,351.89
Other non-current asset		9,603,100.00	
Total of non-current assets		1,593,774,543.96	1,679,593,251.50
Total of assets		4,701,589,019.10	4,351,074,660.89
Current liabilities			
Short-term loans		815,383,660.00	587,927,999.83
Loan from Central Bank			
Deposit received and hold for others			
Call loan received			
Financial liabilities measured at fair value with variations accounted into current income account			
Derivative financial liabilities			
Note payable		1,005,984,488.10	973,506,867.88
Account payable		738,352,039.13	664,618,835.28
Advance payment		18,526,191.08	49,836,616.76
Selling of repurchased financial assets			
Fees and commissions receivable			
Employees' wage payable		24,663,399.95	25,199,143.09
Tax payable		29,107,244.83	28,370,056.54
Interest payable		1,650,002.38	5,101,297.79
Dividend payable		10,009,121.12	10,009,121.12
Other account payable		143,212,173.21	143,440,241.74
Reinsurance fee payable			
Insurance contract provision			
Entrusted trading of securities			
Entrusted selling of securities			
Liabilities held for sales			
Non-current liability due in 1 year		37,445,000.00	31,820,000.00
Other current liability			
Total of current liability		2,824,333,319.80	2,519,830,180.03
Non-current liabilities:			
Long-term loan		288,140,000.00	331,210,000.00
Bond payable			
Including: preferred stock			
Sustainable debt			
Long-term payable			17,085,779.67
Long-term payable employees's remuneration			
Special payable		33,000,000.00	33,000,000.00
Expected liabilities			
Deferred income		144,271,900.16	115,583,696.86
Deferred income tax liability			
Other non-current liabilities			
Total non-current liabilities		465,411,900.16	496,879,476.53
Total of liability		3,289,745,219.96	3,016,709,656.56
Owners' equity			
Share capital		235,000,000.00	235,000,000.00
Other equity instruments			
Including: preferred stock			
Sustainable debt			
Capital reserves		190,111,836.26	190,111,836.26
Less: Shares in stock			

Other comprehensive income		796,147.00	657,887.24
Special reserves			
Surplus reserves		55,256,956.71	49,674,959.93
Common risk provision			
Undistributed profit		666,010,843.42	611,690,176.32
Total of owner's equity belong to the parent company		1,147,175,783.39	1,087,134,859.75
Minority shareholders' equity		264,668,015.75	247,230,144.58
Total of owners' equity		1,411,843,799.14	1,334,365,004.33
Total of liabilities and owners' equity		4,701,589,019.10	4,351,074,660.89

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

### Balance sheet of Parent Company

December 31, 2017

Prepared by: Huangshi Dongbei Electrical Appliance Co., Ltd.

In RMB

Items	Notes	Year-end balance	Year-beginning balance
Current asset:			
Monetary fund		321,873,553.97	225,396,406.02
Financial assets measured at fair value with variations accounted into current income account			
Derivative financial assets			
Note receivable		369,888,786.14	348,398,992.67
Account receivable		728,126,242.00	689,089,915.64
Prepayments		98,583,037.30	110,216,234.42
Interest receivable			
Dividend receivable			
Other account receivable		327,894.18	134,441.17
Inventories		329,329,383.10	217,842,285.95
Assets held for sales			
Non-current asset due in 1 year			
Other current asset		15,427,138.91	2,042,644.38
Total of current assets		1,863,556,035.60	1,593,120,920.25
Non-current assets:			
Disposable financial asset			
Expired investment in possess			
Long-term receivable			
Long term share equity investment		188,161,074.70	188,161,074.70
Property investment			
Fixed assets		482,573,300.37	519,881,126.79
Construction in progress		133,333.34	480,079.05
Engineering material			
Fixed asset disposal			
Production physical assets			
Gas & petrol			
Intangible assets		41,111,546.00	41,673,353.92
R & D petrol			
Goodwill			

Long-germ expenses to be amortized		4,258,993.22	5,957,730.82
Deferred income tax asset			
Other non-current asset		9,603,100.00	
Total of non-current assets		725,841,347.63	756,153,365.28
Total of assets		2,589,397,383.23	2,349,274,285.53
Current liabilities			
Short-term loans		458,383,660.00	247,948,999.83
Financial liabilities measured at fair value with variations accounted into current income account			
Derivative financial liabilities			
Note payable		460,809,023.95	462,515,322.64
Account payable		806,055,861.62	301,225,802.55
Advance payment		5,837,906.70	511,643,233.56
Employees' wage payable		8,379,039.88	9,747,409.36
Tax payable		20,571,977.73	19,567,926.14
Interest payable		606,970.83	2,213,548.96
Dividend payable			
Other account payable		66,759,498.07	63,810,787.84
Liabilities held for sales			
Non-current liability due in 1 year			
Other current liability			
Total of current liability		1,827,403,938.78	1,618,673,030.88
Non-current liabilities:			
Long-term loan			
Bond payable			
Including: preferred stock			
Sustainable debt			
Long-term payable			
Employees' wage payable			
Special payable		33,000,000.00	33,000,000.00
Expected liabilities			
Deferred income		30,205,402.83	31,133,180.83
Deferred income tax liability			
Other non-current liabilities			
Total of Non-current liabilities		63,205,402.83	64,133,180.83
Total of liability		1,890,609,341.61	1,682,806,211.71
Owners' equity			
Share capital		235,000,000.00	235,000,000.00
Other equity instrument			
Including: preferred stock			
Sustainable debt			
Capital reserves		90,801,937.51	90,801,937.51
Less: Shares in stock			
Other comprehensive income			
Special reserves			
Surplus reserves		55,256,956.71	49,674,959.93
Undistributed profit		317,729,147.40	290,991,176.38
Total of owners' equity		698,788,041.62	666,468,073.82
Total of liabilities and owners' equity		2,589,397,383.23	2,349,274,285.53

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

## Consolidated Income Statement

January –December 2017

In RMB

Items	Notes	Year-end balance	Year-beginning balance
I. Income from the key business		3,789,307,855.30	3,473,518,271.43
Incl: Business income		3,789,307,855.30	3,473,518,271.43
Interest income			
Insurance fee earned			
Fee and commission received			
II. Total business cost		3,708,101,842.52	3,400,348,060.76
Incl: Business cost		3,226,141,993.06	2,942,880,386.91
Interest expense			
Fee and commission paid			
Insurance discharge payment			
Net claim amount paid			
Insurance policy dividend paid			
Insurance policy dividend paid			
Reinsurance expenses			
Business tax and surcharge		31,209,925.82	18,724,758.10
Sales expense		125,284,709.02	121,943,017.53
Administrative expense		264,325,298.20	271,215,165.05
Financial expenses		53,795,275.40	41,029,022.62
Asset impairment loss		7,344,641.02	4,555,710.55
Add: Gains from change of fair value (“-”for loss)			
Investment gain (“-”for loss)		-905,588.21	1,778,523.43
Incl: investment gains from affiliates		-905,588.21	1,778,523.43
Assets disposal income			
Gains from currency exchange (“-”for loss)			
Other income		13,851,422.70	
III. Operational profit (“-”for loss)		94,151,847.27	74,948,734.10
Add : Non-operational income		32,075,422.19	45,611,069.89
Less: Non business expenses		11,832,330.93	8,618,013.35
IV.Total profit(“-”for loss)		114,394,938.53	111,941,790.64
Less: Income tax expenses		13,554,403.48	10,771,360.72
V. Net profit		100,840,535.05	101,170,429.92
V. Net profit			
1.Net continuing operating profit		100,840,535.05	101,170,429.92
2.Termination of operating net profit			
Net profit attributable to the owners of parent company			
Minority shareholders' equity		17,437,871.17	18,130,066.26
VI. Other comprehensive income		83,402,663.88	83,040,363.66
Net of profit of other comprehensive income attributable to owners of the parent company.		138,259.76	131,867.57
(I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period		138,259.76	131,867.57
1.Re-measurement of defined benefit plans of changes in net debt or net assets			
2.Other comprehensive income under the equity method investee cannot be reclassified into profit or loss.			
(II)			
Other comprehensive income that will be reclassified into profit or loss			
1.Other comprehensive income under the equity method investee can be reclassified into profit or loss.		138,259.76	131,867.57
2.Gains and losses from changes in fair value available for sale financial assets			

al assets			
3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
4.The effective portion of cash flow hedges and losses			
5.Translation differences in currency financial statements			
6.Other		138,259.76	131,867.57
Net of profit of other comprehensive income attributable to Minority shareholders' equity			
VII. Total comprehensive income			
VII. Total comprehensive income		100,978,794.81	101,302,297.49
Total comprehensive income attributable to the owner of the parent company		83,540,923.64	83,172,231.23
Total comprehensive income attributable minority shareholders		17,437,871.17	18,130,066.26
VIII. Earnings per share			
( I ) Basic earnings per share		0.36	0.35
(II)Diluted earnings per share			

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

**Income statement of the Parent Company**

January -December 2017

In RMB

Items	Notes	Amount of the Report period	Amount of previous year
I. Income from the key business		2,966,805,199.80	3,042,481,779.09
Incl: Business cost		2,688,367,049.23	2,787,965,412.28
Business tax and surcharge		13,138,689.12	7,177,381.01
Sales expense		67,492,384.83	70,759,721.81
Administrative expense		123,419,191.87	134,314,332.62
Financial expenses		20,048,487.07	688,406.12
Asset impairment loss		-273,898.02	636,084.09
Add: Gains from change of fir value (“-”for loss )			
Investment gain (“-”for loss )			
Incl: investment gains from affiliates			
Assets disposal income			
Other income		1,832,178.00	
II. Operational profit (“-”for loss )		56,445,473.70	40,940,441.16
Add : Non-operational income		7,207,249.43	8,047,943.76
Less: Non business expenses		7,832,755.33	7,377,623.94
III.Total profit(“-”for loss)		55,819,967.80	41,610,760.98
Less: Income tax expenses			3,716,807.47
IV. Net profit (“-”for net loss )		55,819,967.80	37,893,953.51
1.Net continuing operating profit		55,819,967.80	37,893,953.51
2.Termination of operating net profit			
V.Net of profit of other comprehensive income			
( I ) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period			
1.Re-measurement of defined benefit plans of changes in net debt or net assets			
2.Other comprehensive income under the equity method investee can not be reclassified into profit or loss.			
( II )			

Other comprehensive income that will be reclassified into profit or loss.			
1. Other comprehensive income under the equity method investee can be reclassified into profit or loss.			
2. Gains and losses from changes in fair value available for sale financial assets			
3. Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
4. The effective portion of cash flow hedges and losses			
5. Translation differences in currency financial statements			
6. Other			
VI. Total comprehensive income		55,819,967.80	37,893,953.51
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

### Consolidated Cash flow statement

January-December 2017

In RMB

Items	Notes	Amount of the Report period	Amount of previous year
I. Net cash flow from business operation			
Cash received from sales of products and providing of services		2,800,254,300.57	2,744,385,266.38
Net increase of customer deposits and capital kept for brother company			
Net increase of loans from central bank			
Net increase of inter bank loans from other financial bodies			
Cash received against original insurance contract			
Net cash received from reinsurance business			
Net increase of client deposit and investment			
Net increase of trade financial asset disposal			
Cash received as interest, processing fee, and commission			
Net increase of inter bank fund received			
Net increase of repurchasing business			
Tax returned		113,612,159.78	112,928,926.23
Other cash received from business operation		45,726,450.69	37,538,744.06
Subtotal of cash inflow from business activities		2,959,592,911.04	2,894,852,936.67
Cash paid for purchasing of merchandise and services		2,097,750,457.72	2,356,090,130.42
Net increase of client trade and advance			
Net increase of savings in central bank and brother company			
Cash paid for original contract claim			
Cash paid for interest, processing fee and commission			
Cash paid for policy dividend			
Cash paid to staffs or paid for staffs		351,279,133.25	339,660,734.12
Taxes paid		93,297,343.62	61,943,010.32
Other cash paid for business activities		250,483,140.11	224,467,561.91
Subtotal of cash outflow from business activities		2,792,810,074.70	2,982,161,436.77
Cash flow generated by business operation, net		166,782,836.34	-87,308,500.10
II. Cash flow generated by investing			

Cash received from investment retrieving			
Cash received as investment gains			27,395,464.63
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		418,106.00	54,459.00
Net cash received from disposal of subsidiaries or other operational units			
Other investment related cash received		41,169,600.00	17,380,000.00
Subtotal of cash inflow due to investment activities		41,587,706.00	44,829,923.63
Cash paid for construction of fixed assets, intangible assets and other long-term assets		82,216,943.75	155,365,478.49
Cash paid at investment			
Net increase of loan against pledge			
Net cash received from subsidiaries and other operational units			
Other cash paid for investment activities			
Subtotal of cash outflow due to investment activities		82,216,943.75	155,365,478.49
Net cash flow generated by investment		-40,629,237.75	-110,535,554.86
III. Cash flow generated by financing			
Cash received as investment			
Incl: Cash received as investment from minor shareholders			
Cash received as loans		1,126,687,380.00	944,221,000.00
Cash received from bond placing			
Other financing –related cash received			146,000,000.00
Subtotal of cash inflow from financing activities		1,126,687,380.00	1,090,221,000.00
Cash to repay debts		909,194,200.00	946,395,080.17
Cash paid as dividend, profit, or interests		102,031,328.93	54,414,049.82
Incl: Dividend and profit paid by subsidiaries to minor shareholders			
Other financing –related cash received		18,333.06	146,002,231.17
Subtotal of cash outflow due to financing activities		1,011,243,861.99	1,146,811,361.16
Net cash flow generated by financing		115,443,518.01	-56,590,361.16
IV. Influence of exchange rate alternation on cash and cash equivalents		-1,955,462.28	2,333,306.96
V. Net increase of cash and cash equivalents		239,641,654.32	-252,101,109.16
Add: Balance of cash and cash equivalents at the beginning of term		301,740,407.38	553,841,516.54
VI. Balance of cash and cash equivalents at the end of term		541,382,061.70	301,740,407.38

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

**Parent Company Cash flow statement**  
January –December 2017

In RMB

Items	Notes	Amount of the Report period	Amount of previous year
I. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		2,249,873,364.05	1,915,256,810.24
Refunded taxes and levies		107,537,659.78	93,765,940.68
Other cash receipts related to operating activities		18,198,715.15	12,062,922.97
Subtotal of cash inflow		2,375,609,738.98	2,021,085,673.89
Cash paid for purchasing commodities and accepting labor		2,060,571,813.53	1,686,034,617.03
Cash paid to staffs or paid for staffs		151,779,119.22	147,245,419.10
Taxes paid		12,703,551.92	13,193,155.76
Other cash paid for business activities		138,302,989.37	144,330,888.59
Sub-total of cash outflow		2,363,357,474.04	1,990,804,080.48
Cash flow generated by business operation, net		12,252,264.94	30,281,593.41
II. Cash flow generated by investing			
Cash received from investment retrieving			
Cash received as investment gains			27,395,464.63
Net cash retrieved from disposal of fixed assets, intangible		265,106.00	54,459.00

assets, and other long-term assets			
Net cash received from disposal of subsidiaries or other operational units			
Other investment-related cash received		600,000.00	
Sub-total of cash inflow		865,106.00	27,449,923.63
Cash paid for construction of fixed assets, intangible assets and other long-term assets		37,133,146.25	36,146,499.91
Cash paid as investment			
Net cash received from subsidiaries and other operational units			
Other cash paid for investment activities			
Sub-total of cash outflow		37,133,146.25	36,146,499.91
Net cash flow generated by investment		-36,268,040.25	-8,696,576.28
III.Cash flow generated by financing			
Cash received as investment			
Cash received as loans		715,687,380.00	569,742,000.00
Cash received from bond placing			
Other financing –related cash received			
Subtotal of cash inflow from financing activities		715,687,380.00	569,742,000.00
Cash to repay debts		506,770,200.00	669,575,400.17
Cash paid as dividend, profit, or interests		51,487,427.78	15,683,233.27
Other financing –related cash received			
Subtotal of cash outflow due to financing activities		558,257,627.78	685,258,633.44
Net cash flow generated by financing		157,429,752.22	-115,516,633.44
IV. Influence of exchange rate alternation on cash and cash equivalents		-2,093,722.04	2,208,124.01
V.Net increase of cash and cash equivalents		131,320,254.87	-91,723,492.30
Add: balance of cash and cash equivalents at the beginning of term		179,977,299.10	271,700,791.40
VI ..Balance of cash and cash equivalents at the end of term		311,297,553.97	179,977,299.10

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li



## Consolidated Statement on Change in Owners' Equity

January-December 2017

In RMB

Items	Amount in this period											Minor shareholders' equity	Total of owners' equity
	Owner's equity Attributable to the Parent Company												
	Share Capital	Other Equity instrument			Capital reserves	Less : Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
	preferred stock	Sustainable debt	Other										
I. Balance at the end of last year	235,000,000.00				190,111,836.26		657,887.24		49,674,959.93		611,690,176.32	247,230,144.58	1,334,365,004.33
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II. Balance at the beginning of current year	235,000,000.00				190,111,836.26		657,887.24		49,674,959.93		611,690,176.32	247,230,144.58	1,334,365,004.33
III. Changed in the current year							138,259.76		5,581,996.78		54,320,667.10	17,437,871.17	77,478,794.81
( I ) Total comprehensive income							138,259.76				83,402,663.88	17,437,871.17	100,978,794.81
(II) Investment or decreasing of capital by owners													
1. Ordinary Shares invested by shareholders													
2. Holders of other equity instruments invested capital													
3. Allotment to the owners (or shareholders)													
4. Other													

( III ) Profit allotment									5,581,996.78		-29,081,996.78		-23,500,000.00
1.Providing of surplus reserves									5,581,996.78		-5,581,996.78		
2.Providing of common risk provisions											-23,500,000.00		-23,500,000.00
3. Allotment to the owners (or shareholders)													
4. Other													
(IV) Internal transferring of owners' equity													
1. Capitalizing of capital reserves (or to capital shares)													
2. Capitalizing of surplus reserves (or to capital shares)													
3. Making up losses by surplus reserves.													
4. Other													
(V). Special reserves													
1. Provided this year													
2. Used this term													
(VI) Other													
IV. Balance at the end of this term	235,000,000.00				190,111,836.26		796,147.00		55,256,956.71		666,010,843.42	264,668,015.75	1,411,843,799.14

Items	Amount in last year												
	Owner's equity Attributable to the Parent Company											Minor shareholders' equity	Total of owners' equity
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
	preferred stock	Sustainable debt	Other										
I.Balance at the end of last year	235,000,000.00				190,111,836.26		526,019.67		45,885,564.58		532,439,208.01	229,100,078.32	1,233,062,706.84
Add: Change of accounting policy													

Correcting of previous errors												
Merger of entities under common control												
Other												
II.Balance at the beginning of current year	235,000,000.00			190,111,836.26		526,019.67		45,885,564.58		532,439,208.01	229,100,078.32	1,233,062,706.84
III.Changed in the current year						131,867.57		3,789,395.35		79,250,968.31	18,130,066.26	101,302,297.49
( I ) Total comprehensive income						131,867.57				83,040,363.66	18,130,066.26	101,302,297.49
(II) Investment or decreasing of capital by owners												
1. Ordinary Shares invested by hareholders												
2. Holders of other equity instrumets invested capital												
3. Allotment to the owners (or shareholders)												
4. Other												
( III ) Profit allotment								3,789,395.35		-3,789,395.35		
1.Providing of surplus reserves								3,789,395.35		-3,789,395.35		
2.Providing of common risk provisions												
3. Allotment to the owners (or shareholders)												
4. Other												
(IV) Internal transferring of owners' equity												
1. Capitalizing of capital reserves (or to capital shares)												
2. Capitalizing of surplus reserves (or to capital shares)												
3. Making up losses by surplus reserves.												
4. Other												
(V). Special reserves												
1. Provided this year												

2. Used this term													
(VI) Other													
IV. Balance at the end of this term	235,000,000.00				190,111,836.26		657,887.24		49,674,959.93		611,690,176.32	247,230,144.58	1,334,365,004.33

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

## Statement of change in owner's Equity of the Parent Company

January-December 2017

In RMB

Items	Amount in this period										
	Share capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Attributable profit	Total of owners' equity
		preferred stock	Sustainable debt	Other							
I. Balance at the end of last year	235,000,000.00				90,801,937.51				49,674,959.93	290,991,176.38	666,468,073.82
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II. Balance at the beginning of current year	235,000,000.00				90,801,937.51				49,674,959.93	290,991,176.38	666,468,073.82
III. Changed in the current year									5,581,996.78	26,737,971.02	32,319,967.80
(1) Total comprehensive income										55,819,967.80	55,819,967.80
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by											

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hareholders											
2. Holders of other equity instruments invested capital											
3. Allotment to the owners (or shareholders)											
4. Other											
(III) Profit allotment								5,581,996.78	-29,081,996.78	-23,500,000.00	
1. Providing of surplus reserves								5,581,996.78	-5,581,996.78		
2. Allotment to the owners (or shareholders)									-23,500,000.00	-23,500,000.00	
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up losses by surplus reserves.											
4. Other											
(V) Special reserves											
1. Provided this year											
2. Used this term											
(VI) Other											
IV. Balance at the end of this term	235,000,000.00				90,801,937.51				55,256,956.71	317,729,147.40	698,788,041.62

Items	Amount in last year										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Attributable profit	Total of owners' equity
		preferred stock	Sustainable debt	Other							
I. Balance at the end of last year	235,000,000.00				90,801,937.51				49,674,959.93	290,991,176.38	666,468,073.82
Add: Change of accounting policy											

Correcting of previous errors											
Other											
II. Balance at the beginning of current year	235,000,000.00				90,801,937.51				49,674,959.93	290,991,176.38	666,468,073.82
III. Changed in the current year											
( I ) Total comprehensive income											
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by hareholders											
2. Holders of other equity instrumets invested capital											
3. Allotment to the owners (or shareholders)											
4. Other											
( III ) Profit allotment											
1. Providing of surplus reserves											
2. Allotment to the owners (or shareholders)											
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up losses by surplus reserves.											
4. Other											
(V) Special reserves											
1. Provided this year											
2. Used this term											
( VI ) Other											
IV. Balance at the end of this term	235,000,000.00				90,801,937.51				49,674,959.93	290,991,176.38	666,468,073.82

Legal Representative: Zhu Jinming

Person in charge of accounting: Lu Lihua

Accounting Dept Leader: Ma Li

### III. Basic Information of the Company

#### I. Company profile

Applicable  Not applicable

1. Enterprise registration address, organization mode and headquarter address.

Huangshi Dongbei Electrical Appliance Co., Ltd. (hereinafter referred to as the "Company" or the "Company") March 10, 1999 registered in Hubei Province Administration for Industry and Commerce, on July 15, 1999 are traded on the Shanghai Stock Exchange. Companies registered capital of RMB 235 million, equity amounted to 235 million shares, par value of 1 yuan. Of which 117.60 million shares of state-owned legal person shares, held by Huangshi Dongbei Electromechanical Group Co., Ltd ; 2.4 million for corporate shares, by Changzhou Zhongke Electrical Manufacturing Co., Ltd., Changshu Tianyin Electromechanical Co., Ltd., Zhejiang Lisheng Electromechanical Manufacturing Co., Ltd., Shaoxing Xingbei Pressing Co., Ltd., Wuhan Xinhua Pressing Co., Ltd. five promoters hold; 115 million shares of B shares outstanding.

Registered Address: No.6, Jinshan East Road, Economic & Technology Development Zone, Huangshi City, Hubei Province.

Unified social credit code : 91420000710920880L

Registered Capital : RMB 235 million

Legal Representative: Zhu Jinming

2. The nature of the company's business and main business activities.

The company's main business for refrigeration compressors, compressor motor production and sales. Major customers for refrigerators, freezers and other refrigeration products manufacturer.

Business scope: Production and sales of refrigeration compressors and compressor motors; development, production and consultation of high-tech products; sales of compressor parts and components; leasing of personal property and real estate; providing of high-tech product inspection and test & inspection services; warehousing services. (Projects that are subject to approval according to the law can only be carried out after approval by the relevant department)

#### II. Consolidated financial statements

Applicable  Not applicable

The company will be fully owned subsidiary included in the consolidated financial statements, including Wuhu Abaur Mechanical & Electrical Co., Ltd., Huangshi Dongbei Foundry Co., Ltd., Dongbei Electromechanical (Jiangsu) Co., Ltd., Dongbei(Wuhan) Technology Innovation Co., Ltd., Alashankou Dongbei Clean Energy Co., Ltd. ,Dongbei International Trade Co., Ltd., Dongbei (Wuhu) Electromechanical Co., Ltd., Huangshi Donglian New Energy Co., Ltd., Fengtai Donglian New Energy Co., Ltd., Wutai Jinhe New Energy Co., Ltd. Thereinto, Huangshi Donglian New Energy Co., Ltd, Fengtai Donglian New Energy Technology Co., Ltd and Wutai County Jinhe New Energy Co., Ltd are



the newly added second-tier subsidiaries in the year and have not started normal operations; as of the date of the report, Huangshi Donglian New Energy Co., Ltd and Fengtai Donglian New Energy Technology Co., Ltd are handling the simple cancellation procedure, and Wutai County Jinhe New Energy Co., Ltd was cancelled on May 22, 2017.

#### **IV. Basis for the preparation of financial statements**

##### 1. Basis for the preparation

The preparation of financial statements of the company based on continuous operation. Base on actual transactions and events occurring, according to the ministry of finance issued “Accounting Standards for Enterprises - Basic Standards” specific accounting standards, application guidelines of accounting standards which was promulgated after, accounting standards interpretation and other requirements (hereafter named “Enterprise Accounting Standard”), based on the significant accounting policies described below, and will have the preparation to the accounting estimation.

##### 2. Continuous operation.

Applicable  Not applicable

The Company since 12 months after the reporting period does not exist on the company's continued viability of significant concern events or circumstances.

#### **V. Significant accounting policies and accounting estimates**

Specific accounting policies and accounting estimates tips:

Applicable  Not applicable

##### 1. Statement for complying with the accounting standard

The financial statements prepared by the Company comply with the requirements of corporate accounting standards. They truly and completely reflect the financial situations, operating results and other relevant information of the company.

##### 2. Fiscal Year

The Company adopts the Gregorian calendar year commencing on January 1 and ending on December 31 as the fiscal year.

##### 3. Operating cycle

Applicable  Not applicable

The company has a 12 -month operating cycle, and its assets and liabilities as liquidity criteria for the classification.

##### 4. Standard currency for bookkeeping

The Company takes RMB as the standard currency for bookkeeping.

##### 5. Accounting treatment for corporate merger under the same control or different control

Applicable  Not applicable

###### 1. corporate merger under the same control

For the merger of enterprises under the same control, if the consideration of the merging is that it

makes payment in cash, transfers non-cash assets or bears its liabilities, we will, on the date of merger, regard the share of the book value of the merged party's net assets in its owner's consolidated financial statement as the initial cost of the long-term equity investment. If the consideration of the merging party is that it issues equity instruments, the total face value of stocks issued will be regarded as the capital stock. The difference between the initial cost of the long-term equity investment and book value of consideration (or the face value of stocks issued) shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

#### 2. corporate merger under different control

For the merger under different control, the merger cost is the total fair value of the assets paid, liability incurred or bore, and equity securities issued by the merging party to acquire the control right of the merged party on the date of merger. Acquired identifiable asset, liability or contingent assets that conform to conditions will be calculated by fair value on the date of merger. The balance of the merger cost over the merged party's fair value of identifiable net asset usually accounts for the value of goodwill. If the merger cost is lower than the merged party's fair value of identifiable net asset, and remains so after review, the balance accounts for the non-operating revenue.

#### 6. Preparation of consolidated financial statement

Applicable  Not applicable

##### 1. Scope of consolidated financial statement

We include all subsidiaries (including independent entity under our control) into the scope of consolidated statement, including enterprises under our control, separable parts of investment recipients and structure entity.

2. Unify the accounting policies, balance sheet and accounting period of parent company and subsidiaries.

Subsidiaries and the company adopted accounting policies or be inconsistent in the accounting period, in preparing Consolidation financial statements, in accordance with the company accounting policies or has the necessary adjustments to financial statements of the subsidiary during the accounting period.

##### 3. Offset items in consolidated financial statement

Based on the balance sheet of parent company and subsidiaries, the consolidated financial statement already offsets internal transaction between the parent company and subsidiaries or between subsidiaries. The owners' equity of subsidiaries that does not belong to the share of the parent company, as the equity of minority shareholders, will be listed as the "Minority Shareholder Equity" under the item "owners' equity" in the consolidated balance sheet. Long-term equity investment of the parent company held by the subsidiary will be regarded as the treasury stock of the business group, and as the deduction item of owners' equity, will be listed as "deduction: treasury stock" under the item "owners' equity" in the consolidated balance sheet.

##### 4. Accounting treatment of merged subsidiaries

For subsidiary obtained by merger under the same control, it is regarded that the merger already

happens when the final controller begin the real-time control, its asset, liability, record of performance and cash flow will be included in the consolidated financial statement since the beginning of merger period; for the subsidiary obtained by merger under different control, when preparing the consolidated financial statement, individual financial sheets need to be adjusted on the basis of the fair value of identifiable net asset on the day of merger.

#### 7. Classification of joint arrangements and accounting treatment for joint operation

Applicable  Not applicable

#### 8. The determination standard in cash and cash equivalents

The cash has been confirmed when the company drew up the cash flow sheet, it referred to the cash can be used to pay the deposit at any time the cash listed in the cash flow statement refers to the cash in store and the cash can be obtained at any time. Cash equivalent means the holding period of the company is

#### 9. The foreign currency business and the translation of foreign currency financial statement

Applicable  Not applicable

##### (1) The foreign currency translation services

The company with the foreign occurring currency transactions, which used the standard money by the spot exchange rate on the transaction date to enter an item in an account. The balance sheet date, For monetary items of foreign currency, the spot exchange rate at the date of balance sheet shall be used in conversion. The exchange balance due to the difference between the spot exchange rate at the date of balance sheet and the spot exchange rate at initial confirmation or at the date of previous balance sheet shall be attributed to the profit and loss of current period, except the exchange balance due to the special loans of foreign currency meeting the conditions of capitalization shall be attributed to the cost of related assets based on capitalization during the capitalization. For the non-monetary items of foreign currency measured with historical cost, still the spot exchange rate at the date of transaction shall be used, and the amount of recording currency shall not be changed. For the non-monetary items of foreign currency measured with fair value, the spot exchange rate at the date of the fair value confirmation shall be used in conversion, the difference between the amount of recording currency after conversion and that of initial recording currency is made as the change of fair value, which shall be attributed to the profit and loss of current period or confirmed as other composite income and attributed.

##### (2) The foreign currency financial statements

The company with the subsidiaries, joint ventures and integrated enterprises and so on, will use the different functional currency account after the conversion by the foreign currency financial statements, and will have an accounting practice and an editing to the combined financial statements.

The assets in the balance sheet and liabilities items, by using the spot exchange rate on the balance sheet date, all equity projects except the item of "Undistributed Profits", other items were calculated by the spot exchange rate. With the income and expense items, it was determined by a systematic and rational approach, and calculated by the approximate exchange rate of the spot exchange rate to convert on the

transaction date. The converting differences generated by the foreign currency financial statements, and all equity items in the balance sheet are listed separately. The foreign currency cash flows are determined in accordance with systematic and reasonable way, and calculated by the spot exchange rate on the approximate exchange rate. The impact of the changing exchange rate to the cash amount, is shown separately in the cash flow statement. In disposal of overseas operation, the conversion difference of the foreign currency statements related the overseas operation shall be transferred into the profit and loss of current period in whole or as per the ratio in disposal of the overseas operation.

#### 10. Financial instruments

Applicable  Not applicable

##### (1) The classification of financial instruments and recognition

The financial instruments classified as financial assets or financial liabilities. The company became a party in the financial instrument contract; it was recognized as the financial asset or the financial liability.

The financial assets at the initial recognition are classified as: by measuring at the fair value and its alternation are reckoned into the financial assets of the profit or loss (included trading financial assets and the fair value and its alternation are designated into the financial assets of the profit or loss), the held-to-maturity investment, receivables, and available-for-sale financial assets. Except the receivables beyond the financial assets classification, which depend on the company and their subsidiaries have the intention and ability to hold on. Financial asset calculated by fair value and whose change is included in profit/loss of current period includes the financial asset for short-term sale. Receivable is non-derivative financial asset that has no quotation in the active market and has recognized or recognizable recovering amount. Salable financial asset includes non-derivative financial asset defined as salable type when confirmed initially and financial assets not classified as other types. Held-to-maturity investment refers to non-derivative financial asset with recognized due date, recognized or recognizable recovering amount, and of which the management level has clear purpose and capability to hold to the call date.

The financial liabilities at the initial recognition are classified as: by measuring at the fair value and its alternation are reckoned into the financial liabilities of the profit or loss.

##### (2) Measurement of financial instruments

The financial assets or financial liabilities are initially recognized as the fair value of the company. The subsequent measurement shall be disposed by classification: the financial assets measured with fair value and having its change attributed to the profit and loss of current period, the salable financial assets and the financial liabilities measured with fair value and having its change attributed to the profit and loss of current period, Held-to-maturity investment, loan, receivable and other financial liability will be calculated by amortized cost; equity instrument investment with no quotation in the active market and whose fair value cannot be reliably measured, and derivative financial assets or liabilities that are connected with the said equity investment and need to be settled by delivering it, will be calculated by

cost. The profits and losses arising from the change in the fair value of a financial asset or financial liability shall be dealt with according to the following provisions, unless it is related to hedging: ①The profits and losses, arising from the change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the change is recorded into the profits and losses of the current period, shall be recorded into the profits and losses of the current period; ②The profits and losses arising from the change in the fair value of a sellable financial asset shall be included into other consolidated income .

(3) Recognition of the fair value of financial assets and liabilities

For financial instrument with active market, its fair value is recognized by the quotation in the active market. For financial instrument without active market, its fair value is recognized by the value appraisal techniques, which mainly includes the market approach, income approach and cost approach.

(4) The confirmation of the transferring in financial assets and measurement

When the ownership of financial assets is transferring almost all of the risks and rewards, neither transferring nor retaining them, but give up the control of financial assets, and should terminate and recognize it as financial capital . the financial assets satisfied the termination conditions, it should be transferred by measuring; it meant the transferring of the book value in financial assets and consideration received from the transferring, and the balance in the changing amount of fair value which directly included in capital surplus, then reckoned in the profit and loss.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value.

When the existing obligations of the financial liabilities have been fully or partly lifted, it should be terminated and confirmed the financial liabilities or a part of it.

(5) The impairment of financial assets

Where a financial asset measured on the basis of post-amortization costs is impaired, an impairment provision shall be made according to the difference of the book value over current value of the predicted future cash flow. If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period.

If there is any objective evidence proving that a sellable financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the shareholder's equity which was directly included shall be transferred out and recorded into the impairment losses. For the sellable debt instruments whose impairment losses have been recognized, if the fair value has risen subsequently and are related to the subsequent events that occur after the originally impairment losses were recognized, the originally recognized impairment losses shall be reversed and be recorded into the profits and losses of the current period. For a sellable equity instrument investment whose impairment losses have been

recognized, if the fair value has risen subsequently, it shall be included directly into the shareholder's equity.

For the equity instrument investment, we define the "significant" or "prolonged" decline of fair value, calculate cost, recognize the final fair value and define steady decline period according to following standards:

Significant decline of fair value	The decline of final fair value against cost reaches or exceeds 50%
Prolonged decline of fair value	decline for 12 consecutive months
Cost calculation	Total of valuable consideration (deduct announced but not issued cash dividends or due bond interest that hasn't been drawn) and related transaction fee
Recognition of final fair value	For financial instrument with active market, its fair value is recognized by the quotation in the active market. For financial instrument without active market, its fair value is recognized by the value appraisal techniques
Steady decline period	Decline continuously or bound range during the decline tendency sustaining period being lower than 20%, and the bound sustaining period not exceeding 6 months

#### 11.Account receivables

(1)Account receivable belong t individual significance and individually assessed for impairment

Applicable  Not applicable

Judgment criteria or amount standard of material specific amount or amount criterial	The receivable with single amount exceeding RMB 5 million (including RMB 5 million) shall be confirmed as the receivable with significant single amount.
Provision method with material specific amount and provision of specific bad debt preparation	The depreciation loss test is conducted separately, and if an objective evidence indicates depreciation of the receivable, the company shall confirm the depreciation losses and appropriate the depreciation provisions according to the difference by which the current value of future cash flow is lower than its book value.

(2)Provision for credit risk characteristics portfolio of bad debts:

Applicable  Not applicable

Credit risk characteristics of the provision for bad debts method (aging analysis, balance percentage method, other methods)	
Group basis	Items with significant single amount but no need single bad debt provision and items without significant single amount and big risk
A method of provision for bad debts provision in Group	
Group 1	Aging analysis method

Appropriate provisions for doubtful accounts according to aging analysis method in group

Applicable  Not applicable

Account Age	Appropriation Ratio of Receivables (%)	Appropriation Ration of Other Receivables (%)
Within 1 year (Including 1 year)	2	2
Including: Subitem within 1 year		
1-2 years	5	5
2-3 years	30	30
Over 3 years		
3-4 years	60	60

4—5 years		
Over 5 years		
Over 4 years	100	100

Appropriate provisions for doubtful accounts according to aging analysis method in group  
 Applicable  Not applicable

Appropriate provisions for doubtful accounts according to Other analysis method in group  
 Applicable  Not applicable

(3) Account receivable with non-material specific amount but specific bad debt preparation  
 Applicable  Not applicable

Reason for bad debt provision	Difficultly recoverable receivables estimated
Method of appropriation of bad debt provision	The depreciation loss test is conducted separately, and if an objective evidence indicates depreciation of the receivable, the company shall confirm the depreciation losses and appropriate the depreciation provisions according to the difference by which the current value of future cash flow is lower than its book value.

## 12. Inventories

Applicable  Not applicable

### (1) Category of inventories

Inventories refers to finished goods or merchandise the company holds for sale during its daily operation, work in process, materials consumed during the process of production or services etc. It mainly include raw materials, materials for cyclic use, materials for consigned processing, packaging materials, low-value consumables, work in process, self-made unfinished goods, finished goods (merchandise inventories) etc.

### (2) Accounting for outgoing inventories

When the inventory is delivered, the weighted average method is adopted to determine the actual cost.

### (3) Inventory and method of appropriating provisions for inventories write-down

In the date of balance sheet of assets and liabilities, the provision for depreciation of inventories shall be valued and appropriated as per the lower between the cost and net realizable value of individual inventory; but for the inventories big quantity and varieties and lower unit price, appropriated as per the type of the inventory.

### (4) Inventories system

The company implements the perpetual inventories system.

### (5) Amortization of low cost and short lived articles and packing

Packaging materials, low-value consumables and other materials for cyclic use are amortized by use of the one-off amortization method.

## 13. Asset held for sale

Applicable  Not applicable

## 14. Long-term equity investments

Applicable  Not applicable

## 1. Determining initial investment cost

The initial investment cost of a long-term equity investment acquired through business combination under common control is determined at the book value of the acquired equity while in the case of business combination not under common control the combination costs is taken as the initial investment cost; The initial investment cost of a long-term equity investment acquired by cash is the paid purchasing price; For long-term equity investments acquired by issuing equity securities, the initial investment cost is the fair value of the issued equity securities; Long-term equity investment obtained through debt restructuring, the initial investment cost shall be in accordance with "Accounting Standards for Enterprises No. 12 - Debt restructuring" of the relevant provisions;

For investments acquired through exchange of non-monetary assets or debt restructuring, the initial investment cost is determined in accordance with relevant rules and regulations.

## 2. Subsequent measurement and recognition of profit and loss

A long-term equity investment of an investing enterprise that is able to control the invested enterprise should be calculated by the cost approach. The long-term equity investment of associated enterprise and joint venture enterprises should be calculated by the equity approach. For investing enterprise's equity investment to the associated enterprise, if part of it is held indirectly by venture capital institution, mutual foundation, trust company, investment linked insurance foundation or similar entities, no matter those entities have significant influence on this part of investment or not, the investing enterprise should calculate this part of investment by fair value and include its change in the profits and losses according to Accounting Standards for Enterprises No. 22 Recognition and Measurement of Financial Instruments, and calculate the rest part of investment by equity approach.

## 3. Basis for determining common control or significant influence over invested business

Having joint control over invested enterprise indicates that any activity that has significant influence on the return of a certain arrangement shall not be decided until agreed by parties sharing the control right, including the selling and buying of goods or labor service, management of financial assets, purchase and disposal of assets, R&D and financing activities. Significant influence on invested enterprise refers to holding a voting equity of 20% to 50% of invested enterprise. Or, though the voting equity accounts less than 20% but one of following conditions is met: have representative in the board of directors of similar authority of the invested enterprise; participate in the policy formulation of invested enterprise; assign management personnel for invested enterprise; invested enterprise relies on the technology or technical material of the investing enterprise; important transaction has been made with the invested enterprise.

## 15. Investing real estate



(1)Section I: If using the cost of metering mode:

Depreciation or amortization method

There are several types of the company's investing real estate: land use rights for lease, buildings for lease and land use rights held for transfer after value being added. The investing real estate of the company is measured at cost initially and then by use of the cost model subsequently.

The lease-out buildings among the investing real estate of the company is depreciated by use of the life averaging method. The detailed accounting policy is the same as that for fixed assets. Depreciation period follows:

Classification	Lifetime ( years )	Residual value rate ( % )	Annual depreciation rate (%)
House and Building	40	5	2.375

The investing real estate of the company is measured at cost initially and then by use of the cost model subsequently.

#### 16.Fixed assets

(1) Recognition conditions

Applicable  Not applicable

Fixed assets refer to as the tangible assets possessed for producing goods, providing labor, lease or management with more than one fiscal year of service life. Fixed assets are recognized when satisfying the following conditions. The economic benefits related to such fixed assets can flow into the enterprise. The cost of such fixed assets can be measured reliably.

(2)Depreciation method

Applicable  Not applicable

Classification	Depreciation method	Lifetime ( years )	Residual value rate ( % )	Annual depreciation rate (%)
Houses and buildings	straight-line method	10-20	5	9.5-4.75
Machinery equipments	straight-line method	5-10	5	19-9.5
Transportation equipments	straight-line method	4-8	5	23.75-11.88
Other equipments	straight-line method	3-5	5	31.67—19.00

(3)The financing leased fixed assets recognized basis, pricing and depreciation method

Applicable  Not applicable

The basis for determining a fixed asset under a financing lease is that all the risks and rewards related to

the ownership of the fixed asset have been transferred substantively in the lease. A fixed asset under a financing lease is valued initially at the asset's fair value or the present value of the minimum lease payment as of the lease commencement date, whichever is lower. It is also the book entry value of the asset. For subsequent valuation of a fixed asset under a financing lease, depreciation and impairment provisions are appropriated in accordance with the depreciation policy the same as that for self-owned fixed assets.

#### 17. Construction in progress

Applicable  Not applicable

There are two categories of construction in progress in the company: self-operated construction and subcontracted-out construction. The company converts its construction in progress into fixed assets when the construction is completed for the intended use. To be eligible for the intended use, the construction in progress must satisfy one of the following conditions: The physical construction (including installation) of the fixed asset has been completed or completed substantially; Trial production or operation has been run and proved that the asset can normally operate or steadily produce qualified products, or the trial operation results show that the asset can normally work or be open for business; Expenses on the constructed fixed asset seldom or almost no longer arise; The purchased or constructed fixed asset has met or substantially matched the design or contract requirements.

#### 18. Borrowing costs

Applicable  Not applicable

##### (1) Recognition criteria for borrowing costs capitalization

The borrowing costs of the company, which can be directly attributed to acquisition, construction or production of capitalization eligible assets, are capitalized and counted in the cost of the relevant asset while other borrowing costs are recognized as expenses when incurred and counted in the profit and loss of a current accounting period. Capitalization eligible assets refer to fixed assets, investing real estate, inventory etc., which need to attain the intended use or sale through acquisition, construction or production activities over a long period.

##### (2) Calculation of capitalized amount

A capitalization period refers to the period from the commencement to the termination of the capitalization of borrowing costs, which excludes the suspension period of the borrowing costs capitalization. A capitalization suspension period means that the acquisition, construction or production is abnormally interrupted for consecutive three months so the capitalization of the borrowing costs should be suspended.

Calculation of a capitalized amount: for a special borrowing, it is determined at the interest expenses of the special borrowing arising in a current period less the interest income from the credit line balance being deposited in a bank or the income from temporary investment of the balance; for the assets using general borrowings, the capitalized amount is determined by the weighted average excess of the assets' accumulated expenses over their special borrowings multiplying the capitalization rate of the used general borrowings while the capitalization rate is determined by calculating the weighted average

interest rate of general borrowings; for a borrowing at a discount or premium, the actual interest rate method is used to determine amortization for each accounting period and adjust interest amount of each period.

The actual interest rate method is a method of calculating unextinguished discounts or premiums or interest expenses at the actual interest rate. The actual interest rate is the rate used to derive the present book value of the borrowing from discounting of the prospective cash flows arising throughout the expected duration of the borrowing.

#### 19. Biological assets

Applicable  Not applicable

#### 20. Oil-gas assets

Applicable  Not applicable

#### 21. Intangible assets

##### 1. Valuation method, service life, impairment test

Applicable  Not applicable

##### (1) Measurement of intangible assets

The company measures its intangible assets initially at cost. A purchased intangible asset has the actual paid price and relevant expenses as its actual cost. For the intangible assets contributed by the investors, the actual cost is the value set by the investment contract or agreement but if the contract or agreement value is not fair, the actual cost is determined at fair value. The cost of the intangible assets developed in house is the total expenses incurred to attain the intended use.

Subsequent measurements are performed on intangible assets in the following ways: for an intangible asset with a finite useful life, the company adopts the straight-line method for its amortization, and the useful life and the amortization method are reviewed at the end of each fiscal year and will be adjusted accordingly if they are different from the original estimates. Intangible assets with an indefinite useful life are not amortized but a review will be conducted so if there are concrete evidences indicating that the useful life is finite, such assets will have an estimated useful life and be amortized by use of the straight-line method.

##### (2) Recognition of an indefinite useful life

The company is unable to foresee the period that an intangible asset can bring the company economic benefits, or the useful life of the asset is uncertain. Such an asset can be recognized as an intangible asset with an indefinite useful life. Recognition of an indefinite useful life is based on: contractual rights or other legal rights but there are no contractual or legal provisions limiting the service life; the fact that it is impossible to determine the economic life of the intangible asset even when the conditions of the same industry or relevant experts' opinions are taken into account.

At the end of each year, the indefinite useful life of an intangible asset is reviewed upward from the level of the department that uses the asset, which conducts a basic review, to assess whether there are changes in the basis for recognizing an indefinite useful life.

## 2. Internal research and development

Applicable  Not applicable

The expenses of an in-house R & D project during the research phase are counted in the profit and loss of a current accounting period when incurred, Those being confirmed in meeting the conditions of the intangible assets shall be transferred to the accounting of intangible assets.

Specific standards for dividing the research stage and the development stage of internal research&development projects: Any ongoing planned survey stages for acquiring new technology and knowledge should be identified as the research stage, whose characteristic is planned and exploratory. Any stages where research achievement or other knowledge are applied to certain plans or designs to produce new or materially improved materials, devices and products when the commercial production is ongoing or before utilizing should be identified as the development stage, whose characteristic is pertinent and more possible to form an achievement.

## 22. Impairment of long-term assets

Applicable  Not applicable

Long-term assets like long-term equity investment, investment real estate calculated by cost approach, fixed assets, project under construction and intangible assets who have impairment on the day of balance sheet should go through impairment test. If the impairment test result shows that the recoverable amount of the asset is lower than its book value, impairment provision shall be made according to the difference and recorded into the impairment losses.

Recoverable amount is the higher one of the net amount of fair value after deducting disposal fee and the prospective cash flow of asset. Asset impairment provision is calculated and recognized on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group which this asset belongs can be calculated. Asset group is the smallest asset mix that can produce cash inflow independently.

Goodwill separately listed in the financial statement shall be tested for impairment at least annually, regardless of whether there is any indication of impairment. During the impairment test, the book value of the goodwill is apportioned to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. If the test result shows that the recoverable amount of the asset group or combination of asset groups that includes the allocated goodwill is lower than its book value, it shall recognize the corresponding impairment loss. The amount of impairment loss is first set off against the book value of the goodwill allocated to the asset group or group of asset groups, and then is proportionately set off against the book value of other assets other than the goodwill in the asset group or group of asset groups.

Once the above asset impairment loss is confirmed, the value restored part will not be reversed thereafter.

## 23. Amortization method of long-term deferred expenses

Applicable  Not applicable

The long-term expenses to be amortized of the company refer to all the expenses paid but the benefiting period of which is over one year (not including one year). They are mainly parking fee, housing decoration expenses etc. The long-term expenses to be amortized are amortized over the benefiting period of expense items. For the long-term expenses to be amortized that cannot be benefiting in future accounting periods, the amortized value of the expense items are all counted in the profit and loss of a current accounting period.

#### 24. Payroll

##### (1) Accounting treatment of short-term compensation

Applicable  Not applicable

During the accounting period of an employee providing services to the company, the short-term compensation is recognized as liabilities, and included in the profits and losses of the current period, except that it is required or allowed by the accounting standards to be included in the asset cost. Welfare expenses for the employees will be included in the profits and losses or related asset cost according to the actual amount. If the welfare expense is nonmonetary, it will be calculated according to the fair value. For social insurances like medical insurance, work injury insurance, maternity insurance and housing accumulation fund paid by the company for employees, as well as labor union expenditure and employee education expenses drawn according to stipulation, during the accounting period of an employee providing services to the company, the corresponding employee compensation will be recognized according to stipulated base and proportion, and corresponding liabilities will be recognized and included into the profits and losses of current period or related asset cost.

##### (2) Accounting treatment of the welfare after demission

Applicable  Not applicable

During the accounting period of an employee providing services to the company, the payable amount calculated according to Defined Contribution Plan is recognized as the liabilities, and will be included in the profits and losses of the current period or related asset cost. The formula defined through prospective accumulated unit-of-welfare approach will regard the welfare obligation produced by Defined Benefit Plan as the period of employee providing services, and include it into the profits and losses of the current period or related asset cost.

##### (1) Accounting treatment of the demission welfare

Applicable  Not applicable

When the Company provides dismiss welfare for the employee, it should recognize the employee compensation liabilities produced by dismiss welfare on the earlier of the following two dates: when the enterprise cannot withdraw the dismiss welfare provided by labor relationship plan or redundancy proposal; when the enterprise recognizes the cost or fee related to reorganization involving paying dismiss welfare.

##### (2) Accounting treatment of the welfare of other long-term staffs

Applicable  Not applicable

Other long-term employee welfare provided by the Company to employees, if meeting Defined Contribution Plan conditions, should be treated according to related stipulations of Defined Contribution Plan. Besides, the net liability or net asset of the other long-term employee welfare should be recognized and calculated according to related stipulations of Defined Benefit Plan.

#### 25. Estimated liabilities

Applicable  Not applicable

#### 26. Share-based payment

Applicable  Not applicable

#### 27. Other financial instruments such as preferred shares and perpetual capital securities

Applicable  Not applicable

#### 28. Revenue

Applicable  Not applicable

##### (1) Sales of Goods

Goods sales revenues are recognized according to the contractual or agreement price received or receivable from the purchasing party when the Goods the company sells satisfy the following conditions:

- ① the main risks and rewards of the ownership of Goods have been transferred to the purchasing party;
- ② the company neither reserves the continuing control right related to the ownership nor exert effective control over the sold merchandise;
- ③ the received amount can be measured reliably;
- ④ the relevant economic benefits are probable to flow into the company;
- ⑤ and the relevant costs incurred or to be incurred can be measured reliably.

The detailed principles for the recognition of revenue from selling goods are: ① the goods have been delivered by the Company, installed and verified by the purchaser, the amount of revenue is already confirmed, the payment for goods has been received or is anticipated to be recoverable, and the cost can be measured reliably; ② the goods have been delivered by the Company, verified, signed and received by the purchaser, the amount of revenue is already confirmed, the payment for goods has been or is anticipated to be recoverable, and the cost can be measured reliably; ③ for revenue from exporting goods, the Company have gone through declaration procedures according to requirements in the contract signed with client and the order, the amount of revenue is already confirmed, the payment for goods has been received or is anticipated to be recoverable, and the cost can be measured reliably.

##### (2) Alienation of asset use rights

The company recognizes the revenues from alienation of asset use rights when the economic benefits related to the alienation can flow in and the received amount can be measured reliably.

#### 29. Government subsidies

Government grants measured in accordance with the amount receivable shall be confirmed when there is conclusive evidence at the end of the period that they can meet the relevant conditions stipulated in the financial support policy and it's expected to receive financial support funds. Except for

government grants measured according to the amount of receivables, the government grants are recognized when the grants are actually received.

(1) Judgment basis and accounting treatment of government subsidies related to assets

Applicable  Not applicable

Government grants related to assets are recognized as deferred income. The amount recognized as deferred income shall be recorded into the gains and losses of the current period in accordance with the reasonable and systematic method within the use life of the relevant assets. Among them, those related to the company's daily activities shall be included in other income, and those unrelated to the company's daily activities shall be included in the non-operating income.

The government subsidies that are obtained by the company used for purchase or construction, or forming long-term assets by other ways are defined as government subsidies pertinent to assets.

Government grants measured at nominal amounts shall be directly included into the current gains and losses.

(2) Judgment basis and accounting treatment of government subsidies related to profits

Applicable  Not applicable

Government grants related to income shall be treated as follows: for those are used to compensate related expenses or losses of the enterprise in the future, they shall be recognized as deferred income and shall be recorded into the current gains and losses during the period when the related expenses are recognized; for those are used to compensate the related expenses or losses that have been incurred by the enterprise, they shall be directly included into the current gains and losses, with that when included into the current gains and losses, the government grants related to the company's daily activities are included into other income and the government grants that are not related to the company's daily activities are included into non-operating income.

The government subsidies other than those pertinent to assets are recognized as the subsidies pertinent to income.

If the object of the grants is not explicitly specified in the government document, the government grants shall be divided into asset-related or income-related upon the following judgment basis:

Where the government document explicitly specifies the particular project for which the subsidy is directed, it shall be divided according to the relative proportion of the expenditure amount of the formed assets expected in the budget and the expenditure amount included in the expenses of such particular project, and such dividing proportion needs to be reviewed on each balance sheet date, and if necessary, it shall make changes accordingly; 2. Where the government document only make a general statement on the use and does not direct for a particular project, then it shall be deemed as the government grants related to income.

30. Deferred income tax assets/deferred income tax liabilities

Applicable  Not applicable

(1) Based on the difference between the book value of assets and liabilities and the taxable base (for items not recognized as assets or liabilities while their taxable base can be determined in accordance with the provisions of the tax law, the taxable base is the difference), the company calculates and recognizes deferred income tax assets or liabilities at the tax rate applicable when it is time to recover

the assets or liquidate the liabilities.

(2) Deferred income tax assets are recognized to the limit of taxable income, which can be achieved probably and be utilized to offset deductible temporary differences. If there are concrete evidences indicating that sufficient taxable income can be achieved probably in a future period to offset deductible temporary differences as of the balance sheet date, then the company will recognize the deferred income tax asset that were not recognized in a previous period. If not, the company will write down the book value of deferred income tax assets.

(3) For the deductible temporary differences related to the investments on the subsidiaries and associate enterprises, deferred income tax liabilities are recognized unless the company can control the reversal time of the temporary differences and such differences probably will not be reversed in the foreseeable future. Deferred income tax assets will be recognized for the deductible temporary differences related to the investments on the subsidiaries and associate enterprises when such differences can be reversed probably in the foreseeable future and it is probable to achieve taxable income in the future, which can be utilized to offset the deductible temporary differences.

### 31. Lease

#### 1. Accounting treatment of operating lease

Applicable  Not applicable

Payments made under operating leases straight-line basis over the lease term costs related assets or profit or loss.

#### 2. Accounting treatments of financial lease

Applicable  Not applicable

The lower of the fair value of leased asset and the current value of lowest lease payment will be regarded as the entry value of leased assets. The difference between the entry value of the leased assets and the lowest lease payment will be regarded as the unsettled financing expense and be amortized by real interest method. The balance of the lowest lease payment deducing unsettled financing expense will be listed as long-term payables.

### 32. Other significant accounting policies and estimates

Applicable  Not applicable

### 33. Significant change of accounting policies and estimates

#### (1) Change of accounting policies

Applicable  Not applicable

Changes in Accounting Policies and Causes	Approval procedure	Remarks (name and amount of significantly affected report item)
In 2017, the Ministry of Finance issued the "No. 42 Accounting Standard for Business Enterprises-Non-current Assets for Sale, Disposal Group, and Termination of Operation"-which is effective from May 28th 2017, and that the prospective approach is required for the non-current assets held for sale, disposal group and termination of operation existed on the effective date.		See other instructions for details
In 2017, the Ministry of Finance revised the "No. 16 Accounting Standards for		See other instructions



Business Enterprises-Government Grants”, and the revised standards are effective from June 12, 2017; the prospective approach is required for the treatment of the government grants existed on January 1, 2017; and for the newly added government grants from January 1, 2017 to the effective date, it’s also required to make adjustments according to the revised standards.		for details
In 2017, the Ministry of Finance issued the “Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises” (Cai Hui (2017) No. 30). Enterprises that implement the Accounting Standards for Business Enterprises shall prepare the 2017 financial statement and the future financial statement in accordance with the Accounting Standards for Business Enterprises and the requirements of such notice.		See other instructions for details

#### Other

The main impact of the Company's implementation of the above two criteria and the No. 30 (2017) accounting document is as follows:

Changes in Accounting Policies and Causes	Name of report item affected	Amount of report item affected for the current period	Prior-period restated amount	The amount of non-operating income reported in the prior period	The amount reported in the prior period as non-operating expenses
1. Government grants related to the company's daily activities are included in other income	Other income	13,851,422.70	—	12,612,298.51	—

#### (2) Change of main accounting estimates

Applicable  Not applicable

#### 34. Other

Applicable  Not applicable

## VI. Taxation

### 1. Main taxes and tax rate

Applicable  Not applicable

Category of taxes	Tax basis	Tax rate
VAT	By the difference between the output tax less deductible VAT input provision and pay	6%、11%、13%、17%
Consumption tax		
Business tax		
Tax for city maintenance and construction:	Should be accounted and paid according to 7% of the payable current taxes.	7%
Enterprise income tax	Should be accounted and paid according of payable income tax.	15%、25%
Fees for education:	Should be accounted and paid according to 3% of payable current taxes.	3%

Notes : Wholly owned subsidiary of Dongbei International Trade Co., Ltd. registered in the British Virgin Islands, no tax liability.

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Applicable  Not applicable

## 2. Tax preference

Applicable  Not applicable

## (1) VAT

The company exports products to implement value-added tax "exemption, credit, refund" policy, our products export tax rebate rate of 17%.

## (2) Enterprise income tax

The company and its subsidiaries Wuhu Abaur Mechanical & Electrical Co.,Ltd.and Huangshi Dongbei Foundry Co., Ltd.,m Dongbei Mechanical & Electrical(Jiangsu) Co., Ltd. reviewed by the relevant departments, have been identified as high-tech enterprises, the current corporate income tax rate is 15%.

## 3. Other

Applicable  Not applicable

**VII. Notes on major items in consolidated financial statements**

## 1. Monetary funds

Applicable  Not applicable

In RMB

Items	Closing balance	Opening balance
Cash on hand	1,311.83	1,310.84
Bank deposit	412,330,451.65	215,594,966.82
Other monetary funds	216,398,728.18	213,459,464.23
Total	628,730,491.66	429,055,741.89
Including: The total amount of deposit abroad	25,865,330.12	10,485,841.07

## 2. Financial assets measured by fair value and the changes be included in the current gains and losses

Applicable  Not applicable

## 3. Derivative financial assets

Applicable  Not applicable

## 4. Note receivable

## (1) Note receivable listed by category

Applicable  Not applicable

In RMB

Items	Closing balance	Opening balance
Bank acceptance bill	570,493,946.74	560,737,893.44
Trade acceptance bill	189,985,764.35	109,757,977.15
Total	760,479,711.09	670,495,870.59

## (2) Notes receivable pledged by the Company at the period-end

Applicable  Not applicable

(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Applicable  Not applicable

In RMB'0000

Items	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	33,785.95	
Trade acceptance bill		
Total	33,785.95	

(4) Notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement

Applicable  Not applicable

Other notes

The amount of the bill receivable which has been discounted but undue for the balance sheet date is RMB 339.4741 million.

5. Accounts receivable

(1) Accounts receivable disclosed by category

Applicable  Not applicable

In RMB

Classification	Closing balance					Opening balance				
	Book Balance		Bad debt provision		Book value	Book Balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)		Amount	Proportion(%)	Amount	Proportion(%)	
Accounts receivable of individual significance and subject to individual impairment assessment										
Accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	1,038,347,980.08	100.00	42,328,869.38	4.08		1,072,235,126.74	100.00	35,637,350.16	3.32	
Accounts receivable of individual insignificance but subject to individual impairment assessment										
Total	1,038,347,980.08	/	42,328,869.38	/		1,072,235,126.74	/	35,637,350.16	/	

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Applicable  Not applicable

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Not applicable

In RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Within 1 year			
Including : Subitem within 1 year			
Within 1 year	958,956,726.79	19,114,305.26	2
Subtotal within 1 year	958,956,726.79	19,114,305.26	2
1-2 years	37,391,979.10	1,869,598.96	5
2-3 years	29,110,512.31	8,733,153.69	30
Over 3 years			

3-4 years	692,376.03	415,425.62	60
Over 4 years	12,196,385.85	12,196,385.85	100
4-5 years			
Over 5 years			
Total	1,038,347,980.08	42,328,869.38	

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

Applicable  Not applicable

In the groups, accounts receivable adopting other methods to accrue bad debt provision:

Applicable  Not applicable

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the reporting period was of RMB42,328,869.38;

Of which the significant amount of the reversed or collected part during the reporting period was:

Applicable  Not applicable

(3) The actual write-off accounts receivable

Applicable  Not applicable

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

Applicable  Not applicable

Name	Closing balance	Proportion (%)	Bad debt provision
1.Client 1	126,073,742.27	12.14	2,521,474.85
2.Client 2	90,273,965.94	8.69	8,944,488.11
3.Client 3	88,445,827.29	8.52	1,768,916.55
4.Client 4	51,974,494.94	5.01	1,039,489.90
5.Client 5	42,530,459.45	4.10	850,609.19
Total	399,298,489.89	38.46	15,124,978.60

(5) Account receivable which terminate the recognition owing to the transfer of the financial assets:

Applicable  Not applicable

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Applicable  Not applicable

Other notes:

Applicable  Not applicable

6. Prepayment

(1) List by aging analysis:

Applicable  Not applicable

In RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)

Within 1 year	81,182,854.12	90.15	42,842,092.47	67.81
1-2 years	3,658,766.54	4.06	6,239,827.10	9.88
2-3 years	4,882,383.08	5.42	14,095,429.97	22.31
Over 3 years	328,400.00	0.37		
Total	90,052,403.74	100.00	63,177,349.54	100.00

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

Creditor unit	Debt unit	Closing balance	Aging	Reason for not settle
Huangshi Dongbei Electrical Appliance Co., Ltd.	Beijing Lizhun Machinery manufacturing Co., Ltd.	2,574,000.00	1-2 years	Under Fulfillment
Huangshi Dongbei Electrical Appliance Co., Ltd.	Maer Trade (Shanghai) Co., Ltd.	1,920,000.00	1-2 years	Under Fulfillment

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Applicable  Not applicable

Name	Closing balance	Proportion(%)
1. Baosteel Huangshi Coated plate Co., Ltd.	30,944,178.93	34.36
2. Wuhan iron & steel co., Ltd.	5,704,120.98	6.33
3. China Shipbuilding heavy Industry Pengli (Nanjing) Intelligent equipment system Co., Ltd.	4,138,400.00	4.60
4.Changzhou Faderke Clay sand foundry machinery co., Ltd	2,910,000.00	3.23
5.Hubei Provincial Complete Tendering Co., Ltd.	2,673,185.70	2.97
Total	46,369,885.61	51.49

Other notes:

Applicable  Not applicable

#### 7. Interest receivable

(1) Classification of interest receivable

Applicable  Not applicable

(2) Important overdue interest

Applicable  Not applicable

Other notes:

Applicable  Not applicable

#### 8. Dividend receivable

(1) Dividend receivable

Applicable  Not applicable

(2) Significant dividend receivable aged over 1 year

Applicable  Not applicable

Other notes:

Applicable  Not applicable

#### 9. Other accounts receivable

(1) Other accounts receivable disclosed by category

Applicable  Not applicable

In RMB

Classification	Closing balance					Opening balance				
	Book Balance		Bad debt provision		Book value	Book Balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)		Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable of individual significance and subject to individual impairment assessment										
Other accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	2,745,467.58	85.25	244,295.53	8.90		8,652,647.66	100.00	66,028.31	0.76	
Other accounts receivable of individual insignificant but subject to individual impairment assessment	474,854.58	14.75	474,854.58	100.00						
<b>Total</b>	<b>3,220,322.16</b>	<b>/</b>	<b>719,150.11</b>	<b>/</b>		<b>8,652,647.66</b>	<b>/</b>	<b>66,028.31</b>	<b>/</b>	

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Applicable  Not applicable

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Not applicable

In RMB

Aging	Closing balance		
	Other account receivable	Bad debt provision	Withdrawal proportion(%)
Within 1 year			
Including: Subitem within 1 year			
Within 1 year	1,812,803.90	36,256.10	2
Subtotal within 1 year	1,812,803.90	36,256.10	2
1-2 years	287,038.68	14,351.93	5
2-3 years	645,625.00	193,687.50	30
Over 3 years			
3-4 years			
Over 4 years			
4-5 years			
Over 5 years	2,745,467.58	244,295.53	
<b>Total</b>			

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt

provision

Applicable  Not applicable

In the groups, other accounts receivable adopting other methods to accrue bad debt provision:

Applicable  Not applicable

(2)Accounts receivable withdraw, reversed or collected during the reporting period

The amount of the reversed or collected part during the reporting period was of RMB 719,150.11.

Of which the significant amount of the reversed or collected part during the reporting period was of RMB 000:

Applicable  Not applicable

(3) The actual write-off other accounts receivable

Applicable  Not applicable

The important other receivables verification

Applicable  Not applicable

Other account receivables actually cancel after write-off:

Applicable  Not applicable

(4) Other accounts receivable classified by the nature of accounts

Applicable  Not applicable

Nature	In RMB	
	Closing book balance	opening book balance
Petty cash	361,166.52	597,840.30
Deposit	2,193,668.29	7,213,112.30
Current account	665,487.35	841,695.06
Total	3,220,322.16	8,652,647.66

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Applicable  Not applicable

Name	Nature	Closing balance	Aging	In RMB	
				Proportion of the total year end balance of the accounts receivable(%)	Closing balance of bad debts provision
1.Ningbo Korea Electric Co., Ltd.	Deposit	1,000,000.00	Within 1 year	31.05	20,000.00
2. Wuhu Zhongran City Development Co., Ltd.	Deposit	488,650.00	2-3 years	15.17	146,595.00
3.Anhui Xinyang Electronics Co., Ltd.	Current account	474,854.58	3-4 years	14.75	474,854.58
4. Nanjing SKYWORTH home appliance Co., Ltd.	Current account	200,000.00	1-2 years	6.21	10,000.00
5.State GRAD Hubei Electric Power Co.,Ltd.Huangshi Power Supply Company	Deposit	100,000.00	Within 1 year	3.11	2,000.00
Total	/	2,263,504.58	/	70.29	653,449.58

(6) Accounts receivable involved with government subsidies

Applicable  Not applicable

(7) Other account receivable which terminate the recognition owing to the transfer of the financial assets

Applicable  Not applicable

(8) The amount of the assets and liabilities formed by the transfer and the continues involvement of other accounts receivable

Other notes

Applicable  Not applicable

## 10. Inventories

## (1) Inventories types

Applicable  Not applicable

In RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Raw materials	45,157,464.03		45,157,464.03	32,002,197.56		32,002,197.56
Processing products	194,021,643.99		194,021,643.99	154,754,456.04		154,754,456.04
Stock goods	308,125,902.25		308,125,902.25	198,512,331.06		198,512,331.06
Turnover materials						
Consumptive biological assets						
Construction contract has been completed unsettled assets						
Total	547,305,010.27		547,305,010.27	385,268,984.66		385,268,984.66

## (2) Inventory depreciation reserve

Applicable  Not applicable

## (3) Explanation on inventories with capitalization of borrowing costs included at ending balance

Applicable  Not applicable

## (4) Assets unsettled formed by construction contract which has completed at period-end

Applicable  Not applicable

Other notes

Applicable  Not applicable

## 11. Holding assets for sale

Applicable  Not applicable

## 12. Non-current assets due within 1 year

Applicable  Not applicable

## 13. Other current assets

Applicable  Not applicable

In RMB

Items	Closing balance	Opening balance
VAT input tax	82,726,575.63	78,299,066.78
Total	82,726,575.63	78,299,066.78

## 14. Available-for-sale financial assets

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

Applicable  Not applicable



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

Applicable  Not applicable

(3) Changes of the impairment of the available-for-sale financial assets during the reporting period

Applicable  Not applicable

(4) Relevant description of the end of the fair value of the equity instruments at the end of a serious decline in fair value or non temporary decline but not related to impairment provision

Applicable  Not applicable

Other notes

Applicable  Not applicable

15. Held-to-maturity investment

(1) Held-to-maturity investment

Applicable  Not applicable

(2) Important held-to-maturity investment at period-end

Applicable  Not applicable

(3) Reclassify of held-to-maturity investment in the period

Applicable  Not applicable

Other notes

Applicable  Not applicable

16. Long-term account receivables

(1) Long-term account receivables

Applicable  Not applicable

(2) Long-term account receivables recognition terminated due to transfer of financial assets

Applicable  Not applicable

(3) Long-term account receivables transferred and assets & liability formed by its continuous involvement

Applicable  Not applicable

Other notes

Applicable  Not applicable

17. Long-term equity investment

Applicable  Not applicable

In RMB

Investee	Opening balance	Increase /decrease								Closing balance	Closing balance of impairment provision
		Addition investment	Decrease investment	Investment gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
<b>I. Joint ventures</b>											
Subtotal											
<b>II. Associated enterprises</b>											
Huangshi Aibo Property Co.,Ltd.	6,098,462.24			-914,955.03						5,183,507.21	
Hubei Jinling Precision Agriculture Co., Ltd.	2,708,979.73			9,366.82						2,718,346.55	
Subtotal	8,807,441.97			-905,588.21						7,901,853.76	
Total	8,807,441.97			-905,588.21						7,901,853.76	

## 18. Investment property

Measurement model of investment real estate

(1) Investment property adopted the cost measurement mode

In RMB

Items	Houses and building	Land use right	Construction in progress	Total
<b>I.Originalbookvalue</b>				
1. Year-beginning balance	6,934,630.00			6,934,630.00
2. Increased at this period				
(1)Outsourcing				
(2)Inventory /Fixed assets/ project under construction				
(3)The merger of enterprises increase				
3. Decrease at this period				
(1)Disposition				
(2)Other Out				
4.Closing balance	6,934,630.00			6,934,630.00
<b>II.Total accumulated depreciation accumulated amortization</b>				
1. Year-beginning balance	3,552,882.56			3,552,882.56
2. Increased at this period	165,044.16			165,044.16
(1) Withdrawal	165,044.16			165,044.16
3. Decrease at this period				
(1)Disposition				

(2)Other Out				
4. Year-end balance	3,717,926.72			3,717,926.72
III. Impairment allowance				
1. Year-beginning balance				
2. Increased at this period				
(1) Withdrawal				
3. Decrease at this period				
(1) Disposition				
(2) Outsourcing				
4. Year-end balance				
IV. Book value				
1. Closing book value	3,216,703.28			3,216,703.28
2. Book value at year beginning	3,381,747.44			3,381,747.44

(2) Details of investment property failed to accomplish certification of property

Applicable  Not applicable

Other notes

Applicable  Not applicable

#### 19. Fixed assets

(1) List of fixed assets

Applicable  Not applicable

In RMB

Items	House building	and Machinery equipment	Transporation equipment	Other equipment	Total
I. Original book value					
1. Year-beginning balance	674,777,390.23	1,589,632,148.64	24,380,543.01	41,573,476.23	2,330,363,558.11
2. Increased at this period	23,747,557.77	65,782,622.82	4,003,536.75	435,457.73	93,969,175.07
(1) Purchase	17,756,535.35	53,524,369.96	4,003,536.75	435,457.73	75,719,899.79
(2) Transferred from construction in -progress	5,991,022.42	12,258,252.86			18,249,275.28
The merger of enterprises increase					
3. Decreased at this period		78,187,869.23	2,142,821.57	780,487.53	81,111,178.33
(1) Disposal or scrap		78,187,869.23	2,142,821.57	780,487.53	81,111,178.33
4 Year-end balance	698,524,948.00	1,577,226,902.23	26,241,258.19	41,228,446.43	2,343,221,554.85
II. Accumulated depreciation					
1. Year-beginning balance	178,366,300.38	581,549,460.33	20,455,759.07	31,407,975.78	811,779,495.56
2. Increased at this period	34,503,923.89	120,755,493.56	1,279,492.08	4,692,370.95	161,231,280.48
(1) Withdrawal	34,503,923.89	120,755,493.56	1,279,492.08	4,692,370.95	161,231,280.48
3. Decreased at tthis period		65,419,453.39	1,685,188.30	696,101.54	67,800,743.23
(1) Disposal or scrap		65,419,453.39	1,685,188.30	696,101.54	67,800,743.23
4. Year-end balance	212,870,224.27	636,885,500.50	20,050,062.85	35,404,245.19	905,210,032.81
III. Impairment allowance					
1. Year-beginning balance					
2. Increased at this period					

(1) Withdrawal					
3. Decreased at this period					
(1) Disposal or scrap					
4. Year-end balance					
IV.Book value					
1. Closing book value	485,654,723.73	940,341,401.73	6,191,195.34	5,824,201.24	1,438,011,522.04
2. Book value at year beginning	496,411,089.85	1,008,082,688.31	3,924,783.94	10,165,500.45	1,518,584,062.55

(2) List of temporarily idle fixed assets

Applicable  Not applicable

(3) Fixed assets leased in from financing lease

Applicable  Not applicable

(4) Fixed assets leased out from operation lease

Applicable  Not applicable

(5) Details of fixed assets failed to accomplish certification of property

Applicable  Not applicable

Other notes:

Applicable  Not applicable

20. Construction in progress

(1) List of construction in progress

Applicable  Not applicable

In RMB

Items	Balance in year-end			Balance in year-begin		
	Book balance	Bad debt provision	Book Value	Book balance	Bad debt provision	Book Value
Equipment installation	653,874.35		653,874.35	10,305,737.37		10,305,737.37
Alashankou plant and supporting facilities projects				4,917,170.04		4,917,170.04
Software installation engineering	133,333.34		133,333.34	433,865.50		433,865.50
Foundry Luoqiao Phase IV Construction Project	162,264.15		162,264.15			
Total	949,471.84		949,471.84	15,656,772.91		15,656,772.91

## (2) Changes of significant construction in progress

√Applicable □Not applicable

In RMB

Name	Budget	Amount at year beginning	Increase at this period	Transferred to fixed assets	Other decrease	Balance in year-end	Proportion (%)	Progress of work	Capitalisation of interest accumulated balance	Including: Current amount of capitalization of interest	Capitalization rate of interest(%)	Sources of funds
Equipment installation		10,305,737.37	2,647,066.26	11,798,309.62	500,619.66	653,874.35						
Alashankou plant and supporting facilities projects		4,917,170.04	1,533,795.62	6,450,965.66	-	-						
Software installation engineering		433,865.50	374,920.19		675,452.35	133,333.34						
Foundry Luoqiao Phase IV Construction Project		-	162,264.15		-	162,264.15						
Total		15,656,772.91	4,718,046.22	18,249,275.28	1,176,072.01	949,471.84	/	/			/	/

## (3) List of the withdrawal of the impairment provision of the construction in progress

Applicable  Not applicable

Other notes

Applicable  Not applicable

21. Engineering material

Applicable  Not applicable

22. Liquidation of fixed assets

Applicable  Not applicable

23. Productive biological assets

(1) Measured by cost

Applicable  Not applicable

(2) Measured by fair value

Applicable  Not applicable

Other notes

Applicable  Not applicable

24. Oil-and-gas assets

Applicable  Not applicable

25. Intangible assets

(1) List of intangible assets

Applicable  Not applicable

In RMB

Items	Land use right	Patent	Non-patent Technology	Software	Total
I. Original price					
1. Opening balance	137,611,542.75			5,482,816.36	143,094,359.11
2. Increased amount of the period	5,778,978.08			1,397,716.51	7,176,694.59
(1) Purchase	5,778,978.08			1,261,867.45	7,040,845.53
(2) Internal Development					
(3) Increased of Enterprise Combination					
(4) Transfer to construction project				135,849.06	135,849.06
3. Decreased amount of the period					

(1)Disposition					
4. Closing balance	143,390,520.83			6,880,532.87	150,271,053.70
II. Accumulated amortization					
1. Balance in year-begin	17,122,037.20			2,953,186.55	20,075,223.75
2. Increased amount of the period	3,697,728.27			1,358,569.47	5,056,297.74
(1)Withdrawal	3,697,728.27			1,358,569.47	5,056,297.74
3. Decreased amount of the period					
(1) Disposition					
4. Closing balance	20,819,765.47			4,311,756.02	25,131,521.49
III. Provision for impairment					
1. Balance in year-begin					
2. Increased amount of the period					
(1)Withdrawal					
3. Decreased amount of the period					
(1) Disposition					
4. Closing balance					
IV. Book value					
1. Book value of the period-end	122,570,755.36			2,568,776.85	125,139,532.21
2. Book value of the period-begin	120,489,505.55			2,529,629.81	123,019,135.36

The intangible assets by the end of the formation of the company's internal R & D accounted for 0.00% of the proportion of the balance of intangible assets

(2) Details of fixed assets failed to accomplish certification of land use right

Applicable Not applicable

Other notes

Applicable  Not applicable

26. R&D expenses

Applicable Not applicable

27. Goodwill

(1) Original book value of goodwill

Applicable Not applicable

Notes of the testing process of goodwill impairment, parameters and the recognition method of goodwill impairment losses:

Applicable Not applicable

Other notes

Applicable Not applicable

## 28. Long-term amortization expenses

√ Applicable □ Not applicable

In RMB

Items	Opening balance	Increase	Amortization amount	Decrease	Closing balance
Afforestation fees	5,636,381.18	239,805.83	2,069,509.95		3,806,677.06
Decoration fees	3,472,358.20		609,352.04		2,863,006.16
Mold usage fee		1,152,374.18	19,206.24		1,133,167.94
Total	9,108,739.38	1,392,180.01	2,698,068.23		7,802,851.16

## 29. Deferred income tax assets/deferred income tax liabilities

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

√ Applicable □ Not applicable

In RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	7,663,397.83	1,149,509.67	6,902,345.93	1,035,351.89
Insider trading unrealized profit				
Deductible loss				
Total	7,663,397.83	1,149,509.67	6,902,345.93	1,035,351.89

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

□ Applicable √ Not applicable

(3) Deferred income tax assets or liabilities listed by net amount after off-set

□ Applicable √ Not applicable

(4) List of unrecognized deferred income tax assets

√ Applicable □ Not applicable

In RMB

Items	Year-end balance	Year-beginning balance
Deductible temporary difference	35,384,621.66	28,801,032.54
Deductible losses	28,039,641.82	9,926,766.35
Total	63,424,263.48	38,727,798.89

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

√ Applicable □ Not applicable

In RMB

Year	Year-end balance	Year-beginning balance	Notes
2019	2,101,105.36	2,101,105.36	
2020	7,499,449.92	7,499,449.92	
2021	326,211.07	326,211.07	
2022	18,112,875.47		
Total	28,039,641.82	9,926,766.35	/

Other notes

□ Applicable √ Not applicable

## 30. Other non-current assets

√ Applicable □ Not applicable

In RMB



Items	Closing balance	Opening balance
Purchase of house	9,603,100.00	
Total	9,603,100.00	

## 31. Short-term loans

## (1) Category of short-term loans

Applicable Not applicable

In RMB

Items	Closing balance	Opening balance
Impawn loan		
Mortgage loan		
Guaranteed loan	815,383,660.00	587,927,999.83
Credit loan		
Total	815,383,660.00	587,927,999.83

## (2) List of the short-term loans overdue but not return

Applicable Not applicable

## Situation of Overdue Outstanding Short-Term Borrowing

Applicable Not applicable

## Other notes

Applicable Not applicable

## 32. Financial liabilities measured at fair value through current profit and loss

Applicable Not applicable

## 33. Derivative financial liabilities

Applicable Not applicable

## 34. Note payable

Applicable Not applicable

In RMB

Items	Closing balance	Opening balance
Trade acceptance	225,299,336.97	77,161,138.00
Bank acceptance	741,685,151.13	886,345,729.88
L/C	39,000,000.00	10,000,000.00
Total	1,005,984,488.10	973,506,867.88

## 35. Accounts payable

## (1) List of accounts payable

Applicable Not applicable

In RMB

Items	Closing balance	Opening balance
Within 1 year (Including 1 year)	694,016,181.10	634,753,293.91
Over 1 year	44,335,858.03	29,865,541.37
Total	738,352,039.13	664,618,835.28

## (2) Notes of the accounts payable aging over one year

Applicable Not applicable

In RMB

Items	Closing balance	Reasons for outstanding or carry-over
1. Wuhan Jinding heavy Industry Co., Ltd.	3,785,007.00	Contract is in-process of execution
2. Jinan Gengchen Iron & Steel Co., Ltd.	3,730,695.00	Contract is in-process of execution
3. Hubei Jianbang Foundry Material Co., Ltd.	3,573,921.70	Contract is in-process of execution
4. Linzhou Hexin Casting Co., Ltd.	2,554,812.75	Contract is in-process of execution
5. Yicheng Tianli Ferroalloy Co., Ltd.	2,424,200.00	Contract is in-process of execution
6. Qingyuan Yijie(Xiamen) New Energy Engineering Co., Ltd.	2,311,213.65	Contract is in-process of execution
7. Zhejiang Free Trade Zone Rongheng Regeneration Resources Technology Co., Ltd.	1,871,310.00	Contract is in-process of execution
8. Nanchang Sanfeng Automation Co., Ltd.	1,586,714.53	Contract is in-process of execution
9. Hubei Sanfeng Intelligent Transportation Equipment Co., Ltd.	1,299,145.29	Contract is in-process of execution
Total	23,137,019.92	/

Other notes

□ Applicable √ Not applicable

## 36. Advance from customers

(1) List of advance from customers

√ Applicable □ Not applicable

In RMB

Items	Closing balance	Opening balance
Within 1 year (Including 1 year)	18,361,176.03	49,147,880.67
Over 1 year	165,015.05	688,736.09
Total	18,526,191.08	49,836,616.76

(2) Significant advance from customers aging over one year

□ Applicable √ Not applicable

(3) Particulars of settled but unfinished projects formed by construction contract at period-end.

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

## 37. Payroll payable

(1) List of Payroll payable

√ Applicable □ Not applicable

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
I. Short-term salary	25,199,143.09	322,823,465.45	323,359,208.59	24,663,399.95
II. Post-employment benefits		25,941,089.62	25,941,089.62	
III. Termination benefits		1,978,835.04	1,978,835.04	
IV. Other welfare within 1 year				
Total	25,199,143.09	350,743,390.11	351,279,133.25	24,663,399.95

(2) List of Short-term salary

√ Applicable □ Not applicable

In RMB

Items	Balance in year-begin	Increase at this period	Decrease at this period	Balance in year-end
1. Wages, bonuses, allowances and subsidies	22,480,711.67	269,094,269.63	268,913,246.84	22,661,734.46
2. Employee welfare		22,499,523.13	22,499,523.13	
3. Social insurance premiums		18,617,588.83	18,617,588.83	
Including: Medical insurance		17,039,137.93	17,039,137.93	
Work injury insurance		969,086.05	969,086.05	
Maternity insurance		609,364.85	609,364.85	
4. Public reserves for housing		10,619,487.05	10,619,487.05	

5.Union funds and staff education fee	2,718,431.42	1,992,596.81	2,709,362.74	2,001,665.49
6. Short-term paid absences				
7.Short-term profit-sharing plan				
Total	25,199,143.09	322,823,465.45	323,359,208.59	24,663,399.95

(3) List of drawing scheme  
Applicable Not applicable

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
1. Basic old-age insurance premiums		25,077,409.51	25,077,409.51	
2.Unemployment insurance		863,680.11	863,680.11	
3. Annuity payment				
Total		25,941,089.62	25,941,089.62	

Other notes

Applicable  Not applicable

38. Taxes payable

Applicable  Not applicable

In RMB

Items	Year-end balance	Year-beginning balance
VAT		628,209.05
Consumption tax		
Business tax		49,982.56
Enterprises income tax	24,490,472.88	24,101,136.03
Personal income tax	360,479.02	466,033.66
Urban maintenance and construction tax	985,391.66	624,993.83
Property tax	881,293.65	757,954.45
Land use tax	894,318.88	881,177.58
Education surcharge	285,808.94	131,352.70
Other	1,209,479.80	729,216.68
Total	29,107,244.83	28,370,056.54

39. Interest payable

Applicable Not applicable

In RMB

Items	Year-end balance	Year-beginning balance
Installments of long-term interest-bearing loan interest and Interest on short-term loans payable principal at maturity	1,059,536.19	2,672,932.58
Corporate bond interest		
Interest on short-term loans payable	590,466.19	1,673,036.46
The preference shares are classified as financial liabilities \ perpetual debt interest		
Interest on loans to non-financial institutions		755,328.75
Total a	1,650,002.38	5,101,297.79

Particulars of significant overdue unpaid interest:

Applicable Not applicable

Other notes:

Applicable Not applicable

40. Dividends payable

√Applicable □ Not applicable

In RMB

Items	Closing balance	Opening balance
Common stock dividends	10,009,121.12	10,009,121.12
Preference shares classified as equity instruments \ perpetual debt dividend		
Preference shares\Perpetual debt dividend-XXX		
Preference shares\Perpetual debt dividend-XXX		
Dividends payable-XXX		
Dividends payable-XXX		
Total	10,009,121.12	10,009,121.12

## 41. Other accounts payable

(1) Other accounts payable listed by nature of the account

√Applicable □ Not applicable

In RMB

Items	Closing balance	Opening balance
Unit account	92,105,791.25	82,385,907.50
Petty cash	23,215.72	261.38
Deposit	2,026,638.35	1,754,599.34
Provisional account payable	49,056,527.89	59,299,473.52
Total	143,212,173.21	143,440,241.74

(2) Other significant accounts payable with aging over one year

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

## 42. Holding unsold liabilities

□ Applicable √ Not applicable

## 43. Non-current liabilities due within 1 year

√ Applicable □ Not applicable

In RMB

Items	Closing balance	Opening balance
Long-term loans due 1 year	37,445,000.00	31,820,000.00
Long-term bond payable due 1 year		
Long-term payable due 1 year		
Total	37,445,000.00	31,820,000.00

## 44. Other current liabilities

Other current liabilities

□ Applicable √ Not applicable

Changes on short term bonds payable:

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

## 45. Long-term loan

(1) Category of long-term loan

√Applicable □ Not applicable

In RMB

Items	Closing balance	Opening balance
Pledge loan		
Mortgage loan	270,450,000.00	302,270,000.00
Guarantee loan	16,250,000.00	27,500,000.00
Credit loan	1,440,000.00	1,440,000.00

Total	288,140,000.00	331,210,000.00
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Other notes

Applicable Not applicable

#### 46. Bonds payable

(1) Bonds payable

Applicable Not applicable

(2) Changes on bonds payable (not including other financial instrument classified as preferred stock and perpetual capital securities of financial liabilities)

Applicable Not applicable

(3) Note to conditions and time of share transfer of convertible bonds

Applicable Not applicable

(4) Other financial instruments that are classified as financial liabilities

The issuance of preferred stock and other financial instruments such as perpetual debt

Applicable Not applicable

Table of changes in financial instruments such as preferred stock and perpetual debt

Applicable Not applicable

Other financial instruments are classified as financial liabilities

Applicable Not applicable

Other notes

Applicable Not applicable

#### 47. Long-term payable

(1) Long-term payable listed by nature of the account

Applicable Not applicable

In RMB

Items	Opening balance	Closing balance
Money should be paid to Yuandong International Leasing Limited	17,085,779.67	0

Other notes

Applicable Not applicable

#### 48. Long term payroll payable

Applicable Not applicable

#### 49. Special payable

Applicable Not applicable

In RMB

Items	Opening balance	Opening balance	Decrease at this period	Opening balance	Reason
Huangshi Municipal Finance Bureau entrusted loan	33,000,000.00			33,000,000.00	
Total	33,000,000.00			33,000,000.00	/

#### 50. Accrued liabilities

Applicable Not applicable

#### 51. Deferred income

Deferred income

Applicable Not applicable

In RMB

Items	Opening balance	Increase	Decrease	Closing balance	Formation reasons
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Government subsidy	115,583,696.86	41,169,600.00	12,481,396.70	144,271,900.16	
Total	115,583,696.86	41,169,600.00	12,481,396.70	144,271,900.16	/

## (2) Details of government subsidies

√ Applicable □ Not applicable

In RMB

Items	Beginning of term	New subsidy in current period	Amount transferred to non-operational income	Other changes	End of term	Asset-related or income-related
Refrigeration compressor industrial transformation of special funds	3,767,291.67		267,492.00		3,499,799.67	Asset-related
Major special funds	3,168,750.00		225,000.00		2,943,750.00	Asset-related
Compressor industrial projects	12,912,232.62		916,848.00		11,995,384.62	Asset-related
Huangshi City, construction of affordable housing subsidies	544,906.54		38,688.00		506,218.54	Asset-related
Daye Luo bridge new plant construction subsidies	802,393.33		104,664.00		697,729.33	Asset-related
Technology projects subsidies	4,900,000.00		700,000.00		4,200,000.00	Asset-related
land compensation fee	2,995,248.00		126,564.00		2,868,684.00	Asset-related
The special funds of Special Power Supply Line Construction Period III	2,700,000.00		300,000.00		2,400,000.00	Asset-related
The subsidy of financial infrastructure	20,542,208.03		1,700,794.03		18,841,414.00	Asset-related
The Subsidy funds for machinery and equipment	41,666,666.67	40,000,000.00	7,644,539.67		74,022,127.00	Asset-related
Finance Bureau subsidy	10,619,000.00		229,600.00		10,389,400.00	Asset-related
PDM data center management system to the public	225,000.00		99,993.00		125,007.00	Asset-related
Industrial transformation and upgrading of the project subsidy funds	10,740,000.00		44,750.00		10,695,250.00	Asset-related

Fixed asset investment plan for 2017		600,000.00	35,000.00		565,000.00	Asset-related
Compressor parts revamping project		569,600.00	47,464.00		522,136.00	Asset-related
Total	115,583,696.86	41,169,600.00	12,481,396.70		144,271,900.16	/

Other notes

Applicable  Not applicable

52. Other non-current liabilities

Applicable  Not applicable

53. Share capital

Applicable  Not applicable

In RMB

	Balance in year-beginning	Changed (+, -)					Balance in year-end
		Issuance of new share	Bonus shares	Capitalization of public reserve	Other	Subtotal	
Total of capital shares	235,000,000.00						235,000,000.00

54. Other equity instruments

(1) Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-end

Applicable  Not applicable

(2) Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-end

Applicable  Not applicable

Changes, reason of change and basis of relevant accounting treatment of other equity instruments in reporting period:

Applicable  Not applicable

Other notes

Applicable  Not applicable

55. Capital reserves

Applicable  Not applicable

In RMB

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium	180,001,555.45			180,001,555.45
Other capital reserves	10,110,280.81			10,110,280.81
Total	190,111,836.26			190,111,836.26

56. Treasury stock

Applicable  Not applicable

57. Other comprehensive income

Applicable  Not applicable

In RMB

Items	Beginning	Occurred current term	End of term
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	of term	Amount occurred before income tax of the period	Less: Accounted as other gains previously but transferred to gain/loss this period	Less: Income tax expenses	Attributable to the parent Company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss							
Including: Change as a result of remeasurement of the net defined benefit plan liability or asset							
Share of other comprehensive income of the investee under the equity method that will not be reclassified to profit or loss							
II. Other Comprehensive income that will be reclassified subsequently to profit or loss	657,887.24	138,259.76			138,259.76		796,147.00
Including: Share of other comprehensive income of the investee under the							



equity method that will be reclassified to profit or loss							
Gains or losses on changes in fair value of available-for-sale financial assets							
Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets							
Effective portion of gains or losses on cash flow hedges							
Translation differences of financial statements denominated in foreign currencies	657,887.24	138,259.76			138,259.76		796,147.00
Total of other comprehensive income	657,887.24	138,259.76			138,259.76		796,147.00

## 58. Special reserves

Applicable  Not applicable

## 59. Surplus reserves

Applicable  Not applicable

In RMB

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	49,674,959.93	5,581,996.78		55,256,956.71
Discretionary surplus reserves				
Reserve funds				
Enterprise development funds				
Other				
Total	49,674,959.93	5,581,996.78		55,256,956.71

## 60. Retained profits

√ Applicable  Not applicable

In RMB

Items	Amount of this period	Amount of last period
Before adjustment: Retained profits at the end of priodyear	611,690,176.32	532,439,208.01
Adjustment: Total retained profits at the beginning of year		
After adjustment: Retained profits at the beginning of year	611,690,176.32	532,439,208.01
Add: Net profit attributable to shareholders of the parent Company for the period	83,402,663.88	83,040,363.66
Less: Appropriation to statutory surplus reserve	5,581,996.78	3,789,395.35
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Ordinary shares' dividends payable	23,500,000.00	
Ordinary shares' dividends converted into share capital		
Retained profits at the end of the period	666,010,843.42	611,690,176.32

## 61. Business income, Business cost

√ Applicable  Not applicable

In RMB

Items	Amount of current period		Amount of previous period	
	Income	Cost	Income	Cost
Income from Main Business	3,722,331,925.90	3,180,830,541.84	3,409,757,876.03	2,887,447,650.31
Other Business income	66,975,929.40	45,311,451.22	63,760,395.40	55,432,736.60
Total	3,789,307,855.30	3,226,141,993.06	3,473,518,271.43	2,942,880,386.91

## 62. Business tax and subjoin

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Consumption tax		
Business tax		316,966.15
City maintenance and construction tax	7,723,779.39	4,498,400.93
Education surtax	3,310,184.94	1,927,886.05
Resource tax		
House tax	6,222,185.95	2,390,542.87
Land use tax	8,215,238.86	5,422,040.60
Vehicle and vessel usage tax	58,386.02	49,240.32
Stamp tax	2,716,823.93	2,091,703.67
Other	79,938.78	
Water Construction Fund	1,096,607.28	882,759.07
Local education surcharges	1,786,780.67	1,145,218.44

Total	31,209,925.82	18,724,758.10
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## 63.Sales expenses

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Transport costs	62,218,590.50	48,428,267.95
Travel expenses	4,491,371.57	3,991,352.05
Wege	24,137,669.84	19,692,382.12
Warranty expenses	24,089,140.10	28,247,203.38
Other	10,347,937.01	21,583,812.03
Total	125,284,709.02	121,943,017.53

## 64.Administrative expenses

√ Applicable  Not applicable

Items	Amount of current period	Amount of previous period
Wage	73,433,333.46	72,591,459.42
Travel expenses	14,160,547.17	12,818,185.95
Depreciation	9,759,390.72	10,345,756.27
Repair fees	1,385,312.31	1,518,814.43
Taxes		5,261,995.44
R& D expenses	151,385,325.46	154,818,413.07
Other	14,201,389.08	13,860,540.47
Total	264,325,298.20	271,215,165.05

## 65. Financial expenses

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Interest expense	75,835,362.27	67,720,748.91
Less: Incoming interests	-31,637,104.31	-18,366,785.37
Exchange gains/losses	6,523,695.44	
Less : exchange gains		-10,960,460.65
	3,073,322.00	2,635,519.73
Handling charges		
Total	53,795,275.40	41,029,022.62

## 66. Asset impairment loss

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
	7,344,641.02	4,555,710.55
I .Losses for bad debts		
II. Losses for falling price of inventory		
III. Losses of available for sale financial assets impairment		
IV.Impairment on held-to-maturity investments		
V.Impairment on long-term equity investment		

VI.Impairment on investment properties		
VII.Impairment on fixed assets		
VIII. Impairment on construction materials		
IX. Impairment on construction in progress		
X. Impairment on bearer biological assets		
XI. Impairment on oil and gas assets		
XII. Impairment on intangible assets		
XIII. Impairment on goodwill		
XIV.Other		
Total	7,344,641.02	4,555,710.55

## 67. Gains on the changes in the fair value

Applicable Not applicable

## 68. Investment income

Applicable Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Long-term equity investment income under equity method	-905,588.21	1,778,523.43
Investment loss through disposal of long-term equity investment		
Income from financial assets measured by fair value with changes in fair value recognised in profit or loss		
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss		
Investment income received from holding of held-to-maturity investments during holding period		
Investment income received from available for sale financial assets during holding period		
Investment income from disposal of available for sale financial assets		
Investment income from the remaining equity recalculated by fair value after losing control		
Total	-905,588.21	1,778,523.43

## 69. Non-operating gains

Non-operating gains

Applicable Not applicable

In RMB

Items	Amount of current period	Amount of previous period	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Gains from debt restructuring	1,487,009.27		1,487,009.27
Non-monetary assets exchange gains			

Accepting donations			
Government grants	20,466,741.00	38,293,336.06	20,466,741.00
Quality claims and other	8,710,344.80	5,064,646.84	8,710,344.80
fine income	211,010.73	1,775,863.91	211,010.73
Waste income	82,230.79	135,382.51	82,230.79
Electricity allowance	987,007.05		987,007.05
Other	131,078.55	341,840.57	131,078.55
Total	32,075,422.19	45,611,069.89	32,075,422.19

Government subsidy reckoned into current gains/losses

Applicable  Not applicable

In RMB

Items	Amount of this period	Amount of last period	Assets-related/income -related
Tax return	6,074,500.00	19,162,985.55	Related to income
Support Fund for the Development of Intelligent Home Appliances Industry	4,645,100.00		Related to income
Strong provincial subsidy	2,660,000.00		Related to income
Technological Center Capacity Building Project	1,747,700.00	1,252,500.00	Related to income
Industrial development subsidy	1,434,000.00		Related to income
Science and technology awards categories of government grants	1,247,441.00		Related to income
Special funds for foreign economic & trade Development	1,058,000.00	500,000.00	Related to income
subsidies for high - tech enterprises	810,000.00		Related to income
Provincial science and technology innovation and development of special funds	790,000.00	4,641,000.00	Related to income
Auto special project award		124,552.00	Related to income
Patent subsidy fund	669,776.00		Related to income
Talent subsidy fund	355,000.00		Related to income
Stabilization subsidy	345,250.00	2,717,638.00	Related to income
Staging included in deferred income	12,481,396.70	9,894,660.51	Related to income
Total	34,318,163.70	38,293,336.06	/

Other notes

Applicable  Not applicable

70. Non-Operation expense

Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period	The amount of non-operating gains & loss
Total of non-current asset Disposition loss			
Incl: loss of fixed assets disposition			
loss of intangible assets disposition			
Loss on debt reconstruction	127,275.59		127,275.59
Non-monetary asset exchange losses			
Foreign donations	165,000.00	230,000.00	165,000.00
Waste loss	11,178,286.31	7,948,819.84	11,178,286.31
Other	361,769.03	439,193.51	361,769.03
Total	11,832,330.93	8,618,013.35	11,832,330.93

71. Income tax expense

## (1) Lists of income tax expense

√ Applicable  Not applicable

In RMB

Items	Report period	Same period of the previous year
Current income tax expense	13,668,561.26	7,310,935.93
Deferred income tax expense	-114,157.78	3,460,424.79
Total	13,554,403.48	10,771,360.72

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

√ Applicable  Not applicable

In RMB

Items	Report period
Total profits	114,394,938.53
Current income tax expense accounted by tax and relevant regulations	14,699,129.15
Effect of different tax rates applicable to subsidiaries	
Income tax adjustments on prior periods	
Impact of non-taxable income	135,838.23
Impact of non-deductible costs, expenses and losses	9,464,087.95
Affect the use of deferred tax assets early unconfirmed deductible losses	
This issue does not affect the deferred tax assets recognized deductible temporary differences or deductible loss	2,119,751.09
Additional impact of research and development expenses deduction	-12,864,402.93
Income tax expenses	13,554,403.49

## Other notes

 Applicable √ Not applicable

## 72. Other comprehensive income

√ Applicable  Not applicable

Refer to the notes

## 73. Supplementary information to cash flow statement

## (1) Other cash received relevant to operating activities

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Other Unit	3,513,821.62	2,460,754.58
Fine and Quality compensation	6,082,313.43	7,182,351.31
Interest income	3,296,920.13	4,454,413.35
Rent and utilities	17,071,128.51	14,205,534.82
Government Subsidy	15,762,267.00	9,235,690.00
Total	45,726,450.69	37,538,744.06

## (2) Other cash paid relevant to operating activities

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Office ,transportation and other	107,964,592.46	97,626,917.46
Water and electricity	944,355.80	1,028,567.46
Technology Development costs	77,214,340.83	72,864,227.79

Other Current account	64,359,851.02	52,947,849.20
Total	250,483,140.11	224,467,561.91

## (3) Other cash received relevant to investment activity

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Government grants related to assets received	41,169,600.00	17,380,000.00
Total	41,169,600.00	17,380,000.00

## (4) Other cash paid relevant to Investment financing activity

 Applicable √ Not applicable

## (5) Other cash paid relevant to financing activity

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Including:		
Loans to non-financial institutions		146,000,000.00
Total		146,000,000.00

## (6) Other Cash payable related to Financing activities

√ Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Including:		
Customer service leasing assets cash payments	18,333.06	2,231.17
Repayment of loans to non-financial institutions		146,000,000.00
Total	18,333.06	146,002,231.17

## 74. Supplement Information for cash flow statement

## (1) Supplement Information for cash flow statement

√ Applicable  Not applicable

In RMB

Supplement Information	Amount of current period	Amount of previous period
I. Adjusting net profit to cash flow from operating activities		
Net profit	100,840,535.05	101,170,429.92
Add: Impairment loss provision of assets	7,344,641.02	4,555,710.55
Depreciation of fixed assets, oil and gas assets and consumable biological assets	161,396,324.64	151,926,802.14
Amortization of intangible assets	5,056,297.74	4,868,321.59
Amortization of Long-term deferred expenses	2,698,068.22	2,620,526.93
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets		
Loss from scrapping of fixed assets	11,096,055.52	7,813,437.33
Loss from fair change		
Financial cost	75,835,362.27	53,808,376.89
Loss on investment	905,588.21	-1,778,523.43
Decrease in deferred income tax assets	-114,157.78	3,460,424.79
Increased of deferred income tax liabilities		
Decrease of inventories	-162,036,025.61	21,978,972.51
Decease of operating receivables	56,566,899.10	-168,794,334.07

Increased of operating Payable	-92,806,752.04	-268,938,645.25
Other		
Net cash flows arising from operating activities	166,782,836.34	-87,308,500.10
II. Significant investment and financing activities that without cash flows:		
Transferring debts to capital		
Convertible corporate bond to mature within one year		
Leasing fixed assets through financing		
III. The information of net increase of cash and cash equivalent		
Balance of cash at the End of the period	541,382,061.70	301,740,407.38
Less: Balance of cash at the beginning of the period	301,740,407.38	553,841,516.54
Add: Balance of cash equivalent at the end of the period		
Less: Balance of cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	239,641,654.32	-252,101,109.16

(2) Net Cash paid of obtaining the subsidiary

Applicable Not applicable

(3) Net Cash receive of disposal of the subsidiary

Applicable Not applicable

(4) Cash and cash equivalents

Applicable  Not applicable

In RMB

Items	Closing balance	Opening balance
I. Cash	541,382,061.70	301,740,407.38
Including: cash at hand	1,311.83	1,310.84
Demand bank deposit	412,330,451.65	215,594,966.82
Demand other monetary funds	129,050,298.22	86,144,129.72
Usable money in Central Bank		
Money saved in associated financial bodies		
Money from associated financial bodies		
II. Cash equivalents		
Of which: bond investment which will due in three months		
III. Closing balance of cash and cash equivalents	541,382,061.70	301,740,407.38
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Other notes

Applicable  Not applicable

Notes : The balance of cash in the balance of more than three months due to the deposit margin of RMB78.3484 million. The deposit certificate pledged of RMB 9 million .

75. Note of statement of changes in the owner's equity

Explain "other" project name and adjustment amount of the adjustment of closing balance in previous year, etc.:



Applicable Not applicable

76. The assets with the ownership or use right restricted

Applicable Not applicable

In RMB

Items	Closing book value	Restricted reason
Monetary capital	216,398,728.18	To issue bank acceptance draft, L /C, time deposit certificate pledge
Note receivable		
Inventory		
Fixed assets	432,069,811.15	For loan mortgage
Intangible assets		
Total	648,468,539.33	/

77. Foreign currency monetary items

(1) Foreign currency monetary items

Applicable Not applicable

In RMB

Items	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			
Including: USD	8,544,912.34	6.5342	55,834,166.21
Euro	5,100,981.52	7.8023	39,799,388.11
HKD			
RMB			
RMB			
Account receivable			
Including: USD	25,118,430.26	6.5342	164,128,847.00
Euro	3,396,855.82	7.8023	26,503,288.19
HKD			
RMB			
RMB			
Long-term loans			
Including: USD			
Euro			
HKD			
RMB			
RMB			
Foreign currency accounting-XXX			
RMB			
RMB			
Short-term loans			
Including: USD	27,300,000.00	6.5342	178,383,660.00

(2) Note to oversea entities including: for significant oversea entities, shall disclose main operating place, recording currency and selection basis, if there are changes into recording currency, shall also disclose the reason.

Applicable Not applicable

78. Arbitrage

Applicable Not applicable

79. Government subsidy

1. Basis situation

Applicable Not applicable

In RMB

Type	Amount	Items	Amount of profits and losses for the current period
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The Subsidy funds for machinery and equipment	40,000,000.00	Deferred income	
Fixed asset investment plan for 2017	600,000.00	Deferred income	
Compressor parts revamping project	569,600.00	Deferred income	
Tax return	6,074,500.00	Non-operating income	6,074,500.00
Support Fund for the Development of Intelligent Home Appliances Industry	4,645,100.00	Non-operating income	4,645,100.00
Strong provincial subsidy	2,660,000.00	Non-operating income	2,660,000.00
Technological Center Capacity Building Project	1,747,700.00	Non-operating income	1,747,700.00
Industrial development subsidy	1,434,000.00	Non-operating income	1,434,000.00
Science and technology awards categories of government grants	1,247,441.00	Non-operating income	1,247,441.00
Special funds for foreign economic & trade Development	1,058,000.00	Non-operating income	1,058,000.00
subsidies for high - tech enterprises	810,000.00	Non-operating income	810,000.00
Provincial science and technology innovation and development of special funds	790,000.00	Non-operating income	799,000.00
Refrigeration compressor industrial transformation of special funds	267,492.00	Other income	267,492.00
Major special funds	225,000.00	Other income	225,000.00
Compressor industrial projects	916,848.00	Other income	916,848.00
Huangshi City, construction of affordable housing subsidies	38,688.00	Other income	38,688.00
Daye Luo bridge new plant construction subsidies	104,664.00	Other income	104,664.00
Technology projects subsidies	700,000.00	Other income	700,000.00
land compensation fee	126,564.00	Other income	126,564.00
The special funds of Special Power Supply Line Construction Period III	300,000.00	Other income	300,000.00
The subsidy of financial infrastructure	1,700,794.03	Other income	1,700,794.03
The Subsidy funds for machinery and equipment	7,644,539.67	Other income	7,644,539.67
Finance Bureau subsidy	229,600.00	Other income	229,600.00
PDM data center management system to the public	99,993.00	Other income	99,993.00
Subsidy fund for industrial transformation and upgrading project	44,750.00	Other income	44,750.00
Fixed asset investment plan for 2017	35,000.00	Other income	35,000.00
Compressor parts revamping project	47,464.00	Other income	47,464.00
Patent subsidy fund	669,776.00	Other income	669,776.00
Talent subsidy fund	355,000.00	Other income	355,000.00
Stabilization subsidy	345,250.00	Other income	345,250.00

## 2. Information about refunding government grants

Applicable Not applicable

## 80.Other

Applicable Not applicable

**VIII. Changes of merge scope**

## 1. Business merger not under same control

Applicable Not applicable

## 2. Business combination under the same control

Applicable Not applicable

(1) **The Merger of enterprises under the same control that occurred in the current period**

Applicable Not applicable

## (2) Combined cost

Applicable Not applicable

## (3) Book value of assets and liabilities of the merged party on the merger date

Applicable Not applicable

Other notes

Applicable Not applicable

## 3.Counter purchase

Applicable Not applicable

## 4.The disposal of subsidiary

Whether there a single disposition loses control of a subsidiary's investment

 Applicable  Not applicable

Other notes

Applicable Not applicable

Whether there are multiple transactions step by step dispose the investment to subsidiary and lost control in reporting period

 Applicable  Not applicable

## 5. Other reasons for the changes in combination scope

Notes to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation) and relevant information

Applicable Not applicable

## 6.Other

 Applicable  Not applicable**IX. Equity in other entities**

## 1. Equity in subsidiary

(1) The structure of the enterprise group\

Applicable Not applicable

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding(%)		Way of gaining
				Directly	Indirectly	
Wuhu Abaur Mechanical & Electrical Co., Ltd..	Wuhu	Wuhu	Manufacturing	75.00		Investment
Huangshi Dongbei Founry Co., Ltd.	Huangshi	Huangshi	Manufacturing		38.46	Under the same control business combination
Huangshi Dongbei International Trade Co., Ltd.	Huangshi	BVI	Trading	100.00		Under the same control business combination
Dongbei Electromechanical (Jiangsu) Co., Ltd.	Suqian	Suqian	Manufacturing	100.00		Investment
Dongbei(Wuhan) Technology	Wuhan	Wuhan	R&D Centre	100.00		Investment

Innovation Co., Ltd.						
Alashankou Dongbei Greenergy Co., Ltd.	Alashankou	Alashankou	Power Generation		80.00	Investment
Dongbei (Wuhu) Electromechanical Co., Ltd.	Wuhu	Wuhu	Trading	100.00		Investment
Huangshi Donglian New Energy Co., Ltd.	Huangshi	Huangshi	Unoperated		75.00	Under the same control business combination
Fengtai Donglian New Energy Technology Co., Ltd.		Huainan	Unoperated		75.00	Under the same control business combination
Wutai Jinhe New Energy Co., Ltd.		Wutai	Unoperated		75.00	Under the same control business combination

Notes: The holding subsidiary Wuhu Abaur Mechanical & Electrical Co., Ltd. holds a 51.28% stake of Huangshi Dongbei Foundry Co., Ltd; and holds 80% stake of Alashankou Dongbei Energy-saving Co., Ltd.; in the current period there were newly added subsidiaries Huangshi Donglian New Energy Co., Ltd, Fengtai Donglian New Energy Technology Co., Ltd and Wutai County Jinhe New Energy Co., Ltd due to the transfer of equity by the related party Hubei Dongbei New Energy Co., Ltd-with that the transfer price was a nominal price of 1 yuan, and all of them did not start normal operations; as of the reporting date, Huangshi Donglian New Energy Co., Ltd and Fengtai Donglian New Energy Technology Co., Ltd are handling the simple cancellation procedure, and Wutai County Jinhe New Energy Co., Ltd was cancelled on May 22, 2017.

(2) Significant not wholly owned subsidiary

Applicable  Not applicable

In RMB

Subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Wuhu Abaur Mechanical & Electrical Co., Ltd.	25.00	10,543,254.60		169,921,674.96
Huangshi Dongbei Foundry Co., Ltd.	48.72	9,904,788.73		65,578,932.62

Holding proportion of minority shareholder in subsidiary different from voting proportion:

Applicable  Not applicable

Other notes:

Applicable  Not applicable

(3) The main financial information of significant not wholly owned subsidiary

Applicable  Not applicable

In RMB'0000

Name	Year-end balance						Year-beginning balance					
	Current assets	Non current assets	Total assets	Current Liabilities	Non current liabilities	Total liabilities	Current assets	Non current assets	Total assets	Current Liabilities	Non current liabilities	Total liabilities
Wuhu Abaur Mechanical & Electrical Co., Ltd..	128,872.23	33,573.88	162,446.11	97,626.47	420.00	98,046.47	126,104.20	36,291.23	162,395.43	101,884.63	490.00	102,374.63
Huangshi Dongbei Foundry Co., Ltd.	30,722.19	16,834.13	47,556.32	33,642.18	453.77	34,095.95	28,180.12	18,082.48	46,262.60	32,632.41	2,202.82	34,835.23

Name	Amount of current period				Amount of previous period			
	Business income	Net profit	Total Comprehensive income	Cash flows from operating activities	Business income	Net profit	Total Comprehensive income	Cash flows from operating activities
Wuhu Abaur Mechanical & Electrical Co., Ltd..	151,008.24	4,378.85	4,378.85	15,898.44	127,836.89	5,777.48	5,777.48	-10,284.13
Huangshi Dongbei Foundry Co., Ltd.	52,481.27	2,033.00	2,033.00	-536.66	42,520.82	1,014.21	1,014.21	-3,066.59

(4) Significant restrictions of using enterprise group assets and pay off enterprise group debt

 Applicable  Not applicable

(5) Provide financial support or other support for structure entities incorporate into the scope of consolidated financial statements

 Applicable  Not applicable

Other notes:

 Applicable  Not applicable

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

 Applicable  Not applicable

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

 Applicable  Not applicable

3. Equity in joint venture arrangement or associated enterprise

 Applicable  Not applicable

In RMB

Name	Main operating place	Registration place	Business nature	Proportion(%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Huangshi Aibo Property Co., Ltd.	Huangshi	Huangshi	Real estate		24.00	Equity method
Hubei Jinling Fine Agriculture Co., Ltd	Huangshi	Huangshi	Development of the agricultural products		24.00	Equity method

(2) Main financial information of significant joint venture

Applicable  Not applicable

(3) Summary financial information of insignificant joint venture or associated enterprise

Applicable  Not applicable

(4) Note to the significant restrictions of the ability of joint venture or associated enterprise transfer funds to the Company

Applicable  Not applicable

(5) The excess loss of joint venture or associated enterprise

Applicable  Not applicable

(6) The unrecognized commitment related to joint venture investment

Applicable  Not applicable

(7) Contingent liabilities related to joint venture or associated enterprise investment

Applicable  Not applicable

(8) Significant common operation

Applicable  Not applicable

4. Equity of structure entity not including in the scope of consolidated financial statements

Related notes to structure entity not including in the scope of consolidated financial statements

6. Other

Applicable  Not applicable

## **X. The risk related financial instruments**

Applicable  Not applicable

## **XI. The disclosure of the fair value**

1. Closing fair value of assets and liabilities calculated by fair value

Applicable  Not applicable

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

Applicable  Not applicable

3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2

Applicable  Not applicable

4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3

Applicable  Not applicable

5. Sensitiveness analysis on unobservable parameters and adjustment information between opening and closing book value of consistent fair value measurement items at level 3

Applicable  Not applicable

6. Explain the reason for conversion and the policy governing when the conversion happens if conversion happens among consistent fair value measurement items at different levels

Applicable  Not applicable

7. Changes in the valuation technique in the current period and the reason for change

Applicable  Not applicable

8. Fair value of financial assets and liabilities not measured at fair value

Applicable  Not applicable

9. Other

Applicable  Not applicable

## XII. Related party and related party transactions

1. Parent company information of the enterprise

Applicable  Not applicable

In RMB'0000					
Name	Registered address	Nature	Registered capital	The parent company of the Company's shareholding ratio	The parent company of the Company's vote ratio
Huangshi Dongbei Electromechanical Group Co., Ltd.	Huangshi	Manufacturing	24,184.00	50.04	50.04

Notes

Huangshi Dongbei Electromechanical Group Co., Ltd was incorporated on January 18, 2002; registered address: No. 5, Wu Huang Road, Tieshan district Huangshi City, Hubei Province; legal representative: Yang Baichang; registered capital: RMB 241.8429 million; company type: other limited liability company; business scope: production and sales of refrigeration compressors, refrigeration equipment and spare parts, maintenance of refrigeration equipment, high-tech development, consulting; rental housing, car rental, real estate development.( if involves licensed operating items, it shall obtain permissions from relevant department before operation).Its holding stake of the company: 50.04%.

Final controlling party: Nil

Other notes:

Nil

2. Subsidiaries of the Company

See details to Notes IX..

Applicable  Not applicable

3. Information on the joint ventures and associated enterprises of the Company

The details to Notes of significant joint venture and associated enterprise of the Company

Applicable  Not applicable

Other notes

Applicable  Not applicable

4. Information on other related parties

Applicable  Not applicable

Name	Relationship with the Company
------	-------------------------------

Huangshi Dongbei Refrigerating Co., Ltd.	Controlled by the parent company Huangshi Dongbei Electromechanical Group Co., Ltd.
Huangshi Aibo Technology Development Co., Ltd.	One of the shareholders of the parent Company Huangshi Dongbei Electromechanical Group Co., Ltd., Trust holdings shares of Huangshi Dongbei Group Employees.
Wuhu Farici Investment Co., Ltd.	Other
Hubei Xingdong Investment Co., Ltd.	Other
Jiangsu Luoke Electrical Group Co., Ltd.	One of the shareholders of the parent Company Huangshi Dongbei Electromechanical Group Co., Ltd.
Huangshi Chenxin Photoelectric Co., Ltd.	Wuhu Farici Investment Co., Ltd. holding subsidiaries
Hubei Dongbei New Energy Co., Ltd.	Huangshi Aibo Technology Development Co., Ltd. holding subsidiaries
Dongbei New Energy (Wuhu) Co., Ltd.	Huangshi Aibo Technology Development Co., Ltd. holding subsidiaries
Hubei Jinling Fine agricultural Linyang Co., Ltd.	Huangshi Aibo Technology Development Co., Ltd. holding subsidiaries
Hubei Jinling Fine agricultural Co., Ltd.	Huangshi Aibo Technology Development Co., Ltd. holding subsidiaries
Huangshi Jinbei Dairy Co., Ltd.	Huangshi Aibo Technology Development Co., Ltd. holding subsidiaries
Huangshi Huangshi Director Dongxing Petty Loan Co., Ltd.	Wuhu Farici Investment Co., Ltd. holding subsidiaries
Huangshi Dongbei Refrigerator industry Co., Ltd.	Huangshi Dongbei Electromechanical Group Co., Ltd.'s parent company
Lin Yinkun	Director, General Manager
Lu Lihua	Deputy General Manager and Secretary of the board
Zhu Yushan	Deputy General Manager
Gao Jianjun	Deputy General Manager
Dou Zuwei	Deputy General Manager
Ma Yanping	Supervisor
Hu Rongzhi	Supervisor
Huangshi Dongbei Electronic Commerce Co., Ltd.	Controlled by the parent company Huangshi Dongbei Electromechanical Group Co., Ltd.
Jiangsu Dongbei Machinery Co., Ltd.	Controlled by the parent company Huangshi Dongbei Electromechanical Group Co., Ltd.
Wuhu Abaur Real estate Co., Ltd.	Other

## 5.Related-party transactions

### (1) Information on acquisition of goods and reception of labor service

Acquisition of goods and reception of labor service

√Applicable □ Not applicable

In RMB'0000

Related-party	Content	Amount of this period	Amount of last period
Huangshi Dongbei Refrigerating Co., Ltd.	Compressor parts		3.21
Jiangsu Luoke Electric Group Co., Ltd.	Compressor parts	35,684.31	31,026.44
Huangshi Aibo Technology Development Co., Ltd.	Compressor parts	65,204.84	54,705.85
Huangshi Dongbei Electromechanical Group Co., Ltd.	Compressor parts	4,567.96	2,704.53
Huangshi Jinbei Dairy Co., Ltd.	Agricultural products	335.05	316.73
Hubei Jinling Fine Agriculture Co., Ltd.	Agricultural products	96.32	84.57
Huangshi Chenxin Optoelectronic Co., Ltd.	Inspection equipment	294.06	
Hubei Dongbei New Energy Co., Ltd.	Compressor parts	1,673.37	
Hubei Dongbei New Energy Co., Ltd.	Photovoltaic		40,455.39
Huangshi Dongbei Electromechanical Group Co., Ltd.	Guarantee	200.00	



## Information of sales of goods and provision of labor service

√ Applicable □ Not applicable

In RMB'0000

Related-party	Content	Amount of this period	Amount of last period
Huangshi Dongbei Refrigerating Co., Ltd.	Compressor	2,265.29	1,153.53
Hubei Dongbei New Energy Co., Ltd.	Compressor parts	9.21	10.92
Huangshi Aibo Technology Development Co., Ltd.	Charge for electricity, materials for sale	1,109.59	3.55
Huangshi Chenxin Optoelectronic Co., Ltd.	Charge for electricity	296.79	
Huangshi Dongbei Electromechanical Group Co., Ltd.	Compressor parts		16.51
Jiangsu Luohe Electric Group Co., Ltd.	Storage fee	23.08	9.51
Huangshi Dongbei Electronic Commerce Co., Ltd.	Compressor	71.64	
Huangshi Jinbei Dairy Co., Ltd.	Charge for electricity	70.12	
Huangshi Aibo Technology Development Co., Ltd.	Guarantee	18.07	

Notes

□ Applicable √ Not applicable

## (2) Related trusteeship or contracting

Lists of entrust/contractee

□ Applicable √ Not applicable

Notes

□ Applicable √ Not applicable

The company commissioned the management / package list

□ Applicable √ Not applicable

Notes

□ Applicable √ Not applicable

## (3) Information of related lease

The Company was lessor

√ Applicable □ Not applicable

In RMB

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Huangshi Dongbei Electromechanical Group Solar energy Co., Ltd.	House	300,132.00	300,132.00
Hubei Dongbei New Energy Co., Ltd.	House	861,973.92	861,973.92
Huangshi Dongbei Refrigerating Co., Ltd.	House	6,331,839.84	6,331,839.84
Huangshi Jinbei Dairy Co., Ltd.	House	148,680.00	148,680.00
Jiangsu Luohe Electrical Group Co., Ltd.	House	308,940.00	308,940.00
Wuhu Abaur Real estate Co., Ltd.	House	3,000.00	6,000.00
Jiangsu Luohe Electrical Group Co., Ltd.	House	208,770.00	182,580.00

The company was lessee:

√ Applicable □ Not applicable

In RMB

Lessor	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Huangshi Dongbei Electromechanical Group Co., Ltd.	Land	36,000.00	36,000.00
Huangshi Aibo Technology Development Co., Ltd.	House	525,830.40	

Notes

□ Applicable √ Not applicable

## (4) Related-party guarantee

The company was guarantor:

Applicable  Not applicable

In RMB'0000

Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
Alashankou Dongbei Clean Co., Ltd.	35,000.00	2015/5/28	2027/11/17	No
Wuhu Abaur Mechanical & Electrical Co., Ltd.	43,678.10	2017/1/13	2018/12/13	No
Dongbei Electromechanical (Jiangsu) Co., Ltd.	13,092.34	2015/12/17	2020/12/31	No
Huangshi Aibo Technology Development Co., Ltd.	3,000.00	2017/11/20	2018/11/20	No
Huangshi Dongbei Electromechanical Group Co., Ltd.	5,797.90	2017/6/12	2018/11/6	No
Huangshi Dongbei Refrigerating Co., Ltd.	9,315.51	2017/1/24	2018/10/31	No
Huangshi Dongbei Foundry Co., Ltd.	13,005.05	2017/1/17	2018/10/23	No

The Company was secured party

Applicable  Not applicable

In RMB'0000

Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
Huangshi Dongbei Electromechanical Group Co., Ltd.	68,168.17	2016/7/14	2019/7/14	No
Wuhu Abaur Mechanical & Electrical Co., Ltd.	19,051.37	2017/1/13	2018/5/14	No
Wuhu Abaur Mechanical & Electrical Co., Ltd. And Equipment mortgage	3,000.00	2017/5/12	2018/5/11	No

Notes

Applicable  Not applicable

(5) Inter-bank lending of capital of related parties

Applicable  Not applicable

Applicable  Not applicable

(6) Related party asset transfer and debt restructuring

Applicable  Not applicable

In RMB

Related party	Content	Amount of current period	Amount of previous period
Hubei Dongbei New Energy Co., Ltd.	Stock equity transfer	1.00	
Huangshi Aibo Technology Development Co., Ltd	Fixed assets transfer	330,341.88	
Huangshi Chenxin Optoelectronic Co., Ltd.	Fixed assets transfer	2,513,333.33	

(7) Rewards for the key management personnel

Applicable  Not applicable

In RMB

Items	Amount of current period	Amount of previous period
Rewards for the key management personnel	3,192,042.69	2,440,650.56

## (8) Other related-party transactions

Applicable  Not applicable

## 6. Receivables and payables of related parties

## (1) Receivable

Applicable  Not applicable

In RMB

Items	Related parties	Items		Related parties	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Other receivable	Huangshi Jinbei Dairy Co., Ltd.	28,595.40	571.91		
Account receivable	Huangshi Dongbei Refrigerating Co., Ltd.	3,082,257.23		4,391,107.06	
Account receivable	Huangshi Dongbei Electronic Commerce Co., Ltd.	159,206.70	3,184.13		
Prepayment	Huangshi Dongbei Electromechanical Group Co., Ltd.	6,700,254.35		9,161,889.64	
Total		9,970,313.68	3,756.04	13,552,996.70	

## (2) Payables

Applicable  Not applicable

In RMB

Items	Related party	Book Balance at period end	Book Balance at period beginning
Account payable	Huangshi Dongbei New Energy Co., Ltd.	12,754,019.17	14,548,473.46
Other account payable	Hubei Dongbei New Energy Co., Ltd.	440,000.00	130,000.00
Account payable	Huangshi Aibo Technology Development Co., Ltd.	110,891,997.92	62,401,194.23
Other account payable	Huangshi Aibo Technology Development Co., Ltd.	3,010,000.00	6,000,000.00
Account payable	Huangshi Dongbei Electromechanical Group Solar Energy Co., Ltd.	301,005.00	302,005.00
Other account payable	Jiangsu Luoke Electrical Group Co., Ltd.	2,154,470.00	2,000,000.00
Account payable	Jiangsu Luoke Electrical Group Co., Ltd.	45,336,865.54	23,281,869.78
Advance Payments	Jiangsu Luoke Electrical Group Co., Ltd.	33,663.76	

## 7. Related party commitment

Applicable  Not applicable

## 8. Other

Applicable  Not applicable

**XIII. Stock payment**

## 1. The stock payment overall situation

Applicable  Not applicable

## 2. The stock payment settled by equity

Applicable  Not applicable

## 3. The stock payment settled by cash

Applicable  Not applicable

## 4. Modification and termination of the stock payment.

Applicable  Not applicable

## 5. Other

Applicable  Not applicable

**XIV. Commitments**

## 1. Significant commitments

Applicable  Not applicable

Nature and amount of significant commitments to externals existed on the balance sheet date and such commitments

As of the reporting date, the company did not have material events after the balance sheet date, and/or material commitments and/or contingencies needing to be disclosed.

## 2. Contingency

## (1) Significant contingency at balance sheet date

Applicable  Not applicable

## (2) The Company have no significant contingency to disclose, also should be stated

Applicable  Not applicable

## (3) Other

Applicable  Not applicable

**XV. Events after balance sheet date**

## 1. Significant events had not adjusted

Applicable  Not applicable

## 2. Profit distribution

Applicable  Not applicable

## 3. Sales return

Applicable  Not applicable

## 4. Notes of other significant events

Applicable  Not applicable

**XVI. Other significant events**

## 1. The accounting errors correction in previous period

## (1) Retrospective restatement

Applicable  Not applicable

## (2) Prospective application

Applicable  Not applicable

## 2. Debt restructuring

Applicable  Not applicable

## 3. Replacement of assets

## (1) Non-monetary assets exchange

Applicable  Not applicable

## (2) Other assets replacement

Applicable  Not applicable

## 4. Pension plan

Applicable  Not applicable

## 5. Discontinuing operation

Applicable  Not applicable

## 6. Segment information

## (1) Recognition basis and accounting policies of reportable segment

Applicable  Not applicable

## (2) The financial information of reportable segment

Applicable  Not applicable

(3) There was no reportable segment, or the total amount of assets and liabilities of each part of reportable segment, shall disclose the reason.

Applicable  Not applicable

## (4) Other notes

Applicable  Not applicable

## 7. Other important transactions and events have an impact on investors' decision-making

Applicable  Not applicable

## 8. Other

Applicable  Not applicable

**XVII. Notes s of main items in financial reports of parent company**

## (1) Account receivable

## 1. Classification accojnt receivables.

Applicable  Not applicable

In RMB

Classificat ion	Year-end balance					Year-beginning				
	Book balance		Provision for bad debts		Balance value	Book balance		Provision for bad debts		Balance value
	Amount	Prop ortio n(%)	Amount	Pro port ion( %)		Amount	Prop ortio n(%)	Amount	Pro port ion( %)	

Receivables with major individual amount and bad debt provision provided individually	102,289,188.94	13.58			102,289,188.94	38,563,613.96	5.40			38,563,613.96
2. Other Receivables provided bad debt provision in groups	650,970,345.49	86.42	25,133,292.43	3.86	625,837,053.06	675,938,358.52	94.60	25,412,056.84	3.76	650,526,301.68
Other Account receivable with minor individual amount but bad debt provision is provided										
Total	753,259,534.43	/	25,133,292.43	/	728,126,242.08	714,501,972.48	/	25,412,056.84	/	689,089,915.64

Receivable accounts with large amount individually and bad debt provisions were provided

Applicable  Not applicable

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

In RMB

Aging	Balance at year-end		
	Account receivable	Provision for bad debts	Proportion%
Within 1 year			
Including: Subitem within 1 year			
Subtotal within 1 year	636,617,251.98	12,732,345.04	2
1-2 years	868,572.81	43,428.64	5
2-3 years	1,610,002.78	483,000.83	30
Over 3 years			
3-4 years			
Over 4 years	11,874,517.92	11,874,517.92	100
4-5 years			
Over 5 years			
Total	650,970,345.49	25,133,292.43	

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision:

Applicable  Not applicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

Applicable  Not applicable

(2) Account receivables actually written-off during the reporting period

The withdrawal amount of the bad debt provision during the reporting period was of RMB25,133,292.43;

Of which the significant amount of the reversed or collected part during the reporting period was:

Applicable  Not applicable

(3) The actual write-off accounts receivable

Applicable  Not applicable

Of which: significant actual verification of accounts receivable

Applicable  Not applicable

(4) Top five of account receivable of closing balance collected by arrears party

Applicable  Not applicable

Name	Closing balance	Proportion (%)	Bad debt provision
1.Client 1	126,073,742.27	16.74	2,521,474.85
2.Client 2	88,445,827.29	11.74	1,768,916.55
3.Client 3	51,974,494.94	6.90	1,039,489.90
4.Client 4	50,923,986.48	6.76	
5.Client 5	46,953,694.14	6.23	
Total	364,371,745.12	—	5,329,881.29

(5) Account receivable which terminate the recognition owing to the transfer of the financial assets:

Applicable  Not applicable

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Applicable  Not applicable

Other notes:

Applicable  Not applicable

2. Other accounts receivable

(1) Other accounts receivable disclosed by category

Applicable  Not applicable

In RMB

Classification	Closing balance					Opening balance				
	Book Balance		Bad debt provision		Book value	Book Balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)		Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable of individual significance and subject to individual impairment assessment										
Other accounts receivable subject to impairment assessment by credit risk characteristics of a portfolio	335,504.27	100.00	7,610.09	2.27	327,894.18	137,184.87	100.00	2,743.70	2.00	134,441.17

Other accounts receivable of individual insignificant but subject to individual impairment assessment										
Total	335,504.27	/	7,610.09	/	327,894.18	137,184.87	/	2,743.70	/	134,441.17

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Applicable  Not applicable

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Not applicable

In RMB

Aging	Closing balance		
	Other account receivable	Bad debt provision	Withdrawal proportion(%)
Within 1 year			
Including: Subitem within 1 year			
Subtotal within 1 year	305,504.27	6,110.09	2
1-2 years	30,000.00	1,500.00	5
2-3 years			
Over 3 years			
3-4 years			
Over 4 years			
4-5 years			
Over 5 years	335,504.27	7,610.09	
Total			

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

Applicable  Not applicable

In the groups, other accounts receivable adopting other methods to accrue bad debt provision:

Applicable  Not applicable

(2)Accounts receivable withdraw, reversed or collected during the reporting period

the amount of the reversed or collected part during the reporting period was of RMB7,610.09.

Of which the significant amount of the reversed or collected part during the reporting period was of RMB 000:

Applicable  Not applicable

(3) The actual write-off other accounts receivable

Applicable  Not applicable

(4) Other accounts receivable classified by the nature of accounts

Applicable  Not applicable

In RMB

Nature	Closing book balance	Pening book balance
Current account	80,270.67	30,318.66
Petty cash	255,233.60	106,866.21
Total	335,504.27	137,184.87

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Applicable  Not applicable

(6) Accounts receivable involved with government subsidies

Applicable  Not applicable



(7) Other account receivable which terminate the recognition owing to the transfer of the financial assets

Applicable  Not applicable

(8) The amount of the assets and liabilities formed by the transfer and the continues involvement of other accounts receivable

Applicable  Not applicable

Other notes:

Applicable  Not applicable

### 3.Long-term equity investment

Applicable  Not applicable

In RMB

Items	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to the subsidiary	188,161,074.70		188,161,074.70	188,161,074.70		188,161,074.70
Investment to joint ventures and associated enterprises						
Total	188,161,074.70		188,161,074.70	188,161,074.70		188,161,074.70

#### (1) Investment to the subsidiary

Applicable  Not applicable

In RMB

Name	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Wuhu Abaur Mechanical & Electrical Co., Ltd.	33,339,800.00			33,339,800.00		
Dongbei International Trade Co., Ltd.	6,821,274.70			6,821,274.70		
Dongbei(Wuhan) Technology Innovation Co., Ltd.	8,000,000.00			8,000,000.00		
Dongbei Electromechanical (Jiangsu) Co., Ltd.	140,000,000.00			140,000,000.00		
Total	188,161,074.70			188,161,074.70		

#### (2) Investment to joint ventures and associated enterprises

Applicable  Not applicable

### 4.Business income and Business cost

Applicable  Not applicable

In RMB

Items	Report period		Same period of the previous year	
	Income	Cost	Income	Cost
Main Business	2,883,187,268.48	2,644,138,044.01	2,763,681,193.75	2,544,379,077.57
Other Business	83,617,931.32	44,229,005.22	278,800,585.34	243,586,334.71
Total	2,966,805,199.80	2,688,367,049.23	3,042,481,779.09	2,787,965,412.28

### 5.Investment income

Applicable  Not applicable

## 6.Other

Applicable  Not applicable

**XVIII. Supplement Information**

## 1.Non-recurring gains and losses of current year

Applicable  Not applicable

	In RMB	
Items	Amount	Notes
Non-current asset disposal gain/loss	-11,096,055.52	
Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.		
Governmental Subsidy accounted as current gain/loss, except for those subsidies at with amount or quantity fixed by the national government and closely related to the Company's business operation.	34,318,163.70	
Capital occupation fee collected from non-financial organizations and accounted as current gain/loss.		
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment		
Gains and losses from exchange of non-monetary assets		
Gains and losses from assets under trusted investment or Management		
Asset impairment provisions for force major such as natural disasters		
Gain/loss from debt reorganization		
Enterprise reorganization expenses, such as payment to staff placement and consolidation expenses		
Gain/loss from trades obviously departed from fair value		
Net gain/loss of current term from consolidation of subsidiaries under common control from beginning of term to the consolidation date		
Gain/loss from debt forecasting without connection to the main business operation		
In addition to normal business with the company effective hedging related business, holders of tradable financial assets, transactions and financial liabilities arising from changes in fair value gains and losses, as well as the disposal of trading of financial assets, trading financial liabilities and available-for-sale financial assets gains return on investment;		
Single impairment test for impairment of receivables transferred back to preparation		
Gains and losses obtained from external trusted loans		
The use of fair value measurement model of follow-up to the fair value of real estate investment gains and losses arising from changes		
According to tax, accounting and other laws, regulations, the requirements of the current Gain/loss for a one-time adjustment of the impact of the current Gain/loss;		
Entrusted with the operating of the trust to obtain fee income		
Net amount of non-operating income and expense except the aforesaid items	10,872,405.78	
Other non-recurring Gains/loss items		
.Amount of influence of income tax	- 5,413,718.92	
Amount of influence of minority interests	- 1,506,569.15	
Total	27,174,225.89	

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable  Not applicable

2. Return on equity (ROE) and earnings per share (EPS)

Applicable  Not applicable

Profit of the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	7.39	0.355	
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	4.98	0.239	

3. Differences between accounting data under domestic and overseas accounting standards

Applicable  Not applicable

4. Other

Applicable  Not applicable

## XII. Documents Available for Inspection

Documents Available for Inspection	Accounting statements carried with personal signatures and seals of legal representative, Chief Financial officer and Financial Principal.
Documents Available for Inspection	Original of Auditors' Report carried with the seal of Certified Public Accountants as well as personal signatures of certified Public accountants.
Documents Available for Inspection	The texts of all the Company's documents publicly disclosed on the newspapers and periodicals designated by China Securities Regulatory Commission in the report period.

Chairman of the board of directors: Zhu Jinming

Issue day approved by the Board of Directors: March 29, 2018

Revised information

Applicable  Not applicable