



**Bingshan Refrigeration & Heat Transfer  
Technologies Co., Ltd.  
2020 Annual Report**

**April, 2021**

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## **Section 1 Important Notice, Table of Contents, and Definitions**

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

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

**All the directors have attended this Board meeting of the Company.**

**There is no significant risk having adverse influence on attainment of the Company's future development strategy and business targets. The paragraph "Discussion and Analysis of the Business situation" in Section 4 of this Annual Report describes major risks the Company may be confronted with, including the risk of Increasing market competition risk, the market promotion for new product and new technology slow and the Accounts receivable is on the high side. See the related sections for the countermeasures to be taken by the Company.**

**The profit distribution proposal reviewed and adopted at this Board meeting of the Company is: Based on the total capital stock of 843,212,507 shares, the dividend of RMB 0.1 in cash (including tax) will be distributed for every 10 shares; The Company will not transfer the capital reserve to increase capital stock.**

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

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## Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2020 to Dec. 31 2020
The Company, this Company	Stands for	Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industry Co., Ltd., one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd.,one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Service Company	Stands for	Bingshan Technology Service (Dalian) Co., Ltd. one of the subsidiaries of the Company where the Company holds 100% of its shares.
Panasonic Compressor	Stands for	Panasonic Appliances Compressor (Dalian) Co., Ltd. one of the associated companies of the Company, where the Company holds 40% of its shares.
Panasonic Cold-Chain	Stands for	Panasonic Appliances Cold-Chain (Dalian) Co., Ltd. one of the associated companies of the Company, where the Company holds 40% of its shares.
Panasonic Refrigerating System	Stands for	Panasonic Appliances Refrigerating System (Dalian) Co., Ltd., one of the associated company of the Company, where the Company holds 20% of its shares
Fuji-Bingshan	Stands for	Dalian Fuji-Bingshan Vending Machine Co., Ltd., one of the associated companies of the Company, where the Company holds 49% of its shares.
JingXue Co.,Ltd.	Stands for	Jiangsu JingXue Insulation Technology Co.,Ltd., one of the associated companies of the Company, where the Company holds 29.212% of its shares.

## Section 2 About the Company

### I. Company information

Short form of the stock	Bingshan; Bingshan B
Stock code	000530; 200530
Listed stock exchange	Shenzhen Stock Exchange
Legal name in Chinese	冰山冷热科技股份有限公司
Legal name abbreviation in Chinese	冰山冷热
Legal English name	Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.
Legal English name abbreviation	Bingshan
Legal representative	Ji Zhijian
Registered address	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Post code of Registered address	116630
Office address	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Post code of Office address	116630
Internet web site of the Company	<a href="http://www.bingshan.cn">www.bingshan.cn</a>
E-mail of the Company	<a href="mailto:000530@bingshan.com">000530@bingshan.com</a>

### II. Contact persons and information

	Secretary of the Board of Directors	Authorized representative for securities affairs
Name	Song Wenbao	Du Yu
Address	Bingshan Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone	Bingshan Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Tel.	0411-87968130	0411-87968822
Fax	0411-87968125	0411-87968125
E-mail	<a href="mailto:000530@bingshan.com">000530@bingshan.com</a>	<a href="mailto:000530@bingshan.com">000530@bingshan.com</a>

### III. Information disclosure and place of preparation for inquiry

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

### IV. Alteration to the registration

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

### V. Other related information

Accounting firm engaged by the Company

Name of accounting firm	ShineWing CPAs (Special General Partnership)
Office location of accounting firm	9/F,A Building No.,8 north street of Chao Yang Men, Dong Cheng District Beijing, China
Name of signing certified public accountant	Sui Guojun, Wang Dong

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

Applicable  Not applicable

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

Applicable  Not applicable

## VI. Main accounting data and financial indicators

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

Applicable  Not applicable

	2020	2019	Increase/decrease compared with previous year	2018
Operating revenue	1,727,267,935.15	1,831,851,280.70	-5.71%	1,966,064,612.44
Net profit attributable to shareholders of listed companies	21,341,133.39	89,112,113.43	-76.05%	110,503,175.90
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	6,128,351.99	21,406,535.65	-71.37%	45,862,588.97
Net cash flow from operating activities	-13,142,427.45	12,695,071.81	-203.52%	-119,657,885.64
Basic earnings per share	0.025	0.106	-76.42%	0.13
Diluted earnings per share	0.025	0.106	-76.42%	0.13
Weighted average return on net asset yield	0.64%	2.63%	Decrease 1.99 percentage points	3.21%
	2020.12.31	2019.12.31	Increase/decrease compared with previous year	2018.12.31
Total assets	5,681,568,328.36	5,525,503,256.26	2.82%	5,568,279,452.26
Owner's equity attributable to shareholders of listed companies	3,375,609,788.07	3,379,565,029.89	-0.12%	3,377,633,617.02

The net profit attributable to shareholders of listed companies declined significantly compared with the same period last year, the main reasons are as follows: 1. There was a large amount of non-recurring income in the same period last year, details as follows: (1) The Gain from change in fair value of Guotai Junan has been recorded into the current profit and loss since Jan. 1, 2019, which is about 42.33 million yuan; (2) During the same period of last year, the Company's exchangeable corporate bondholders exchanged a total of 8.3889 million shares, increasing the current investment income about 40.57 million yuan. 2. During the reporting period, there are large amount of non-recurring losses, mainly due to that the negative change in fair value of Guotai Junan has made the Company loss about 10.53 million yuan in 2020.3. In 2020, the profit of associated companies of the Company realized a reduction in profits, the Company's investment income decreased accordingly.

The lower of the Company's net profit before and after deduction of non-recurring gains and losses in the most recent three fiscal years are all negative, and the audit report in the last year shows that the Company's ability to continue operations is uncertain

Applicable  Not applicable

The lower of the net profit before and after non-recurring gains and losses is negative

Applicable  Not applicable

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

Applicable  Not applicable

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

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

## 3. Explanation of reasons for differences in accounting data under domestic and foreign accounting standards

Applicable  Not applicable

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

## VIII. The quarter main financial indicators

	the first quarter	the second quarter	the third quarter	the fourth quarter
Operating revenue	463,218,112.74	410,185,301.72	462,998,187.84	390,866,332.85
Net profit attributable to shareholders of listed companies	-58,673,476.79	35,069,131.27	27,947,259.43	16,998,219.48
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	-29,177,871.92	20,920,876.93	10,312,723.62	4,072,623.36
Net cash flow from operating activities	-81,344,046.60	2,993,357.85	-18,397,809.85	83,606,071.15

## IX. Non-recurring profits and losses and their amounts

item	2020	2019	2018
Disposal gains and losses of non-current asset	-169,550.05	1,132,131.30	374,143.29
Government subsidies included in current profit or loss	17,952,461.57	3,707,100.00	8,124,911.87
Earnings from the Company get subsidiaries, associated companies and joint venture investment cost less than get investment should enjoy the invested entity produced by the fair value of the identifiable net assets yield			1,070,288.17
Debt restructuring gains and losses		1,999,241.94	
Disposal gains from investments on financial assets available for sale, and gains from fair value change of financial assets available for sale	4,362,148.57	72,282,942.52	66,702,217.88
Reversal of provision for impairment of accounts receivable and contract assets under separate impairment test			
Other non-operating revenue or expense	-4,643,229.90	481,549.43	29,037.03
Others		554,176.99	
Influence on income tax	1,995,261.63	12,122,009.11	11,478,840.61
Influence on minority shareholders	293,787.16	329,555.29	181,170.70
Total	15,212,781.40	67,705,577.78	64,640,586.93

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## Section 3 The Company's Business profile

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

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

### II. Major changes in main assets

#### 1. Major changes in main assets

Main assets	Explain for major changes
Inventories	Significantly increased on a year-on-year basis, mainly because the Company's unfinished construction projects increased in the current period
Other current assets	Significantly increased on a year-on-year basis, mainly because changes to adjust the value-added tax credit in the current period
Investment property	Significantly increased on a year-on-year basis, mainly because the Company's subsidiary, Wuhan New World Refrigeration leased part of the plant to be transferred in the current period

#### 2. The main overseas assets

Applicable  Not applicable

### III. Analysis of core competence

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

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

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

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

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

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



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## Section 4 Management discussion and analysis

### I. Summary

In 2020, the Company continued to focus on "exploitation, pragmatism, collaboration and action" to maintain strategic momentum, strengthen development confidence, focus on hot and cold main businesses, deepen market segmentation, continuously improve and innovate, and strive to achieve main business objectives. In 2020, the company achieved operating income of 1,727,267,935.15 yuan, a decrease of 5.71% on a year-on-year basis; net profit attributable to shareholders of listed companies was 21,341,133.39 yuan, a significant decrease on a year-on-year basis. The substantial change in net profit was mainly due to the large amount of non-recurring income in the same period last year, the large amount of non-recurring losses during the reporting period, and the decrease in operating income of associates, which resulted in a corresponding decrease in the Company's investment income.

During the reporting period, the Company made steady progress and operated prudently. The prevention and control of the epidemic situation was carried out pragmatically, the production and operation were stable and orderly, and the sales and orders steadily rebounded, and the improvement of main business achieved initial results. Optimized the business and coordination system, and more closely integrated technology and market. Renamed the Company, unified the trade name and trademark, enhanced the brand value of Bingshan, and highlighted the Company's hot and cold main business.

During the reporting period, Wuhan New World Refrigeration, a subsidiary of the Company, faced the impact of the epidemic and made efforts to reduce expenditure and increase revenue. Implemented flexible working system to improve the efficiency of employees' on-the-job operations and reduce labor costs. Strengthened the recovery of long-term debt and reduced asset impairment losses. Implemented product optimization to improve operational stability. Set up a special team to strengthen the market expansion of standard products and energy products.

During the reporting period, Bingshan Engineering Company, a subsidiary of the Company, established a professional work department to further develop its superior market segment. Taking advantage of the first class qualifications, we won the bid for many representative projects such as carbon dioxide project, corn deep processing project, central kitchen project, and ammonia system improvement project. The natural gas liquefaction market achieved new developments, and LNG general contracting projects got new orders. The installation of the freezing station for large air-cooled cold-storage transport boats that broke the monopoly of foreign ships was completed.

During the reporting period, Bingshan Service Company, a subsidiary of the Company, accelerated digital applications through online and offline two-wheel drives. Bingshan Industrial Refrigeration Technology Service Cloud Platform was awarded as the "Service-oriented Manufacturing Demonstration Platform in Liaoning Province" and has provided services for many Bingshan-funded enterprises. The machine room custody and transportation business was steadily promoted, the layout of national service outlets was optimized in an orderly manner, and the service capacity and management capabilities continued to be improved.

During the reporting period, Panasonic Appliances Compressor, the Company's associated company, continued to promote its transformation. Through the reform of the marketing system and the optimization of the product structure, the focus of sales has shifted from large customers to small and medium-sized customers, from the light commercial air-conditioning field to the multi-field coordinated development of refrigeration, rail transit and other fields. The CO<sub>2</sub> two-stage rolling rotor compressor for rail transit air-conditioning was selected as the "Innovative Product of China Refrigeration Expo 2020". It was awarded as the "Enterprise Technology Center in Liaoning

Province". As the scroll compressor continuously being replaced by the rotor compressor in the light commercial air-conditioning field and affected by the decline in overseas sales, the net profit realized in 2020 decreased on a year-on-year basis.

During the reporting period, Panasonic Appliances Cold Chain, an associate company of the Company, focused on the new retail and new catering markets. On the basis of strengthening sales in the supermarket, focused on core products such as refrigerating smart self pick-up cabinets, heating smart dining cabinets, and refrigerating smart vending cabinets, and optimized contactless distribution/sales solutions. Due to the decline in overseas sales and the existence of large equity transfer income in the same period last year, the net profit realized in 2020 had a dramatic decline on a year-on-year basis.

During the reporting period, Panasonic Appliances Refrigeration, an associate company of the Company, continued to improve its core competitiveness. Engineering orders increased significantly, and it signed 4 Olympic skating rink projects, and undertook several EPC projects. The optimization of the product structure was accelerated, and the CO<sub>2</sub> trans-critical piston compressor unit was sold. The full life cycle cold chain engineering network cloud platform with integrated solutions as the core was built in an orderly manner, and digital applications were firmly advanced. It was awarded as the "Gazelle Enterprise in Liaoning Province".

During the reporting period, Fuji Bingshan, an associate company of the Company, continued to adjust its marketing model and strengthen its leading products. Reduced the traditional marketing model based on operators, expanded the development of brand marketing, and promoted special marketing. Focused on leading products such as beverage machines, coffee machines, and integrated machines to better utilize comparative advantages. Affected by the financial strain of operators and the slowdown in market expansion, the net profit realized in 2020 had a dramatic decline on a year-on-year basis.

During the reporting period, Jingxue Company, an associate company of the Company, as an enterprise under review for the initial public offering on the ChiNext of the China Securities Regulatory Commission, submitted relevant applications to the ChiNext that started the pilot registration system, and was officially accepted by the Shenzhen Stock Exchange on July 1, 2020, and passed the deliberation of the ChiNext Listing Committee on December 29, 2020, it also needs to obtain a decision from the China Securities Regulatory Commission approving the registration

During the reporting period, in order to further focus on the hot and cold main business and strengthen the improvement of main business, the Company transferred all its 49% equity of Dalian Bingshan Group Management Consulting Co., Ltd.

## II. Analysis of main business

### 1. Summary

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

### 2. Sales income and costs

#### (1) Sales income structure

	2020		2019		Year-on-year increase/decrease
	Amount	Proportion to the Sales costs	Amount	Proportion to the Sales costs	
Total sales income	1,727,267,935.15	100%	1,831,851,280.70	100%	-5.71%
Refrigeration and air-conditioning equipment	1,680,314,480.42	97.28%	1,786,183,886.17	97.51%	-5.93%

Others	46,953,454.73	2.72%	45,667,394.53	2.49%	2.82%
Refrigeration and air-conditioning equipment	1,680,314,480.42	97.28%	1,786,183,886.17	97.51%	-5.93%
Others	46,953,454.73	2.72%	45,667,394.53	2.49%	2.82%
Northeast China	1,537,646,235.13	89.02%	1,608,028,766.52	87.78%	-4.38%
Central China	174,808,647.60	10.12%	208,593,617.94	11.39%	-16.20%
East China	14,813,052.42	0.86%	15,228,896.24	0.83%	-2.73%

## (2) Main business structure

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues on a year-on-year basis	Increase/decrease of operating costs on a year-on-year basis	Increase/decrease of gross profit on a year-on-year basis
By industry						
Refrigeration and air-conditioning	1,680,314,480.42	1,401,374,951.04	16.60%	-5.93%	-5.55%	Decrease 0.33 percentage points
By product						
Refrigeration and air-conditioning equipment	1,680,314,480.42	1,401,374,951.04	16.60%	-5.93%	-5.55%	Decrease 0.33 percentage points
By region						
Northeast China	1,496,892,891.50	1,208,165,229.91	19.29%	-1.97%	-3.73%	Increase 1.48 percentage points
Central China	168,608,536.50	180,807,368.55	-7.24%	-30.89%	-16.16%	Decrease 18.85 percentage points
East China	14,813,052.42	12,402,352.58	16.27%	-2.73%	-4.93%	Increase 1.93 percentage points

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

Yes  No

Industry category	Item	2020	2019	Year-on-year increase/decrease
Main refrigeration unit for industrial or commercial use	Sales volume	1,911	1,909	1.05%
	Production output	1,916	1,917	-0.05%
	Inventory level	386	381	1.31%

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

Applicable  Not applicable

## (4) Major orders in the hand of the Company

Applicable  Not applicable

## (5) Sales cost structure

Industry category	Item	2020		2019		Year-on-year increase/decrease
		Amount	Proportion to the operating costs	Amount	Proportion to the operating costs	
Refrigeration and air-conditioning	Direct materials	1,190,876,714.73	83.13%	1,282,680,299.30	84.52%	-7.16%
	Labor wages	136,954,335.52	9.56%	137,700,760.54	9.07%	-0.54%
	Depreciation	41,327,601.39	2.88%	30,995,627.76	2.04%	33.33%
	Utilities	16,693,515.58	1.17%	17,881,803.42	1.18%	-6.65%
	Others	46,671,942.69	3.26%	48,302,957.50	3.18%	-3.38%
	Total operating costs	1,432,524,109.91	100.00%	1,517,561,448.51	100.00%	-5.60%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

#### Information on the Company's major customers

Total sales volume from top five customers (yuan)	251,344,680.79
Proportion of the total sales volume from top five customers to the annual sales volume	14.55%
Proportion of the related party total sales volume from top five customers to the annual sales volume	11.98%

#### Information on the Company's top five customers

No.	Name of customer	Sales volume (yuan)	Proportion to the annual sales volume
1	Panasonic Cold-chain (Dalian) Co., Ltd	93,027,572.31	5.39%
2	Panasonic Refrigeration (Dalian) Co., Ltd.	45,338,115.66	2.62%
3	Wuyuan Runhaiyuan Industrial Co. Ltd	44,291,418.17	2.56%
4	BAC Dalian Co., Ltd.	37,735,772.48	2.18%
5	Panasonic Appliances Refrigerating System (Dalian) Co., Ltd.	30,951,802.17	1.79%
Total	—	251,344,680.79	14.55%

#### Information on the Company's major suppliers

Total purchase volume from top five suppliers (yuan)	173,531,987.04
Proportion of the total purchase volume from top five suppliers to the annual purchases volume	8.17%
Proportion of the related party total purchase volume from top five suppliers to the annual purchases volume	1.81%

#### Information on the Company's top five suppliers

No.	Name of supplier	Purchase volume (yuan)	Proportion to the annual purchase volume
1	Longkou Longpeng Precision Copper Pipe Co. Ltd	40,572,093.26	1.91%
2	Shenyang Bao Gang Northeast Trade Co., Ltd.	39,257,230.01	1.85%
3	BAC Dalian Co., Ltd.	38,558,623.38	1.81%
4	Chengdu New World Refrigeration Equipment Engineering Co., Ltd.	27,592,207.60	1.30%
5	Weilian Heat Transfer Technology (Shanghai) Co., Ltd.	27,551,832.80	1.30%
Total	—	173,531,987.04	8.17%

### 3. Expenses

	2020	2019	Increase/decrease of gross profit on a year-on-year basis	Explain for major changes
Selling expenses	83,740,476.90	131,188,733.71	-36.17%	Significantly decreased on a year-on-year basis, mainly because social relief, transportation expenses were adjusted to contract performance cost according to the new revenue criteria during the reporting period.
Administrative expenses	160,295,370.53	185,737,215.53	-13.70%	
Financial expenses	26,479,309.37	18,469,090.71	43.37%	Significantly increased on a year-on-year basis, mainly

				because interest expense and exchange loss increased.
R&D expenses	49,158,256.78	50,649,518.17	-2.94%	

#### 4. R&D expenditure

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

##### Information on R&D expenditure

	2020	2019	Increase/decrease on a year-on-year basis
The quantity of the person engaged in R&D	268	253	5.93%
The quantity proportion of the person engaged in R&D	10.77%	10.35%	Increase 0.42 percentage points
The spending amount on R&D (yuan)	57,382,896.29	64,272,675.78	-10.72%
R&D spending accounts for the proportion of revenue	3.32%	3.51%	Decrease 0.19 percentage points
The amount of R&D investment capitalization (yuan)	0.00	0.00	0.00%
Capitalize R&D investment for the proportion of R&D spending	0.00%	0.00%	0.00%

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

Applicable  Not applicable

Reasons for the substantial changes in the capitalization rate of R&D investment and its rationality

Applicable  Not applicable

#### 5. Cash flows

Item	2020	2019	Year-on-year increase/decrease
Sub-total of cash inflows from operating activities	1,639,373,926.67	1,500,287,936.95	9.27%
Sub-total of cash outflows from operating activities	1,652,516,354.12	1,487,592,865.14	11.09%
Net amount of cash flow generated in operating activities	-13,142,427.45	12,695,071.81	-203.52%
Sub-total of cash inflows from investing activities	184,194,481.36	114,176,663.50	61.32%
Sub-total of cash outflows from investing activities	14,869,095.73	114,061,103.54	-86.96%
Net amount of cash flow generated in investing activities	169,325,385.63	115,559.96	146,426.00%
Sub-total of cash inflows from financing activities	390,021,419.37	499,485,150.64	-21.92%
Sub-total of cash outflows from financing activities	531,151,803.02	515,351,305.19	3.07%
Net amount of cash flow generated in financing activities	-141,130,383.65	-15,866,154.55	-789.51%
Net increase in cash and cash equivalents	13,451,105.93	-3,176,079.91	523.51%

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

Applicable  Not applicable

1. Net cash flow arising from operation activities decreased on a y-o-y basis, mainly because the Company's cash for purchasing goods and accepting labor services increased in the current period.

2. Net cash flow arising from investing activities have a significant increase on a y-o-y basis, mainly because the Company transferred the equity of Dalian Bingshan Group Management Consulting Co., Ltd. and received one phase of transfer price.

3. Net cash flow arising from financing activities have a significant decrease on a y-o-y basis, mainly because the Company's cash received through borrowing decreased in the current period .

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

Applicable  Not applicable

There was a remarkable difference between the net amount of cash flow generated in operating activities of the

Company and the net annual profit in the reporting period, mainly due to that the proportion of returns on investment to the total profit of the Company was higher.

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

Applicable  Not applicable

### IV. Analysis of assets & liabilities

#### 1. Remarkable change in assets

Monetary unit: RMB yuan

	2020.12.31		2020.1.1		Proportion increase/decrease	Explain for major changes
	Amount	Proportion to the total assets	Amount	Proportion to the total assets		
Monetary funds	373,445,731.67	6.57%	373,445,731.67	6.01%	Increase 0.56 percentage points	
Accounts receivable	817,011,955.75	14.38%	817,011,955.75	17.32%	Decrease 2.94 percentage points	
Inventories	731,658,797.98	12.88%	731,658,797.98	9.76%	Increase 3.12 percentage points	Increase in inventories, mainly because the company's unfinished construction projects increased in the current period, according to the requirements of the new income standards, income cannot be recognized income.
Investment property	126,288,477.92	2.22%	126,288,477.92	1.74%	Increase 0.48 percentage points	
Long-term equity investment	1,597,241,363.62	28.11%	1,597,241,363.62	30.08%	Decrease 1.97 percentage points	
Fixed assets	891,147,058.82	15.68%	891,147,058.82	17.96%	Decrease 2.28 percentage points	
Construction in progress	34,254,599.42	0.60%	34,254,599.42	0.66%	Decrease 0.06 percentage points	
Short-term loans	282,971,600.00	4.98%	282,971,600.00	6.43%	Decrease 1.45 percentage points	
Long-term loans	160,000,000.00	2.82%	160,000,000.00	2.90%	Decrease 0.08 percentage points	

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

Applicable  Not applicable

Other non-current financial asset measured in fair value is 238,706,047.92 yuan at the year beginning, and 226,312,440.24 yuan at the year end, with a selling amount of 56,233,504.48 yuan.

### 3. Restrictions on asset rights as of the end of the reporting period

By the end of reporting period, the Company's asset rights was limited, including monetary funds 58,467,271.18 yuan, the reason for the limitation is the deposit and the bank account were frozen; notes receivable 12,175,402.47 yuan, the reason for the limitation is bank pledge.

### V. Analysis of investments

#### 1. The overall situation

Applicable  Not applicable

Investment in 2020(yuan)	Investment in 2019(yuan)	Amount of variation
1,597,241,363.62	1,662,181,009.14	-3.91%

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

Applicable  Not applicable

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

Applicable  Not applicable

#### 4. The financial asset investment

##### (1) The securities investment

Applicable  Not applicable

Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning	Changes in the profit and loss of the fair value in this period	Accumulative change of fair value credited to equity	Current sale amount	Report period profit and loss	Book value in the ending	Accounting subjects	Source of funds
601211	Guotai Jun'an	12,910,008.00	fair value measurement	238,706,047.92	-14,797,607.68	0.00	56,233,504.48	-9,450,704.56	226,312,440.24	Other Non-current financial assets	Own funds
total		12,910,008.00	--	238,706,047.92	-14,797,607.68	0.00	56,233,504.48	-9,450,704.56	226,312,440.24	--	--

As of December 31, 2020, the Company has held 12,910,008 shares of Guotai Jun'an Securities Co., Ltd. 2,800,000 shares was sold in this period. The Company received cash bonuses 5,346,903.12 yuan.

##### (2) Derivative investment

Applicable  Not applicable

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

#### 5. The use of funds raised

Applicable  Not applicable

### VI. The material assets and equity sale

#### 1. The material assets sale

Applicable  Not applicable

#### 2. The material equity sale

Applicable  Not applicable

Counterparty	Sold equity	Sale date	Transaction price (ten thousand yuan)	The net profit contributed by the equity to the listed	The impact of the sale on the Company	The percentage of the net profit contrib	Principles of Equity Sale Pricing	Related transaction or not	Relationship with the counterparty	The equity involved has all	Implemented as planned	Disclosure date	Disclosure Index
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				company from the beginning of the current period to the date of sale (ten thousand yuan)		uted by the equity sale to the total net profit of the listed company				been transferred or not	or not		
Dalian Bingshan Group Co. Ltd	The Company holds 49 percent equity of Dalian Bingshan Group Management Consulting Co., Ltd.	November 27, 2020	7,400.77	286.43	After the completion of this equity transfer, the Company will no longer hold equity of Bingshan Consulting, will further focus on the hot and cold main business and strengthen the improvement of main business. The company will use the funds from this equity transfer to replenish working capital or to repay bank loans.	51.22%	The transfer price is determined after evaluating the underlying equity according to the income method.	Yes	Bingshan Group is the Company's controlling shareholder and affiliated legal person.	Yes	Yes	November 28, 2020	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

## VII. Analysis of major subsidiary companies and mutual shareholding companies

√ Applicable □ Not applicable

Unit: ten thousand yuan (except for registered capital)

Company name	Type	The main business	registered capital	total assets	net assets	Operating income	Net profit
Panasonic Refrigerating	mutual shareholding	Refrigeration, air conditioning	RMB 10,500 thousand	68,834	18,970	68,426	3,246



System	company	equipment, metal pressure vessels and related parts, construction and installation engineering					
Panasonic Cold-Chain	mutual shareholding company	Commercial Refrigeration Equipment, Refrigeration Storage, Stainless Steel Kitchen Equipment and Electrical Appliances	JPY 4,650 million	172,576	67,683	139,325	1,998
Panasonic Compressor	mutual shareholding company	Scroll Compressor	JPY 6,200 million	155,551	117,110	90,581	8,193
Jiangsu Jingxue	mutual shareholding company	New building energy-saving board, refrigerated storage door	RMB 81,000 thousand	105,053	55,888	77,279	6,021
Bingshan Metal	mutual shareholding company	High-grade building hardware, plumbing equipment	USD 18,064.5 thousand	37,742	31,436	40,501	5,936

Subsidiary companies obtained or disposed in the reporting period

Applicable  Not applicable

### VIII. The structured corporate bodies which the Company controlled

Applicable  Not applicable

### IX. Development prospect of the Company

#### 1. Industry development trend

In recent years, the refrigeration and air-conditioning industry has become more and more prominent in consumption upgrades, food safety, and improvement of people's livelihoods, the high-end, intelligent, green and service-oriented industries are developing rapidly, the fields, competitors, products and connotation of competition are changing constantly.

In 2020, the refrigeration and air-conditioning industry was facing a more complicated and severe domestic and foreign market situation, issues such as intensified market competition, increased cost pressures, and difficulties in benefit improvement continue to plague the operation and development of the industry.

In 2021, the industry will continue to differentiate, competition will continue to intensify, difficulties and opportunities coexist. The transformation and upgrading of major enterprises in the industry will be further accelerated. Intelligent manufacturing, green manufacturing and service-oriented manufacturing will become increasingly prominent, and the pace of high-quality development will be more robust.

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## **2. Challenges and opportunities faced by the Company**

### **(1) Opportunities faced by the Company**

Energy saving, emission reduction and energy utilization efficiency have become the consensus of the whole society; carbon trading market has been gradually launched; regional energy system and comprehensive utilization of energy have been encouraged and supported by the state; ammonia refrigerant has been gradually lifted; biomass natural gas market has gradually formed.

With the strong technology bases, innovative business model, backwardness advantages of the intelligent factory and system advantages, the Company is capable of capturing the above opportunities in a good position.

### **(2) Challenges faced by the Company**

The production license system is cancelled, and the traditional market competition is intensified; the cultivation of energy conservation and emission reduction market still needs time; the transformation and upgrading process is complex, and there may be significant risk factors that have not been identified.

## **3. Development planning of the Company**

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

## **4. Capital requirement and fund sourcing plan**

In 2021, the capital expected to be required for the Company's production operation and capital operation will be financed by its own funds and appropriate financing.

## **5. Main risks the Company faces and response measures**

### **(1) Increasing market competition risk**

Countermeasures: focus on refrigeration and heating industries, optimize business system, deeply plough market segmentation and expand comparative advantage; improve intelligent manufacturing and service-based manufacturing in an orderly manner; accelerate transformation and upgrading of the existing business; accelerate cultivation of new businesses; create the Bingshan community of business and interest.

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

Countermeasures: create differentiated competitiveness of new products and technologies; strengthen the construction of model projects and demonstration projects; strengthen technology marketing and service marketing; make effective use of finance leasing, contract energy management and other innovative modes.

### **(3) Risk of high level of trade receivables**

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

## **6. Business plan in 2021**

In 2021, the Company will further focus on the hot and cold main business and market segments, focus on the

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improvement of main business and the cultivation of new kinetic energy, continuously improve and innovate, develop strengths and make up weaknesses, improve quality and efficiency, solidly enhance the core competitiveness, and strive to achieve the main business objectives.

In 2021, the main business strategies are as follows:

(1) Business enhancement. Give full play to the combat effectiveness of the business system of "seven departments and ten marketing regions", and form a marketing management mode with the business end as the core. Strengthen information collection, grasp the whole process of information management and control, and fully implement the project responsibility system management. Consolidate the inherent market, deeply cultivate the market segments, and develop new markets. Strengthen service, improve customer loyalty, and establish new partnership.

(2) Organization enhancement. Take the business flow as the link to establish a smooth and efficient system process. Closed loop management to promote special affairs, strict process control. Optimize the personnel structure and improve the incentive mechanism.

(3) Product enhancement. Optimize the existing products through standardized and skid design. Accelerate the research and development of new products and technologies to meet the future technology development strategy and market demand. Reduce R&D costs and improve product gross margin.

(4) Improvement of manufacturing power. Through process improvement and process optimization, reduce processing procedures, shorten welding and assembly cycle, and improve production efficiency. Through the use of new technology with equipment improvement, and tooling transformation, achieve quality improvement.

(5) Quality enhancement. Promote the rotation system, strengthen the team building, and ensure the effective implementation of quality standards. According to the Company's changes, revise the relevant quality management system documents, improve the system assurance. Strengthen supplier management and control, improve the quality of outsourcing support. Strict internal management, supervise continuous improvement.

The above-mentioned business plan does not represent the earnings forecast of listed companies for the year of 2021. Whether it can be achieved depends on the changes of market conditions and the efforts of management teams and other factors. There are great uncertainties. Investors should pay special attention to it.

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

Applicable    Not applicable

## Section 5 Important Issues

### I Profit distribution and dividend payment

By giving consideration to both the return to shareholders and the Company's long-term development, and in combination of the Company's profit made in this year, the Company formulated the 2019 annual dividend distribution plan of paying the cash of 0.3 yuan for every 10 shares. Reviewed and adopted at the Company's general meeting, the Company's Board of Directors has implemented the plan in July 2020.

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

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

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

Dividend year	Profit distribution plan	Plan of share-granting with capital accumulation fund
2020	RMB 0.1 yuan (cash) for every 10 shares (including tax)	none
2019	RMB 0.3 yuan (cash) for every 10 shares (including tax)	none
2018	RMB 0.5 yuan (cash) for every 10 shares (including tax)	none

year	Cash dividend amount (tax included)	Dividends in the annual consolidated net income attributable to common shareholders of the Company	Accounted for in the consolidated net income attributable to common shareholders of the Company
2020	8,432,125.07	21,341,133.39	39.51%
2019	25,296,375.21	89,112,113.43	28.39%
2018	42,160,625.35	110,503,175.90	38.15%

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

Applicable  Not applicable

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

Bonus shares to be presented for every 10 shares (shares)	0
Dividend to be distributed for every 10 shares (RMB yuan) (including tax)	0.1
Equity base for distribution preplan (shares)	843,212,507
Total amount of cash dividend distribution (RMB yuan) (including tax)	8,432,125.07
Profit distributable to the shareholders in the current year	990,593,941.49

Proportion of cash dividend distribution accounting for total profit distribution	100%
Cash dividend distribution policy:	
When the development stage of the company belongs to a growth period with important fund disbursement arrangement(s), the proportion of cash dividend distribution accounting for this profit distribution should reach 20% at minimum when conducting profit distribution.	
Notes to details about preplan for profit distribution or capital stock increase with capital reserve	
According to the audit by ShineWing CPAs (Special General Partnership), the net profit made by the parent company of the Company in 2020 was RMB 63.927 million and 10% of the net profit (RMB 6.393 million) was drawn as the legal surplus reserve. Therefore, the profit distributable to the shareholders in the current year was RMB 57.534 million.	
Plus the initial undistributed profit of RMB 988.765million and minus the dividend of RMB 25.296 million of common shares paid in 2019 and the drawn free surplus reserve of RMB 30.409 million (20%), the accumulated profit distributable to the shareholders was RMB 990.594 million.	
The Company's profit distribution preplan for 2020:	
Based on the net profit made by the parent Company of the Company in 2020 (63.927 million), 20% of the net profit (RMB 12.785million) will be drawn as the free surplus reserve;	
Based on the total capital stock of 843,212,507 shares, the dividend of RMB 0.1 in cash (including tax) will be distributed for every 10 shares, the total cash dividend is RMB 8.432 million, and the cash dividend for B share is converted and paid in Hong Kong dollars.	

### III Implementation of commitments

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

On July 5th, 2017, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.14-income”(No22 Caikuai[2017]) (hereinafter referred to as “updated income standard”). Since January 1, 2018, the updated income standard took effect for either the company both listed in overseas and domestic or IFRS or Accounting Standards for Business Enterprises adoption of the company listed overseas. The rest of domestic listed companies shall adopt the standard since January 1, 2020. When preparing the financial statements for 2020FY, the policy has been adopted and the accounting has been done in accordance with this standard.

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

Applicable Not applicable

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

Applicable Not applicable

## IX. Engagement and dismissal of the accounting firm

Currently engaged accounting firm

Name of domestic accounting firm	ShineWing CPAs (Special General Partnership)
Remuneration paid to the domestic accounting firm (in 10 thousand yuan)	107
Continuous audit service years of the domestic accounting firm	5
Name of certified public accountants with the domestic accounting firm	Sui Guojun, Wang Dong
Continuous audit service years of the certified public accountants	Sui Guojun 4 years, Wang Dong 5 years

If the CPA firm retaining was changed in this period

Applicable  Not applicable

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

Applicable  Not applicable

## XI. Bankruptcy restructuring related matters

Applicable  Not applicable

## XII. Major lawsuit and arbitration issues

Applicable  Not applicable

## XIII. Punishment and rectification

Applicable  Not applicable

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

Applicable  Not applicable

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

## XV. The implementation and effect of equity incentive

Applicable  Not applicable

## XVI. Important associated transactions

### 1. Important associated transactions

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 433,420 thousand yuan, accounting for 59.70% of the budgeted amount for the year 2020. This included 129,840 thousand yuan, accounting for 46.37% of the budgeted amount for the year 2020, for purchasing supporting products for package projects from associated parties, and 303,580 thousand yuan, accounting for 64.59% of the budgeted amount for the year 2020, from selling supporting parts and components to associated parties.

### 2. Associated transactions related to purchases or sales of assets

Applicable  Not applicable

In the reporting period, the Company sold its 49 percent equities of Bingshan Management Consulting, see Section 5 "Other associated transactions" for details.

### 3. Important associated transactions with joint external investments

Applicable  Not applicable

### 4. Current associated rights of credit and liabilities

Applicable  Not applicable

### 5. Other associated transactions

Applicable  Not applicable

To focus on hot and cold main businesses and strengthen the main business improvement, the Company and the Company's controlling shareholder Dalian Bingshan Group Co., Ltd. signed the "Equity Transfer Contract", the Company transferred all the 49 percent equity of Dalian Bingshan Group Management Consulting Co., Ltd. to Bingshan Group, the above matters were reviewed and approved at the 13th meeting of the 8th board of directors of the Company on November 27, 2020, the Company's "Announcement on Related Transactions on Transfer of Equity in Dalian Bingshan Group Management Consulting Co., Ltd." was disclosed in China Securities Journal and [www.cninfo.com.cn](http://www.cninfo.com.cn) (2020-030) on November 28, 2020.

Related inquiries about major related transaction interim report disclosure website

Name of temporary announcement	Disclosure date of temporary announcement	Website of disclosed temporary announcement
Announcement on Related Transactions on Transfer of Equity in Dalian Bingshan Group Management Consulting Co., Ltd.	November 28th, 2020	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

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## **XVII. Major contract and its performance**

### **1. Hosting, contracting and leasing status**

(1) the hosting status

Applicable  Not applicable

(2) the contracting status

Applicable  Not applicable

(3) the leasing status

Applicable  Not applicable

The 13th meeting of the 7th board of directors of the Company was held on April 22, 2017, and approved to rent out the old plant and land located in No 888, South West RD, Shahekou District, Dalian to Bingshan Wisdom. The lease contract is from April 1, 2017 to December 31, 2036. The Company has signed the "estate leasing contract" with Dalian Bingshan Wisdom based on the requirement of utilization of old land and plant and new business foster plan. Current year's lease premium is RMB 8.19 million.

On July 31, 2014, the Company and Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd. signed a supplementary agreement to modify the house lease contract, and rent out the Building No. 6 of Workshop No. 106, Liaohe East Road, Dalian Development Zone, to Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.. The rental area is 15,259.04 square meters, and lease period will end on July 16, 2029, the annual rent is RMB 3.81 million.

The Company's subsidiary Bingshan Lingxie signed a house lease contract with Dalian Jingxue Energy Saving Technology Co., Ltd. on June 1, 2017., and rent out the factory building located at No. 92 Tieshan West Road, Dalian Development Zone, to Dalian Jingxue Energy Saving Technology Co., Ltd.. The rental area is 3,653.76 square meters, and lease period from June 1, 2017 to May 31, 2022, the annual rent is RMB 1.08 million. And it also rent out the room 201, Building 4, No. 92 Tieshan West Road, Dalian Development Zone, to Dalian Jingxue Energy Saving Technology Co., Ltd.. The rental area is 25 square meters, and lease period from June 1, 2017 to May 31, 2022, the annual rent is RMB 15 thousand.

### **2. Guaranteeing status**

Applicable  Not applicable

### **3. Entrust others to cash assets management**

(1) Trust management

Applicable  Not applicable

(2) Entrusted loans

Applicable  Not applicable

(3) Other important contracts

Applicable  Not applicable

## **XVIII. Social responsibilities**

Applicable  Not applicable

### **1. Performance of precise poverty alleviation social responsibility**

(1) Overview of the annual targeted poverty alleviation

In 2020, to reflect social responsibility, the Company carried out assistance work from three aspects: "education assistance", "infrastructure improvement", and "consumer poverty alleviation":

First, poverty alleviation in education, the Company established Bingshan Love Education Center in Songlin Village, provided education and support to children from poor families, let more children from poor families can go to school and have books to read.

Second, poverty alleviation in infrastructure, the Company meets the needs of propaganda facilities in Songlin Village and sponsored Songlin Village to build a village-level wireless broadcasting system project.

Third, poverty alleviation in consumption. Support Guizhou goods to connect, through the purchase of local characteristics of liupanshui products, consumer support work.

## 2. Performance of other social responsibility

For the specific performance of social responsibilities by the Company, refer to the social responsibility report for 2020.

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

Yes  No

Enterprise or subsidiary	Main pollutant and features	Way of discharge	Number of discharge outlet	Distribution of the discharge outlet	Emission concentration	Pollutant discharge standard implemented	Total discharge	Total approved emissions	Excessive emission
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	COD	sequence	1	Unified discharged	154 mg/L	DB21 1627-2008	3.18 tons	None	Not over standard
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	5.43 mg/L	DB21 1627-2008	0.055 tons	None	Not over standard
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	Dust	sequence	1	Unified discharged	10.6mg/m <sup>3</sup>	GB9078-1996	2.75 tons	None	Not over standard

The Company received the new version of the "Sewage Discharge Permit" issued by the Dalian Ecological Environment Bureau in July 2020. The Company discharges within the limit according to the required emission concentration of the new version of "Sewage Discharge Permit".

### **XIX. Other important matters**

Applicable  Not applicable

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

Applicable  Not applicable



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## Section 6 Change in Share Capital and Shareholders' Information

### I. Change in share capital

#### 1. Change in share capital

items	Shares (before change)		Shares (after change)	
	number	proportion	number	proportion
I. Non-circulating share capital with restricted trade conditions	3,058,879	0.36%	3,058,879	0.36%
II. Circulating share capital	840,153,628	99.64%	840,153,628	99.64%
1. Domestically listed ordinary shares	598,653,628	71.00%	598,653,628	71.00%
2. Domestically listed foreign shares	241,500,000	28.64%	241,500,000	28.64%
III. Total shares	843,212,507	100.00%	843,212,507	100.00%

The reason for the Change in share capital

During the reporting period, the Company's supervisor Zhao Huiming has left office for half a year, his share lock-up ratio is restored to 75%, and the Company's share capital structure remained unchanged from the beginning of the year.

Approval of changes in shares

Applicable  Not applicable

The restricted shares changes

Applicable  Not applicable

### II. Securities issuance and listing

1. Securities issuance in the report period

Applicable  Not applicable

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

Applicable  Not applicable

3. Internal staff shares

Applicable  Not applicable

### III. Shareholders and actual controller

#### 1. Number of shareholders and their shareholding

Total number of shareholders in the reporting period	54,931	Total number of shareholders as of the last month before disclosure of the annual report	45,887		
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	20.27%	170,916,934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8.72%	73,503,150	0	0
Lin Zhenming	Foreign natural person	0.80%	6,740,000		
Zhang Sufen	Domestic natural person	0.60%	5,100,000		
Wu An	Domestic natural person	0.53%	4,500,000		
Sun Huiming	Domestic natural person	0.52%	4,384,079		
Xue Hong	Domestic natural person	0.42%	3,550,000		
Dalian industrial development investment Co., Ltd.	Domestic non-state-owned legal person	0.40%	3,406,725		
Kong Guiyan	Domestic natural person	0.37%	3,108,054		
Li Xiaohua	Domestic natural person	0.36%	3,062,908		
Shareholding of top ten shareholders without sale restriction					
Name	Number of shares without sale restriction		Type of shares		
Dalian Bingshan Group Co., Ltd.	170,916,934		RMB denominated ordinary shares		
Sanyo Electric Co., Ltd.	73,503,150		Domestically listed foreign shares		
Lin Zhenming	6,476,250		Domestically listed foreign shares		
Zhang Sufen	5,100,000		RMB denominated ordinary shares		
Wu An	4,500,000		Domestically listed foreign shares		
Sun Huiming	4,384,079		Domestically listed foreign shares		
Xue Hong	3,550,000		Domestically listed foreign shares		
Dalian industrial development investment Co., Ltd.	3,406,725		RMB denominated ordinary shares		
Kong Guiyan	3,108,054		RMB denominated ordinary shares		
Li Xiaohua	3,062,908		RMB denominated ordinary shares		
Notes to the associated relationship and uniform actions of the above shareholders	Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.				

## 2. Controlling shareholder of the Company

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

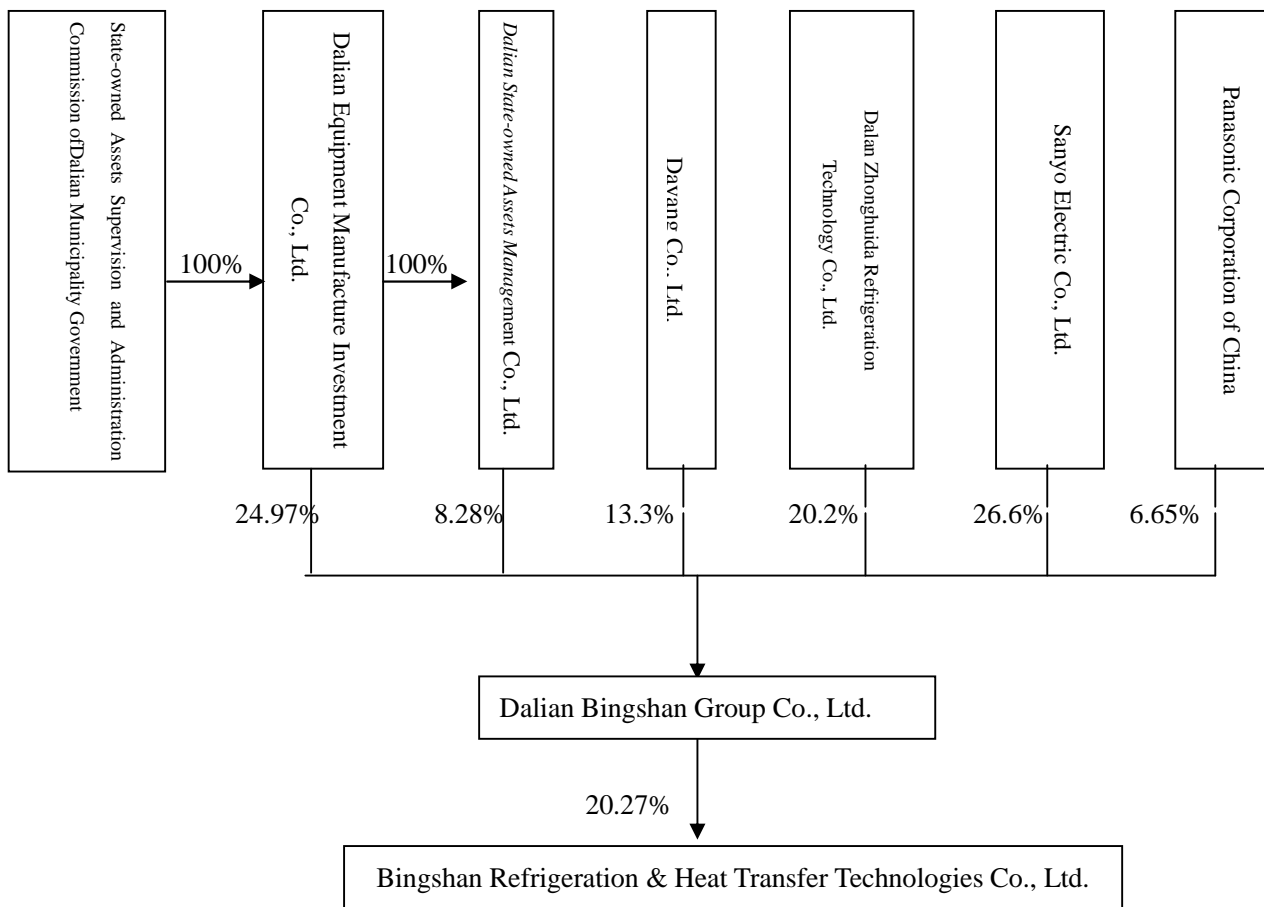
Change in the holding shareholder in the reporting period

Applicable  Not applicable

## 3. Actual controller of the Company

The company has no actual controller.

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



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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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## Section 7 Information on Preferred Stock

Applicable  Not applicable

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

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## **Section 8 Information on the Convertible corporate bonds**

Applicable  Not applicable

In the reporting period, the Company didn't own Convertible corporate bonds.

## Section 9 Information on the Company's Directors, Supervisors, Senior Management and Staff

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

Name	Position	Office-holding state	Sex	Age	Starting date of office term	Ending date of office term	Shares held at beginning of period (shares)	Increase on holding of shares in this period (shares)	Decrease in holding of shares in this period (share)	Shares held at the end of period (shares)
Ji Zhijian	Chairman	Incumbent	M	54	Mar. 27, 2014	Jan.17, 2022	1,528,830	0	0	1,528,830
Ding Jie	Vice Chairman	Incumbent	M	58	Jan. 21, 2016	Jan.17, 2022	525,000	0	0	525,000
Xu Junrao	Director	Incumbent	F	58	Mar. 27, 2014	Jan.17, 2022	995,349	0	0	995,349
Yokoo Sadaaki	Director	Incumbent	M	58	June 5,2019	Jan.17, 2022	0	0	0	0
Nishimoto Shigezuki	Director	Incumbent	M	54	June 5,2019	Jan.17, 2022	0	0	0	0
Dai Dashuang	Independent director	Incumbent	F	70	Feb.12, 2015	Feb.12, 2021	0	0	0	0
Liu Jiwei	Independent director	Incumbent	M	60	Feb.12, 2015	Feb.12, 2021	0	0	0	0
Wang Yan	Independent director	Incumbent	F	57	May.20 2015	May.20, 2021	0	0	0	0
Hu Xitang	Chairman of the board of Supervisors	Incumbent	M	53	Jan. 17, 2019	Jan.17, 2022	0	0	0	0
Li Sheng	Supervisor	Incumbent	M	41	May.15, 2020	Jan.17, 2022	0	0	0	0
Dai Yuling	Supervisor	Incumbent	F	43	Jan. 21, 2016	Jan.17, 2022	0	0	0	0
Yin Xide	General manager	Incumbent	F	50	Jan.1, 2021	Jan.17, 2022	90,080	0	0	90,080
Ma Yun	Chief Financial Officer	Incumbent	M	49	Jan. 21, 2016	Jan.17, 2022	35,000	0	0	35,000
Song Wenbao	Board secretary	Incumbent	M	47	Feb. 5, 2013	Jan.17, 2022	593,880	0	0	593,880
Fan Yuekun	Director DGM	Leaving	M	57	Otc.20, 2015	Mar.26, 2021	210,000	0	0	210,000
Zhao Huiming	Supervisor	Leaving	M	47	Jan. 17, 2019	May.15, 2020	190,447	0	0	190,447
Total	--	--	--	--	--	--	4,168,586	0	0	4,168,586

On December 15, 2020, the Company held the 14th Board Meeting of the 8th session, according to the needs of the Company's development, Mr. Ding Jie's position as the general manager of the

Company was dismissed; upon nomination by the chairman of the Company, Mr. Yin Xide was appointed as the general manager of the Company, and his term of office ended on the expiration of the term of office of the 8<sup>th</sup> board of directors of the Company. The formal dismissal and appointment date is January 1, 2021.

The Company's board of directors received written resignation reports from the Company's independent directors, Ms. Dai Dashuang and Mr. Liu Jiwei on March 19, 2021, because they have been re-elected for six years, they applied to resign from the position of independent director of the company. According to relevant regulations, the resignation reports of Ms. Dai Dashuang and Mr. Liu Jiwei will take effect after the Company's shareholders' meeting elects new independent directors to fill their vacancies.

On March 26, 2021, Mr. Fan Yuekun, the former director and deputy general manager of the Company, submitted his resignation due to position change. He will not hold any position in the Company after his resignation.

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

Name	Position held	Type	Date	Reason
Zhao Huiming	Supervisor	Leaving office	May.15,2020	Resign from the Company due to job changes
Li Sheng	Supervisor	Elected	May.15,2020	By-election of supervisors at general meeting of shareholders
Yin Xide	General manager	Appointed	Jan.1, 2021	Appointed by the Board of Directors
Fan Yuekun	Director DGM	Leaving office	Mar.26, 2021	Resign from the Company due to job changes

## III Office holding

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

Name	Position held	Professional background	Main work experience	main duties and responsibilities
Ji Zhijian	Chairman	doctorate degree in management of the Dalian University of Technology	Successively acting as GM, Chairman of Panasonic Cold-Chain.; Chairman and President of Dalian Bingshan Group Co., Ltd.; Chairman of the Company.	Related responsibilities of the Chairman
Ding Jie	Vice Chairman	graduate from Xi'an Jiaotong University, owed a master of business administration of Huazhong University of Science and Technology	Successively acting as GM, Chairman of Wuhan new world Refrigeration Co., Ltd. ; Vice Chairman and GM of the Company.	Related responsibilities of the Director
Xu Junrao	Director	The MBA and senior account	Successively acting as the Financial Majordomo, director of the Company; Vice President and chief accountant of Dalian Bingshan	Related responsibilities of



			Group Co., Ltd.	the Director
Yin Xide	General manager	graduated from Dalian University of Technology with a major in thermal energy engineering	Successively acting as the Sales Director of Sales Division, Deputy Minister and General Manager of Cryogenic Logistics Equipment Division of Panasonic Cold-Chain; served as GM of Panasonic Appliances Refrigerating System (Dalian) Co., Ltd.	Related responsibilities of the GM
Yokoo Sadaaki	Director	graduated from Kumamoto university	He has served as China president of Air conditioning Business Company of Panasonic Corporation Appliances Company, Panasonic Corporation officer, executive officer and Chairman of Panasonic Corporation of China. He is now serves as Panasonic Corporation executive officer, vice president of China & Northeast Asia Company, Chairman of Panasonic Corporation of China.	Related responsibilities of the Director
Nishimoto Shigeyuki	Director	graduated from Meiji university	He has served as the director of Financial Planning Room and Finance Department System Overall Room of Panasonic Corporation Headquarter. He is now serves as director of Regional Financial Integration Room, Financial Center of Panasonic Corporation China & Northeast Asia Company.	Related responsibilities of the Director
Dai Dashuang	Independent director	professor, international project management appraiser, Chinese registered consulting engineer.	She serves as professor and doctoral tutor of the school of business administration of Dalian university of Technology, the director of project management research center of Dalian university of technology.	Related responsibilities of the Independent director
Liu Jiwei	Independent director	doctor of management, professor of accounting, CPA.	He has served successively as the director of finance department, professor of the accountancy of Dongbei University of Finance and Economics.	Related responsibilities of the Independent director
Wang Yan	Independent director	graduate from China University of Political Science and Law, professor of law	She has served successively as vice dean of law school of Dongbei University of Finance and Economics, the director of Chinese society of Economic Law ,the president of the Economics law seminar of Liaoning Province law society, and the arbitrator of Dalian Arbitration Commission.	Related responsibilities of the Independent director
Hu Xitang	Chairman of Board of Supervisors	graduated from Nanjing University of Science and Technology	served as the chairman of the labor union of the Company.	Related responsibilities of the Supervisor
Li Sheng	Supervisor	graduated from Dalian University of Technology	acting as the Director of Operation Management Department of Dalian Bingshan Group Company Ltd.	Related responsibilities of the Supervisor
Dai Yuling	Supervisor	Senior Accountant	acting as the deputy chief of the Financial Dept. of Dalian Bingshan Group Company Ltd.	Related responsibilities of the Supervisor
Ma Yun	Chief Financial Officer	The Accountant	He has served successively as the Deputy chief of the Financial Management Dept. of the Company, the supervisor of the Company, and the Chief Financial Officer of Dalian Bingshan Group Sales Co.,	Related responsibilities of CFO

			Ltd.	
Song Wenbao	Board Secretary	graduate from Zhejiang University, CFA	Successively acting as representative for securities affairs, board secretary of the Company.	Related responsibilities of Board Secretary

#### Office holding in shareholder unit

√ Applicable □ Not applicable

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

#### Office holding in other units

√ Applicable □ Not applicable

name	unit name	Position held in other unit	If receiving remuneration or allowance from other unit
Ji Zhijian	Dalian Bingshan Group Management Consulting Co., Ltd.	Chairman	no
	Dalian Zhong Huida Refrigeration Technology Co., Ltd.	Chairman	no
Ding Jie	Wuhan SCF Power Control Equipment Co., Ltd.	Chairman	no
Xu Junrao	Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.,	Chairman	no
Dai Dashuang	Dalian Heavy Industry Group Co., Ltd.	Independent director	Yes
Liu Jiwei	Liaoning Cheng Da Co., Ltd.	Independent director	Yes
Liu Jiwei	Ling Yuan Iron & Steel Co., Ltd.	Independent director	Yes
Wang Yan	Dalian Linton NC Machine Co., Ltd.	Independent director	Yes

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

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

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

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

The total amount of remunerations actually ( pre-tax ) paid by the Company to directors, supervisors, and senior management was 3.7921 million yuan.

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

Name	Annual remuneration and allowance( pre-tax )paid by the Company (ten thousand yuan)
Ji Zhijian	0
Xu Junrao	0

Ding Jie	88.39
Fan Yuekun	74.37
Yokoo Sadaaki	0
Nishimoto Shigeyuki	0
Dai Dashuang	8.00
Liu Jiwei	8.00
Wang Yan	8.00
Hu Xitang	70.45
Dai Yuling	0
Li Sheng	0
Ma Yun	70.45
Song Wenbao	51.55
Zhao Huiming	0
Total	379.21

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

Applicable  Not applicable

## V. Status of the Company's staff

1. As of Dec. 31, 2020 the Company and its subsidiary had 2,487 enrolled employees, including 1,337 persons engaged in production; 336 persons engaged in marketing; 268 persons engaged in engineering and technology; 54 persons engaged in financing; and 492 persons engaged in management.

2. As of Dec. 31, 2020, among enrolled employees of the Company and its subsidiary, 75 persons have the educational background of Master or higher; 716 persons have the educational background of university; 738 persons have the educational background of junior college; and 958 persons have the educational background of secondary technical school or lower.

3. The statistical scope of the number of employees in this reporting period covers all subsidiaries, in the same period of last year, the scope of statistics covers major subsidiaries such as Wuxin Refrigeration, Bingshan Engineering, and Bingshan Service.

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

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

6. Labor outsourcing

Applicable  Not applicable

## Section 10 Corporate Governance

### I. Basic situation of corporate governance

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

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

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

Yes  No

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

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

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

### III. Horizontal competitions

Applicable  Not applicable

### IV Shareholders’ general meeting convened in the reporting period

#### 1. Annual Shareholders’ general meeting within this reporting period

Session number of meeting	The type of the meeting	The proportion of participate investors	date	Disclosing date	Disclosing index
The 1 <sup>st</sup> Extraordinary Shareholders’ General Meeting of 2020	Extraordinary Shareholders’ General Meeting	29.88%	Jan.16, 2020	Jan.17,2020	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2019 Annual Shareholders’ General Meeting	Annual Shareholders’ general meeting	29.74%	May 15, 2020	May 16, 2020	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

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

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

Attendance of independent directors to the meetings of the Board of Directors						
Name of independent director	Number of due board meetings in the reporting period	Number of attendances on the spot	Number of attendance by communication	Number of attendance by proxy	Number of absences	Failure to attend in person for successive two times or not
Dai Dashuang	7	1	6	0	0	No
Liu Jiwei	7	1	6	0	0	No
Wang Yan	7	1	6	0	0	No

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

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

## 3. Other description of independent directors' execution of duties

For details of the Company's independent directors' execution of duties, see the 2020 annual work report of the independent directors of the Company.

## VI.. Execution of duties of the special committees under the Board of Directors in the reporting period

### 1. Execution of duties of the audit committee under the Board of Directors

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

In the work of evaluation of a normative internal control system of the Company, the Auditing Commission brought into play actively the duty of organization, leadership and supervision. According to the Company internal control defect recognition standard, it examined and recognized the internal control defect recognition summary table developed by the internal control evaluation work group of the Company, and had an examination reading of the internal control evaluation report of the Company for 2020, believing that the status quo of the internal control system of the Company complies with related requirements and with the actual situation of the Company and it is being carried out satisfactorily. The internal control evaluation report of the Company for 2020 reflects the above facts accurately.

In the Company's 2020 annual audit work, the Audit Commission conducted positive communication and effective coordination with the audit institution ShineWing CPAs .The Audit Commission conducted communication with the person in charge of the project of the audit institution on the audit work plan, schedule, matters that should be noticed in audit and other matters and reached an agreement with them. In the process of audit, they kept close information on the progress of audit work and urged the audit institution many times to ensure the quality and schedule in the audit work. Through serious review of the Company's annual finance report and annual report after completion of the audit work, the Audit Commission believed that the Company's finance report was comprehensive and authentic, and the finance report and other information disclosed by the Company were objective and true, having reflected the true annual financial status of the Company.

The Audit Commission believed that in the 2020 annual audit service for the Company, ShineWing CPAs implemented the audit for the Company on the practicing basis of independency, objectivity and fairness and strictly abided by the new accounting standards. They worked out a well-considered plan, allocated all necessary personnel, positively contacted our Audit Commission and independent directors, and completed the 2020 annual audit service for the Company through its industrious and conscientious working. It is suggested that ShineWing CPAs should be reengaged as the auditing agency for the Company in 2021.

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

With performance of its duty according to the Implementation Rules for the Remuneration and Evaluation

Commission under the Board of Directors, the Remuneration and Evaluation Commission under the Board of Directors examined the annual salary and remuneration level of the Company's directors, supervisors and senior executives, and believed that the decision-making procedure for salary and remuneration of the above persons and the paying standard complied with the laws and regulations and the Company's regulations, and the salary and remuneration information disclosed in the Company's Annual Report for 2020 was authentic and exact.

## VII. Work of the Board of Supervisors

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

Applicable  Not applicable

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

## VIII. Performance evaluation and incentive system for senior management

The Company evaluated and rewarded senior management through the Company's examination procedure for assets operation performance in the reporting period.

## IX. The internal control system

### 1. Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control.

Applicable  Not applicable

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

### 2. Report on self-evaluation of internal control

Details of material weakness in the internal control found in the reporting period described in the report on self-evaluation of internal control	
There was no material weakness in the internal control found in the reporting period.	
Date of disclosing the full text of the report on self-evaluation of internal control	Apr.24, 2021
Disclosure reference to the full text of the report on self-evaluation of internal control	For the 2020 annual report on self-evaluation of internal control of the Company, visit the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

### 3. Internal control audit report

Description of the deliberation opinions in the internal control audit report	
We think that as of Dec. 31, 2020, Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. had maintained an effective internal control over the financial reports in all material aspects according to Basic Enterprise Internal Control Specification and relevant regulations.	
Date of disclosing the full text of the internal control audit report	Apr. 24, 2021
Disclosure reference to the full text of the internal control audit report	For the 2020 annual internal control audit report of the Company, visit the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

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

Applicable  Not applicable

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

Yes  No

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## **Section 11 Information on Corporate Bonds**

The Company's non-public issuance of exchangeable corporate bonds was listed at the Shanghai Stock Exchange on August 6, 2018. As of August 1, 2018, according to the using plan disclosed in the prospectus, the raised funds of the Company's non-public issuance of exchangeable corporate bonds have been used to repay bank loans. The special account for the Company's 2018 exchangeable corporate bonds fund raising was cancelled in March 2019. Till the reporting period, the Company's exchangeable corporate bondholders exchanged a total of 8.3889 million shares.

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## Section 12 Financial Report

### 1. Opinion

We have audited the financial statements of Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd (“Bingshan Refrigeration & Heat Company”), which comprise the consolidated as well as Company’s balance sheet as at 31 December 2020, the Company’s and the consolidated income statement, cash flow statement and statement of changes in shareholders’ equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Bingshan Company present fairly, in all material respects, the Company’s and the consolidated financial position as at 31 December 2020, the Company’s and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### 2. Basis for Opinion

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

### 3. Key Audit Matters

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

<b>Revenue Recognition</b>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
Revenue of Bingshan Refrigeration & Heat Company and its subsidiaries mainly come from sales of products and installation. The key	The main audit procedures carried out for addressing the key audit matters are as follows: 1. Understand and evaluate effectiveness of design and operation of the management ‘s internal control over revenue



<p>concern about the sales revenue is due to the large sales quantities and any potential misstatements existing in the revenue recognition within the appropriate accounting period. Key concern about installation income is because the accounting involved by significant accounting estimate and judgment. Having considered these matters, we recognized revenue recognition as key audit matters.</p>	<p>2.Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin by segmenting the business and sales in conjunction with industry development and actual situation of Bingshan Refrigeration &amp; Heat Company.</p> <p>3.Sampling test the sales contracts, identify the clause and terms in respect to the risk and reward transfer of the ownership. Evaluate the recognition timing of revenue of Bingshan Refrigeration &amp; Heat Company whether is in line with the accounting standards.</p> <p>4.Sampling select product sales revenue record, reconcile to sales invoice, contracts, dispatch note, acceptance note; Sampling select installation sales revenue record, reconcile to invoice, installation contracts and completion report and Evaluate the recognition of revenue whether is in line with the accounting standards</p> <p>5.Checking actual installation cost by reviewing the contract, invoice and supportive document with signature for the equipment received to evaluate the cost whether it really incurred.</p> <p>6.Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period.</p>
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#### 4. Other Information

The management of Bingshan Company (hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises the information included in the Bingshan Company 2020 annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, we conclude that there is a material

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misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible to overseeing Bingshan Company's financial reporting process.

## **6. 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(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 audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design

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

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

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

(5) Evaluate the overall presentation, structure and content of the financial statements, and also whether the financial statements represent the underlying transactions and events

in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence with respect to the financial information of Bingshan Refrigeration & Heat entities or business activities, and issue an audit opinion. We are responsible for guiding, supervising and performing group audits and take full responsibility for audit opinions.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in

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our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants LLP

CPA: Sui Guojun (Engagement Partner)

CPA: Wang Dong

China, Beijing      April 22, 2021

## II. Accounting statement

### BALANCE SHEET

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

December 31, 2020

Unit: RMB Yuan

Items	31-Dec-2020		31-Dec-2019	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	373,445,731.67	208,325,740.71	332,119,146.22	175,586,251.46
Transaction financial assets				
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Notes receivable	139,121,037.78	42,858,563.72	119,947,326.41	12,692,689.97
Accounts receivable	817,011,955.75	408,625,925.91	1,030,342,541.88	526,554,114.61
Receivables financing	61,737,282.56	5,752,810.30		
Accounts in advance	154,481,509.35	62,620,914.33	142,786,528.57	44,560,934.56
Other receivables	67,527,176.86	41,183,397.14	38,731,228.57	5,981,993.82
Interest receivables	46,879.68	46,879.68	583,833.33	583,833.33
Dividend receivable	25,923.75	-	33,450.00	
Inventories	731,658,797.98	255,635,206.96	539,497,213.39	212,558,464.52
Contract assets	91,430,011.60	38,366,253.50		
Assets held for sale				
Non-current asset due within one year	42,003,576.60	19,488,435.75		
Other current assets	23,214,091.44	27,637.13	14,172,130.45	32,843.40
Total current assets	2,501,631,171.59	1,082,884,885.45	2,217,596,115.49	977,967,292.34
Non-current assets:				
Finance asset held available for sales				
Held-to-maturity investment				
Long-term account receivable	65,867,973.25	45,964,783.15		
Long-term equity investment	1,597,241,363.62	2,280,377,981.04	1,662,181,009.14	2,244,411,383.88
Other non-current financial assets	239,304,098.83	237,888,956.33	303,469,706.51	302,054,564.01
Investment property	126,288,477.92	100,762,366.02	96,200,507.24	106,536,035.96
Fixed assets	891,147,058.82	721,701,015.39	992,435,172.94	776,349,872.24
Construction in progress	34,254,599.42	9,160,965.22	36,285,056.80	27,212,183.40
Productive biological asset				
Oil and gas asset				
Intangible assets	145,442,721.24	76,619,078.55	141,540,378.10	68,221,989.91
Expense on Research and Development				
Goodwill	1,750,799.49		1,750,799.49	
Long-term expenses to be apportioned	9,660,538.07	8,259,220.68	11,646,845.47	9,751,998.84
Deferred income tax asset	68,979,526.11	13,940,130.98	62,397,665.08	13,858,811.66
Other non-current asset				
Total non-current asset	3,179,937,156.77	3,494,674,497.36	3,307,907,140.77	3,548,396,839.90
Total assets	5,681,568,328.36	4,577,559,382.81	5,525,503,256.26	4,526,364,132.24
Current liabilities:				
Short-term loans	282,971,600.00	276,011,600.00	355,252,000.00	308,082,000.00
Financial liabilities which are measured by fair value and which changes are recorded in current profit and				

loss				
Derivative financial liabilities				
Transaction financial liabilities				
Notes payable	295,151,372.38	202,747,834.50	305,468,505.38	189,540,652.01
Accounts payable	767,267,232.43	254,630,956.73	814,331,684.02	293,479,043.69
Accounts received in advance			160,571,622.53	47,114,426.48
Contract liability	295,100,657.10	67,468,174.27		
Wage payable	31,125,808.94	11,187,502.65	31,701,317.58	8,702,907.01
Taxes payable	9,714,194.25	4,244,948.37	8,184,018.69	5,156,115.24
Other accounts payable	43,017,466.38	17,179,194.67	55,921,060.69	18,817,980.14
Interest payable	1,839,166.81	1,839,166.81	6,396,385.83	6,386,700.29
Dividend payable	533,156.00	533,156.00	533,156.00	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	37,157,126.41	25,000,034.00	14,174,643.42	
Other current liabilities	152,173,946.30	50,815,558.18		
Total current liabilities	1,913,679,404.19	909,285,803.37	1,745,604,852.31	870,893,124.57
Non-current liabilities:				
Long-term loans	160,000,000.00	160,000,000.00	160,000,000.00	160,000,000.00
Bonds payable			25,000,034.00	25,000,034.00
Preferred stock				
Perpetual bond				
Long-term account payable	14,622,463.75		397,771.84	
Long-term wage payable				
Special payable				
Anticipation liabilities	7,592,239.01			
Deferred income	104,457,568.86	64,121,068.86	99,157,538.52	55,744,166.29
Deferred income tax liabilities	32,010,364.83	32,010,364.83	41,215,205.99	41,215,205.99
Other non-current liabilities				
Total non-current liabilities	318,682,636.45	256,131,433.69	325,770,550.35	281,959,406.28
Total liabilities	2,232,362,040.64	1,165,417,237.06	2,071,375,402.66	1,152,852,530.85
Shareholders' equity				
Share capital	843,212,507.00	843,212,507.00	843,212,507.00	843,212,507.00
Other equity instruments				
Preferred stock				
Perpetual bond				
Capital public reserve	726,768,468.00	771,270,562.83	726,768,468.00	771,270,562.83
Less: Treasury stock				
Other comprehensive income	2,501,459.77	1,539,359.10	2,501,459.77	1,539,359.10
Special preparation				
Surplus public reserve	805,525,775.33	805,525,775.33	768,723,812.53	768,723,812.53
Generic risk reserve				
Retained profit	997,601,577.97	990,593,941.49	1,038,358,782.59	988,765,359.93
Total owner's equity attributable to parent company	3,375,609,788.07	3,412,142,145.75	3,379,565,029.89	3,373,511,601.39
Minority interests	73,596,499.65		74,562,823.71	-
Total owner's equity	3,449,206,287.72	3,412,142,145.75	3,454,127,853.60	3,373,511,601.39
Total liabilities and shareholder's equity	5,681,568,328.36	4,577,559,382.81	5,525,503,256.26	4,526,364,132.24

## INCOME STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

January- December, 2020

Unit: RMB Yuan

Items	January- December, 2020		January- December 2019	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	1,727,267,935.15	751,021,670.44	1,831,851,280.70	677,227,674.90
II. Total operating cost	1,767,653,636.63	779,075,429.84	1,920,595,965.21	746,664,200.62
Including: Operating cost	1,432,524,109.91	616,299,098.91	1,517,561,448.51	561,312,386.43
Taxes and associate charges	15,456,113.14	8,800,692.80	16,989,958.58	9,386,688.44
Selling and distribution expenses	83,740,476.90	41,031,582.10	131,188,733.71	57,280,038.71
Administrative expenses	160,295,370.53	77,436,050.28	185,737,215.53	85,785,825.70
R&D expenses	49,158,256.78	20,145,122.54	50,649,518.17	18,651,305.37
Financial expense	26,479,309.37	15,362,883.21	18,469,090.71	14,247,955.97
Including: interest expense	22,795,380.51	15,405,378.98	17,999,780.21	13,942,332.55
interest income	2,435,386.06	1,973,796.92	2,110,293.61	1,342,801.32
Add: Other income	20,104,570.39	5,367,222.70	5,122,993.56	200,000.00
Gain/(loss) from investment	104,437,155.73	115,121,934.09	168,766,187.22	174,727,840.51
Including: income from investment on affiliated enterprise and jointly enterprise	91,883,843.64	92,790,086.32	140,574,045.58	140,544,148.87
Gain/(loss) from change in fair value	-14,797,607.68	-14,797,607.68	49,800,725.36	49,800,725.36
Credit impairment loss (loss as "--")	-34,717,562.20	-5,231,482.28	-70,642,131.10	-15,348,019.44
Assets impairment loss (loss as "--")	-13,476,398.01	-12,846,106.32	-1,200,000.00	
Gain/(loss) from asset disposal	-169,550.05	-706,217.34	1,194,791.09	582,050.16
III. Operating profit	20,994,906.70	58,853,983.77	64,297,881.62	140,526,070.87
Add: non-business income	1,411,389.75	3,900.06	2,689,879.18	230.14
Less: non-business expense	8,141,253.63	108,725.25	271,747.60	80,558.30
IV. Total profit	14,265,042.82	58,749,158.58	66,716,013.20	140,445,742.71
Less: Income tax	-8,584,766.51	-5,177,760.99	-19,408,657.83	-11,600,611.47
V. Net profit	22,849,809.33	63,926,919.57	86,124,671.03	152,046,354.18
(I) Net profit from continuous operation	22,849,809.33	63,926,919.57	86,124,671.03	152,046,354.18
(II) Net profit from discontinuing operation				
Net profit attributable to parent company	21,341,133.39	63,926,919.57	89,112,113.43	152,046,354.18
Minority shareholders' gains and losses	1,508,675.94		-2,987,442.40	
VI. After-tax net amount of other comprehensive incomes				
After-tax net amount of other comprehensive incomes attributable to owners of the Company				
(I) Other comprehensive incomes that will not be reclassified into gains and losses				
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement				
2. Enjoyable shares in other comprehensive incomes in invests that cannot be reclassified into gains and losses under the equity method				
(II) Other comprehensive incomes that will be reclassified into gains and losses				
1. Enjoyable shares in other comprehensive incomes in invests that will be reclassified into gains and losses under the equity method				
2. Changes in the fair value of other debt investments				

3. Gains and losses on fair value changes of available-for-sale financial assets				
4. The amount of financial assets reclassified into other comprehensive income				
5. Held-to-maturity investments are reclassified as saleable financial asset gains and losses				
6. Others				
After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	22,849,809.33	63,926,919.57	86,124,671.03	152,046,354.18
Total comprehensive income attributable to parent company	21,341,133.39	63,926,919.57	89,112,113.43	152,046,354.18
Total comprehensive income attributable to minority shareholders	1,508,675.94	-	-2,987,442.40	
VIII. Earnings per share				
(I) basic earnings per share	0.025		0.106	
(II) diluted earnings per share	0.025		0.106	

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



## CASH FLOW STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

January-December, 2020

Unit: RMB Yuan

Items	January - December, 2020		January - December 2019	
	Consolidation	Parent Company	Consolidation	Parent Company
<b>I. Cash flows arising from operating activities:</b>				
Cash received from selling commodities and providing labor services	1,538,738,032.26	697,805,239.15	1,417,012,800.61	535,357,771.94
Write-back of tax received	18,519,826.50	8,601,797.19	29,188,090.73	8,327,328.58
Other cash received concerning operating activities	82,116,067.91	30,807,494.95	54,087,045.61	11,312,270.00
Subtotal of cash inflow arising from operating activities	1,639,373,926.67	737,214,531.29	1,500,287,936.95	554,997,370.52
Cash paid for purchasing commodities and receiving labor service	1,121,134,021.73	522,795,640.64	916,130,720.58	350,757,870.86
Cash paid to/for staff and workers	314,253,416.05	94,837,857.19	358,011,091.30	121,469,816.85
Taxes paid	70,148,337.99	38,287,456.09	69,484,985.96	20,464,873.54
Other cash paid concerning operating activities	146,980,578.35	47,268,602.90	143,966,067.30	38,098,271.01
Subtotal of cash outflow arising from operating activities	1,652,516,354.12	703,189,556.82	1,487,592,865.14	530,790,832.26
Net cash flows arising from operating activities	-13,142,427.45	34,024,974.47	12,695,071.81	24,206,538.26
<b>II. Cash flows arising from investing activities:</b>				
Cash received from recovering investment	3,196,000.00	2,800,000.00		
Cash received from investment income	141,629,646.76	144,821,456.80	112,384,931.89	112,621,481.89
Net cash received from disposal of fixed, intangible and other long-term assets	1,624,834.60	972,185.00	1,791,731.61	910,000.00
Net cash received from disposal of subsidiaries and other units	37,744,000.00	37,744,000.00		
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	184,194,481.36	186,337,641.80	114,176,663.50	113,531,481.89
Cash paid for purchasing fixed, intangible and other long-term assets	14,869,095.73	10,438,744.28	114,061,103.54	108,473,985.73
Cash paid for investment		100,000,000.00		
Net cash paid for achievement of subsidiaries and other business units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	14,869,095.73	110,438,744.28	114,061,103.54	108,473,985.73
Net cash flows arising from investing activities	169,325,385.63	75,898,897.52	115,559.96	5,057,496.16
<b>III. Cash flows arising from financing activities:</b>				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries				
Cash received from loans	333,531,600.00	315,011,600.00	461,162,100.00	358,082,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	56,489,819.37	743,155.00	38,323,050.64	
Subtotal of cash inflow from financing activities	390,021,419.37	315,754,755.00	499,485,150.64	358,082,000.00
Cash paid for settling debts	405,812,000.00	347,082,000.00	371,623,748.91	300,000,000.00
Cash paid for dividend and profit distributing or interest paying	47,142,841.87	45,119,746.25	59,750,220.60	51,085,785.39
Including: dividends or profit paid by subsidiaries to minority shareholders	-	-	118,455.63	
Other cash paid concerning financing activities	78,196,961.15	23,123,472.43	83,977,335.68	48,309,544.36
Subtotal of cash outflow from financing activities	531,151,803.02	415,325,218.68	515,351,305.19	399,395,329.75
Net cash flows arising from financing activities	-141,130,383.65	-99,570,463.68	-15,866,154.55	-41,313,329.75

IV. Influence on cash due to fluctuation in exchange rate	-1,601,468.60	5,763.51	-120,557.13	-83,793.31
V. Net increase of cash and cash equivalents	13,451,105.93	10,359,171.82	-3,176,079.91	-12,133,088.64
Add: Balance of cash and cash equivalents at the period -begin	301,527,354.56	174,843,096.46	304,703,434.47	186,976,185.10
VI. Balance of cash and cash equivalents at the period-end	314,978,460.49	185,202,268.28	301,527,354.56	174,843,096.46

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

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. 2020.01-12 Unit: RMB Yuan

Items	2020.01-12								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
I. balance at the end of last year	843,212,507.00	726,768,468.00		2,501,459.77		768,723,812.53	1,038,358,782.59	74,562,823.71	3,454,127,853.60
1. Change of accounting policy									
2. Correction of errors in previous period									
3. Merger of enterprises under the same control.									
II. Balance at the beginning of this year	843,212,507.00	726,768,468.00		2,501,459.77		768,723,812.53	1,038,358,782.59	74,562,823.71	3,454,127,853.60
III. Increase/ decrease of amount in this year ("-" means decrease)						36,801,962.80	-40,757,204.62	-966,324.06	-4,921,565.88
(I) Total comprehensive incomes							21,341,133.39	1,508,675.94	22,849,809.33
(II) Capital increased and reduced by owners									
1. Common shares increased by shareholders									
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity									
4. Other									
(III) Profit distribution						36,801,962.80	-62,098,338.01	-2,475,000.00	-27,771,375.21
1. Withdrawing surplus public reserve						36,801,962.80	-36,801,962.80		
2. Withdrawing general risk preparation.									
3. Distribution to all owners (shareholders)							-25,296,375.21	-2,475,000.00	-27,771,375.21
4. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Carry forward retained earnings from changes in defined benefit plans									
5. Others									
(V) Specific reserve									
1. Withdrawn for the period					3,239,077.20				3,239,077.20
2. Used in the period					3,239,077.20				3,239,077.20
(VI) Other									
IV. Balance at the end of this period	843,212,507.00	726,768,468.00		2,501,459.77		805,525,775.33	997,601,577.97	73,596,499.65	3,449,206,287.72

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

Items	2019.01-12								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
I. balance at the end of last year	855,434,087.00	760,365,342.00	21,026,106.00	296,909,965.55		721,091,040.02	764,859,288.45	80,796,270.83	3,458,429,887.85
1. Change of accounting policy				-294,408,505.78			274,180,778.57	-771,004.72	-20,998,731.93
2. Correction of errors in previous period									
3. Merger of enterprises under the same control.									
II. Balance at the beginning of this year	855,434,087.00	760,365,342.00	21,026,106.00	2,501,459.77		721,091,040.02	1,039,040,067.02	80,025,266.11	3,437,431,155.92
III. Increase/ decrease of amount in this year ("-" means decrease)	-12,221,580.00	-33,596,874.00	-21,026,106.00			47,632,772.51	-681,284.43	-5,462,442.40	16,696,697.68
(I) Total comprehensive incomes							89,112,113.43	-2,987,442.40	86,124,671.03
(II) Capital increased and reduced by owners	-12,221,580.00	-33,596,874.00	-21,026,106.00						-24,792,348.00
1. Common shares increased by shareholders	-12,221,580.00	-33,596,874.00	-21,026,106.00						-24,792,348.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity									
4. Other									
(III) Profit distribution						47,632,772.51	-89,793,397.86	-2,475,000.00	-44,635,625.35
1. Withdrawing surplus public reserve						47,632,772.51	-47,632,772.51		-
2. Withdrawing general risk preparation.									
3. Distribution to all owners (shareholders)							-42,160,625.35	-2,475,000.00	-44,635,625.35
4. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Carry forward retained earnings from changes in defined benefit plans									
5. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,050,672.98			2,050,672.98
2. Used in the period						2,050,672.98			-2,050,672.98
(VI) Other									
IV. Balance at the end of this period	843,212,507.00	726,768,468.00		2,501,459.77		768,723,812.53	1,038,358,782.59	74,562,823.71	3,454,127,853.60

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

## STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. 2020.01-12 Unit: RMB Yuan

Items	2020.01-12								
	Owners' equity attributable to parent company								Total of owners' equity
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. Balance at the end of last year	843,212,507.00		771,270,562.83	-	1,539,359.10	-	768,723,812.53	988,765,359.93	3,373,511,601.39
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00		771,270,562.83	-	1,539,359.10	-	768,723,812.53	988,765,359.93	3,373,511,601.39
III. Increase/ decrease of amount in this year ("-" means decrease)							36,801,962.80	1,828,581.56	38,630,544.36
(I) Total comprehensive incomes								63,926,919.57	63,926,919.57
(II) Capital increased and reduced by owners									
1. Common shares increased by shareholders									
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity									
4. Other									
(III) Profit distribution							36,801,962.80	-62,098,338.01	-25,296,375.21
1. Withdrawing surplus public reserve							36,801,962.80	-36,801,962.80	
2. Distribution to all owners (shareholders)								-25,296,375.21	-25,296,375.21
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period							3,239,077.20		3,239,077.20
2. Used in the period							3,239,077.20		3,239,077.20
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		771,270,562.83	-	1,539,359.10	-	805,525,775.33	990,593,941.49	3,412,142,145.75

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

Items	2019.01-12								
	Owners' equity attributable to parent company								Total of owners' equity
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. balance at the end of last year	855,434,087.00		804,867,436.83	21,026,106.00	295,947,864.88		721,091,040.02	640,251,261.47	3,296,565,584.20
1. Change of accounting policy					-294,408,505.78			286,261,142.14	-8,147,363.64
2. Correction of errors in previous period									
II. Balance at the beginning of this year	855,434,087.00		804,867,436.83	21,026,106.00	1,539,359.10		721,091,040.02	926,512,403.61	3,288,418,220.56
III. Increase/ decrease of amount in this year ("-" means decrease)	-12,221,580.00		-33,596,874.00	-21,026,106.00			47,632,772.51	62,252,956.32	85,093,380.83
(I) Total comprehensive incomes								152,046,354.18	152,046,354.18
(II) Capital increased and reduced by owners	-12,221,580.00		-33,596,874.00	-21,026,106.00					-24,792,348.00
1. Common shares increased by shareholders	-12,221,580.00		-33,596,874.00	-21,026,106.00					-24,792,348.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity									
4. Other									
(III) Profit distribution							47,632,772.51	-89,793,397.86	-42,160,625.35
1. Withdrawing surplus public reserve							47,632,772.51	-47,632,772.51	-
2. Distribution to all owners (shareholders)								-42,160,625.35	-42,160,625.35
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,050,672.98			2,050,672.98
2. Used in the period						2,050,672.98			-2,050,672.98
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		771,270,562.83		1,539,359.10		768,723,812.53	988,765,359.93	3,373,511,601.39

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

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### III. Notes to the accounting statement

(All amounts in RMB Yuan unless otherwise stated)

#### I. General Information

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd (the “Company”) previously named as Dalian Refrigeration Company Limited, was reorganized and reformed from main part of former Dalian Refrigeration Factory. On December 8, 1993, the company went to the public as a listed company at Shenzhen Stock Exchange Market. On March 20, 1998, the company successfully went to the public at B share market and listed at Shenzhen Stock Exchange Market with total share capital of RMB350,014,975.00Yuan.

According to the 13<sup>th</sup> meeting of the 6<sup>th</sup> generation of board, extraordinary general meeting for 2015 fiscal year and 'Restricted share incentive plan (draft)', the Company planned to introduce A ordinary shares to incentive objectives, which was 10,150,000 number of shares would be granted to 41 share incentive objectives at granted price of RMB5.56Yuan per share. Up to March 12, 2015, the Company received new added share capital of RMB10,150,000.00Yuan.

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

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

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3<sup>rd</sup> provisional general meeting held on September 13, 2016, the 9<sup>th</sup> meeting of the 7<sup>th</sup> generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20, 2016 and set September 20, 2016 as share granted date, and granted 12,884,000 number of restricted shares to 118 incentive targets at granted price of 5.62Yuan per share. By November 22, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000.00Yuan subscribed by incentive targets.

On May 19, 2017, the general meeting for 2016 fiscal year was held and profit appropriation scheme for 2016 FY was approved, which was every 10 shares will be increased by 4 shares through capital reserve based on the total 611,776,558 number of shares. After the profit appropriation scheme, the registered capital was changed to RMB856,487,181.00Yuan.

On December 28, 2017, the company held the 3rd extraordinary shareholders meeting in 2017, and reviewed and approved the “Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2016 Restricted Stock Incentive Plan”. On March 8, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 856,487,181.00Yuan to 855,908,981.00 Yuan.

On May 4, 2018, the company held the 21<sup>st</sup> meeting of the 7<sup>th</sup> Board of Directors, and reviewed and approved the “Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2015 Restricted Stock Incentive Plan”. On June 29, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 855,908,981.00 Yuan to 855,434,087 .00Yuan.

On January 17<sup>th</sup>, 2019, the 1<sup>st</sup> interim shareholders' meeting was held and approved for “Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan”. Up to February 25<sup>th</sup>, 2019, the company has completed the repurchasing and retiring

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stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan.

On December 20<sup>th</sup>, 2019, the company held the 7<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors and approved to change the company's name from Dalian Refrigeration Company Limited to Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

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

The company is in industrial manufacturing sector, mainly engaged in industrial refrigeration, refrigerated and frozen food storage, and manufacture and installation of central air-conditioning and refrigeration equipment. The scope of business includes research and development, design, manufacture, sale, lease, installation and repair of refrigeration and heat equipment, accessories, spare parts, and energy-saving and environmental protection products; Technical services, technical consultation, technical promotion; Design, construction, installation repair and maintenance of complete sets of refrigeration and air conditioning projects, mechanical and electrical installation projects, steel structure projects, anti-corrosion and heat preservation works; Rental of premises; Transport of ordinary goods; Property management; Low temperature storage; Import and export of goods and technologies. (With the exception of projects subject to approval according to law, independently carry out business activities according to law with the business license).

## **II. The scope of consolidation**

There are 14 entities included in the current consolidated financial statements. This year, entities within the consolidation scope aren't changed comparing to last year. For the specific information of the consolidation scope, see the notes of "VII. The Change of Scope of Consolidation" and "VIII. The Equity in Other Entities".

## **III. Financial Statements Preparation Basis**

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

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

### **(2) Going concern**

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

## **IV. Significant Accounting Policies and Accounting Estimates**

### **1. Declaration for compliance with accounting standards for business enterprises**

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

### **2. Accounting period**

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

### **3. Operating cycle**

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

### **4. Functional currency**

The Group adopts RMB as functional currency.

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

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

For a business combination not under same control, the asset, liability and contingent liability obtained from the acquirer shall be measured at the fair value on the acquisition date. The



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

#### **6. Method of preparation of consolidated financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **(1) Foreign currency transaction**

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

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

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

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

The company shall recognize a financial asset or a financial liability when the company becomes party to the contractual provisions of the instrument.

##### **(1) Financial assets**

###### **1) Classification, recognition and measurement**

The company shall classify financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the company’s

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business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met: ① the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the company shall measure the financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. After initial recognition, the company shall measure the financial asset at amortized cost. A gain or loss on a financial asset that is measured at amortized cost and is not a hedged item shall be recognized in profit or loss when the financial asset is derecognized, impaired, involved in foreign exchange or amortized for any difference arising between the initial recognized amount and due amount by applying effective interest method.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: ① the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the company shall measure this financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. A gain or loss on a financial asset that is measured at fair value through other comprehensive income and is not a hedged item shall be recognized in other comprehensive income apart from a gain or loss on credit loss, foreign exchange and interest of the financial asset calculated by effective interest method. Accumulated gain or loss previously in the other comprehensive income shall be out of it and accounted in the profit or loss account when the financial asset is derecognized.

The company recognized interest revenue based on effective interest method. Interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for: ① purchased or originated credit-impaired financial assets. For those financial assets, the company shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. ② financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

The company designates an investment as fair value measured through other comprehensive income if an equity instrument held is not for trading. Once the decision is made, it is an irrevocable election. At initial recognition, the company shall measure the equity instrument investment not for trading at its fair value and take any transaction costs that are directly attributable to the financial asset into account. Any other gain or loss (including foreign exchange gain or loss) shall be accounted in other comprehensive income and shall not be subsequently transferred to profit or loss, unless the dividend received is accounted in profit or loss (excluding the recovered investment cost). Accumulated gain or loss previously in the other comprehensive income shall be out of it and into retained earnings when the financial asset is derecognized.

Apart from classified as the amortized cost financial assets and as fair value through other comprehensive income financial assets, a financial asset is classified as fair value through profit or loss. At initial recognition, the company shall measure this financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account.

A financial asset shall be classified as fair value through profit or loss if it is recognized contingent consideration through business combination, which is not under same control situation.

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

A financial asset is derecognized when any one of the following conditions is satisfied: ① the rights to receive cash flows from the asset is terminated, ② the financial asset has been transferred and the company transfers substantially all risks and rewards relating to the financial assets to the transferee, ③ the financial asset has been transferred to the transferee, the company has given up its control of the financial asset although the company neither transfers nor retains all risks and rewards of the financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value in respect of the amount of

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partial derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) , that was previously recorded under other comprehensive income is transferred into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income for the asset partially qualified for derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

## (2) Financial liabilities

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

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

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

Other financial liabilities shall be subsequently measured at amortized cost by applying effective interest method. The company shall classify a financial liability as a liability measured at amortized cost except the followings: ① financial liability measured at fair value through profit or loss including tradable financial liability (derivative instrument of financial liability included) and designated as financial liability measured at fair value through profit or loss ② financial assets transfers that do not qualify for derecognition or financial liability is formed from continuing involvement in transferred assets ③ financial guarantee contract not in the above category of ① or ② and loan commitment which is not in the category ① at the below the market loan rate.

The company shall account the financial liability as it measured at fair value through profit or loss if the financial liability is formed by contingent consideration recognized by the buyer through business combination that is not under common control.

### 2) Financial liability derecognition

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

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

The company uses the price in the primary market for financial assets and liability fair value measurement, if no primary market exists, the price in the most advantageous market shall be used for fair value measurement and applicable valuation techniques which enough data is available for and supported by other information shall be adopted. Input for fair value measurement has 3 levels: level 1 input is the unadjusted quoted price for identical asset or liability available at the active market on the measurement date; level 2 input is the directly or indirectly observable input for relevant asset or liability apart from level 1 input; level 3 input is the unobservable input for relevant asset or liability.

### (4) Financial asset and financial liability offset

Financial asset and financial liability shall be presented in the balance sheet separately and cannot be offset, unless the following conditions are all met: ① the company has the legal right to recognized offset amount and the right is enforceable. ② the company plans to receive or a legal obligation to pay cash at net amount.

### (5) Distinguishment between financial liability and equity instrument and accounting

Financial liability and equity instrument shall be distinguished in accordance with the following standards: ① if the company cannot unconditionally avoid paying cash or financial asset to fulfil a

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contractual obligation, the contractual obligation is qualified or financial liability. For certain financial instrument, although there are no clear terms and conditions to include obligation of paying cash or other financial liability, contractual obligation may indirectly be formed through other terms and conditions. ② the company's own equity instrument shall also be considered whether it is the substitute of cash, financial asset or it is the remaining equity, after the issuer deducts liability, enjoyed by the equity holder, if it must or can be used to settle a financial asset. If the former, the instrument is a financial liability of the issuer, otherwise it is an equity instrument of the issuer. In certain circumstances, financial instrument contract is classified as financial liability, if financial instrument contract specifies the company must or can use its own equity to settle the financial instrument, the contractual amount of right or obligation equals to that of the numbers of own equity instrument available or to be paid multiplied by fair value when settling, nevertheless the amount is fixed, or varied partially or fully based on the its own equity's market price (such as interest rate, certain commodity's or financial instrument's price variance).

When classifying a financial instrument (or its component) in the consolidated statements, the company takes all terms and conditions agreed by the group member and instrument holder into consideration. If the group due to the instrument, as a whole, bears settlement obligation by paying cash, other financial asset or other means resulted in financial liability, the instrument shall be classified as financial liability.

If a financial instrument or its component is financial liability, any gain or loss, interest, dividend, and any gain or loss from buy back or refinancing shall be accounted in profit or loss.

If a financial instrument or its component is an equity instrument, when it was issued (including refinancing), bought back, sold or withdrawn, any change shall be regarded as equity change and no fair value change shall be recognized.

#### (6) Financial asset impairment

Based on expected credit loss, a financial asset measured at amortized cost, a debt instrument investment measured at FVTOCI and a contractual asset shall all be subject to impairment accounting and be recognized for impairment loss allowance if any impairment.

Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights. A credit loss herein is referred to as the present value, at original effective rate, of the difference between the contractual cash flows that are due to the company under the contract; and the cash flows that the company expects to receive, that's the present value of the total cash shortage. A financial asset shall be the present value, at credit adjusted effective rate, if it is a purchased or originated credit -impaired asset.

The company adopts simplified approach for trade receivables, contract assets that do not contain a significant financing component, and shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

Impairment requirements is to assess whether credit risk has been significantly increased since initial recognition at each reporting date, if there have been significant increases in credit risk, the company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses, at the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

When assessing expected credit losses, the company considers all reasonable and supportable information, including that which is forward-looking.

The company shall measure expected credit losses of a financial instrument in a way that reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; The time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company directly lowers the book value of the financial asset when contractual cash flow cannot be fully or partially recollectd within rational expectation any longer.

The company also assesses the expected credit loss of financial asset measured at amortized cost based on aging portfolio, other than past due credit loss assessment based on individual item.

### **11. Provision for Impairment of Trade receivables**

The company's receivables include notes receivable, receivable, other receivable, and recognition and accounting of receivable expected credit loss as well.

#### (1) Recognition of provision for impairment

On the basis of expected credit loss, the company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables which do not contain a significant

financing component and are generated in accordance with Revenue Standard- No 14 of Accounting Standard for Business Enterprise. For trade receivables which do contain a significant financing component, the company chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses.

(2) Expected credit loss risk portfolio assessment method based on portfolio

The company separately assesses the credit risk of financial assets which have significantly different the credit risk, such as receivable with dispute or involved in litigation and arbitration; There are clear signs indicating the debtor is unlikely to fulfill the repayment obligations of the receivables or the receivables with significantly different credit risk due to contacted repayment etc.

Apart from the financial asset to be assessed for credit risk separately, the company divides the financial assets into different group based on common characteristics of risk and assesses the risk based on the portfolio.

①Notes receivable

Based on the acceptor credit risk of notes receivable as the common risk characteristics, it is divided into different categories and determined for expected credit loss accounting estimate policy.

<b>Portfolio category</b>	<b>Expected credit loss accounting estimate policy</b>
Bank acceptance note portfolio	Lower credit risk assessed by the management
Commercial acceptance note portfolio	Same as receivables and provided for excepted credit loss allowance

②Trade receivables and other receivables

Apart from the trade receivables and other receivables to be assessed for credit risk separately, based on the counterparty as the common risk characteristics, it is divided into different categories and determined for expected credit loss accounting estimate policy.

<b>Portfolio category</b>	<b>Expected credit loss accounting estimate policy</b>
Related parties portfolio within the consolidation	Lower credit risk assessed by the management
Other related parties and non-related parties portfolio	Same as receivables and provided for excepted credit loss allowance

The company prepares the comparison table between receivables aging and expected credit loss rate within lifetime and work out the expected credit loss by reference to historical credit loss experience in combination with current situation and future forecast of economy condition.

The company shall measure expected credit losses of a financial instrument in a way that reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; The time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company prepares the comparison table between receivables aging and fixed provision rate and work out the expected credit loss by reference to historical credit loss experience.

On the balance sheet date, expected credit loss of receivable shall be calculated. If the expected credit loss is larger than the book value of the provision of receivable impairment, the difference shall be recognized as receivable impairment loss, debit to “credit impairment loss”, credit to “provision for bad debt”. Alternatively, the difference is recognized as impairment gain and reversed journal entry shall be made.

Actually incurred credit loss shall be debit to “provision for bad debt”, credit to “notes receivable”, “receivable”, “other receivable” based on the approved amount to be written off as it is assured as uncollectible receivable. If the amount to be written off is bigger than the provision for impairment loss, the difference is debit to “credit impairment loss”

**12. Financing receivable**

During the liquidity management of the company, majority of the bill receivables is endorsed or discounted prior to the bill due date and endorsed or discounted bill receivables are derecognized after the all risks and rewards have been transferred to the counter party. The business model for managing bill receivables is not only for collecting contractual cash flows but also for selling the financial assets as its objective, therefore it is classified as financial assets that are measured at fair value through other comprehensive income

**13. Inventories**

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

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variance of semi-finished goods, and finished goods, engineering construction and costs to fulfill a contract etc.

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

After year-end thorough inventory check, at the balance sheet date inventory impairment should be provided or adjusted according to inventory category. For the finished goods, raw material held for sale and work-in-progress etc which shall be sold directly, the net realizable value should be confirmed at the estimated selling price less estimated selling expenses and related tax and expenses. The raw material held for production, its realizable value should be confirmed at the estimated selling price of finished goods less estimated cost of completion, estimated selling expenses and related tax.

#### **14. Contract asset**

##### **(1) Recognition and criterion**

Contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. For example, the company sold two goods that can be clearly distinguished to the client, then the company has the right to consideration in exchange of the goods because one of the goods are delivered, but the consideration's collection is conditioned on the other goods delivery, in this case, the right to consideration shall be recognized as contract asset.

##### **(2) Expected credit loss recognition and accounting of contract asset**

Expected credit loss recognition of contract asset is referred to the Note XI. Provision for Impairment of Trade receivables.

On the balance sheet date, expected credit loss of contract asset shall be calculated and the difference shall be recognized as the impairment loss if the loss figure worked out is bigger than the carrying amount of the provision for impairment of contract asset, and debit "asset impairment loss", credit "provision for impairment of contract asset". On the contrary, the Company shall recognize the difference as impairment profit and keep the opposite accounting record.

If the actual credit loss incurred and the contract asset is unable to be collected with confirmation, after the approval is given, the loss shall be written off based on the approved amount and debit "provision for impairment of contract asset", credit "contract asset". If the amount to be written is greater than the provision, the difference shall be debited to "asset impairment loss".

#### **15. Contract cost**

##### **(1) Assets recognition methods in relation to contract cost**

Assets relevant to contract cost in the company include cost to fulfill the contract and cost to obtain a contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, an entity shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials and overheads which is clearly stated to be borne by the client and any other cost in line with the contract; the costs enhance resources of the entity that will be used in performance obligations in the future; and the costs are expected to be recovered.

An entity shall recognize an asset as the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. An entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is one year or less. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). Costs to obtain a contract that would have been incurred rather than the incremental cost expected to be recovered shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained

##### **(2) Amortization of asset relevant to contract cost**

An asset recognized in accordance with contract cost shall be amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

##### **(3) Impairment of asset relevant to contract cost**

When determining the impairment loss of the assets related to the contract cost, the Company shall firstly determine the impairment loss of the assets related to the contract that are recognized in accordance with the other accounting standards. If the book value of the asset is higher than the remaining consideration expected to be obtained by the Company for the transfer of the goods

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related to the asset and the estimated cost to be incurred for the transfer of the goods related to the asset, the excess part shall be withdrawn as an impairment provision and recognized as an impairment loss of the asset.

An entity shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

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

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

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

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

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

If the equity of investee under common control is acquired by stages and business combination incurs in the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. For example, if the equity of investee under common control is acquired by stages and business combination incurs in the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company since acquisition is determined as for the initial cost of long-term equity investment. The difference between the cost initially recognized and carrying amount of long-term equity investment prior to the business combination plus the newly paid consideration for further share acquired, and capital reserve shall be adjusted accordingly. If not enough capital reserve is available for adjustment, retain earnings shall be adjusted.

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

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

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



injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

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

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

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

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted under equity method, other comprehensive income recorded shall be accounted on the same basis as the investee directly disposing of related assets or liability when equity method is not used any longer. The movements of shareholder's equity, other than the net profit or loss, other comprehensive income and profit distribution previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

Where the entity has no longer joint control or significant influence in the investee company as a result of partially disposal of the investment, the remaining investment will be accounted for in line with the recognition and measurement of financial instruments, and the difference between the fair value of remaining investment at the date of losing joint control or significant influence and its carrying amount shall be recognized in the profit or loss for the year. Other comprehensive income recognized from previous equity investment under equity model shall be accounted for and carried over on the same basis as the investee directly disposing of related assets or liability when stopping using under equity model. The movements of shareholder's equity, other than the net profit or loss, other comprehensive income and profit distribution previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

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

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

### 17. Investment property

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

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

### 18. Fixed assets

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

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

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

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

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

Finance leased FA, on commencement date, leased asset shall be recognized at the lower of fair value and the PV of minimum lease payment, and the difference between the asset book value on the first day and the minimum lease payment is unrecognized financing expense.

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

#### **19. Construction in progress**

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

#### **20. Borrowing costs**

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

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

#### **21. Intangible assets**

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

Land use right shall be amortized evenly within the amortization period since the remised date.ERP system software and other intangible assets are amortized over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization charge is

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included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets. At the end of the year, for definite life of intangible assets, their estimated useful life and amortization method shall be assessed. Any change shall be treated as change on accounting estimate.

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

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount shall be impaired and the difference is recognized as an impairment loss and charged to profit or loss for the period. Once an impairment loss on the assets is recognized, it is not reversed in a subsequent period. After assets impairment loss is recognized, depreciation and amortization of the impaired asset shall be adjusted in the following period so that the adjusted carrying amount (less expected residual value) can be depreciated and amortized systematically within the remaining life.

Goodwill arising in a business combination and intangible asset with infinite useful life are tested for impairment annually no matter there is any indication of impairment or not.

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

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

Long-term deferred expenses of the Group refer to leasing expenses, redecoration expense and others. The expenses should be amortized evenly over the beneficial period. If the deferred expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss. The amortization period should be determined by the contract. If the contract without the amortization period specification, leasing expenses will be amortized within 10 years and 30years; redecoration expense and others will be amortized within 3 years.

## **24. Contract liability**

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

## **25. Employee benefits**

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

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

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

Termination benefits are employee's benefit payable as a result of either an entity's decision to terminate an employee's employment before the contract due date or an employee's decision to accept voluntary redundancy in exchange for those benefits. An entity shall recognize the

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termination benefits as a liability and an expense at the earlier date when the entity cannot unilateral withdraw the termination benefits due to employment termination plan or due to redundancy suggestion, or when the entity can recognize the restructuring cost or expense arising from paying termination benefits.

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

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

#### **26. Provision**

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

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

When determining the best estimate, need to consider the risk, uncertainty, time value of monetary relevant to contingent items. If the time value of monetary is significant, the best estimate will be determined by discounted cash outflow in the future.

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

#### **27. Share based payment**

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

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

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

If the granted equity instruments are cancelled within the vesting period (apart from the situation where the vesting condition is not satisfied), the equity instrument shall be treated as accelerated vesting and regarded as all share based payment plan satisfying vesting condition, and all expense during the remaining vesting period shall be accounted at the same period when the granted equity instruments are cancelled.

#### **28. Principle of recognition and measurement of revenue**

Accounting policy

The revenue of the company is mainly from selling goods, providing engineering installation services.

The company shall recognize revenue when (or as) the company satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

If the contract includes two or more performance obligations, at the inception date of contract, the company shall allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price ratio basis and measure the revenue at the allocated transaction price to each performance.

The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on

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behalf of third parties. The determined transaction price shall be limited to the extent where the maximum reversal amount of revenue recognized with the least possibility once the uncertainty related to the variable consideration is removed. The company shall recognize a refund liability if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. Where a significant financing component exists in the contract, the transaction price shall be measured at the assumed price that the payment is made by cash as the client receive the control right of goods or services. The difference between the promised consideration and the cash selling price shall be amortized within the contract period at effective interest rate. The company need not take the financing component into the consideration if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

When the company transfers control of a good or service over time, it satisfies a performance obligation and recognizes revenue over time only if one of the following criteria is met, otherwise it shall be the performance obligation at a point in time.

- (1) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- (2) the company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- (3) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

If it is performance obligation over time, the company shall recognize the revenue in accordance with the progress of performance obligation and measure the progress based on input method. In the circumstances, the company may not be able to reasonably measure the progress of a performance obligation, but the company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the entity shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

It satisfies a performance obligation at a point in time when the control right of goods or services are received by the client, and revenue shall be recognized. Judging whether the client has received the control right, the following indicators shall be considered:

- (1) The entity has a present right to payment for the asset
- (2) The legal title to the asset has been transferred to the customer
- (3) The company has transferred physical possession of the asset to the client
- (4) The company has transferred the significant risks and rewards of ownership of an asset to the customer
- (5) The customer has accepted the goods or service

The right of receiving the consideration the company entitled to, as the goods or service have been transferred, shall be listed as contract asset and impairment provision shall be based on the expected credit loss. Unconditioned right of receiving the consideration shall be listed as receivable. The obligation shall be listed as contract liability where the company has received consideration, but services or goods not transferred to the customer.

## **.29. Government grants**

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

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

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

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

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

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income statement when the assets are disposed off.

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

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

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

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

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

### **31. Lease**

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

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

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

### **32. Held for sale**

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

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

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initial carrying amount is recognized in the income statement.

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

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

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

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

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

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

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

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

### **33. Discontinued operation**

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

### **34. Other significant accounting policies, accounting estimates**

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

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

#### **(1) Impairment of financial instrument**

The company uses expected credit loss model to assess any impairment of financial asset. When applying expected credit loss model, the company shall take all necessary factors into account as requested such as significant judgment, estimate and all reasonable and supportable information including forward looking information. Repayment history in conjunction with economic policy, macro environment ratio, industry and sector risk etc shall also be considered when judging expected change of debtor's credit risk.

#### **(2) Provision of inventory impairment**

Inventory is periodically evaluated at the net realizable value and any cost higher than NRV shall be

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

(3) Provision of goodwill impairment

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

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

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

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

(4) Provision of fixed asset impairment

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

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

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

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

(5) Recognition of deferred tax assets

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

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

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

**35. Changes in Accounting Policies, Accounting Estimates**

(1) Change in significant accounting policies

Changes on accounting policy and reasons	Approval progress	Memo
<p>On July 5<sup>th</sup>, 2017, the Ministry of Finance announced amendment to "Accounting Standards for Business Enterprises No.14-Revenue "(No22 Caikuai [2017]) (hereinafter referred to as "new revenue standard"). Since January 1, 2018, the new revenue standard took effect for either the company both listed in overseas and domestic or IFRS or Accounting Standards for Business Enterprises adoption of the company listed overseas. The rest of domestic listed companies shall adopt the standard since January 1, 2020. When preparing the financial statements for 2020FY, the policy has been adopted and the accounting has been done in accordance with this standard.</p>	<p>The accounting policy change has been approved by the 9<sup>th</sup> meeting of the 8<sup>th</sup> generation of board.</p>	<p>Note</p>



Changes on accounting policy and reasons	Approval progress	Memo

Note. New revenue standard

New revenue standard took effect since January 1, 2020 and introduced 5 steps for revenue recognition and gave more instruction to special transactions (or matters). The new revenue accounting policy is referred to the note IV. 28. The new revenue standard requests the cumulative effects shall be adjusted in the opening accounts (on January 1, 2020) of retained earnings and other items in the financial statements for the first adoption and no adjustments are requested for the comparative figures. When adopting the new revenue standard, the company only adjusted the cumulative effects for incomplete contract on the first adoption date. Any changes of contract prior to the beginning period of the first adoption year, shall be simplified by the company. New revenue standard adoption and effect on the comparison figure as follows:

Consolidated balance sheet

Effected Items	December 31 <sup>st</sup> ,2019	Effect on new standard adoption	January 1 <sup>st</sup> ,2020
Accounts receivable	1,030,342,541.88	-73,210,394.19	957,132,147.69
Contract asset		73,210,394.19	73,210,394.19
Received in advance	160,571,622.53	-160,571,622.53	
Contract liability		142,098,781.00	142,098,781.00
Other current liability		18,472,841.53	18,472,841.53

Balance sheet of parent company

Effected Items	December 31 <sup>st</sup> ,2019	Effect on new standard adoption	January 1 <sup>st</sup> ,2020
Accounts receivable	526,554,114.61	-17,803,062.64	508,751,051.97
Contract asset		17,803,062.64	17,803,062.64
Received in advance	47,114,426.48	-47,114,426.48	
Contract liability		41,694,182.73	41,694,182.73
Other current liability		5,420,243.75	5,420,243.75

(2) Changes in significant accounting estimates

No.

## V. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	6%、9%、13%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%
Enterprise income tax(EIT)	Current period taxable profit	15% or 25%
Real estate tax	70% of cost of own property or	1.2% or 12%

	revenue from leasing property	Fixed amount per square meter According to the relevant provisions of the state and local
Land use tax	Land using right area	
Other tax		

Notes for tax entities with different EIT rate

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

2. Tax preference

The company obtained the qualification of high and new technology enterprises on 3<sup>rd</sup> December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200646, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 3<sup>rd</sup> December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200672, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Bingshan JiaDe Automation Co., Ltd. obtained the qualification of high and new technology enterprises on 16<sup>th</sup> November, 2018 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR20181200562, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Wuhan New World Refrigeration Industrial Co., Ltd obtained the qualification of high and new technology enterprises on 15<sup>th</sup> November, 2018 approved by Hubei Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau. The Certificate No. is GR201842000605, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Bingshan Technical Service (Dalian) Co., Ltd. obtained the qualification of high and new technology enterprises on 3<sup>rd</sup> December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200540, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Niweisi LengNuan Techonoligy Co., Ltd. obtained the qualification of high and new technology enterprises on 3<sup>rd</sup> December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200570, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Dalian Xinminghua Electrical Technology Co., Ltd obtained the qualification of high and new technology enterprises on 3<sup>rd</sup> December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200699, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

#### VI. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, “opening” refers to January 1, 2020; “closing” refers to December 31, 2020; “current period” refers to the period from January 1, 2020 to December 31, 2020; and “last period” refers to the period from January 1, 2019 to December 31, 2019; with the currency unit RMB.

##### 1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	154,668.54	92,096.63
Cash in bank	316,921,397.57	301,435,257.93
Other cash and cash equivalents	56,369,665.56	30,591,791.66
<b>Total</b>	<b>373,445,731.67</b>	<b>332,119,146.22</b>
Including: sum of deposits overseas		

Note: Other cash and cash equivalents is restricted, including deposit for bank acceptance notes of 49,449,257.07 Yuan, guarantee deposit of 5,906,560.44 Yuan, migrant deposit of 1,013,848.05 Yuan, and frozen amount of 2,097,605.62 Yuan by the bank due to litigation total of 58,467,271.18 Yuan.

##### 2. Notes receivable

###### (1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	109,424,884.35	71,184,057.96
Trade acceptance notes	29,696,153.43	48,763,268.45
<b>Total</b>	<b>139,121,037.78</b>	<b>119,947,326.41</b>

###### (2) Pledged notes receivable up to the end of year.

Items	Closing pledged amount
Bank acceptance notes	12,175,402.47
<b>Total</b>	<b>12,175,402.47</b>

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

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	375,247,871.66	104,594,884.35
Trade acceptance notes	900,000.00	17,649,000.00
<b>Total</b>	<b>376,147,871.66</b>	<b>122,243,884.35</b>

###### (4) Transfer to receivable as the drawer's default of performance of obligation

Items	Amount to be transferred to receivable
Trade acceptance notes	12,607,409.17
<b>Total</b>	<b>12,607,409.17</b>

###### (5) Categories according to bad debts provision

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Bad debts provision based on group					

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Including: bank acceptance notes	109,424,884.35	77.41			109,424,884.35
Trade acceptance notes	31,938,216.21	22.59	2,242,062.78	7.02	29,696,153.43
<b>Total</b>	<b>141,363,100.56</b>	<b>100.00</b>	<b>2,242,062.78</b>	<b>1.59</b>	<b>139,121,037.78</b>

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debts provision based on group					
Including: bank acceptance notes	71,184,057.96	57.64	-		71,184,057.96
Trade acceptance notes	52,316,066.01	42.36	3,552,797.56	6.79	48,763,268.45
<b>Total</b>	<b>123,500,123.97</b>	<b>100.00</b>	<b>3,552,797.56</b>	<b>2.88</b>	<b>119,947,326.41</b>

Categories based on group

Items	Closing Balance		
	Booking balance	Provision	Provision (%)
Trade acceptance notes	31,938,216.21	2,242,062.78	7.02
<b>Total</b>	<b>31,938,216.21</b>	<b>2,242,062.78</b>	<b>-</b>

(6) Bad debt provision of notes receivable accrued, collected and reversed

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	3,552,797.56		1,310,734.78		2,242,062.78
<b>Total</b>	<b>3,552,797.56</b>		<b>1,310,734.78</b>		<b>2,242,062.78</b>

(7) Bad debt provision is reversed of 1,310,734.78Yuan as the notes receivable of decreased 20,377,849.80 Yuan by comparing the opening and closing balance.

(8) Notes receivable written off: none

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	9,375,092.34	0.85	262,313.88	2.80	9,112,778.46
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,089,352,275.04	99.15	281,453,097.75	25.84	807,899,177.29
Including: aging as characteristics of	1,089,352,275.04	99.15	281,453,097.75	25.84	807,899,177.29

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
credit risk					
<b>Total</b>	<b>1,098,727,367.38</b>	<b>100.00</b>	<b>281,715,411.63</b>	<b>25.64</b>	<b>817,011,955.75</b>

Note: since January 1st, 2020, financial instrument new standard was adopted. The opening figures of receivable shall be remeasured on the first adoption date. Refer to Note IV.35.

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	51,480,562.10	4.16	12,628,091.84	24.53	38,852,470.26
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,187,306,522.58	95.84	269,026,845.15	22.66	918,279,677.43
Including: aging as characteristics of credit risk	1,187,306,522.58	95.84	269,026,845.15	22.66	918,279,677.43
<b>Total</b>	<b>1,238,787,084.68</b>	<b>100.00</b>	<b>281,654,936.99</b>	<b>22.74</b>	<b>957,132,147.69</b>

1) Accounts receivable with the bad debt provisions under single identification method

Name	Closing Balance				Reason
	Accounts receivable	Provision for bad debts	Proportion (%)		
Changsha Xiandao Zhendi Estate Development Co. Ltd	680,940.10				The court has mediated, there is a preservation of property, no expected credit loss
Changsha Runyi Chengxiang Development Co., Ltd	240,000.00	3,881.81	1.62		The court has mediated the repayment in installments, which has been executed on schedule, and the credit risk is expected to be significantly reduced
Wuhan BOE Optoelectronic Technology Co. Ltd	4,270,103.50	90,979.27	2.13		Both parties shall comply with the agreement and execute it on schedule, and expect the credit risk to be significantly reduced
Chengdu BOE Optoelectronic Technology Co. Ltd	3,078,990.00	144,372.82	4.69		
Mianyang BOE Optoelectronic Technology Co. Ltd	779,807.04	16,706.41	2.14		
BOE (Hebei) Mobile Display Technology Co. Ltd	325,251.70	6,373.57	1.96		

Name	Closing Balance			Reason
	Accounts receivable	Provision for bad debts	Proportion (%)	
<b>Total</b>	<b>9,375,092.34</b>	<b>262,313.88</b>	<b>2.80</b>	

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
Within 1 year	478,146,198.85	33,565,863.17	7.02
1 to 2 years	170,319,404.20	28,511,468.28	16.74
2 to 3 years	208,709,249.82	64,345,061.71	30.83
3 to 4 years	129,504,581.46	63,884,610.03	49.33
4 to 5 years	41,388,675.55	29,861,929.40	72.15
Over 5 years	61,284,165.16	61,284,165.16	100.00
<b>Total</b>	<b>1,089,352,275.04</b>	<b>281,453,097.75</b>	-

(2) Receivable listed by aging

Aging	Closing Balance
Within 1 year	479,067,138.95
1 to 2 years	170,319,404.20
2 to 3 years	217,163,402.06
3 to 4 years	129,504,581.46
4 to 5 years	41,388,675.55
Over 5 years	61,284,165.16
<b>Total</b>	<b>1,098,727,367.38</b>

(3) Bad debt provision of current period

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	281,654,936.99	27,826,220.28	6,264,239.58	21,501,506.06	281,715,411.63
<b>Total</b>	<b>281,654,936.99</b>	<b>27,826,220.28</b>	<b>6,264,239.58</b>	<b>21,501,506.06</b>	<b>281,715,411.63</b>

(4) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	11,399,875.54

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	2-3 years 3-4 years 4-5 years	2.98	17,525,571.61
Panasonic Appliances Cold Chain (Dalian) Co., Ltd	31,200,329.39	Within 1 year	2.84	2,190,263.12
Qingchengxian Energy Co., Ltd	26,600,000.00	Within 1 year	2.42	1,867,320.00

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Shenzhen Zhaofude Tourism Development Co., Ltd	21,266,895.56	2-3 years	1.94	6,556,583.90
Ningxia Wangwa Coal Industry Co., Ltd	20,631,495.12	Within 1 year 1-2 years 2-3 years	1.88	4,901,311.52
<b>Total</b>	<b>132,447,464.07</b>	-	<b>12.06</b>	<b>33,041,050.15</b>

#### 4. Finance receivable

Items	Closing Balance	Opening Balance
Notes receivable	61,737,282.56	
<b>Total</b>	<b>61,737,282.56</b>	

#### 5. Prepayments

##### (1) Aging of prepayments

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	111,133,100.83	71.93	112,706,836.54	78.93
1 to 2 years	24,880,404.77	16.11	17,090,076.33	11.97
2 to 3 years	9,313,439.77	6.03	4,786,466.74	3.35
Over 3 years	9,154,563.98	5.93	8,203,148.96	5.75
<b>Total</b>	<b>154,481,509.35</b>	<b>100.00</b>	<b>142,786,528.57</b>	<b>100.00</b>

##### Significant prepayments over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Dalian Hengtong Refrigeration Equipment engineering Co., Ltd	5,720,000.00	1-2 years 2-3 years	Contract is not fully implemented
Shanghai POMA Automation Equipment Co., Ltd	4,272,900.00	4-5 years	Contract is not fully implemented
Dalian Jingdian Steel Work Co., Ltd	3,965,236.72	Within 1 year 1-2 years 2-3 years	Contract is not fully implemented
Yunnan Xinneng Technology Co., Ltd	2,554,677.66	1-2 years 2-3 years 3-4 years	Contract is not fully implemented
Anhui Songze Energy Co., Ltd	2,080,000.00	1-2 years	Contract is not fully implemented
<b>Total</b>	<b>18,592,814.38</b>	—	—

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

Company	Closing Balance	Aging	% of the total advances to suppliers
Dalian Shentong Electric Co., Ltd.	15,926,281.36	Within 1 year	10.31
Shenyang Baogang Northeast Trading Co., Ltd	7,640,955.64	Within 1 year	4.95
Dalian Hengtong Refrigeration Equipment engineering Co., Ltd	5,720,000.00	1-2 years 2-3 years	3.70
Hangzhou Zhonghong New Energy Co., Ltd	5,703,000.00	Within 1 year	3.69
Dalian Shengda Construction Co.,Ltd	4,301,257.15	Within 1 year 1-2 years	2.78

Company	Closing Balance	Aging	% of the total advances to suppliers
<b>Total</b>	<b>39,291,494.15</b>	<b>-</b>	<b>25.43</b>

6. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	46,879.68	583,833.33
Dividend receivable	25,923.75	33,450.00
Other receivables	67,454,373.43	38,113,945.24
<b>Total</b>	<b>67,527,176.86</b>	<b>38,731,228.57</b>

6.1 Interest receivable

(1) Classification

Items	Closing Balance	Opening Balance
Interest on term deposits	46,879.68	583,833.33
<b>Total</b>	<b>46,879.68</b>	<b>583,833.33</b>

6.2. Dividends receivable

(1) Classification

Company	Closing Balance	Opening Balance
Wuhan Steel and Electricity Co., Ltd.	25,923.75	33,450.00
<b>Total</b>	<b>25,923.75</b>	<b>33,450.00</b>

6.3. Other receivables

(1) The categories of other receivable according to nature

Items	Closing Balance	Opening Balance
Deposits	26,232,362.26	23,419,558.44
Petty cash	5,325,764.44	8,132,205.01
Receivables and payables	47,714,138.78	13,757,372.35
Others	1,619,770.46	225,649.71
<b>Total</b>	<b>80,892,035.94</b>	<b>45,534,785.51</b>

(2) The bad debt provision of other receivables

bad debt provision	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within 12 months	Expected credit loss within the whole period (no impairment)	Expected credit loss within the whole period (impairment incurred)	
Opening balance	7,420,840.27			7,420,840.27
Opening balance during the year	—	—	—	—
--transfer to the 2 <sup>nd</sup> stage				
--transfer to the 3 <sup>rd</sup> stage				
--reverse to the 2 <sup>nd</sup> stage				
---reverse to the 1 <sup>st</sup> stage				
Accrued	6,016,822.24			6,016,822.24



bad debt provision	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within 12 months	Expected credit loss within the whole period (no impairment)	Expected credit loss within the whole period (impairment incurred)	
Reverse				
Cancelation				
Written off				
Other movement				
Closing balance	13,437,662.51			13,437,662.51

(3) Other receivable listed by account aging

Aging	Closing Balance
Within 1 year	55,270,802.17
1-2 years	9,425,442.61
2-3 years	6,529,531.98
3-4 years	4,742,652.47
4-5 years	2,561,000.00
Over 5 years	2,362,606.71
<b>Total</b>	<b>80,892,035.94</b>

(4) Provision for bad debt

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	7,420,840.27	6,016,822.24			13,437,662.51
<b>Total</b>	<b>7,420,840.27</b>	<b>6,016,822.24</b>			<b>13,437,662.51</b>

(5) Other receivables written off in current period: none.

(6) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Dalian Group Co., Ltd	Bingshan Share transfer	36,263,700.00	Within 1 year	44.83	2,371,645.98
State Administration Taxation Dalian Shahekou Bureau	Export tax refund	4,990,693.19	Within 1 year	6.17	326,391.33
Huangmei Eco Development Co., Ltd	Kanghong Agriculture Deposit	2,279,000.00	2-3 years	2.82	712,187.50
Agriculture Bureau of Moyu County	Deposit	2,548,847.50	Within 1 year 1-2years	3.15	285,348.11
Dalian Huali Coating Equipment Co., Ltd	Outstanding debtor	1,650,000.00	3-4 years	2.04	833,745.00
<b>Total</b>		<b>47,732,240.69</b>	-	<b>59.01</b>	<b>4,529,317.92</b>

(7) Other receivables from government grant: none

7. Inventories

## (1) Categories of inventories

Item	Closing Balance		Net book value
	Book value	Provision for decline	
Raw materials	103,332,663.42	1,064,716.71	102,267,946.71
Working in progress	117,243,035.94	1,929,842.21	115,313,193.73
Finished goods	244,721,287.34	2,528,193.70	242,193,093.64
Low-value consumable	171,759.42		171,759.42
Self-manufactured semi-finished products	28,814,287.69		28,814,287.69
Cost to fulfill the contract	193,840,972.71		193,840,972.71
Materials on consignment for further processing	480,473.35		480,473.35
Goods in transit	33,573,632.23		33,573,632.23
Properties written off debtors	20,206,542.00	5,203,103.50	15,003,438.50
<b>Total</b>	<b>742,384,654.10</b>	<b>10,725,856.12</b>	<b>731,658,797.98</b>

(Continued)

Item	Opening Balance		Net book value
	Book value	Provision for decline	
Raw materials	99,955,218.42	1,089,032.88	98,866,185.54
Working in progress	101,259,171.98		101,259,171.98
Finished goods	225,850,272.78	50,000.00	225,800,272.78
Low-value consumable	137,722.99		137,722.99
Self-manufactured semi-finished products	26,595,183.32		26,595,183.32
Cost to fulfill the contract	85,532,846.86	1,200,000.00	84,332,846.86
Materials on consignment for further processing	2,505,829.92		2,505,829.92
<b>Total</b>	<b>541,836,246.27</b>	<b>2,339,032.88</b>	<b>539,497,213.39</b>

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

Item	Opening Balance	Increase	Decrease	Others transferred	Closing Balance
		Accrual	Reverse/ Written-off		
Raw materials	1,050,572.88		24,316.17		1,026,256.71
Finished goods	88,460.00	2,478,193.70			2,566,653.70
Cost to fulfill the contract	1,200,000.00		1,200,000.00		
WIP		1,929,842.21			1,929,842.21
Properties written off debtors		5,203,103.50			5,203,103.50
<b>Total</b>	<b>2,339,032.88</b>	<b>9,611,139.41</b>	<b>1,224,316.17</b>		<b>10,725,856.12</b>

Accrual for provision for decline in the value of inventories

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

8. Contract asset

(1) Details

Item	Closing Balance			Opening Balance		
	Carrying amount	Provision	Book value	Carrying amount	provision	Book value
Undue warranty	104,165,706.10	12,735,694.50	91,430,011.60	80,880,830.09	7,670,435.90	73,210,394.19
<b>Total</b>	<b>104,165,706.10</b>	<b>12,735,694.50</b>	<b>91,430,011.60</b>	<b>80,880,830.09</b>	<b>7,670,435.90</b>	<b>73,210,394.19</b>

(2) Significant change and reason of carrying amount of contract asset

Item	Closing Balance	Reason
Warranty	23,284,876.01	Complete performance of obligation
<b>Total</b>	<b>23,284,876.01</b>	

(3) Provision for impairment

Item	Accrued	Reverse	Collected/written off	Reason
Undue warranty	5,065,258.60			
<b>Total</b>	<b>5,065,258.60</b>			

9. Noncurrent asset due within one year

Item	Closing Balance	Opening Balance	Nature
Long term receivable due within 1 year	42,003,576.60		
<b>Total</b>	<b>42,003,576.60</b>		

10. Other current assets

Item	Closing Balance	Opening Balance	Nature
Prepaid income tax presented at net amount after offsetting	390,518.40	926,962.16	
VAT to be deducted	22,375,761.22	13,114,701.01	
Prepaid turnover tax	1,876.94	11,143.58	
Prepaid expenses	445,934.88	119,323.70	
<b>Total</b>	<b>23,214,091.44</b>	<b>14,172,130.45</b>	

11. Long term receivable

(1) Details

Item	Closing Balance		
	Carrying amount	Provision	Book value
Lease premium			
---Unrealized financing income			
Goods sold by installments	71,750,205.16	5,882,231.91	65,867,973.25
---Unrealized financing income	4,129,869.98		4,129,869.98
Services rendered by installments			

<b>Total</b>	<b>71,750,205.16</b>	<b>5,882,231.91</b>	<b>65,867,973.25</b>	
<b>(2) Provision for bad debt</b>				
<b>bad debt provision</b>	<b>1<sup>st</sup> stage Expected credit loss within 12 months</b>	<b>2<sup>nd</sup> stage Expected credit loss within the whole period (no impairment)</b>	<b>3<sup>rd</sup> stage Expected credit loss within the whole period (impairment incurred)</b>	<b>Total</b>
Opening balance	—	—	—	—
Opening balance during the year				
--transfer to the 2 <sup>nd</sup> stage				
--transfer to the 3 <sup>rd</sup> stage				
--reverse to the 2 <sup>nd</sup> stage				
---reverse to the 1 <sup>st</sup> stage				
Accrued	5,882,231.91			5,882,231.91
Reverse				
Cancelation				
Written off				
Other movement				
Closing balance	5,882,231.91			5,882,231.91

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12. Long-term equity investments

Investee	Beginning balance	Increase/Decrease		Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others	Ending balance	Provision for impairment	
		Increased	Decreased									
<b>Associates</b>												
Panasonic Appliances Air-Conditioning and Refrigeration (Dalian) Co., Ltd	177,390,883.01			1,958,795.95			6,800,000.00			172,549,678.96		
Panasonic Cold-Chain (Dalian) Co., Ltd.	267,179,066.77			7,354,346.53						274,533,413.30		
Panasonic Compressor (Dalian) Co., Ltd.	471,693,615.32			30,151,282.66			36,026,000.00			465,818,897.98		
Dalian Honjo Chemical Co., Ltd.	8,535,439.50			561,233.80			350,476.27			8,746,197.03		
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	61,090,955.30			3,444,000.08			8,600,000.00			55,934,955.38		
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,537,672.85			584,278.85						2,121,951.69		
Dalian Fuji Bingshan Vending Machine Co., Ltd.	193,109,792.44			-8,655,654.23						184,454,138.22		
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	13,892,866.25			998,253.42						14,891,119.67		

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Investee	Beginning balance	Increase/Decrease		Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others	Ending balance	Provision for impairment
		Increased	Decreased								
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	12,614,480.80			-12,570,934.45						43,546.35	
Changzhou Jingxue Refrigeration Equipment Co., Ltd.	185,385,615.80			17,823,213.17						203,208,828.97	
Panasonic cold Machine System (Dalian) Co., Ltd	33,975,371.41			5,973,075.90			2,528,392.05			37,420,055.26	
Dalian Bingshan Metal Technology Co.,Ltd	172,730,683.20			28,938,783.80			28,510,920.84			173,158,546.15	
Dalian Bingshan Group Management and Consulting Co.,ltd	57,778,289.15		58,800,000.00	1,021,710.84							
Wuhan Sikafu Power Control Equipment Co., Ltd	5,266,277.34			-906,242.68						4,360,034.66	
<b>Total</b>	<b>1,662,181,009.14</b>		<b>58,800,000.00</b>	<b>76,676,143.64</b>			<b>82,815,789.16</b>			<b>1,597,241,363.62</b>	

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13. Other non-current financial assets

Item	Closing Balance	Opening Balance
Financial assets classified as FVTPL	239,304,098.83	303,469,706.51
Including: equity instruments	239,304,098.83	303,469,706.51
<b>Total</b>	<b>239,304,098.83</b>	<b>303,469,706.51</b>

14. Investment property

(1) Investment property measured as cost model

Item	Property & building	Land-use-rights	Total
<b>I. Initial cost</b>			
1. Opening balance	194,717,932.54	24,391,511.82	219,109,444.36
2. Increase	38,494,929.75	1,702,926.56	40,197,856.31
(1) Purchase			
(2) Transferred from fixed assets	38,494,929.75	1,702,926.56	40,197,856.31
3. Decrease	980,000.00		980,000.00
(1) Disposal	980,000.00		980,000.00
(2) Transferred to other			
4. Closing Balance	232,232,862.29	26,094,438.38	258,327,300.67
<b>II. Accumulated depreciation</b>			
1. Opening balance	112,054,714.34	10,854,222.78	122,908,937.12
2. Increase	8,296,333.21	930,592.51	9,226,925.72
(1) Provision or amortization	4,019,331.17	487,830.24	4,507,161.41
(2) Acquired from business combination	4,277,002.04	442,762.27	4,719,764.31
3. Decrease	97,040.09		97,040.09
(1) Disposal	97,040.09		97,040.09
(2) Transferred to other			
4. Closing balance	120,254,007.46	11,784,815.29	132,038,822.75
<b>III. Impairment reserve</b>			
1. Opening balance			
2. Increase			
(1) Provision or amortization			
3. Decrease			
(1) Disposal			
(2) Transferred to other			

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Item	Property & building	Land-use-rights	Total
4. Closing balance			
<b>IV. Book value</b>			
<b>1. Closing book value</b>	<b>111,978,854.83</b>	<b>14,309,623.09</b>	<b>126,288,477.92</b>
<b>2. Opening book value</b>	<b>82,663,218.20</b>	<b>13,537,289.04</b>	<b>96,200,507.24</b>

15. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	891,147,058.82	992,435,172.94
Fixed asset clearance		
<b>Total</b>	<b>891,147,058.82</b>	<b>992,435,172.94</b>

(1) Fixed assets detail

Item	Property & buildings	Machinery equipments	Transportation equipments	Other equipments	Total
<b>I. Initial cost</b>					
1. Opening balance	719,373,101.53	745,999,413.09	16,020,380.97	68,985,144.10	1,550,378,039.69
2. Increase	337,916.92	30,275,594.35	1,717,256.62	2,431,992.14	34,762,760.03
(1) Purchase	54,455.45	2,092,768.08	1,717,256.62	2,420,054.08	6,284,534.23
(2) Transferred from construction-in-progress	283,461.47	1,134,356.13		11,938.06	1,429,755.66
(2) Sold and lease back		27,048,470.14			27,048,470.14
(3) Acquired from business combination					
3. Decrease	38,494,929.75	149,017,465.07	3,881,109.17	3,310,990.62	194,704,494.61
(1) Disposal		18,970,524.96	3,881,109.17	1,138,474.52	23,990,108.65
(2) Transferred to other	38,494,929.75				38,494,929.75
(3) Sold and lease back		130,046,940.11		2,172,516.10	132,219,456.21
(4) Acquired from business combination					
4. Closing balance	681,216,088.70	627,257,542.37	13,856,528.42	68,106,145.62	1,390,436,305.11



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Item	Property & buildings	Machinery equipments	Transportation equipments	Other equipments	Total
<b>II. Accumulated depreciation</b>					
1. Opening balance	99,448,302.37	396,894,395.44	11,794,584.34	49,288,265.10	557,425,547.25
2. Increase	17,663,127.00	47,870,222.79	947,149.55	5,401,756.11	71,882,255.45
(1) Accrued	17,663,127.00	47,870,222.79	947,149.55	5,401,756.11	71,882,255.45
(2) Acquired from business combination					
3. Decrease	4,374,042.13	120,418,857.56	3,191,115.07	2,551,861.15	130,535,875.91
(1) Disposal	97,040.09	17,688,248.32	3,191,115.07	1,006,811.43	21,983,214.91
(2) Transferred to other	4,277,002.04				4,277,002.04
(3) Sold and lease back		102,730,609.24		1,545,049.72	104,275,658.96
(4) Acquired from business combination					
4. Closing balance	112,737,387.24	324,345,760.67	9,550,618.82	52,138,160.06	498,771,926.79
<b>III. Impairment reserve</b>					
1. Opening balance		517,319.50			517,319.50
2. Increase					
(1) Accrued					
3. Decrease					
(1) Disposal					
4. Closing balance		517,319.50			517,319.50
<b>IV. Book value</b>					
1. Closing book value	568,478,701.46	302,394,462.20	4,305,909.60	15,967,985.56	891,147,058.82
2. Opening book value	619,924,799.16	348,587,698.15	4,225,796.63	19,696,879.00	992,435,172.94

(2) Temporarily idle fixed assets: none.

(3) Fixed assets leased out under operating lease: none.

(4) Financing lease

Item	Initial cost	Accumulated depreciation	Impairment reserve	Book value
Machinery & equipment	27,048,470.14	3,079,049.94		23,969,420.20
<b>Total</b>	<b>27,048,470.14</b>	<b>3,079,049.94</b>		<b>23,969,420.20</b>

16. Construction-in-progress

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Item	Closing book value	Opening book value
Construction-in-progress	34,254,599.42	36,285,056.80
Construction materials		
<b>Total</b>	<b>34,254,599.42</b>	<b>36,285,056.80</b>

(1) Construction-in-progress details

Item	Closing balance			Opening balance		
	Book balance	Provision	Book Value	Book balance	Provision	Book value
Buildings & reconstruction	3,628,913.65		3,628,913.65	14,866,010.00		14,866,010.00
Improvement of machinery	3,724,069.06		3,724,069.06	502,148.95		502,148.95
Software of intelligent manufacture	1,843,202.03		1,843,202.03	12,161,571.62		12,161,571.62
Technical renovation project of pressure energy in natural gas pipeline network	15,893,749.49		15,893,749.49			
Financing lease item	9,164,665.19		9,164,665.19	8,755,326.23		8,755,326.23
<b>Total</b>	<b>34,254,599.42</b>		<b>34,254,599.42</b>	<b>36,285,056.80</b>		<b>36,285,056.80</b>

(2) Change in the significant construction in progress

Name	Opening balance	Increase	Decrease		Closing balance
			Transfer to FA/ Intangible assets	Other decrease	
Buildings & reconstruction	14,866,010.00	3,912,375.12	283,461.47	14,866,010.00	3,628,913.65
Improvement of machinery	502,148.95	4,368,214.30	1,146,294.19		3,724,069.06
Software of intelligent manufacture	12,161,571.62	986,694.77		11,305,064.36	1,843,202.03
Technical renovation project of pressure energy in natural gas pipeline network		15,893,749.49			15,893,749.49
Financing lease item	8,755,326.23	409,338.96			9,164,665.19
<b>Total</b>	<b>36,285,056.80</b>	<b>25,570,372.64</b>	<b>1,429,755.66</b>	<b>26,171,074.36</b>	<b>34,254,599.42</b>

(Continued)

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Name	Budget	Percent of investment against budget(%)	Progress of construction	Accumulated capitalized interest	Including: accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Buildings & reconstruction	7,628,787.88	45.75	45.75				Self financing
Improvement of machinery	21,830,520.40	17.06	17.06				Self financing
Software of intelligent manufacture	3,690,750.00	49.94	49.94				Self financing
Technical renovation project of pressure energy in natural gas pipeline network	19,614,500.00	81.03	81.03				Self financing
Financing lease item	15,020,000.00	61.02	61.02	837,440.00	146,555.64		Self financing borrowing
<b>Total</b>							—

17. Intangible assets

Item	Land use right	Patent	Non Patent	Others	Total
<b>I. Initial cost</b>					
1. Opening balance	152,890,196.80	17,630,188.82	5,000,000.00	19,101,108.42	194,621,494.04
2. Increase				11,893,799.40	11,893,799.40
(1) Purchase				588,735.04	588,735.04
(2) increase via merge					
(3) Transferred from construction-in-progress				11,305,064.36	11,305,064.36
3. Decrease	1,702,926.56				1,702,926.56
(1) Disposal					
(2) Transferred to investment property	1,702,926.56				1,702,926.56
4. Closing balance	151,187,270.24	17,630,188.82	5,000,000.00	30,994,907.82	204,812,366.88
<b>II. Accumulated amortization</b>					
1. Opening balance	35,069,090.32	4,437,851.45	2,000,004.00	11,574,170.17	53,081,115.94
2. Increase	1,585,645.00	1,600,948.20	500,000.00	3,044,698.77	6,731,291.97

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Item	Land use right	Patent	Non Patent	Others	Total
(1)Accrued	1,585,645.00	1,600,948.20	500,000.00	3,044,698.77	6,731,291.97
(2)Increase from merger					
3. Decrease	442,762.27				442,762.27
(1) Disposal					
(2) Transferred to other	442,762.27				442,762.27
4.Closing balance	36,211,973.05	6,038,799.65	2,500,004.00	14,618,868.94	59,369,645.64
<b>III. Impairment reserve</b>					
1. Opening balance					
2. Increase					
(1)Accrued					
(2) Others					
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4.Closing balance					
<b>IV. Book value</b>					
1. Closing book value	114,975,297.19	11,591,389.17	2,499,996.00	16,376,038.88	145,442,721.24
2. Opening book value	117,821,106.48	13,192,337.37	2,999,996.00	7,526,938.25	141,540,378.10

18. Goodwill

(1) Original cost of goodwill

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprises merger increase	Other	Disposal	Other	
Dalian Niweisi LengNuan Techonoligy Co., Ltd.	1,440,347.92					1,440,347.92
Dalian Bingshan Group Construction Co., Ltd	310,451.57					310,451.57
<b>Total</b>	<b>1,750,799.49</b>					<b>1,750,799.49</b>

(2) Goodwill impairment provision

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

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In the year 2016, Dalian Bingshan Group Construction Co., Ltd purchases shares of Dalian Bingshan Baoan Leisure Industry Co., Ltd and gains control. The transferred price is based on the net asset of Dalian Bingshan Baoan Leisure Industry Co., Ltd on June 30<sup>th</sup>, 2016. Negotiated with Dalian Bingshan Baoan Leisure Industry Co., Ltd's shareholder Baoan Water Project (China) Limited Company, the transfer price is the combination cost on the purchasing date which is 5,359,548.42 Yuan, the fair value of proportion of Dalian Bingshan Baoan Leisure Industry Company's identifiable net asset is 5,049,096.85 Yuan on the purchasing day, therefore, goodwill is 310,451.57 Yuan on the purchasing date. Dalian Bingshan Group Construction Co., Ltd absorbed Dalian Bingshan Baoan Leisure Industry Co., Ltd in 2019.

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

19. Long-term unamortized expense

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing balance
Employee's dormitory use right	2,012,170.38		138,478.32		1,873,692.06
Renovation and rebuilding	1,175,049.06		428,051.92		746,997.14
Lease	531,450.00		106,290.00		425,160.00
Membership fee for golf	440,000.00		16,500.00		423,500.00
Technology entrance fee of cold and heat machinery	840,206.25		373,425.00		466,781.25
Greenland of new factory	6,616,523.14		892,115.52		5,724,407.62
Service fee from Technology center	31,446.64		31,446.64		
<b>Total</b>	<b>11,646,845.47</b>		<b>1,986,307.40</b>		<b>9,660,538.07</b>

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for credit impairment	298,515,515.22	60,167,592.33	292,949,532.33	58,162,933.30
Provision for impairment of assets	23,719,518.02	4,011,984.07	10,205,830.77	2,044,935.20
Provision	7,171,726.51	1,792,931.63		
Deductible loss	3,581,714.09	895,428.52		
Unrealized profit from internal transaction	14,077,263.75	2,111,589.56	14,598,643.87	2,189,796.58
<b>Total</b>	<b>347,065,737.59</b>	<b>68,979,526.11</b>	<b>317,754,006.97</b>	<b>62,397,665.08</b>

(2) Deferred tax liabilities without offsetting

Item	Closing balance	Opening balance
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	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Change on FV of other noncurrent financial assets	213,402,432.24	32,010,364.83	274,768,039.93	41,215,205.99
<b>Total</b>	<b>213,402,432.24</b>	<b>32,010,364.83</b>	<b>274,768,039.93</b>	<b>41,215,205.99</b>

(3) Unrecognized deferred tax assets details

Item	Closing balance	Opening balance
Deductible temporary difference	3,738,153.26	11,851,149.26
Deductible loss	107,036,874.97	97,241,944.12
<b>Total</b>	<b>110,775,028.23</b>	<b>109,093,093.38</b>

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

Year	Closing balance	Opening balance	Notes
2020		3,240,819.97	
2021			
2022	716,158.09	716,158.09	
2023	16,458,262.38	16,927,871.66	
2024	62,405,136.73	76,357,094.40	
2025	27,457,317.77		
<b>Total</b>	<b>107,036,874.97</b>	<b>97,241,944.12</b>	

21. Short-term borrowing

(1) Category of short term borrowing

Loan category	Closing balance	Opening balance
Credit loan	276,011,600.00	308,082,000.00
Mortgaged loan	6,960,000.00	47,170,000.00
Pledged loan		
Guarantee loan		
<b>Total</b>	<b>282,971,600.00</b>	<b>355,252,000.00</b>

22. Notes payable

Notes Category	Closing balance	Opening balance
Bank acceptance notes	293,073,330.48	292,314,922.58
Commercial acceptance notes	2,078,041.90	13,153,582.80
<b>Total</b>	<b>295,151,372.38</b>	<b>305,468,505.38</b>

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

23. Accounts payable

(1) Accounts payable

Item	Closing balance	Opening balance
Material payments	459,748,015.17	536,857,742.20
Project payments	227,092,621.70	207,388,636.82
Equipment payments	76,820,952.59	67,053,415.79

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Item	Closing balance	Opening balance
Others	3,605,642.97	3,031,889.21
<b>Total</b>	<b>767,267,232.43</b>	<b>814,331,684.02</b>

(2) Main accounts payable with age over 1 year

Name of company	Closing balance	Reason of unpaid or not carried forward
Panasonic Cold Machine System (Dalian) Co., Ltd	13,774,637.70	Payment is undue
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Payment is undue
Xi'an Qitong New Energy Equipment Co., Ltd	7,987,764.20	Payment is undue
Haoxing Nengtou(Beijing) Assets management Co.,Ltd	7,039,659.99	Payment is undue
Lixingkai (Beijing) Energy System Technology Co.,Ltd	6,136,305.82	Payment is undue
<b>Total</b>	<b>44,351,657.71</b>	—

24. Contract liability

(1) Details

Item	Closing balance	Opening balance
Received in advance due from unrealized revenue	295,100,657.10	142,098,781.00
<b>Total</b>	<b>295,100,657.10</b>	<b>142,098,781.00</b>

(2) Significant change on the book value

Item	Change amount	Change reason
Received in advance due from unrealized revenue	153,001,876.10	According to the contract, received the payment from the client in advance
<b>Total</b>	<b>153,001,876.10</b>	

25. Employee's payable

(1) Category of employee's payable

Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee's payable	31,701,317.58	309,502,441.60	310,077,950.24	31,125,808.94
Post-employment benefit –defined contribution plan		3,096,599.12	3,096,599.12	
Termination benefits		1,946,559.70	1,946,559.70	
Other welfare due within 1 year				
<b>Total</b>	<b>31,701,317.58</b>	<b>314,545,600.42</b>	<b>315,121,109.06</b>	<b>31,125,808.94</b>

(2) Short-term employee's payables

Item	Opening balance	Increase	Decrease	Closing balance
Salaries, bonus, allowance, and subsidy	26,129,186.34	255,112,946.64	254,715,806.98	26,526,326.00
Welfare	4,142,390.78	11,741,484.19	12,803,855.98	3,080,018.99
Social insurance		16,021,212.08	16,004,766.79	16,445.29

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Item	Opening balance	Increase	Decrease	Closing balance
Include: Medical insurance		13,611,773.88	13,596,913.68	14,860.20
Supplemental insurance				
On-duty injury insurance		283,354.29	283,354.29	
Maternity insurance		2,126,083.91	2,124,498.82	1,585.09
Housing funds	162,229.36	20,392,778.91	20,555,008.27	
Labor union and training expenses	1,267,511.10	4,085,044.22	3,849,536.66	1,503,018.66
Short-term leave with pay				
Short term profit share plan				
Others		2,148,975.56	2,148,975.56	
<b>Total</b>	<b>31,701,317.58</b>	<b>309,502,441.60</b>	<b>310,077,950.24</b>	<b>31,125,808.94</b>

(3) Defined contribution plan

Item	Opening balance	Increase	Decrease	Closing balance
Pension		2,933,322.60	2,933,322.60	
Unemployment insurance		163,276.52	163,276.52	
Company annuity plan				
<b>Total</b>		<b>3,096,599.12</b>	<b>3,096,599.12</b>	

26. Tax payable

Item	Closing balance	Opening balance
Value-added tax	2,830,255.88	2,486,893.96
Enterprise income tax	3,114,706.06	2,246,427.46
Real estate tax	1,899,793.53	1,853,410.62
Land use tax	1,094,760.28	1,094,760.28
Individual income tax	216,213.81	244,461.02
Stamp duty	151,410.38	153,970.35
City maintenance and construction tax	238,887.83	60,130.79
Education surcharge	167,925.89	42,950.57
River toll fee	240.59	573.64
Safeguard fund for disables		440.00
<b>Total</b>	<b>9,714,194.25</b>	<b>8,184,018.69</b>

27. Other accounts payable

Item	Closing balance	Opening balance
Interest payable	1,839,166.81	6,396,385.83
Dividend payable	533,156.00	533,156.00
Other accounts payable	40,645,143.57	48,991,518.86
<b>Total</b>	<b>43,017,466.38</b>	<b>55,921,060.69</b>

27.1 Interest payable



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Item	Closing balance	Opening balance
Interest on short term loan	1,703,750.01	6,260,969.04
Interest on corporate bond	135,416.80	135,416.79
<b>Total</b>	<b>1,839,166.81</b>	<b>6,396,385.83</b>

27.2 Dividend payable

Item	Closing balance	Opening balance
Ordinary share dividend	533,156.00	533,156.00
<b>Total</b>	<b>533,156.00</b>	<b>533,156.00</b>

27.3 Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing balance	Opening balance
Cash pledge and security deposit	8,518,729.05	9,620,594.19
Apply for reimbursement and unpaid	11,557,803.69	21,211,414.23
Cash from related parties		5,900,000.00
Receipts under custody	6,191,124.03	6,980,440.67
Others	14,377,486.80	5,279,069.77
<b>Total</b>	<b>40,645,143.57</b>	<b>48,991,518.86</b>

28. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Bond payable due within one year	25,000,034.00	
Long-term payable due within one year	12,157,092.41	14,174,643.42
<b>Total</b>	<b>37,157,126.41</b>	<b>14,174,643.42</b>

Note: The long-term payable due within one year is the financing lease payable of RMB 12,157,092.41.

29. Other current liabilities

Item	Closing balance	Opening balance
Notes payable endorsed not derecognized	121,572,682.35	
Output Vat to be carried forward	30,601,263.95	18,472,841.53
<b>Total</b>	<b>152,173,946.30</b>	<b>18,472,841.53</b>

30. Long-term borrowing

(1) Category of long-term borrowing

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

Note: In year 2016, the Development Fund from China Development Bank gave support to the company's intelligent and green equipment of cold chain and service industry base project and provided special fund to the company's holding shareholder, Bingshan Group. The fund is 0.16 billion Yuan with 10 year's expiration at 1.2% rate. Once the fund arrived, Bingshan Group gave it to the company at the same rate of 1.2% in lump sum. The above fund needed to be warranted by the company. The guarantee seems to be given for the holding shareholder, but it is for the company itself in fact.

31. Bonds payable

(1) Category of bonds payable

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Category	Closing balance	Opening balance
Exchangeable corporate bonds		25,000,034.00
<b>Total</b>		<b>25,000,034.00</b>

(2) The changes of bond

Bond name	Par value	Issue date	Bond term	Issue Amount	Opening balance	Issue d this year	Interest at par value	Am t of P/D	Repay	Closing balance
Exchangeable corporate bond	176,000,000.00	2018.7.30	3 years	176,000,000.00	25,000,034.00					
<b>Total</b>	<b>176,000,000.00</b>	-	-	<b>176,000,000.00</b>	<b>25,000,034.00</b>					

(3) Exchangeable corporate bond

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

The term of the bond swap is from the first trading day after the 6 months of issuance of the exchangeable corporate bonds to the maturity date of the exchangeable corporate bonds, which is from January 30, 2019 to July 2021. 29th. If the due date is on a statutory holiday or a public holiday, it will be postponed to the next trading day. The initial exchange price is RMB18 Yuan per share.

Since January 30<sup>th</sup>, 2019, “18 DaLeng EB” goes into swap period, which can be swapped to A Shares of Guotai Junan held by the company. Up to December 31<sup>st</sup>, 2019, total numbers of swappable shares of “18 DaLeng EB” held is 8.388887 million shares, at swappable price of RMB18Yuan per share, and the amount of bond repayment payable is RMB150,999,966.00Yuan. The remaining balance of unpaid bond is RMB25,000,034.00Yuan and has been transferred to noncurrent liability due within one year.

32. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	14,622,463.75	397,771.84
<b>Total</b>	<b>14,622,463.75</b>	<b>397,771.84</b>

32.1 Category by nature

Nature	Closing Balance	Opening Balance
Financial lease	2,656,962.34	397,771.84
Sale and leaseback	11,965,501.41	
<b>Total</b>	<b>14,622,463.75</b>	<b>397,771.84</b>

33. Provision

Nature	Closing Balance	Opening Balance	Reason
Open litigation	7,592,239.01		Contract disputes
<b>Total</b>	<b>7,592,239.01</b>		

Note1: Yichang Sanxia Logistic Park Co.,Ltd (hereinafter referred to as “Yichang Logistic Park”) sued Dalian Bingshan Group Engineering Co., Ltd.(hereinafter referred to as “Bingshan Engineering”), a subsidiary of the Company, over a dispute on the quality of cold storage construction, with the following claims: It ordered Bingshan Engineering to pay RMB 7,015,542.70 for installation, renovation and maintenance of cold storage, RMB 286,000.00 for appraisal, RMB

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15,000.00 for guarantee insurance, RMB 100,000.00 for new maintenance and rectification, and to bear RMB 3,413,681.30 as default damages (total RMB 10,830,224.00); litigation fees should be borne by Bingshan Engineering. Bingshan Engineering brought a counterclaim: the judgment countersued Yichang Logistics Park for the payment of 167,610.00 Yuan for installation and 48,921.00 Yuan for overdue interest (total 216,531.00 Yuan)

On December 30, 2020, The Wujiagang District People's Court of Yichang City, Hubei Province made the judgment of first verdict of E 0503 Minchu No. 1782 (2019) in the early days of the Republic of China that Bingshan Engineering should pay a total of RMB 7,171,726.51 compensation to Yichang Logistics Park; Other litigation claims of Yichang Logistics Park were rejected; The total principal and interest of the Bingshan Engineering amount due from Yichang Logistics Park is 199,767.19 yuan, which has been offset with the above compensation; other litigation claims of Bingshan Engineering were rejected.

On January 15, 2021, Bingshan engineering appealed to the Intermediate People's Court of Hubei Province during the appeal period after the first instance verdict, the trial was held on March 17, 2021. As of the date of this report, the case is unsentenced yet.

Note 2: Shandong Meitian Energy Technology Co.,Ltd (hereinafter referred to as "Shandong Meitian") sued Wuhan New World Refrigeration Engineering Co., Ltd.(hereinafter referred to as "WuLeng Engineering"), over a dispute on the technology service contract with the following claims: It ordered WuLeng Engineering to pay RMB 1,650,000.00 for service rendered, and RMB 100,000.00 for economic loss(in total RMB 1,750,000.00), Wuhan New World Refrigeration Industry Co., Ltd. (hereinafter referred to as "Wuxin Refrigeration ") shall jointly bear the liability for the above-mentioned arrears; The litigation costs shall be borne by Wuleng Engineering and Wuxin Refrigeration. Wuleng Engineering proposed counterclaim: it orders to terminate the "Project Cooperation Agreement"; Shandong Meitian returned the loan of RMB 350,000.00 and the interest of RMB 37,663.55. The litigation costs shall be borne by Shandong Meitian.

On December 13, 2020, the people's court of high and new technology industry development zone, Taian of Shandong province, made the judgment of first verdict of Lu 0991 Minchu No. 954 (2020), that Wuleng Engineering should pay a total of RMB 1.65million for service fee and economic loss. Economic loss should be based on RMB 1.65million of service fee, plus interest which is worked out based on the interbank offer rate in China market published by the National wide Interbank Offering Center until the date of actual payment. Wuxin Refrigeration is jointly liable for the above amount. Other claims of Shandong Meitian have been rejected; Rejected the counterclaim of Wuleng Engineering.

On December 21, 2020, Wuleng Engineering appealed to the Intermediate People's Court of Taian Shandong Province during the appeal period after the first instance verdict, as of the date of this report, the trial is not held yet.

34. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	99,154,666.29	14,818,011.08	9,515,108.51	104,457,568.86	
Sale & lease back contract	2,872.23		2,872.23		
<b>Total</b>	<b>99,157,538.52</b>	<b>14,818,011.08</b>	<b>9,517,980.74</b>	<b>104,457,568.86</b>	—

(2) Government subsidy

Government subsidy item	Opening Balance	Increase	Into non-operating income	Into other income	The value offset and expense this year	Closing Balance	Related with asset/income

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Government subsidy item	Opening Balance	Increase	Into non-operating income	Into other income	The value offset and cost expense this year	Closing Balance	Related with asset/income
Subsidy fund for highly effective heat pump and related system	1,497,604.00				1,449,191.35	48,412.65	Asset related
Contribution to subsidiary company relocation	41,218,000.00			1,114,000.00		40,104,000.00	Asset related
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	14,477,971.01	3,721,546.58			1,801,167.11	16,398,350.48	Asset Related/Income related
Compressor IC system	4,279,196.37				372,066.38	3,907,129.99	Asset related
Ultrasonic intelligent defrost technology	4,010,844.42			30,000.00	264,833.52	3,716,010.90	Asset related/Income
Eco Compressor project	25,083,171.79				2,553,850.15	22,529,321.64	Asset related
R290 replacement of R22 large industrial screw unit	4,877,498.70	8,129,164.50				13,006,663.20	Asset related
R290 replacement of R22 industrial double stage screw unit	1,780,380.00	2,967,300.00				4,747,680.00	Asset related
Model innovation solution based on	1,930,000.00			1,930,000.00			Asset related

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Government subsidy item	Opening Balance	Increase	Into non-operating income	Into other income	The value offset and cost expense this year	Closing Balance	Related with asset/income
industrial Internet platform							
<b>Total</b>	99,154,666.29	14,818,011.08	-	3,074,000.00	6,441,108.51	104,457,568.86	-

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

26. Share capital

Item	Opening balance	Increase/decrease (+, -)					Closing balance
		New share issued	Share dividend	Transfer from capital reserve	others	Subtotal	
843,212,507.00						843,212,507.00	

27. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	659,622,044.20			659,622,044.20
Other capital reserves	67,146,423.80			67,146,423.80
<b>Total</b>	<b>726,768,468.00</b>			<b>726,768,468.00</b>

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28. Other comprehensive income

Items	Opening Balance	Current year				Closing Balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss into other comprehensive income	Less : income tax	After-tax attribute to the parent company	
<b>I.Later can't reclassified into profit and loss of other comprehensive income</b>						
Re-measured the change in the defined benefit plan						
Other comprehensive income that cannot be transferred to profit or loss under the equity method						
<b>II. Later reclassified into profit and loss of other comprehensive income</b>	2,501,459.77					2,501,459.77
Other comprehensive income that can be transferred to profit or loss under the equity method	2,501,459.77					2,501,459.77
Changes in fair value recognized in gains and losses of the available-for-sale financial assets						
Held-to-maturity investments are reclassified as gains and losses on available-for-sale financial assets						
Effective portion of cash flow hedge gains and losses						
Foreign currency financial statement conversion difference						
<b>Other comprehensive income total</b>	<b>2,501,459.77</b>					<b>2,501,459.77</b>

29. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		3,239,077.20	3,239,077.20	
<b>Total</b>		<b>3,239,077.20</b>	<b>3,239,077.20</b>	

30. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	349,664,058.11	6,392,691.96		356,056,750.07
Discretionary surplus reserve	419,059,754.42	30,409,270.84		449,469,025.26
<b>Total</b>	<b>768,723,812.53</b>	<b>36,801,962.80</b>		<b>805,525,775.33</b>

Note: The Company made profit distribution within the reporting period. According to the 2019 annual meeting, 20% of net profit in the 2019 fiscal annual report is provided for discretionary surplus reserve of 30,409,270.84 Yuan. In the meanwhile, 10% of net profit of parent company is provided for statutory surplus reserve of 6,392,691.96 Yuan.

31. Undistributed profits

Item	Current year	Last year
<b>Closing balance of last year</b>	<b>1,038,358,782.59</b>	<b>764,859,288.45</b>
Add: Adjustments to the opening balance of undistributed profits		274,180,778.57
Including: additional retrospective adjustments according to the new accounting standards		274,180,778.57
Change on accounting policy		
Correction of prior period significant errors		
Change on combination scope under same control		
Other factors		
<b>Opening balance of current year</b>	<b>1,038,358,782.59</b>	<b>1,039,040,067.02</b>
Add: net profit attributable to shareholders of parent company in the year	21,341,133.39	89,112,113.43
Less: Provision for statutory surplus reserves	6,392,691.96	15,204,635.42
Provision for any surplus reserves	30,409,270.84	32,428,137.09
Provision of general risk		
Dividends payable for common shares	25,296,375.21	42,160,625.35
Common stock dividends converted to equity		
Extract employee rewards and welfare funds		
<b>Closing balance of current year</b>	<b>997,601,577.97</b>	<b>1,038,358,782.59</b>

32. Operating revenue and cost

(1) Details

Items	Current year		Last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	1,680,314,480.42	1,401,374,951.04	1,786,183,886.17	1,483,700,827.17
Revenue from other operation	46,953,454.73	31,149,158.87	45,667,394.53	33,860,621.34
<b>Total</b>	<b>1,727,267,935.15</b>	<b>1,432,524,109.91</b>	<b>1,831,851,280.70</b>	<b>1,517,561,448.51</b>

(2) Main revenue from contract details

<b>Items</b>	<b>Last year</b>
Classified at products type	<b>1,680,314,480.42</b>
Manufacture products	1,347,335,824.84
Project installation	321,545,409.42
Other products and service	11,433,246.16
Classified at geography location	<b>1,680,314,480.42</b>
domestic	1,588,511,646.25
overseas	91,802,834.17

33. Taxes and surcharges

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
City construction tax	1,611,470.71	2,035,010.82
Education surcharge	1,147,208.51	1,391,088.76
Property tax	7,337,286.22	7,382,947.12
Land use tax	4,068,191.93	4,379,516.26
Vehicle and vessel tax	1,253,726.37	1,455,247.06
Stamp duty	31,694.48	28,704.48
Others	6,534.92	317,444.08
<b>Total</b>	<b>15,456,113.14</b>	<b>16,989,958.58</b>

34. Selling expenses

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Employee benefit	40,196,358.86	48,336,468.87
Official business expense	14,256,723.26	16,622,496.40
Travel expense	10,998,391.78	15,737,758.36
Business entertaining expense	9,966,831.47	13,627,445.28
Maintenance and repair expense	5,527,611.04	10,381,512.83
Advertisement and bids expense	2,139,949.39	2,325,077.63
Depreciation expense	227,836.85	285,897.02
Transportation expense		23,216,116.08
Other expense	426,774.25	655,961.24
<b>Total</b>	<b>83,740,476.90</b>	<b>131,188,733.71</b>

35. Administrative expenses

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Employee benefit	101,631,233.81	115,554,829.24
Official expense	17,274,897.46	20,684,266.00
Depreciation expense	10,423,498.19	11,884,135.92
Long-term assets amortization	7,508,381.76	7,236,053.16
Maintenance and repair expense	6,754,128.80	4,942,354.19
Design consultant and test service expense	5,024,778.03	4,051,894.64
Safety production cost	3,239,077.20	3,893,886.44
Travel expense	2,885,657.48	7,702,176.81
Business entertaining expense	2,335,952.36	4,065,160.99
Insurance expense	764,446.72	987,660.67
Transportation expense	702,607.23	760,077.95



<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Advertisement expense	364,933.57	671,697.54
Other taxes and fee	83,529.05	428,156.75
Other expense	1,302,248.87	2,874,865.23
<b>Total</b>	<b>160,295,370.53</b>	<b>185,737,215.53</b>

36. Technology development expense

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Employee benefit	38,877,014.74	39,024,662.74
Depreciation and amortization expense	4,524,355.03	4,662,120.15
Raw material	4,479,120.55	5,331,768.75
Other expense	1,277,766.46	1,630,966.53
<b>Total</b>	<b>49,158,256.78</b>	<b>50,649,518.17</b>

37. Financial expenses

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Interest expenses	22,795,380.51	17,999,780.21
Less: interest income	2,435,386.06	2,110,293.61
Add: exchange loss	3,199,444.76	108,452.24
Add: others expenditure	2,919,870.16	2,471,151.87
<b>Total</b>	<b>26,479,309.37</b>	<b>18,469,090.71</b>

38. Other income

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Government subsidy	18,938,565.95	5,120,764.73
Personal income tax handling fee refund	688,552.44	2,228.83
Job stability subsidy	477,452.00	
<b>Total</b>	<b>20,104,570.39</b>	<b>5,122,993.56</b>

39. Investment income

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Long-term equity investment gain under equity method	79,024,253.68	140,574,045.58
Gain from disposing of long-term equity investment	12,859,589.96	
Gain from holding of tradable financial assets		
Gain from disposing of tradable financial assets		
Gain from FV remeasurement of the remaining shares after losing control		
Gain from holding of other noncurrent financial assets	5,372,826.87	5,709,924.48
Gain from disposal of other noncurrent financial assets	7,180,485.22	22,482,217.16
<b>Total</b>	<b>104,437,155.73</b>	<b>168,766,187.22</b>

40. Gain on fair value change

<b>Source of gain on FV change</b>	<b>Current year</b>	<b>Last year</b>
Other noncurrent financial assets	-14,797,607.68	49,800,725.36
<b>Total</b>	<b>-14,797,607.68</b>	<b>49,800,725.36</b>

41. Credit impairment loss (loss listed as<sup>“(“</sup>)

Items	Current year	Last year
Credit impairment loss on notes receivable	1,310,734.78	13,283,482.58
Credit impairment loss on receivable	-20,792,681.30	-83,869,016.33
Credit impairment loss on other receivable	-6,016,822.24	-56,597.35
Credit impairment loss on long term receivable	-9,218,793.44	
<b>Total</b>	<b>-34,717,562.20</b>	<b>-70,642,131.10</b>

42. Assets impairment losses (loss listed as “-“)

Items	Current year	Last year
Loss of contract asset impairment	-5,065,258.60	
Loss on impairment of inventory and cost to fulfill the contract obligation	-8,411,139.41	-1,200,000.00
<b>Total</b>	<b>-13,476,398.01</b>	<b>-1,200,000.00</b>

43. Gain on assets disposal (loss listed as “-“)

Item	Current year	Last year	Amounts recognized into current non-recurring profit or loss
Gain on non-current assets disposal	-169,550.05	1,194,791.09	-169,550.05
Including: gain on non-current assets disposal not classified as held for sale	-169,550.05	1,194,791.09	-169,550.05
Including: gain on fixed assets disposal	-169,550.05	1,194,791.09	-169,550.05
<b>Total</b>	<b>-169,550.05</b>	<b>1,194,791.09</b>	<b>-169,550.05</b>

44. Non-operating income

(1) Non-operating income list

Item	Current year	Last year	Amounts recognized into non-recurring profit or loss for the year
Gain on debts restructuring	681,549.89	1,999,241.94	681,549.89
Other items	729,839.86	690,637.24	729,839.86
<b>Total</b>	<b>1,411,389.75</b>	<b>2,689,879.18</b>	<b>1,411,389.75</b>

45. Non-operating expenses

Item	Current year	Last year	Amounts recognized into non-recurring profit or loss for the year
Non-current assets scrap loss	238,773.51	62,659.79	238,773.51
Outward donation	60,000.00	60,000.00	60,000.00
Expected loss for open litigation	7,592,239.01		7,592,239.01
Others	250,241.11	149,087.81	250,241.11
<b>Total</b>	<b>8,141,253.63</b>	<b>271,747.60</b>	<b>8,141,253.63</b>

46. Income tax expenses

(1) Income tax expenses

Items	Current year	Last year
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<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Current income tax expenses	7,201,935.68	5,604,379.42
Deferred income tax expenses	-15,786,702.19	-25,013,037.25
<b>Total</b>	<b>-8,584,766.51</b>	<b>-19,408,657.83</b>

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

<b>Items</b>	<b>Current year</b>
Consolidated total profit this year	14,265,042.82
Income tax expenses at applicable tax rate	2,139,756.42
Effect on subsidiary applied to different tax rate	-2,426,944.00
Effect on prior period income tax	-515,828.39
Effect on non-taxable income	-12,639,983.00
Effect on non-deductible cost, expense and loss	3,954,516.63
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	-1,524,914.84
Effect on temporary difference or deductible loss from unrecognized deferred tax assets this year	7,819,230.19
Effect on deduction/ exemption of income tax	-951,046.42
R&D expenditure accelerated deduction	-4,439,553.10
<b>Income tax expense</b>	<b>-8,584,766.51</b>

47. Other comprehensive income

Refer to the note "VI.37 Other comprehensive income" for details.

48. Notes to cash flow statement

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

1) Other cash received relating to operating activities

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Government grants	24,996,436.54	7,327,679.84
Received travel expense refund	4,828,777.61	5,606,440.47
Deposit given back	36,950,909.92	30,366,842.02
Receivable from relate party	11,000,000.00	5,900,000.00
Interest income	2,637,279.19	1,812,932.00
Receivable from the 3 <sup>rd</sup> party	177,570.52	819,999.99
Others	1,525,094.13	2,253,151.29
<b>Total</b>	<b>82,116,067.91</b>	<b>54,087,045.61</b>

2) Other cash paid relating to operating activities

<b>Items</b>	<b>Current year</b>	<b>Last year</b>
Business travel borrowing	7,009,973.81	10,957,760.56
Deposit paid	47,940,846.54	29,999,396.54
Expenditure	74,311,911.83	99,532,057.81
Unsettled AR/AP among related party	11,000,000.00	
Bank handling charges	2,375,268.90	2,259,211.67
Others	4,342,577.27	1,217,640.72
<b>Total</b>	<b>146,980,578.35</b>	<b>143,966,067.30</b>

3) Others cash received relating to financing activities

Items	Current year	Last year
Collection of guarantee money at the year end	30,591,791.66	38,323,050.64
Sale leaseback and financial lease	25,898,027.71	
<b>Total</b>	<b>56,489,819.37</b>	<b>38,323,050.64</b>

4) Others cash paid relating to financing activities

Items	Current year	Last year
Interests on discount of bill acceptance		136,500.00
Payment of guarantee money	56,369,665.56	30,591,791.66
Sale& leaseback and financial lease	21,827,295.59	3,270,174.66
Repurchase of restricted stock		47,566,389.36
Note financing is due and is paid		2,412,480.00
<b>Total</b>	<b>78,196,961.15</b>	<b>83,977,335.68</b>

(2) Supplementary information of consolidated cash flow statement

Items	Current year	Last year
<b>1. Adjusting net profit into cash flows of operating activities:</b>		
Net profit	22,849,809.33	86,124,671.03
Add: Provision for impairment of assets	13,476,398.01	1,200,000.00
Provision for impairment of credit	34,717,562.20	70,642,131.10
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	76,389,416.86	66,581,569.79
Amortization of intangible assets	6,731,291.97	6,504,678.19
Amortization of long-term deferred expenses	1,986,307.40	1,992,596.64
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with <sup>“-”</sup> )	169,550.05	-1,194,791.09
Losses on write-off of fixed assets (income listed with <sup>“-”</sup> )	238,773.51	62,659.79
Change of fair value profit or loss	14,797,607.68	-49,800,725.36
Financial expense (income listed with <sup>“-”</sup> )	22,795,380.51	17,999,780.21
Investment loss (income listed with <sup>“-”</sup> )	-104,437,155.73	-168,766,187.22
Decrease of deferred tax assets(increase listed with <sup>“-”</sup> )	-6,581,861.03	-14,273,801.02
Increase of deferred tax liabilities(decrease listed with <sup>“-”</sup> )	-9,204,841.16	-10,739,236.23
Decrease of inventories (increase listed with <sup>“-”</sup> )	-180,341,865.83	-90,457,284.61
Decrease of operating receivables (increase listed with <sup>“-”</sup> )	-61,894,148.27	48,592,703.91
Increase of operating payables (decrease listed with <sup>“-”</sup> )	155,165,347.05	46,478,371.32
Others		1,747,935.36
Net cash flows arising from operating activities	-13,142,427.45	12,695,071.81
<b>2. Significant investment and financing activities unrelated to cash income and expenses</b>		
Liabilities transferred to capital		
Convertible bonds within 1 year	25,000,034.00	
Financing leased fixed assets		

Items	Current year	Last year
<b>3. Net increase (decrease) of cash and cash equivalent</b>		
Closing balance of cash	314,978,460.49	301,527,354.56
Less: Opening balance of cash	301,527,354.56	304,703,434.47
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	13,451,105.93	-3,176,079.91

(3) Cash and cash equivalents

Items	Current year	Last year
Cash	314,978,460.49	301,527,354.56
Including: Cash on hand	154,668.54	92,096.63
Bank deposit used for paying at any moment	314,823,791.95	301,435,257.93
Other monetary fund for paying at any moment		
Deposit fund in central bank available for payment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	314,978,460.49	301,527,354.56
Cash and cash equivalents restricted in the parent company or subsidiary		

58. The assets with the ownership or use right restricted

Items	Current year	Reasons
Monetary fund	58,467,271.18	Guarantee money
Notes Receivable	12,175,402.47	Pledge

Note: The bank account of Wuhan New World Refrigeration Industrial Co., Ltd is frozen due to litigations, the amount is 2million Yuan. Wuhan Lanning Energy Technology Co., Ltd's bank account is frozen due to litigations, the amount is 97,600 Yuan.

Dalian Niweisi LengNuan Techonoligy Co., Ltd. pledged the bank acceptance note to China Merchants bank Dalian Branch as guarantee for issuing the commercial acceptance note.

Dalian Xinminghua Electrical Technology Co., Ltd. pledged the bank acceptance note to China Merchants bank Dalian Jinpu Branch as guarantee for issuing the commercial acceptance note.

Dalian Bingshan Air-conditioning Equipment Co., Ltd. pledged the bank acceptance note to ICBC bank Dalian DDZ Branch as guarantee for issuing the commercial acceptance note.

59. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash			18,505,213.99
Including: USD	2,420,058.90	6.5249	15,790,643.22
GBP	7.46	8.8903	66.32
JPY	42,926,568.00	0.063236	2,714,504.45
Accounts receivable			38,233,835.37
Including: USD	5,324,132.44	6.5249	34,739,431.77
GBP	149,782.86	8.8903	1,331,614.56
JPY	34,201,863.00	0.063236	2,162,789.04
Accounts payable			9,227,895.48

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Including: USD	1,004,324.11	6.5249	6,553,114.36
Euro	18,447.50	8.0250	148,041.19
GBP			
JPY	39,957,301.47	0.063236	2,526,739.93

60. Government Grants  
(1) Basic information

Category	Amount	Disclosure	Amount recognized in current profit and loss
Efficiency pump and its supporting systems	7,800,000.00	Deferred income/cost of sales/expense	1,449,191.35
Relocation compensation	42,332,000.00	Deferred income/cost of sales/expense	1,114,000.00
Application of combined compression NH3&Co2 replace R22	21,273,678.04	Deferred income/cost of sales/expense	1,801,167.11
Refrigeration Compressor Intelligent Manufacturing System Fund	5,000,000.00	Deferred income/cost of sales/expense	372,066.38
Ultrasonic defrosting technology	9,841,800.00	Deferred income/cost of sales/expense	294,833.52
Environmental protection and energy saving refrigeration and air conditioning compressor technology industrialization project	31,000,000.00	Deferred income/cost of sales/expense	2,553,850.15
R290 replace R22	13,006,663.20	Deferred income	
R290 replace R22 twin stage screw sets	4,747,680.00	Deferred income	
VAT refund	349,556.38	Other Income	349,556.38
High-tech enterprise recognition subsidy	176,000.00	Other Income	176,000.00
Model innovation solution provider based on industrial Internet platform - Dalian Bureau of Industry and Information Technology	5,000,000.00	Other Income	5,000,000.00
Integration of large and small enterprises" project	9,093,037.41	Other Income	9,093,037.41
Vocational skills training subsidies	731,457.00	Other Income	731,457.00
Land tax and property tax refund	270,001.67	Other Income	270,001.67
Export credit insurance premium support fund	300,000.00	Other Income	300,000.00
International market support fund for medium and small entity	329,500.00	Other Income	329,500.00
Technology plan subsidy from Jinpu New Area	1,000,000.00	Other Income	1,000,000.00
Special fund for pilot enterprises of the standardization of Dalian's	273,000.00	Other Income	273,000.00

Category	Amount	Disclosure	Amount recognized in current profit and loss
integration of industrialization and modernization management system			
Technology reward of 2019-Dalian Science Technology Bureau	50,000.00	Other Income	50,000.00
Key R&D project of 2018-Dalian Science Technology Bureau	191,400.00	Other Income	191,400.00
Others	30,613.49	Other Income	30,613.49
<b>Total</b>	<b>152,796,387.19</b>	<b>-</b>	<b>25,379,674.46</b>

#### VII. Change of Consolidation Scope

There are no changes in scope of consolidation

#### VIII. Interest in other entity

##### 1. Equity of subsidiaries

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

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

Name of subsidiaries	Main business	Registered address	Business nature	Shareholding (%)	Obtaining method
Chengdu Refrigeration Co., Ltd.	Bingshan Engineering	Chengdu	Services	51	Establish

- 1) All the proportion of shareholding in subsidiaries were the same with voting right.
- 2) The company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right.
  - (2) There are no significant non-subsidiaries.
2. Equity in joint venture arrangement or associated enterprise
  - (1) The important affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Panasonic Cold-chain (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Panasonic Refrigeration (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	20		Equity method
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Changzhou	Changzhou	Manufacturing	29.212		Equity method
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49.00		Equity method

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

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



## (2) The key financial information of affiliated companies

Items	Closing balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	672,990,071.25	1,487,134,035.54	1,245,700,871.26	858,059,356.79	332,989,325.80
Including: Cash and cash equivalents	61,133,142.17	55,444,887.64	146,464,797.70	163,037,732.91	191,576,206.68
Non-current assets	15,351,860.86	238,629,720.75	309,811,760.93	192,469,083.17	44,431,510.18
Total assets	688,341,932.11	1,725,763,756.29	1,555,512,632.19	1,050,528,439.96	377,420,835.98
Current liabilities	498,644,666.31	1,048,933,029.30	366,066,971.54	478,133,992.64	63,065,326.29
Non-current liabilities			18,343,806.70	13,138,693.27	
Total liabilities	498,644,666.31	1,048,933,029.30	384,410,778.25	491,272,685.91	63,065,326.29
Minority interests				375,245.30	
Equity to the parent company	189,697,265.80	676,830,726.99	1,171,101,853.94	558,880,508.75	314,355,509.69
Net assets calculated according to the shareholding proportions	37,939,453.16	270,732,290.80	468,440,741.58	163,260,174.22	154,034,199.75
Adjusting events					
—Goodwill		4,440,630.89		39,948,654.75	19,269,770.94
—Unrealized profits of insider trading					
--Others	-519,397.90	-639,508.39	-2,621,843.60		-145,424.54
Book value of equity investment of affiliated companies	37,420,055.26	274,533,413.30	465,818,897.98	203,208,828.97	173,158,546.15
Fair value of equity investment with public offer					

Items	Closing balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Operating income	684,261,257.97	1,393,251,936.08	905,805,839.02	772,785,891.15	405,008,117.04
Financial expense	2,552,851.48	26,378,537.05	-1,428,218.52	1,660,123.13	-2,347,078.64
Income tax expense	4,652,732.78	-497,086.07	10,206,548.28	8,171,271.84	9,841,964.14
Net profit	32,462,369.03	19,984,637.30	81,932,612.51	60,206,578.50	59,356,953.86
Net profit of discontinuing operation					
Other comprehensive income					
Total comprehensive income	32,462,369.03	19,984,637.30	81,932,612.51	60,206,578.50	59,356,953.86
The current dividends received from joint ventures	2,528,392.05	-	36,026,000.00	-	28,510,920.84

(Continued)

Items	Opening balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	557,942,218.32	1,296,079,385.62	1,273,294,847.52	799,706,878.07	337,202,163.28
Including: Cash and cash equivalents	42,632,933.26	22,651,460.05	221,352,547.39	146,071,549.56	213,057,016.14
Non-current assets	15,699,863.59	249,796,436.32	321,031,252.89	182,461,279.39	45,671,841.16
Total assets	573,642,081.91	1,545,875,821.94	1,594,326,100.41	982,168,157.46	382,874,004.44

Items	Opening balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current liabilities	401,357,232.46	880,473,983.12	407,776,858.98	471,408,946.96	69,393,111.10
Non-current liabilities			110,000.00	12,521,123.87	
Total liabilities	401,357,232.46	880,473,983.12	407,886,858.98	483,930,070.83	69,393,111.10
Minority interests				370,905.17	
Equity to the parent company	172,284,849.45	665,401,838.82	1,186,439,241.43	497,867,181.46	313,480,893.34
Net assets calculated according to the shareholding proportions	34,456,969.89	266,160,735.53	474,575,696.57	145,436,961.05	153,605,637.74
Adjusting events					
—Goodwill		4,440,630.89		39,948,654.75	19,269,770.94
—Unrealized profits of insider trading					
--Others	-481,598.48	-3,422,299.65	-2,882,081.25		144,725.49
Book value of equity investment of affiliated companies	33,975,371.41	267,179,066.77	471,693,615.32	185,385,615.80	172,730,683.20
Fair value of equity investment with public offer					
Operating income	650,687,248.42	1,524,559,182.20	1,208,925,882.37	653,705,124.18	419,769,831.96
Financial expense	1,758,341.64	23,241,958.42	-3,664,678.76	2,402,378.98	-3,252,083.01
Income tax expense	5,493,447.71	14,551,916.37	11,426,137.07	9,479,432.67	9,933,014.44
Net profit	30,099,905.36	106,946,864.14	90,065,039.00	63,564,805.54	59,071,627.15
Net profit of discontinuing					

Items	Opening balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
operation					
Other comprehensive income					
Total comprehensive income	30,099,905.36	106,946,864.14	90,065,039.00	63,564,805.54	59,071,627.15
The current dividends received from joint ventures	2,284,000.00	4,400,000.00	45,350,000.00	2,921,200.00	29,883,772.81

(3) Summary financial information of insignificant affiliated companies

Items	Current year	Last year
<b>Affiliated company</b>		
Total book value of investment of affiliated companies	438,741,587.30	525,950,379.30
The total of following items according to the shareholding proportions		
Net profit	-10,023,106.52	19,145,042.47
Other comprehensive income		
Total comprehensive income	-10,023,106.52	19,145,042.47

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

No.

(5) Excessive loss of affiliated companies.

No.

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

No.

**IX. Risk Related to Financial Instruments**

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

1. Objectives and policies of each risk management

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

(1) Market risk

1) Exchange rate risk

Most of the company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD, JPY, HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the company did not agree any forward foreign exchange contract or currency swap contract. As at 31st December 2020, the company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	Closing Balance	Opening balance
Monetary fund-USD	15,790,643.22	16,719,234.66
Monetary fund-JPY	2,714,504.45	1,142,608.46
Monetary fund-EURO		29,112.74
Monetary fund-GBP	66.32	385,286.46
Receivable- GBP	1,331,614.56	1,281,698.98
Receivable -USD	34,739,431.77	43,923,973.48
Receivable - EURO		57,832.75
Receivable -JPY	2,162,789.04	1,833,735.72

Items	Closing Balance	Opening balance
Payables -USD	6,553,114.36	5,245,528.61
Payables - EURO	148,041.19	10,394.62
Payables -JPY	2,526,739.93	2,807,578.63
Payables - GBP		341,063.39

The Company paid close attention to the effect on FX risk.

## 2) Interest rate risk

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

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

The sensitive analysis:

As at 31st December 2020, base on the assumption of interest rate change of 50 BP, the company's net profit of current year will increase or decrease 1.5361 million Yuan.

## 3) Price risk

The Company sells financial asset measured at FV products according to the market price, so there will be effect on the price variance until December 31,2020.

### (2) Credit risk

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

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

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

As at 31st December 2020, the top five customers of receivable accounts balance are 132,447,464.07Yuan.

### (3) Liquidity risk

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

The fund mainly comes from bank loan. By December 31<sup>st</sup>, 2020, the credit limit still available is 429.96 million Yuan and short-term credit limit available is 429.96 million Yuan.

As at 31st December 2020, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following: Currency unity:10kYuan

Items	Within year	1	1-2 years	2-5 years	Over 5 years	Total
Financial Assets						

Items	Within year	1-2 years	2-5 years	Over 5 years	Total
Cash and cash in bank	37,344.57				37,344.57
Notes receivable	13,912.10				13,912.10
Accounts receivable	81,701.20				81,701.20
Financing receivable	6,173.73				6,173.73
Other Receivable	6,752.72				6,752.72
Contract asset	9,143.00				9,143.00
Noncurrent asset due within 1 year	4,200.36				4,200.36
Long-term receivable			6,586.80		6,586.80
Other noncurrent financial asset				23,930.41	23,930.41
<b>Financial Liabilities</b>					
Short-term loan	28,297.16				28,297.16
Notes Payable	29,515.14				29,515.14
Accounts payable	76,726.72				76,726.72
Other payable	4,301.75				4,301.75
Employee's payable	3,112.58				3,112.58
Tax payable	971.42				971.42
Noncurrent liability due within 1 year	3,715.71				3,715.71
Long-term loan			16,000.00		16,000.00
Long-term payable		1,462.25			1,462.25

#### X. Disclosure of Fair Value

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

Items	Fair value at the year end			Total
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	
<b>Financial assets</b>				
<b>Continuously measured at FV available for sale</b>				
I. Other noncurrent financial asset	226,312,440.24		12,991,658.59	239,304,098.83
Measured at FV through P&L	226,312,440.24		12,991,658.59	239,304,098.83
(1) Debt instruments investment				
(2) Equity instruments investment	226,312,440.24		12,991,658.59	239,304,098.83

Items	Fair value at the year end			Total
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	
(3) Derivative financial asset				
(4) Others				
<b>Total</b>	<b>226,312,440.24</b>		<b>12,991,658.59</b>	<b>239,304,098.83</b>

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

Equity instrument portion of the other noncurrent financial asset is measured at the unadjusted closing quoted price on stock market on December 31, 2020.

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

None.

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

The company has equity investment in Guotai Junan Investment Management Company, Lengwang Container Temperature Control (Suzhou) Co. Ltd, Dalian Guolian Energy Development Co., Ltd and Wuhan Steel Electric Company. Up to December 31<sup>st</sup>, 2020, its closing balance was 12,991,658.59 Yuan. In accordance with “No 22 standard-financial instrument recognition and measurement”, it was listed under other noncurrent financial asset. As the relative observable input cannot be obtained where there is no market activity or few activities, the cost is applied to the shares FV with respect to effect factors.

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

No.

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

No.

7. Changes of valuation technique and reasons for changes

No.

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

No.

## XI. Related Parties Relationship and Transactions

### (I) Related parties' relationship

#### 1. Parent company and ultimate controller

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

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	158,580,000.00	20.27	20.27

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



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

(2) Change of registered capital of controlling shareholder

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

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

Controlling shareholder	Shareholding amount		Ratio of shareholding (%)	
	Closing balance	Opening balance	Ratio at year end	Ratio at beginning of year
Dalian Bingshan Group Co., Ltd.	170,916,934.00	170,916,934.00	20.27%	20.27%

**2. Subsidiaries**

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

**3. Affiliated company and joint venture**

The information of the affiliated company and joint venture please refers to the note "VIII. 2.(1) The significant affiliated company and joint venture". The company had transactions with related parties during the current period or last period, including:

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Cold-chain (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Compressor (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Honjo Chemical Co., Ltd	Affiliated company of the Company
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Affiliated company of the Company
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd	Affiliated company of the Company
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Affiliated company of the Company
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Affiliated company of the Company
Jiangsu Jingxue Freezing Equipment Co., Ltd.	Affiliated company of the Company
Dalian Jingxue Freezing Equipment Co., Ltd	Subsidiary of affiliated company
Shanghai Jingxue Freezing Equipment Co., Ltd	Subsidiary of affiliated company
Panasonic Cooling Machine system (Dalian) co., Ltd	Affiliated company of the Company
Dalian Bingshan Metal Technology Co.,Ltd	Affiliated company of the Company

<b>Names of the joint ventures or affiliated company</b>	<b>Relationships with the Company</b>
Wuhan Sikafu Power Control Equipment Co., Ltd	Affiliated wholly owned subsidiary of the Company

#### **4. Other related parties**

<b>Name of related party</b>	<b>Related party relationship</b>
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC (Dalian) Co., Ltd	Affiliated company of Dalian Bingshan Group
Linde Hydrogen Refill Station Equipment(Dalian) Co.,Ltd	Affiliated company of Dalian Bingshan Group
Dalian Pate Technology Co.,Ltd	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Management Consulting Co., Ltd	Subsidiary of Dalian Bingshan Group
Alphavita Bio-scientific (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Kaierwen science Co.,Ltd	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Huigu Development Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Affiliated company of Subsidiary of Dalian Bingshan Group

#### **(II) Related Party transactions**

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

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

<b>Related party</b>	<b>Content</b>	<b>Current year</b>	<b>Last year</b>
Panasonic cold machine system (Dalian) co., Ltd	Purchases of goods	6,204,102.31	20,404,974.54
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	5,734,790.46	62,129,989.80
BAC (Dalian) Co., Ltd	Purchases of goods	38,558,623.38	29,152,733.71
Panasonic Cold-chain (Dalian) Co., Ltd	Purchases of goods	6,771,058.02	45,389,737.51
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Purchases of goods	12,637,825.68	24,101,509.72
Dalian Jingxue Freezing Equipment Co., Ltd	Purchases of goods	31,132.74	146,041.53
Shanghai Jingxue Freezing Equipment Co., Ltd	Purchases of goods		183,328.06
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	25,610,580.45	30,022,396.88
Dalian Bingshan Huigu Development Co., Ltd.	Purchases of goods		606,531.23
Dalian Pate Technology Co.,Ltd	Purchases of goods	4,424,140.00	7,566,203.85
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	3,165,693.81	2,249,905.58
Panasonic compressor (Dalian) Co., Ltd	Purchases of goods	239,127.13	3,657,907.93

<b>Related party</b>	<b>Content</b>	<b>Current year</b>	<b>Last year</b>
Dalian Bingshan Metal Technology Co., Ltd	Purchases of goods	185,173.85	139,088.52
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods	367,523.32	14,488.80
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Purchases of goods		590,517.27
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd	Purchases of goods	25,898,027.71	
Dalian Bingshan Group	Purchases of goods	9,759.29	
<b>Total</b>		<b>129,837,558.15</b>	<b>226,355,354.93</b>

(2) Sales of goods/ labour services provision

<b>Related party</b>	<b>Content</b>	<b>Current year</b>	<b>Last year</b>
Panasonic Cold-chain (Dalian) Co., Ltd	Sales of goods	93,027,572.31	153,714,141.77
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	45,338,115.66	107,324,642.72
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	18,376,724.10	25,196,481.50
Panasonic Cold Machine System (Dalian) co., Ltd	Sales of goods	30,951,802.17	27,450,532.31
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Sales of goods	8,338,788.98	5,177,249.31
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Sales of goods	617,094.02	-708,562.26
Panasonic compressor (Dalian) Co., Ltd	Sales of goods	5,171,634.65	13,681,505.10
Dalian Pate Technology Co.,Ltd	Sales of goods	1,318,667.79	3,771,113.79
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	Sales of goods	1,048,376.71	630,550.64
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Sales of goods	94,850.24	639,114.37
Dalian Jingxue Freezing Equipment Co., Ltd	Sales of goods	1,133,622.82	142,855.01
BAC (Dalian) Co., Ltd	Sales of goods	37,735,772.48	33,320,065.32
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	4,876,532.38	5,149,639.01
Dalian Bingshan Huigu Development Company	Sales of goods	9,909,504.28	267,864.23
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	Sales of goods	38,052,648.77	814,601.65
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	4,561,140.10	384,956.00
Wuhan Sikafu Power Control Equipment Co., Ltd	Sales of goods	817,593.80	433,748.89
Dalian Fuji Bingshan Intelligent Control System Co., Ltd	Sales of goods	205,929.20	37,053.20
Alphavita Bio-scientific (Dalian) Co., Ltd.	Sales of goods	1,865,032.81	8,254.27
Dalian Bingshan Group	Sales of goods	139,331.33	
<b>Total</b>		<b>303,580,734.60</b>	<b>377,435,806.83</b>

2. Assets Lease

(1) Assets rent out

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent out</b>	<b>Current year Lease Income</b>	<b>Last year Lease Income</b>
Bingshan	Dalian Bingshan	Office	132,110.09	132,110.09

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent out</b>	<b>Current year Lease Income</b>	<b>Last year Lease Income</b>
Refrigeration& Heat Transfer Technologies Co.,Ltd	Group Co., Ltd.			
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Plant	3,809,523.80	2,976,190.47
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	Dalian Bingshan Huigu Development Company	Land/property	8,190,552.35	7,446,778.47
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	Panasonic Cold-chain (Dalian) Co., Ltd	Employee dormitory	39,339.45	52,844.04
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	Panasonic compressor (Dalian) Co., Ltd	Employee dormitory	114,285.70	68,571.42
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	Panasonic Refrigeration (Dalian) Co., Ltd.	Employee dormitory	63,412.88	64,480.41
Bingshan Refrigeration& Heat Transfer Technologies Co.,Ltd	Dalian Honjo Chemical Co., Ltd	Employee dormitory		132,110.09
Dalian Bingshan Lingshe Quick Freezing Co., Ltd	Dalian Jingxue Energy Saving Technology Co., Ltd.	Plant and office	1,005,111.44	1,002,859.55
Wuhan New World Refrigeration Industry Co. Ltd	Wuhan Sikafu Power Control Equipment Co., Ltd	Plant	212,990.08	

(2) Assets under lease

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent in</b>	<b>Current year Lease fees</b>	<b>Last year Lease fees</b>
Dalian Bingshan Group Huahuida Financial Leasing Co.	Dalian Xinminghua Electrical Technology Co., Ltd	FA	3,621,571.20	3,270,174.66
Dalian Bingshan Group Huahuida Financial Leasing Co.	Wuhan New World Refrigeration Industry Co. Ltd	FA	14,690,379.43	10,938,110.82
Dalian Bingshan Group Huahuida Financial Leasing Co.	Wuhan Lanning Energy Technology Co., Ltd	FA	2,814,560.00	2,412,480.00

Lessor	Lessee	Category of assets rent in	Current year Lease fees	Last year Lease fees
Co.				

### 3. Warranty provided by Related Parties

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group. Please refer to the " Note VI. 30 long term borrowings".

### 4. Funds borrow from /lent to related party

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

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group in 2016. After the above funds are in place, Bingshan Group will allocate them to the company in full and without any additional charge. The above special fund is 0.16 billion Yuan in total, the loan interest is fixed interest rate at 1.2% annual rate and paid interest 1,941,333.32 Yuan for this year.

### 5. Other transactions among the related parties

Item	transaction	Current year	Last year
Dalian Bingshan Group Co.,Ltd	Sold equity of affiliated company	74,007,700.00	
<b>Total</b>		<b>74,007,700.00</b>	

In November 2020, Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd sold 49% shareholding in Dalian Bingshan Group Management and Consulting Co.,Ltd to Dalian Bingshan Group. This share transfer has been approved through 13th meeting of the 8th directors' meeting and announced for related party transaction.

### 6. Management Remuneration

Item	Current year	Last year
Total remuneration	3,792,100.00	3,609,700.00

## (III) Balances with Related party

### 1.Accounts receivable due from related parties

Item	Related party	Closing Balance	
		Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	9,504,843.22	667,239.99
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	7,240,855.23	3,675,419.18
Accounts receivable	Alphavita Bio-scientific (Dalian) Co., Ltd.	796,179.45	55,891.80
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	6,782,271.29	476,115.44
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	2,099,049.80	147,353.30
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	1,381,832.96	97,004.67
Accounts receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	5,009,806.43	351,688.41
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	31,200,329.39	2,190,263.12

Item	Related party	Closing Balance	
		Book Balance	Bad debt Provision
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	170,229.87	11,950.14
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	10,217,335.97	717,256.99
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	36,484.00	2,561.18
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	140,000.00	9,828.00
Contract asset	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	75,000.00	5,265.00
Contract asset	Panasonic Cold Machine system (Dalian) Co., Ltd	72,500.00	5,089.50
Prepayment	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	222,875.00	
Prepayment	Panasonic Cold Machine system (Dalian) Co., Ltd	343,673.53	
Prepayment	Panasonic Cold Chain (Dalian) Co., Ltd	3,938.00	
Prepayment	Dalian Kaierwen science Co., Ltd	1,445,000.00	
Prepayment	Dalian Bingshan Huigu Development Co., Ltd.	114,756.00	
Prepayment	Dalian Spindle Cooling Towers Co., Ltd	207,390.00	
Prepayment	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	6,397,458.41	
Receivable financing	BAC (Dalian) Co., Ltd	10,501,112.93	
Receivable financing	Dalian Fuji Bingshan Vending Machine Co., Ltd.	494,341.48	
Receivable financing	Panasonic Cold Machine system (Dalian) Co., Ltd	6,185,494.14	
Receivable financing	Panasonic Cold Chain (Dalian) Co., Ltd	16,320,000.00	
Receivable financing	Panasonic Compressor (Dalian) Co., Ltd	1,025,446.21	
Receivable financing	Panasonic Refrigeration (Dalian) Co., Ltd	5,049,112.09	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	6,400,000.00	449,280.00
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	4,125,319.49	289,597.43
Other receivable	Dalian Bingshan Group	36,263,700.00	2,371,645.98

(Continued)

Item	Related party	Opening Balance	
		Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	8,539,042.08	579,800.95
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	6,717,761.21	1,638,415.37
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	2,683,672.86	182,221.39
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	33,010.40	2,241.41

Item	Related party	Opening Balance	
		Book Balance	Bad debt Provision
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	1,437,917.14	97,634.57
Accounts receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	6,419,162.21	436,396.60
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	16,875,971.95	1,153,468.33
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	296,902.58	20,159.69
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	2,091,660.89	142,023.77
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	9,739.50	661.31
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	100,251.50	6,807.08
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	1,935,465.61	296,900.42
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd.	920,000.00	62,468.00
Contract asset	Panasonic Refrigeration (Dalian) Co., Ltd	1,010,000.00	68,579.00
Contract asset	Panasonic Cold Machine system (Dalian) Co., Ltd	72,500.00	4,922.75
Contract asset	BAC (Dalian) Co., Ltd	25,636.80	3,932.69
Prepayment	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	2,539,291.63	
Prepayment	Panasonic Refrigeration (Dalian) Co., Ltd	164,600.00	
Prepayment	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	468,800.00	
Prepayment	Panasonic Cold Machine system (Dalian) Co., Ltd	341,601.00	
Prepayment	Panasonic Cold Chain (Dalian) Co., Ltd	3,938.00	
Prepayment	Dalian Spindle Cooling Towers Co., Ltd	56,500.00	
Prepayment	Dalian Pate Technology Co., Ltd	2,800.00	
Notes receivable	BAC (Dalian) Co., Ltd	11,317,936.09	
Notes receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	4,692,378.47	
Notes receivable	Panasonic Compressor (Dalian) Co., Ltd	1,859,495.23	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	43,270,000.00	1,548,120.00
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	12,607,409.17	856,043.08
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	18,494,998.52	450,703.89
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	886,450.00	60,189.96

## 2. Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
------	---------------	-----------------	-----------------

<b>Item</b>	<b>Related party</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Accounts Payable	BAC Dalian Co., Ltd	24,377,268.45	6,536,883.20
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	5,805,008.65	4,904,782.83
Accounts Payable	Dalian Bingshan Pate Technology Co., Ltd	1,988,696.08	2,033,644.49
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.		60,519.99
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd	695,784.00	2,235,874.00
Accounts Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	4,542,624.08	7,827,836.00
Accounts Payable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		132,284.48
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	414,000.00	414,000.00
Accounts Payable	Panasonic Cold Machine System (Dalian) Co., Ltd	14,096,385.66	22,882,950.32
Accounts Payable	Panasonic Cold Chain (Dalian) Co., Ltd	7,109,782.64	
Accounts Payable	Panasonic Compressor (Dalian) Co., Ltd	1,805,998.72	1,696,000.00
Accounts Payable	Panasonic Refrigeration (Dalian) Co., Ltd.	1,207,795.95	19,565,101.85
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd		66,651.05
Other payable	Dalian Bingshan Group	800,000.00	5,900,000.00
Other payable	Dalian Bingshan Huigu Development Co., Ltd		500,000.00
Other payable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	170,000.00	170,000.00
Other payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	70,000.00	
Contract liability	Dalian Spindle Cooling Towers Co., Ltd	1,769,911.50	1,654,558.79
Contract liability	Panasonic Cold Machine System (Dalian) Co., Ltd	10,752,300.88	
Contract liability	Dalian Bingshan Huigu Development Co., Ltd		619,469.03
Contract liability	Panasonic Cold Chain (Dalian) Co., Ltd	87,977.15	501,998.42
Contract liability	Wuhan Sikafu Power Control Equipment Co., Ltd		169,942.30
Notes Payable	BAC (Dalian) Co., Ltd	869,502.00	21,758,609.00
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	8,124,711.01	10,722,797.72
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd		77,548.03
Notes Payable	Dalian Bingshan Pate Technology Co., Ltd	1,600,000.00	1,200,000.00
Notes Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.		627,084.00



Item	Related party	Closing Balance	Opening Balance
Notes Payable	Panasonic Cold Chain (Dalian) Co., Ltd	1,657,321.00	64,984.00
Notes Payable	Dalian Spindle Cooling Towers Co., Ltd	150,000.00	969,602.80
Notes Payable	Panasonic Cold Machine System (Dalian) Co., Ltd	112,010.00	92,728.65
Long term payable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	26,779,556.16	24,968,431.60

**(IV) Related Party Commitment**

No.

**XII. Share-Based Payment**

None

**XIII. Contingency**

As at 31 December 2020, the Group does not have any other contingencies for disclosure.

**XIV. Commitment**

As at 31 December 2020, the Group does not have any other significant commitments.

**XV. Events after the Balance Sheet Date**

1. Significant events had not adjusted

None.

2. Information about profit distribution

The 16<sup>th</sup> meeting of the 8<sup>th</sup> generation of board was held on 22<sup>nd</sup> April 2021 and approved the profit distribution policy for the year of 2020, extracting 20% of the free surplus reserves and based on 843,212,507.00 numbers of share in total, paying out cash dividend of 0.1Yuan for every 10 shares (before tax) and cash dividend of B shares are paid in Hong Kong dollars.

3. Sales Return

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

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

**XVI. Other Significant Events**

1. Error correction and effect in previous period

No.

2. Debt Restructuring

Restructuring	Book Value of debt	Gain on debt restructuring	Capital increase
Debts settled by asset			
Debt transfer into equity instrument			
Amendment to other debt condition	10,507,822.08	681,549.89	
Hybrid restructuring			

Note: In March, 2020, Wuhan New Refrigeration amended the debt terms with 6 suppliers, including Wuhan Zhongwei Explosion Control System Co., Ltd., through mediation by the court. The total amount of debt exempted from the 6 suppliers was 681,549.89Yuan, and the total amount of debt repaid was completed in 2020.

3. Asset exchange

- (1) The exchange of non-monetary assets

No.

- (2) The exchange of other assets

No.

4. Annuity Plan

No.

5. Operation termination

No.

#### 6. Segment Information

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

(1) The basis and accounting policies of reporting segments

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

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

2).The management personnel can regularly evaluate the operation results of segments and allocate resource, assess its performance.

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

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

(2)The financial information of reporting segments

Amount unit : Ten thousands Yuan

Items	Current year			Offset	Total
	Northeast China	Central China	East China		
1 Operating income	213,433.46	17,480.86	1,481.31	-59,668.84	172,726.79
2 Cost	181,852.52	18,362.22	1,240.24	-58,202.57	143,252.41
Impairment loss on assets	1,277.64	37.03	5.15	27.82	1,347.64
Impairment loss on credit	3,146.67	169.27	-20.43	176.25	3,471.76
Depreciation and amortization	6,980.73	1,157.92	0.67		8,139.32
3 Investment income from associates and joint venture	9,188.38				9,188.38
4 Operating profits(loss)	5,021.45	-1,934.27	1.98	-1,662.66	1,426.50
5 Income tax	-1,068.49	-105.39	3.65	311.75	-858.48
6 Net profit(loss)	6,089.93	-1,828.87	-1.67	-1,974.41	2,284.98
7 Total assets	623,034.24	53,824.76	1,364.54	-110,066.71	568,156.83
8 Total liabilities	225,537.82	36,284.85	982.58	-39,569.05	223,236.20

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

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

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

1. Accounts receivable

(1) Accounts receivable category

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

Item	Closing Balance		Provision		Booking value
	Booking balance Amount	%	Amount	%	
and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	474,709,875.38	100.00	66,083,949.47	13.92	408,625,925.91
(1) Accounting age as characters	250,449,415.13	52.76	66,083,949.47	26.39	184,365,465.66
(2) Related party within consolidation scope	224,260,460.25	47.24			224,260,460.25
<b>Total</b>	<b>474,709,875.38</b>	<b>100.00</b>	<b>66,083,949.47</b>	<b>13.92</b>	<b>408,625,925.91</b>

(Continued)

Item	Opening Balance		Provision		Booking balance
	Booking balance Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	50,985,562.10	8.55	12,133,091.84	23.80	38,852,470.26
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	545,642,374.31	91.45	75,743,792.60	13.88	469,898,581.71
(1) Accounting age as characters	247,047,825.87	41.40	75,743,792.60	30.66	171,304,033.27
(2) Related party within consolidation scope	298,594,548.44	50.05			298,594,548.44
<b>Total</b>	<b>596,627,936.41</b>	<b>100.00</b>	<b>87,876,884.44</b>	<b>14.73</b>	<b>508,751,051.97</b>

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
Within 1 year	136,825,046.31	9,605,118.25	7.02
1-2 years	27,726,196.86	4,641,365.35	16.74
2-3 years	31,087,726.13	9,584,345.97	30.83
3-4 years	16,227,993.03	8,005,268.96	49.33
4-5 years	15,564,100.02	11,229,498.16	72.15
Over 5 years	23,018,352.78	23,018,352.78	100.00
<b>Total</b>	<b>250,449,415.13</b>	<b>66,083,949.47</b>	-

(2) Bad debt provision

<b>Aging</b>	<b>Closing Balance</b>
Within 1 year	354,116,521.68
1-2 years	34,695,181.75
2-3 years	31,087,726.12
3-4 years	16,227,993.03
4-5 years	15,564,100.02
Over 5 years	23,018,352.78
<b>Total</b>	<b>474,709,875.38</b>

(3) Bad debt provision

<b>Category</b>	<b>Opening balance</b>	<b>Change during the year</b>			<b>Closing Balance</b>
		<b>Accrued</b>	<b>Collected/ reversed</b>	<b>Written-off</b>	
Bad debt provision	87,876,884.44		4,127,791.84	17,665,143.13	66,083,949.47
<b>Total</b>	<b>87,876,884.44</b>		<b>4,127,791.84</b>	<b>17,665,143.13</b>	<b>66,083,949.47</b>

(4) Accounts receivable written off in current period.

<b>Item</b>	<b>Written off amount</b>
Receivable actually written off	7,563,512.61

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

<b>Company</b>	<b>Closing Balance</b>	<b>Aging</b>	<b>% of the total AR</b>	<b>Closing Balance of Provision</b>
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	2-3 years 3-4years 4-5years	6.90	17,525,571.61
Qingcheng Zhongyi Energy Co., Ltd	26,600,000.00	Within 1 year,	5.60	1,867,320.00
Ningxia Wangwa Coal Co., Ltd.	20,631,495.12	Within 1 year 1-2years 2-3years	4.35	4,901,311.52
Beidahuang Taihua Organic Food Co. Ltd	9,615,000.00	Within 1 year,	2.03	674,973.00
Qinghai Yellow River Upstream Hydropower Development Co., Ltd. New Energy Branch	7,145,862.06	Within 1 year,	1.51	501,639.52
<b>Total</b>	<b>96,741,101.18</b>		<b>20.39</b>	<b>25,470,815.65</b>

2. Other Receivables

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Interest receivable	46,879.68	583,833.33
Other receivable	41,136,517.46	5,398,160.49
<b>Total</b>	<b>41,183,397.14</b>	<b>5,981,993.82</b>

2.1 Interest receivable

(1) Interest receivable category

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Interest on term deposits	46,879.68	583,833.33
<b>Total</b>	<b>46,879.68</b>	<b>583,833.33</b>

2.2 Other receivable

## (1) The category of other receivables

Items	Closing Balance	Opening Balance
Share transfer	36,263,700.00	
Deposits	3,640,939.00	2,774,045.87
Petty cash	557,035.76	117,661.57
Receivables and payables	5,697,595.21	3,848,019.79
Others		68,554.00
<b>Total</b>	<b>46,159,269.97</b>	<b>6,808,281.23</b>

## (2) The bad debt provision of other receivable

bad debt provision	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within 12 months	Expected credit loss within the whole period (no impairment)	Expected credit loss within the whole period (impairment incurred)	
Opening balance	1,410,120.74			1,410,120.74
Opening balance during the year	—	—		—
--transfer to the 2 <sup>nd</sup> stage				
--transfer to the 3 <sup>rd</sup> stage				
--reverse to the 2 <sup>nd</sup> stage				
---reverse to the 1 <sup>st</sup> stage				
Accrued	3,612,631.77			3,612,631.77
Reverse				
Cancelation				
Written off				
Other movement				
Closing balance	5,022,752.51			5,022,752.51

## (3) Other receivable listed by account aging

Aging	Closing Balance
Within 1 year	41,176,821.26
1-2 years	1,068,247.71
2-3 years	300,000.00
3-4 years	2,415,636.00
4-5 years	1,100,000.00
Over 5 years	98,565.00
<b>Total</b>	<b>46,159,269.97</b>

## (4) Bad debt provision.

.Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	1,410,120.74	3,612,631.77			5,022,752.51
<b>Total</b>	<b>1,410,120.74</b>	<b>3,612,631.77</b>			<b>5,022,752.51</b>

(5) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Dalian Bingshan Group	Share transfer	36,263,700.00	Within 1 year	78.56	2,371,645.98
Dalian Lihua Coating Equipment	Outstanding debtor	1,650,000.00	3-4 years	3.57	833,745.00
Dalian Delta HK China Gas Co., Ltd.	Security deposit	1,100,000.00	4-5 years,	2.38	780,010.00
Dalian Changde Welding Co., Ltd	Outstanding debtor	765,636.00	3-4 years,	1.66	386,875.87
Huarun Shouzheng Tendering Co., Ltd	Security deposit	740,000.00	Within 1 year	1.60	48,396.00
<b>Total</b>		<b>40,519,336.00</b>		<b>87.77</b>	<b>4,420,672.85</b>

3. Long-term equity investments

(1) Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment of subsidiaries	687,496,652.08		687,496,652.08	587,496,652.08		587,496,652.08
Investment of affiliates and JV	1,592,881,328.96		1,592,881,328.96	1,656,914,731.80		1,656,914,731.80
<b>Total</b>	<b>2,280,377,981.04</b>		<b>2,280,377,981.04</b>	<b>2,244,411,383.88</b>		<b>2,244,411,383.88</b>

(2) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance	Provision impairment of current period	for the	Provision impairment for at year end
Dalian Bingshan Group Construction Co., Ltd	93,749,675.77	100,000,000.00		193,749,675.77			
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15			
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	36,506,570.00			36,506,570.00			
Dalian Bingshan Jiade Automation Co., Ltd	6,872,117.80			6,872,117.80			
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd	59,356,051.19			59,356,051.19			
Dalian Niweisi LengNuan Technology Co., Ltd	48,287,589.78			48,287,589.78			
Wuhan New World Refrigeration Industrial Co., Ltd	184,674,910.81			184,674,910.81			
Bingshan Technical Service (Dalian) Co.,Ltd.	22,024,000.00			22,024,000.00			
Dalian Xinminghua Electronics Co., Ltd.	43,766,243.72			43,766,243.72			
Dalian Bingshan International Trading Co., Ltd	71,537,064.86			71,537,064.86			
<b>Total</b>	<b>587,496,652.08</b>	<b>100,000,000.00</b>		<b>687,496,652.08</b>			

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

Investee	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment at year end	
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period			Others
1. Affiliated companies											
Panasonic Refrigeration (Dalian) Co., Ltd.	177,390,883.01			1,958,795.95			6,800,000.00			172,549,678.96	
Panasonic Cold-chain (Dalian) Co., Ltd	267,179,066.77			7,354,346.53						274,533,413.30	
Panasonic Compressor (Dalian) Co., Ltd	471,693,615.32			30,151,282.66			36,026,000.00			465,818,897.98	
Dalian Honjo Chemical Co., Ltd	8,535,439.50			561,233.80			350,476.27			8,746,197.03	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	61,090,955.30			3,444,000.08			8,600,000.00			55,934,955.38	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	1,537,672.85			584,278.85						2,121,951.69	
Dalian Fuji Bingshan Vending Machine Co., Ltd	193,109,792.44			-8,655,654.23						184,454,138.22	
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	13,892,866.25			998,253.42						14,891,119.67	
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	12,614,480.80			-12,570,934.45						43,546.35	
Jiangsu Jingxue Freezing Equipment Co., Ltd.	185,385,615.80			17,823,213.17						203,208,828.97	



Investee	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment at year end	
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period			Others
Panasonic Cold Machine System (Dalian) Co., Ltd	33,975,371.41			5,973,075.90			2,528,392.05			37,420,055.26	
Bingshan Metal Technical Service (Dalian) Co., Ltd.	172,730,683.20			28,938,783.80			28,510,920.84			173,158,546.15	
Dalian Bingshan Group Management and Consulting Company	57,778,289.15		58,800,000.00	1,021,710.84							
<b>Total</b>	<b>1,656,914,731.80</b>		<b>58,800,000.00</b>	<b>77,582,386.32</b>			<b>82,815,789.16</b>			<b>1,592,881,328.96</b>	

#### 4. Operating revenue and cost

Item	Current year		Last year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	710,173,991.25	589,797,068.56	639,185,625.79	533,579,945.34
Revenue from other operation	40,847,679.19	26,502,030.35	38,042,049.11	27,732,441.09
<b>Total</b>	<b>751,021,670.44</b>	<b>616,299,098.91</b>	<b>677,227,674.90</b>	<b>561,312,386.43</b>

#### 5. Investment income

Items	Current year	Last year
Long-term equity investment gain under equity method	79,930,496.36	140,544,148.87
Gain from disposing long-term equity investment	12,859,589.96	
Gain from holding of available for sale financial assets		
Gain from disposal of financial assets available for sale		
Gain from holding of tradable financial assets		
Gain from disposing of tradable financial assets		
Long-term equity investment gain under cost method	10,200,459.43	6,025,000.00
Gain from holding of other noncurrent financial assets	5,346,903.12	5,676,474.48
Gain from disposal of other noncurrent financial assets	6,784,485.22	22,482,217.16
<b>Total</b>	<b>115,121,934.09</b>	<b>174,727,840.51</b>

#### XVIII. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Group on April 22, 2021.

## Supplementary Information to the Financial Statements

### 1. Non-operating profit or loss

Items	Current year	Notes
Gain or loss from disposal of non-current assets	-169,550.05	
Override, no formal approval or accidental tax refund, deduction or exemption		
Government grants recorded into profit or loss during current period	17,952,461.57	
Expenses for using funds from non-financial institution recognized in current profit/loss		
Gains from acquisition of subsidiary or associates when initial cost is less than the fair value of identifiable net asset of invested company		
Profits/loss from non-monetary assets exchange		
Profits/loss from investments or management of assets entrusted by others		
Assets impairment provision accrued due to force majeure, e.g.: suffering natural disasters		
Profit or loss from debts restructuring		
Expenses of enterprise restructuring		
Gain/loss on excessive part from the transaction where the trading price is obviously unfair.		
Net gain/loss of subsidiary from combination under same control between the beginning of year and consolidation date.		
Gains/ loss from contingencies arising from the normal business of the Company		
Gain/loss from change of fair value by holding the tradable financial asset and liabilities, and or disposing of the tradable financial asset and liabilities, available for sale financial assets, other than effective hedging in relation to the company's normal business	4,362,148.57	
Reversal of impairment provision of accounts receivable separately tested for impairment		
The profits/loss from external entrusted fund		
The profits/gains from changes of fair value for investment property subsequently measured at fair value model		
Effects of gain/loss from one-off adjustments of gain/loss based on laws and regulations of taxation and accounting.		
Custodian fees obtained from entrusted operations		
Non-operating revenue and expense besides the above items	-4,643,229.90	
Other profit or loss		
Subtotal	17,501,830.19	
Effect on income tax	1,995,261.63	
Attributable to minority shareholders' equity (after tax)	293,787.16	
<b>Total</b>	<b>15,212,781.40</b>	

### 2. Return on equity and earnings per share

In accordance with the provisions of the China Securities Regulatory Commission, "Corporate Information Disclosure and Compilation Rules for Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)", the Company's 2020 annual weighted average net Return on assets, basic earnings per share and diluted earnings per share are as follows:

<b>Profit of report period</b>	<b>Weighted average return on net assets (%)</b>	<b>Earnings per share (EPS)</b>	
		<b>Basic EPS</b>	<b>Diluted EPS</b>
Net profit attributable to shareholders of parent company	0.63	0.03	0.03
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	0.18	0.01	0.01

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## Section 13 Reference Documents

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original copy of the auditor's report bearing the seal of the certified public accountants and the signatures and seals of the certified accountants.
3. The original copies of all the Company's documents and the original copies of the bulletins published on the newspapers designated by the China Securities Regulatory Commission in the report period.
4. Time for reference: from Monday to Friday 8:00 - 11:30 (am) 1:00 - 4:30 (pm)  
Liaison persons: Mr. Song Wenbao, Mrs Du Yu  
Tel: 0086-411-87968130  
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Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

April 24, 2021