

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. 2019 Annual Report Summary

§1 Important Notes

This summary is extracted from the original of the annual report. For more information, the investors are recommended to refer to the original.

Note to the “Non-standardized Opinion”

☐ Applicable ☒ Inapplicable

The profit distribution proposal

☒ Applicable ☐ Inapplicable

Transfer the capital reserve to increase capital stock

☐ Applicable ☒ Inapplicable

The profit distribution proposal reviewed and adopted at this Board meeting of the Company is: based on the total share capital of the Company of 843,212,507 shares, pay to all shareholders the cash dividend of 0.3 yuan (inclusive the tax) for every 10 shares .The Company will not transfer the capital reserve to increase capital stock.

Company Profile

Short form of the stock		Bingshan; Bingshan B
Stock code		000530; 200530
Listed stock exchange		Shenzhen Stock Exchange
Contact persons	Secretary of the Board of Directors	Authorized representative in charge of securities affairs
Name	Song Wenbao	Du Yu
Contact address	Securities & Legal Affairs No.106, Liaohe East Road, Dalian Economic and Technological Development Zone	Securities & Legal AffairsNo.106, Liaohe East Road, Dalian Economic and Technological Development Zone
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§2 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.

§3 Summary of Accounting Data and Financial Indexes

3.1 Main accounting data (Unit: RMB Yuan)

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 ☒ Inapplicable

	2019	2018	Increase/decrease compared with previous year	2017
Operating revenue	1,831,851,280.70	1,966,064,612.44	-6.83%	2,079,715,105.37
Net profit attributable to shareholders of listed companies	89,112,113.43	110,503,175.90	-19.36%	200,759,820.17
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	21,406,535.65	45,862,588.97	-53.32%	165,044,724.44
Net cash flow from operating activities	12,695,071.81	-119,657,885.64	110.61%	-207,225,851.22
Basic earnings per share	0.106	0.13	-18.46%	0.23
Diluted earnings per share	0.106	0.13	-18.46%	0.23
Weighted average return on net asset yield	2.63%	3.21%	Decrease 0.58 percentage points	5.97%
	2019.12.31	2018.12.31	Increase/decrease compared with previous year	2017.12.31
Total assets	5,525,503,256.26	5,568,279,452.26	-0.77%	5,619,621,500.67
Owner's equity attributable to shareholders of listed companies	3,379,565,029.89	3,377,633,617.02	0.06%	3,416,531,064.91

3.2 The quarter main financial indicators (Unit: RMB Yuan)

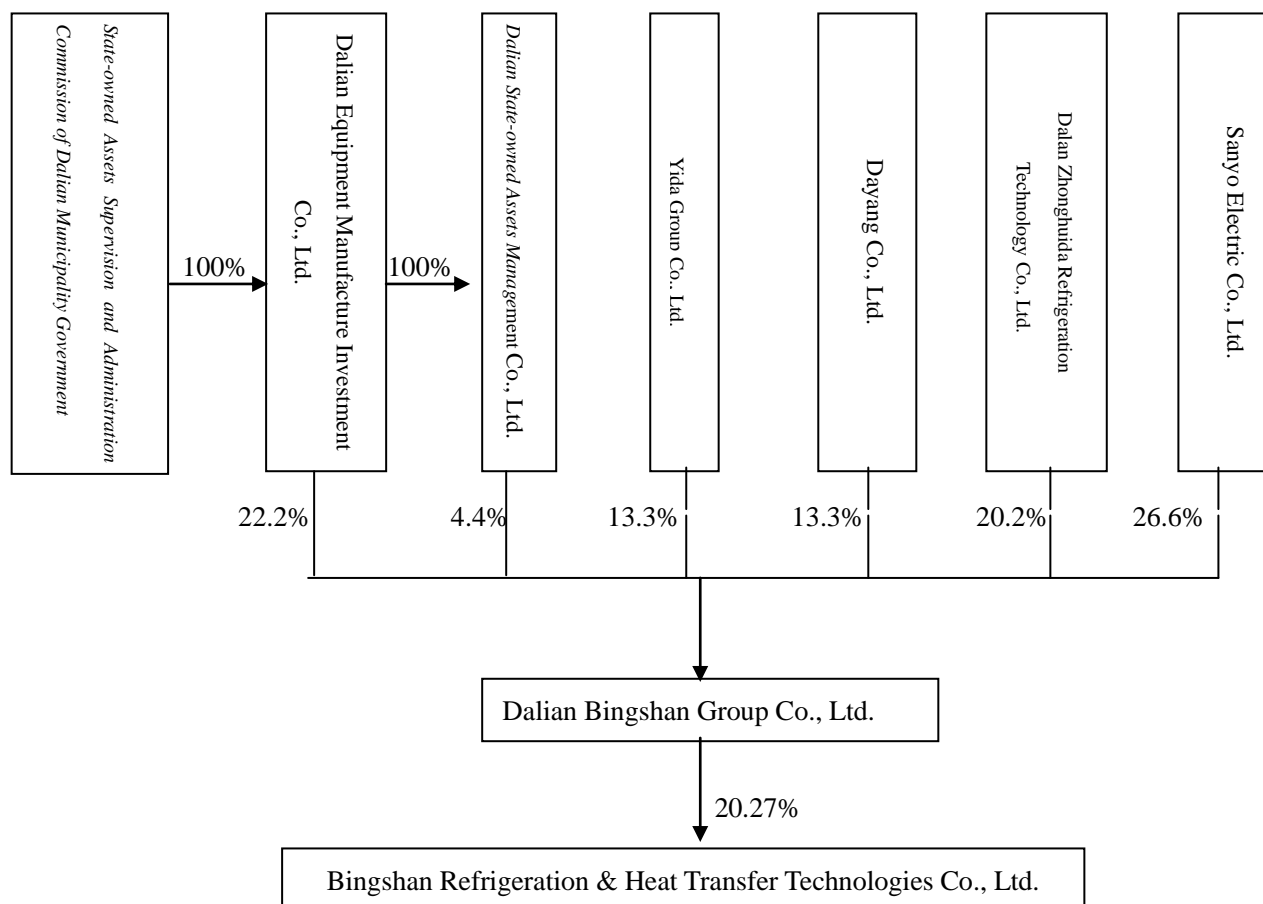
	The first quarter	The second quarter	The third quarter	The fourth quarter
Operating revenue	565,075,729.08	510,653,511.49	377,309,476.31	378,812,563.82
Net profit attributable to shareholders of listed companies	106,786,822.74	1,587,096.56	-4,027,361.74	-15,234,444.13
Net profit attributable to the shareholders of listed companies after the deduction of non-recurring profit and loss	16,426,346.23	18,835,832.74	4,567,091.45	-18,422,734.77
Net cash flow from operating activities	-94,192,502.27	16,416,464.39	-2,974,185.41	93,445,295.10

§4 Share Capital and Shareholders' Information

4.1 Statement of shares held by the top ten shareholders

Total number of shareholders in the reporting period	52,255	Total number of shareholders as of the last month before disclosure of the annual report		50,350	
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	0.77%	6,476,250	0	0
Wu An	Domestic natural person	0.53%	4,500,000	0	0
Sun Huiming	Domestic natural person	0.52%	4,384,079	0	0
Zhang Sufen	Domestic natural person	0.44%	3,730,000	0	0
Dalian industrial development investment Co., Ltd.	Domestic non-state-owned legal person	0.40%	3,406,725	0	0
Xue Hong	Domestic natural person	0.36%	3,070,000	0	0
Zhou Donghai	Domestic natural person	0.34%	2,865,640	0	0
Li Xiaohua	Domestic natural person	0.34%	2,830,908	0	0
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.				

4.2 Particulars about controlling shareholders and actual controller of the Company



§5 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. During the reporting period, the Company's exchangeable corporate bondholders exchanged a total of 8.3889 million shares.

§6 Management discussion and analysis

6.1 Business review for 2019

In 2019, in the face of complex and severe environment, the Company focused on "exploitation, pragmatism, collaboration and action", strengthened strategic resources, strengthened market development, strengthened internal management, converted restriction into coordination, converted control into service, strengthened confidence, acted steadfastly, and strived to achieve main business objectives. In 2019, the Company achieved operating income of 1,831,851,280.70 yuan, a year-on-year decrease of 6.83%; achieved net profit attributable to shareholders of listed companies of 89,112,113.43 yuan, a year-on-year decrease of 19.36%. Due to the bank's enhanced risk control, tighter loan and continuous tight liquidity of funds, the customer's engineering projects were delayed or the progress was slowed down, so the operating revenue was reduced and the profit was reduced accordingly.

During the reporting period, the Company made progress in stability and improved quality and efficiency. Actively implement technological innovation to tackle key problems and realize the manufacturing of stainless steel pressure vessels and high-tech auxiliary equipment; the pilot project of national high-end equipment manufacturing industry standardization has passed the mid-term acceptance review of provincial and municipal expert groups; the ASME U authorization certificate replacement work was completed successfully; the market promotion acceptance of alternative products of R22 reduction phase I project and the stage acceptance of alternative technology R&D design and transformation production line procurement equipment of R22 reduction phase II project were successfully passed; the BSMAU series modular ice water installation was selected as “2019 Energy Saving and Environment-friendly Products Catalogue of the Chinese Association of Refrigeration”.

During the reporting period, Wuhan New World Refrigeration, the Company’s subsidiary, promoted the strategic transformation orderly. The water vapor screw expander was selected as “2019 China Refrigeration Innovative Product”; the natural gas pipeline network pressure energy comprehensive utilization technology was selected as “2019 Energy Saving and Environmental Protection Technology Catalogue of the Chinese Association of Refrigeration”; new product optimization and standardization work were actively implemented; the market development of energy conservation and emission reduction has achieved phased results, and market cultivation still needs time.

During the reporting period, Bingshan Engineering Company, the Company’s subsidiary, continued to deepen the hot and cold market segment around the deep enthalpy energy solutions. Traditional market segments such as petrochemicals, food cold chain, beer and dairy products, and ships have continued their advantages; Shanxi coal mining mine heat hazard control project, Gansu Qingyang LNG project, wind tunnel drying system project, Dow Chemical Phase II and many other representative projects have been awarded, realizing new applications in new fields; breaking foreign monopoly, and successfully signing large-scale air-cooled refrigerated transport ship refrigeration station project.

During the reporting period, Bingshan Service Company, the Company’s subsidiary, quickly expanded its producer services. It actively promoted the compressor room hosting and transportation business, and continuously optimized the layout of national service networks. Bingshan sharing service platform was built orderly, and began to provide services for a number of Bingshan-funded enterprises. It implemented the multi scenario application of 5G technology such as AR expert remote diagnosis guidance and AI intelligent patrol management; won the bid for the service extension project based on the industrial Internet platform sponsored by the Ministry of Industry and Information Technology; passed the mid-term review of the national refrigeration and air conditioning equipment maintenance and operation service standardization pilot project.

During the reporting period, Bingshan Engineering & Trading, the Company’s subsidiary, deeply cultivated the advantageous markets in Southeast Asia and vigorously explored the emerging markets in Africa. Offices have been set up in the main related areas along the "one belt and one

road" to realize the transaction of key projects like Indonesia, Erie, expand product application areas, strengthen localization construction, and provide better value-added services to customers.

During the reporting period, Bingshan Guardian, the Company's subsidiary, focused on the automatic control of the Internet of Things in the field of freezing and refrigeration, and launched intelligent devices with edge computing capabilities such as BINGO-BOX. As a member of the Edge Computing Alliance, it undertook the development of the experimental platform for the "Freezing and Refrigeration IoT Test Bed Based on TSN and OPC-UA Technology".

During the reporting period, Panasonic Compressor, the Company's associated company, actively promoted the transformation. It implemented organizational system reform, reduced decision-making levels, broke departmental barriers, simplified organizational structure, and effectively improved decision-making speed and implementation efficiency. Faced with the unfavorable situation of the shrinking total volume of the scroll compressor market, it made great efforts to consolidate the field of electric buses and rail transit, and increased investments in heat pump, freezing and refrigeration and other fields, and the sales of horizontal scroll compressors achieved rapid growth. Increased the development of overseas key markets, and achieved substantial growth in Indian and Brazilian markets. The CO2 twin-rotor compressor for refrigeration and heat pump was selected as "2019 China Refrigeration Innovative Product".

During the reporting period, Panasonic Cold Chain, the Company's associated company, further focused on the new retail and new catering market. The intelligent food collection cabinet has been successfully embedded in the Hema Fresh platform series. For Master Kang's high-end brand Benenson, Benenson beverage display cabinet has been designed and developed. The overseas IOT smart cabinet business has made new breakthroughs, and it has successfully entered Australia after the United States and Mexico. With the "Energy Management and Store Intelligent System", it was awarded the "2019 China Convenience Store Innovation Award" by the China Chain Store & Franchise Association.

During the reporting period, Panasonic Air-conditioning and Refrigeration, the Company's associated company, actively deployed in emerging markets such as coking, petrochemical, and fermentation industries, and achieved breakthroughs in transformation. Build PTA chemical low-pressure exhaust emission elimination project to realize new application. Build Foshan sludge drying demonstration project to become the first in the industry. The development of high-efficiency warm water and large temperature difference units has been completed, which can deeply recycle the industrial waste heat. The gas-fired water-fluorine hybrid air-conditioning heat pump system was selected as "2019 China Refrigeration Innovation Product".

During the reporting period, Panasonic Refrigeration System, the Company's associated company, strengthened the construction of quality projects. Built the flagship project in the field of ice and snow - the Winter Olympics ice cube project, which was the first ice field in China to select R449 refrigerant, using mobile skid mounted units and remote control system. Promoted the clean energy heating transformation of coal mines, and successfully land the Shanxi coking coal project.

During the reporting period, Fuji Bingshan, the Company's associated company, further promoted the development of product intelligence, modularization, and diversification to quickly respond to customer needs. Increased innovation, and achieved 12 newly authorized patents in the whole year, including 3 invention patents. Innovated marketing methods, and promoted diversified sales. Integrated resources of market brands, operators and site owners, and carried out model innovation.

During the reporting period, Bingshan Metal, the Company's associated company, pay attention to steady operation and continued to promote technological innovation and management progress. Through process improvement and innovation, production efficiency and cost reduction have been continuously improved, effectively offsetting the rising tariff factors caused by Sino US trade friction. Bangladesh railway project and Malaysia railway project have been successfully signed, and higher gross profit has been obtained.

During the reporting period, Jingxue Company, the Company's associated company, applied for its initial public offering of shares and applied for listing on the GEM, which have been formally accepted by the China Securities Regulatory Commission and under review currently. Jingxue trademark was recognized as a well-known trademark in China by the State Intellectual Property Office.

During the reporting period, the Company actively promoted the cultivation and incubation of new businesses while the original business was undergoing transformation and upgrading. Bingshan Wisdom Park Company, an indirect joint venture company of the Company, has connected with the construction of the old factory intelligent industrial park, with more than 100 signed customers, and the contracted area has increased by more than 50% year on year, and "Foundry of Dalian refrigerator factory" was recognized as the third batch of national industrial heritage. Bingshan Huahuida, an indirect joint venture company of the Company, effectively expanded the financial leasing business around high-quality customers in Bingshan cold and hot business. Fuji Bingshan Control, an indirect joint venture company of the Company, helped the smart energy management of Bingshan, and implemented several sample projects successfully. Kelvin Technology, an indirect joint venture company of the Company, implemented the growth strategy of software driven hardware, and empowered self-service retail with innovative technology.

6.2 Major change or adjustment in the Company's main business in the reporting period

☐Applicable ☒Inapplicable

6.3 Main business structure

☐Applicable ☒Inapplicable

6.4 Is there a need to pay particular attention to the operation of seasonal or cyclical features?

☐Applicable ☒Inapplicable

6.5 Major change in the Company's business revenue, business cost, or net profit attributable to shareholders of listed companies in the reporting period

☐Applicable ☒Inapplicable

6.6 Face suspension of listing and termination of the listing

☐Applicable ☒Inapplicable

6.7 Matters related to financial report

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

☒Applicable ☐Inapplicable

(1) On March 31st, 2017, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.22-financial instrument recognition and measurement”(No7 Caikuai[2017]) (hereinafter referred to as “updated financial instrument standard”). Since January 1, 2018, the updated financial instrument 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, 2019. When preparing the financial statements for 2019FY, the policy has been adopted and the accounting has been done in accordance with this standard.

(2) On May 9th, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.7-non monetary asset exchange” (No 8 Caikuai[2019], hereinafter referred to as “updated non monetary asset exchange standards”. The Company adopted it since June 10th, 2019.

(3) On May 16th, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.12-debt restructuring”(No 9 Caikuai[2019], hereinafter referred to as “updated debt restructuring standards”. The company adopted it since June 17th, 2019.

(4) On April 30, 2019, the Ministry of Finance announced the “Notice of amending and issuing financial statements format” (No.6 Caikuai[2019]). On September 19th, 2019, the Ministry of Finance announced the “Notice of amending and issuing consolidated financial statements format” (No.16 Caikuai [2019]) The Company has prepared the financial statements for the year ended as of December 31st, 2019 in accordance with the notice mentioned above.

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

☐Applicable ☒Inapplicable

6.7.3 Explanation on change of consolidation scope in the report period compared with the latest annual report

☒Applicable ☐Inapplicable

Compared with the previous year, the main body included in the scope of consolidated financial statements has reduced one, because Dalian Bingshan Group Engineering Co., Ltd., a subsidiary of the Company, absorbed and merged its subsidiary Dalian Bingshan-P&A Recreation Development Engineering Co., Ltd

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

April 18, 2020