



BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(NOT AUDITED)

BALANCE SHEET

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. June 30, 2020 Unit: RMB Yuan

Items	30-June-2020		31-Dec-2019	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	278,156,476.16	133,769,634.48	332,119,146.22	175,586,251.46
Financial assets which are measured by fair value and which changes are recorded in current profit and loss				
Derivative financial assets				
Transaction financial assets				
Notes receivable	60,975,736.49	2,518,410.28	119,947,326.41	12,692,689.97
Accounts receivable	1,103,804,469.19	509,511,590.91	1,030,342,541.88	526,554,114.61
Accounts paid in advance	154,500,443.00	45,366,088.98	142,786,528.57	44,560,934.56
Other receivables	87,733,054.65	57,405,718.74	38,731,228.57	5,981,993.82
Interest receivables	348,833.33	348,833.33	583,833.33	583,833.33
Dividend receivable	42,152,903.12	50,338,786.40	33,450.00	-
Inventories	608,821,170.24	242,105,637.81	539,497,213.39	212,558,464.52
Contract assets	94,445,717.61	72,977,228.68		
Assets held for sale				
Non-current asset due within one year				
Other current assets	11,714,155.30	245,006.96	14,172,130.45	32,843.40
Total current assets	2,400,151,222.64	1,063,899,316.84	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				
Long-term equity investment	1,628,442,791.08	2,311,152,962.49	1,662,181,009.14	2,244,411,383.88
Other non-current financial assets	284,146,396.67	282,731,254.17	303,469,706.51	302,054,564.01
Investment property	93,684,345.08	104,088,789.56	96,200,507.24	106,536,035.96
Fixed assets	957,684,403.68	748,876,456.86	992,435,172.94	776,349,872.24
Construction in progress	36,965,756.73	27,408,270.75	36,285,056.80	27,212,183.40
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	139,166,688.92	67,174,298.87	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	10,459,043.73	9,005,609.76	11,646,845.47	9,751,998.84
Deferred income tax asset	60,062,877.38	13,228,425.96	62,397,665.08	13,858,811.66
Other non-current asset				
Total non-current asset	3,212,363,102.76	3,563,666,068.42	3,307,907,140.77	3,548,396,839.90
Total assets	5,612,514,325.40	4,627,565,385.26	5,525,503,256.26	4,526,364,132.24
Current liabilities:				
Short-term loans	382,693,600.00	366,093,600.00	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	264,006,309.11	204,646,261.20	305,468,505.38	189,540,652.01
Accounts payable	940,681,481.86	321,427,663.26	814,331,684.02	293,479,043.69
Accounts received in advance			160,571,622.53	47,114,426.48
Contract liabilities	201,589,646.20	49,838,218.15		
Wage payable	10,356,555.86	92,529.75	31,701,317.58	8,702,907.01
Taxes payable	8,930,118.03	6,394,749.72	8,184,018.69	5,156,115.24
Other accounts payable	61,043,778.19	36,375,922.22	55,921,060.69	18,817,980.14
Interest payable	5,180,733.92	5,180,733.92	6,396,385.83	6,386,700.29
Dividend payable	28,304,531.21	25,829,531.21	533,156.00	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	10,276,677.27		14,174,643.42	
Other current liabilities				
Total current liabilities	1,879,578,166.52	984,868,944.30	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	25,000,034.00	25,000,034.00
Preferred stock				
Perpetual bond				
Long-term account payable	397,771.84		397,771.84	
Long-term wage payable				
Special Payable				
Anticipation liabilities				
Deferred income	107,775,664.96	64,380,164.96	99,157,538.52	55,744,166.29
Deferred income tax liabilities	38,316,709.52	38,316,709.52	41,215,205.99	41,215,205.99
Other non-current liabilities				
Total non-current liabilities	331,490,180.32	287,696,908.48	325,770,550.35	281,959,406.28
Total liabilities	2,211,068,346.84	1,272,565,852.78	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	799,133,083.37	799,133,083.37	768,723,812.53	768,723,812.53
Generic risk reserve				
Retained profit	959,048,791.02	939,844,020.18	1,038,358,782.59	988,765,359.93
Total owner's equity attributable to parent company	3,330,664,309.16	3,354,999,532.48	3,379,565,029.89	3,373,511,601.39
Minority interests	70,781,669.40		74,562,823.71	
Total owner's equity	3,401,445,978.56	3,354,999,532.48	3,454,127,853.60	3,373,511,601.39
Total liabilities and shareholder's equity	5,612,514,325.40	4,627,565,385.26	5,525,503,256.26	4,526,364,132.24

Legal Representative: Ji Zhijian

Chief Financial Officer: Ma Yun

Person in Charge of Accounting Organization: Wang Jinxiu

INCOME STATEMENT

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

January-June, 2020

Unit: RMB Yuan

Items	January-June, 2020		January-June, 2019	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	873,403,414.46	421,537,668.16	1,075,729,240.57	325,356,273.32
II. Total operating cost	897,088,858.88	426,353,131.09	1,101,546,628.92	341,379,256.10
Including: Operating cost	748,075,096.12	359,831,813.22	919,759,979.86	276,893,396.82
Taxes and associate charges	8,020,491.83	4,653,637.89	8,730,283.87	4,773,987.02
Selling and distribution expenses	35,446,794.72	11,354,625.22	53,096,818.62	5,371,238.79
Administrative expenses	70,770,126.86	28,433,528.41	85,942,095.21	37,232,620.49
R&D expenses	24,715,021.28	14,305,119.21	28,549,864.17	13,071,247.34
Financial expense	10,061,328.07	7,774,407.14	5,467,587.19	4,036,765.64
Including: interest expense	9,635,047.81	7,801,791.24	5,542,418.26	3,772,180.01
interest income	719,172.42	538,148.04	572,223.80	211,170.87
Add: Other income	6,507,868.29	442,124.83	2,035,436.84	
Gain/(loss) from investment	22,943,077.11	31,608,757.06	117,127,421.73	120,796,775.76
Including: income from investment on affiliated enterprise and jointly enterprise	16,816,173.99	17,295,970.66	72,239,478.13	72,908,832.16
Exchange gains				
Gain/(loss) from change in fair value (loss as “-“)	-19,323,309.84	-19,323,309.84	40,461,125.59	40,461,125.59
Credit impairment loss (loss as “-“)	-14,041,906.01	-3,350,941.44		
Assets impairment loss (loss as “-“)			-16,863,134.42	-3,112,743.25
Gain/(loss) from asset disposal (loss as “-“)	10,788.53		1,242,799.31	582,050.16
III. Operating profit	-27,588,926.34	4,561,167.68	118,186,260.70	142,704,225.48
Add: non-business income	1,280,059.12		2,472,365.13	200.07
Less: non-business expense	93,891.78	44,972.15	121,643.51	75,126.57
IV. Total profit	-26,402,759.00	4,516,195.53	120,536,982.32	142,629,298.98
Less: Income tax	-1,492,259.17	-2,268,110.77	13,766,605.84	11,086,452.65
V. Net profit	-24,910,499.83	6,784,306.30	106,770,376.48	131,542,846.33
(I) Net profit from continuous operation	-24,910,499.83	6,784,306.30	106,770,376.48	131,542,846.33
(II) Net profit from discontinuing operation				
Net profit attributable to parent company	-23,604,345.52	6,784,306.30	108,373,919.30	131,542,846.33
Minority shareholders' gains and losses	-1,306,154.31		-1,603,542.82	
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. Gains and losses on fair value changes of available-for-sale financial assets				

3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets				
4. Effective hedging gains and losses on cash flows				
5. Foreign-currency financial statement translation difference				
6. Others				
.....				
After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	-24,910,499.83	6,784,306.30	106,770,376.48	131,542,846.33
Total comprehensive income attributable to parent company	-23,604,345.52	6,784,306.30	108,373,919.30	131,542,846.33
Total comprehensive income attributable to minority shareholders	-1,306,154.31		-1,603,542.82	
VIII. Earnings per share				
(I) basic earnings per share	-0.028		0.127	
(II) diluted earnings per share	-0.028		0.127	

Legal Representative: Ji Zhijian

Chief Financial Officer: Ma Yun

Person in Charge of Accounting Organization: Wang Jinxiu

CASH FLOW STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. January -June, 2020 Unit: RMB Yuan

Items	January -June, 2020		January -June, 2019	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	604,104,617.20	348,200,949.78	618,147,609.49	227,740,556.29
Write-back of tax received	13,929,886.75	8,601,797.19	8,019,673.18	
Other cash received concerning operating activities	32,877,448.75	14,383,755.85	17,779,038.66	4,348,684.15
Subtotal of cash inflow arising from operating activities	650,911,952.70	371,186,502.82	643,946,321.33	232,089,240.44
Cash paid for purchasing commodities and receiving labor service	476,548,876.58	289,314,215.08	426,426,299.23	159,249,772.95
Cash paid to/for staff and workers	158,669,594.81	51,668,871.50	188,059,306.43	66,691,776.09
Taxes paid	31,669,562.21	14,614,702.80	43,807,228.95	14,147,587.37
Other cash paid concerning operating activities	62,374,607.85	17,567,587.34	63,429,524.60	13,181,849.87
Subtotal of cash outflow arising from operating activities	729,262,641.45	373,165,376.72	721,722,359.21	253,270,986.28
Net cash flows arising from operating activities	-78,350,688.75	-1,978,873.90	-77,776,037.88	-21,181,745.84
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income	14,561,842.05	14,528,392.05	11,365,084.60	11,331,634.60
Net cash received from disposal of fixed, intangible and other long-term assets	414,448.00		1,691,731.61	810,000.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	14,976,290.05	14,528,392.05	13,056,816.21	12,141,634.60
Cash paid for purchasing fixed, intangible and other long-term assets	5,676,192.55	3,370,306.88	27,160,372.19	23,937,190.63
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	5,676,192.55	103,370,306.88	27,160,372.19	23,937,190.63
Net cash flows arising from investing activities	9,300,097.50	-88,841,914.83	-14,103,555.98	-11,795,556.03
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries				
Cash received from loans	276,601,600.00	266,011,600.00	340,210,100.00	249,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	36,847,200.56		38,323,050.64	
Subtotal of cash inflow from financing activities	313,448,800.56	266,011,600.00	378,533,150.64	249,000,000.00
Cash paid for settling debts	254,287,177.09	208,000,000.00	303,180,583.85	250,000,000.00
Cash paid for dividend and profit distributing or interest paying	10,670,866.72	9,007,757.61	6,158,656.56	4,843,793.50
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash paid concerning financing activities	12,119,804.65		67,866,365.93	47,566,389.36
Subtotal of cash outflow from financing activities	277,077,848.46	217,007,757.61	377,205,606.34	302,410,182.86
Net cash flows arising from financing activities	36,370,952.10	49,003,842.39	1,327,544.30	-53,410,182.86
IV. Influence on cash due to fluctuation in exchange rate	42,272.21	329.36	266,799.33	-128.01

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

V. Net increase of cash and cash equivalents	-32,637,366.94	-41,816,616.98	-90,285,250.23	-86,387,612.74
Add: Balance of cash and cash equivalents at the period-begin	301,527,354.56	175,586,251.46	304,703,434.47	186,976,185.10
VI. Balance of cash and cash equivalents at the period-end	268,889,987.62	133,769,634.48	214,418,184.24	100,588,572.36

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 2020.01-06 Unit: RMB Yuan

Items	2020.01-06								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits		
I. balance at the end of last year	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									
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)						30,409,270.84	-79,309,991.57	-3,781,154.31	-52,681,875.04
(I) Total comprehensive incomes							-23,604,345.52	-1,306,154.31	-24,910,499.83
(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						30,409,270.84	-55,705,646.05	-2,475,000.00	-27,771,375.21
1. Withdrawing surplus public reserve						30,409,270.84	-30,409,270.84		-
2. Distribution to all owners (shareholders)							-25,296,375.21	-2,475,000.00	-27,771,375.21
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					1,127,227.68				1,127,227.68
2. Used in the period					-1,127,227.68				-1,127,227.68
(VI) Other									
IV. Balance at the end of this period	843,212,507.00	726,768,468.00		2,501,459.77		799,133,083.37	959,048,791.02	70,781,669.40	3,401,445,978.56

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

Items	2019.01-06								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits		
I. balance at the end of last year	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			294,408,505.78		
2. Correction of errors in previous period									
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	1,059,267,794.23	80,796,270.83	3,458,429,887.85
III. Increase/ decrease of amount in this year ("-" means decrease)	-12,221,580.00	-33,596,874.00	-21,026,106.00			32,428,137.09	33,785,156.86	-1,603,542.82	39,817,403.13
(I) Total comprehensive incomes							108,373,919.30	-1,603,542.82	106,770,376.48
(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	24,792,348.00						-70,610,802.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity			-45,818,454.00						45,818,454.00
4. Other									
(III) Profit distribution						32,428,137.09	-74,588,762.44		-42,160,625.35
1. Withdrawing surplus public reserve						32,428,137.09	-32,428,137.09		-
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					1,025,336.49				1,025,336.49
2. Used in the period					-1,025,336.49				-1,025,336.49
(VI) Other									
IV. Balance at the end of this period	843,212,507.00	726,768,468.00		2,501,459.77		753,519,177.11	1,093,052,951.09	79,192,728.01	3,498,247,290.98

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 Dalian Refrigeration Company Limited

2020.01-06

Unit: RMB Yuan

Items	2020.01-06								
	Owners' equity attributable to parent company								Total of owners' equity
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. balance at the end of last year	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)							30,409,270.84	-48,921,339.75	-18,512,068.91
(I) Total comprehensive incomes								6,784,306.30	6,784,306.30
(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							30,409,270.84	-55,705,646.05	-25,296,375.21
1. Withdrawing surplus public reserve							30,409,270.84	-30,409,270.84	-
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						1,127,227.68			1,127,227.68
2. Used in the period						-1,127,227.68			-1,127,227.68
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		771,270,562.83		1,539,359.10		799,133,083.37	939,844,020.18	3,354,999,532.48

Legal Representative: Ji Zhijian

Chief Financial Officer: Ma Yun

Person in Charge of Accounting Organization: Wang Jinxiu

Items	2019.01-06								
	Owners' equity attributable to parent company								Total of owners' equity
	share capital	Other equity instrument	Capital surplus	Lessen: treasury stock	Other comprehensive income	Special preparation	Surplus reserve	Retained profits	
I. balance at the end of last year	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			294,408,505.78	
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	934,659,767.25	3,296,565,584.20
III. Increase/ decrease of amount in this year ("-" means decrease)	-12,221,580.00		-33,596,874.00	-21,026,106.00			32,428,137.09	56,954,083.89	64,589,872.98
(I) Total comprehensive incomes								131,542,846.33	131,542,846.33
(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	24,792,348.00					-70,610,802.00
2. Capital increased by holders of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity				-45,818,454.00					45,818,454.00
4. Other									
(III) Profit distribution							32,428,137.09	-74,588,762.44	-42,160,625.35
1. Withdrawing surplus public reserve							32,428,137.09	-32,428,137.09	
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						1,025,336.49			1,025,336.49
2. Used in the period						-1,025,336.49			-1,025,336.49
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		771,270,562.83		1,539,359.10		753,519,177.11	991,613,851.14	3,361,155,457.18

Legal Representative: Ji Zhijian

Chief Financial Official: Ma Yun

Person in Charge of Accounting Organization: Wang Jinxiu

Notes to Financial Statements

I. General Information

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

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

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

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

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3rd provisional general meeting held on 13th September 2016, the 9th meeting of the 7th generation

of board deliberated and passed the ‘Proposal about granting the restricted shares to incentive targets’ on September 20th, 2016 and set 20th September 2016 as share granted date, and granted 12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22nd November, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23rd November, 2016.

On May 20th, 2017, the general meeting for 2016 fiscal year was held and profit appropriation scheme for 2016 FY was approved, which was every 10 shares will be increased by 4 shares through capital reserve based on the total 611,776,558 number of shares. After the profit appropriation scheme, the registered capital was changed to RMB856,478,181.00Yuan.

On December 18, 2017, the Company held the third extraordinary shareholders’ meeting of 2017 which reviewed and approved the Proposal on Repurchasing and Cancelling Part Restricted Stocks of the 2016 Restricted Stock Incentive Plan”. On March 8, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 856,487,181 Yuan to 855,908,981 Yuan.

On May 4, 2018, the Company held the 21st meeting of the seventh board of directors which reviewed and approved the Proposal on Repurchasing and Cancelling Party Restricted Stocks of the 2015 Restricted Stock Incentive Plan. On June 29, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 855,908,981 Yuan to 855,434,087 Yuan.

On January 17, 2019, the Company held the first extraordinary shareholders’ meeting of 2019 which reviewed and approved the Proposal on terminating the implementation of 2016 Restricted Stock Incentive Plan of the Company and logouting the restricted stock. On March 4, 2019, the Company has completed the capital reduction process, and the registered capital of the Company was changed from 855,434,087 Yuan to 843,212,507 Yuan.

On December 20th, 2019, the Company held the 7th meeting of the 8th 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).

This reporting period, entities within the consolidation scope has no change comparing to last year.

II. 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 V "Significant Accounting Policies, Accounting Estimates".

(2) Going concern

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

III. Significant Accounting Policies and Accounting Estimates

The Ministry of Finance issued on July 5, 2017 about revision issued by the accounting standards for enterprises no. 14 - revenue income guidelines (hereinafter generally referred to as the "income guidelines"), in domestic and at the same time, listed companies and listed overseas and adopted international financial reporting standards or companies prepare financial statements on the accounting standard for business enterprises, effective as of January 1, 2018; Other domestic listed enterprises shall enter into force as of January 1, 2020; Non-listed enterprises that implement the accounting standards for Business Enterprises shall enter into force as of January 1, 2021. In accordance with the above requirements, the Company will implement the relevant guidelines as of January 1, 2020.

1. Declaration for compliance with accounting standards for business enterprises

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

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

The Group adopts RMB as functional currency.

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

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

For a business combination not under same control, the asset, liability and contingent liability obtained from the acquirer shall be measured at the fair value on the acquisition date. The combination cost shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquire, and sum of all direct expenses(if the combination is achieved in stages, the combination cost shall be the sum of individual transaction). The difference when combination cost exceeds proportionate share of the fair value of identifiable net assets of acquire should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration, after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquire, the difference should be recognized as non-operating income.

6. Method of preparation of consolidated financial statements

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

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

All significant intergroup transactions, outstanding balances and unrealized profit shall be eliminated in full when preparing the consolidated financial statements. Portion of the subsidiary's equity not belonging to the parent, profit, loss for the current period, portion of other

comprehensive income and total comprehensive belonging to minority interest, shall be presented separately in the consolidated financial statements under “minority interest of equity”, “minority interest of profit and loss”, “other comprehensive income attributed to minority interest” and “total comprehensive income attributed to minority interest” title.

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

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

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

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

the movement on the remeasurement of net asset or liability of defined benefit plan.

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

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

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

7. Joint arrangement classification and joint operation accounting

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

8. Cash and cash equivalent

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

9. Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

10. Financial assets and financial liabilities

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 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:

①the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;②the 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: ①the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ②the 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: ①purchased 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. ②financial 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: ①the rights to receive cash flows from the asset is terminated, ②the financial asset has been

transferred and the company transfers substantially all risks and rewards relating to the financial assets to the transferee, ③the 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 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: ①financial 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 ①or 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: ①the company has the legal right to recognized offset amount and the right is enforceable. ②the 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 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 recollected 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 pastdue credit loss assessment based on individual item.

11. Notes receivable

(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 notes 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.

(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, 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.

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.

Portfolio category	Expected credit loss accounting estimate policy
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

Referring to the experience of historical credit losses, the company prepares a table comparing the aging of notes receivable with the fixed reserve rate to calculate the expected credit losses on this basis.

Aging	Provision ratio
Within 1 year	6.79%
1 year-2 years	15.34%
2 years-3 years	29.07%
3 years—4 years	46.81%
4 years—5years	72.92%
Over 5 years	100.00%

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”, 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. Accounts receivable

(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, 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.

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.

Portfolio category	Expected credit loss accounting estimate policy
Related parties portfolio within the consolidation	Lower credit risk assessed by the management
Other related parties and non-related parties portfolio	Provided for excepted credit loss allowance

Referring to the experience of historical credit losses, the company prepares a table comparing the aging of accounts receivable with the fixed reserve rate to calculate the expected credit losses on this basis.

Aging	Provision ratio
Within 1 year	6.79%
1 year-2 years	15.34%
2 years-3 years	29.07%
3 years—4 years	46.81%
4 years—5 years	72.92%
Over 5 years	100.00%

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 “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”

13. Other receivable

(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, 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.

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.

Portfolio category	Expected credit loss accounting estimate policy
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

Referring to the experience of historical credit losses, the company prepares a table comparing the aging of other receivable with the fixed reserve rate to calculate the expected credit losses on this basis.

Aging	Provision ratio
Within 1 year	3.35%
1 year-2 years	7.49%
2 years-3 years	22.71%
3 years—4 years	43.35%
4 years—5 years	66.59%
Over 5 years	100.00%

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”

14. Inventories

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

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

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

15. Contract assets

Contract assets are the rights of the Company to receive consideration for the goods it has transferred to the customer, and such rights are subject to factors other than the passage of time. If the Company sells two clearly distinguishable goods to a customer and is entitled to receive payment for the delivery of one of the goods, but the payment is contingent on the delivery of the other goods, the Company regards the right to receive payment as a contract asset.

The method for determining the expected credit loss of the contract assets shall refer to the description of notes receivable and accounts receivable in notes 11 and 12 above.

Accounting method: the Company calculates the expected credit loss of the contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current contract assets impairment provision, the Company will recognize the difference as an impairment loss and debit "credit impairment loss" and credit "Contract assets impairment provision". On the contrary, the Company recognizes the difference as impairment gain and makes opposite accounting records.

If the Company actually suffers a credit loss and determines that the relevant contract assets cannot be recalled, and the write-off is approved, the Company shall debit "impairment provisions of contract assets" and credit "contract assets" according to the approved amount of write-off. If the amount of write-off is greater than the allowance for loss accrued, the difference shall be debited as "credit impairment loss".

16. Contract Cost

(1) The method for determining the amount of assets related to the contract cost

The Company's assets related to contract cost include contract performance cost and contract acquisition cost.

Contract performance cost, that is, the cost of the Company to the contract, do not belong to other accounting standards for enterprises the scope of the specification, and satisfy the following conditions at the same time, as the performance contract cost recognized as an asset: the cost and a current or expected is directly related to the contract, including direct materials, direct labor, manufacturing cost (or similar fee), specific cost borne by the customer and only other cost arising from this contract; this cost increases the Company's future resources for performance obligations; the cost is expected to be recovered.

Contract acquisition cost, that is, the incremental cost incurred by the Company to acquire the contract is expected to be recovered, shall be recognized as an asset as the contract acquisition cost; if the amortization period of the asset does not exceed one year, it shall be recorded into the current profit and loss at the time of occurrence. Incremental cost is cost (such as sales commissions, etc.) that the Company would not incur without obtaining a contract. Expenses incurred by the Company for the acquisition of the contract, in addition to the incremental cost expected to be recovered (such as travel expenses incurred whether the contract is acquired or not, etc.), shall be recorded into the current profit and loss when incurred, except those clearly borne by the customer.

(2) Amortization of assets related to contract cost

The assets related to the contract cost of the Company shall be amortized on the same basis as the commodity income recognition related to the assets and shall be recorded into the current profit and loss.

(3) Impairment of assets related to the contract cost

When determining the impairment loss of assets related to the contract cost, the Company shall first determine the impairment loss of other assets related to the contract recognized in accordance with accounting standards for other relevant enterprises. If the carrying value is higher than the residual consideration expected to be obtained by the Company due to the transfer of the commodity related to the asset and the estimated cost to be incurred for the transfer of the commodity, the excess part shall be set aside for impairment loss and recognized as an asset impairment loss.

If the foregoing difference is higher than the carrying amount of the asset, the carrying amount of the asset shall be converted back to the original provision for impairment of the asset and recorded into the current profit and loss. However, the carrying amount of the asset after conversion shall not exceed the carrying amount of the asset under the circumstance of no provision for impairment of the asset.

17. Held for sale

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

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

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

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

not be reversed.

(5) The impairment loss recognised 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.

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 can not be reversed.

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.

(6) 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.

(7) When held for sale assets or disposal group can not 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.

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.

18. Long-term equity investment

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

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

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

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

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

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

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

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

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

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

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

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

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

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

Where the entity has no 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.

19. 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%

20. 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 lease shall be recognized when one of the conditions are met, (1) the ownership of the asset belongs to the company when the lease term is due, (2) the company has the option to buy the asset and buy price is far lower than the fair value when exercising the option. (3) lease term is

most of the asset life (4) no significant difference between the present value of minimum lease premium and fair value on the lease commencement date.

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

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

21. Construction in progress

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

22. Borrowing costs

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

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

23. Intangible assets

The intangible assets of the Group refer to land use right and software. For acquired intangible

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

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

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

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

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

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

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

25. Long-term deferred expenses

Long-term deferred expenses of the Group refer to leasing expenses, redecoration expense and others. The expenses should be amortized evenly over the beneficial period. If the deferred

expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss. Leasing expenses will be amortized within 10 years and 30years; redecoration expense and others will be amortized within 3 years.

26. Contract liabilities

Contract liabilities reflect the Company's obligation to transfer the goods to the customer on consideration received or receivable from the customer. Where the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the transfer of the goods to the customer, the liability of the contract shall be recognized in accordance with the amount received or receivable at the earlier point between the actual payment made by the customer and the due payment.

27. Employee benefits

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

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

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

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

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

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

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

28. Contingent liabilities

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

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

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

29. Share based payment

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

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

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

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

30.Revenue

The revenue of the Company is mainly from sales of complete sets of equipment, engineering installation.

The Company has performed the performance obligations in the contract, that is, when the customer obtains the control right of the relevant goods or services, the revenue is recognized.

If the contract contains two or more performance obligations, the Company shall, at the beginning of the contract, allocate the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the commodities or services committed by each individual performance obligation, and measure the income according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the Company is expected to be entitled as a result of the transfer of goods or services to the customer, excluding payments received on behalf of third parties. The trading price recognized by the Company shall not exceed the amount of accumulated recognized revenue that is highly unlikely to be materially reversed when the relevant uncertainties are eliminated. Refunds to customers are expected to be excluded from the transaction price as liabilities. Where there is a significant financing element in the contract, the Company shall determine the transaction price based on the amount payable by the assumed customer in cash upon acquisition of control over the goods or services. The difference between the transaction price and the contract consideration shall be amortized over the term of the contract using the effective interest rate method. On the commencement date of the contract, the Company expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment shall not exceed one year, regardless of the significant financing element existing in the contract.

If one of the following conditions is met, the Company shall perform its performance obligations within a certain period of time; otherwise, the performance obligation shall be performed at a certain point:

- (1) When the customer performs the performance of the Company, it will obtain and consume the economic benefits brought by the performance of the Company.
- (2) The customer can control the commodities under construction during the performance of the Company.
- (3) The commodities produced by the Company during the performance of the contract shall have irreplaceable uses, and the Company shall have the right to receive payment for the accumulated performance part which has been completed so far during the entire contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income according to the performance progress within that period. If the performance schedule cannot be reasonably determined and the Company is expected to be compensated for the costs incurred, the revenue shall be recognized according to the amount of the cost incurred

until the performance schedule can be reasonably determined.

For performance obligations performed at a certain point, the Company recognizes revenue at the point when the customer acquires control over the relevant goods or services. In determining whether the customer has acquired control over the goods or services, the Company considers the following indications:

- (1) The Company shall have the right to receive the present payment for the goods or services.
- (2) The Company has transferred the legal ownership of the goods to the customer.
- (3) The Company has transferred the physical goods to the customer.
- (4) The Company has transferred to the customer the major risks and rewards in the ownership of the goods.
- (5) The customer has accepted the goods or services, etc.

The Company determines whether it is the principal responsible person or the agent at the time of the transaction based on whether it has control over the commodity before transferring it to the customer. If the Company is able to control the commodity before transferring the commodity to the customer, the Company shall be the main person responsible and shall recognize the income according to the total amount received or the consideration; otherwise, the Company shall recognize the income according to the amount of the commission or handling charge to be entitled to be collected, which shall be the net amount after the total amount of consideration received or receivable is deducted from the price paid to other relevant parties, or determined according to the proportion of the established commission amount. The circumstances under which the Company judges that it can control the goods before transferring them to the customer include:

- (1) The Company shall transfer the control right of commodities or other assets to the customer after the third party obtains the control right.
- (2) The Company can lead a third party to provide services to customers on behalf of the Company.
- (3) After the Company acquires the control of the commodity by a third party, it transfers the commodity to the customer by integrating it with other products into a group of outputs by providing significant services.

In the specific determination of the ownership of a commodity prior to its transfer to a customer, it is not limited to the legal form of the contract, but takes into account all relevant facts and circumstances, including:

- (1) The Company undertakes the main responsibility of transferring the goods to the customers.
- (2) The Company shall bear the inventory risk of the goods before or after the transfer of the goods.
- (3) The Company shall have the right to determine the prices of the commodities to be traded.

(4) Other relevant facts and circumstances.

The Company's right to receive consideration for the goods or services it has transferred to the customer (and such right is subject to factors other than the passage of time) is shown as a contract asset, and the impairment of the contract asset is calculated on the basis of the expected credit loss. The Company has the right to collect the consideration unconditionally from the customer as an account receivable. The obligation of the Company to transfer the goods or services to the customer upon receipt of the consideration receivable by the customer is shown as a contract liability.

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

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

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

32. Deferred tax assets and deferred tax liabilities

The deferred income tax assets or the deferred income tax liabilities should be recognized according to the differences (temporary difference) between the carrying amount of the assets or liabilities and its tax base. Deferred tax assets shall be respectively 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 tax liabilities shall be recognized for any temporary difference arising from goodwill initially recognition. No deferred tax assets or liabilities shall be recognized for any difference arising from assets or liabilities initial recognition on non-business combination with no effect on either accounting profit or taxable profit (or deductible tax loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

Deferred 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.

33. 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.

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 receivable

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

(2) Provision of inventory impairment

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

(3) Provision of goodwill impairment

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

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

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

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

(4) Provision of fixed asset impairment

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

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

applied, the impairment is required.

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

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

(5) Recognition of deferred tax assets

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

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

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

35. Changes in Accounting Policies, Accounting Estimates

The Ministry of Finance issued on July 5, 2017 about revision issued by the accounting standards for enterprises no. 14 - revenue income guidelines (hereinafter generally referred to as the "income guidelines"), in domestic and at the same time, listed companies and listed overseas and adopted international financial reporting standards or companies prepare financial statements on the accounting standard for business enterprises, effective as of January 1, 2018; Other domestic listed enterprises shall enter into force as of January 1, 2020; Non-listed enterprises that implement the accounting standards for Business Enterprises shall enter into force as of January 1, 2021. In accordance with the above requirements, the Company will implement the relevant guidelines as of January 1, 2020.

New Income Standards for the First Implementation Relevant to Financial Statements at the Beginning of the Year

Consolidated balance sheet

Item	31-Dec-2019	1-Jan-2020	The amount of adjustment
Notes receivable			
Accounts receivable	1,030,342,541.88	1,008,380,111.23	-21,962,430.65
Contract assets		21,962,430.65	+21,962,430.65
Deferred income tax assets			
Accounts received in advance	160,571,622.53		-160,571,622.53

Contract liabilities		160,571,622.53	+160,571,622.53
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Balance sheet of parent company

Item	31-Dec-2019	1-Jan-2020	The amount of adjustment
Notes receivable			
Accounts receivable	526,554,114.61	525,838,172.89	-715,941.72
Contract assets		715,941.72	+715,941.72
Deferred income tax assets			
Accounts received in advance	47,114,426.48		-47,114,426.48
Contract liabilities		47,114,426.48	+47,114,426.48

Changes in accounting estimate

None

IV. 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%、10%、13%、16%
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 revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	Fixed amount per square meter
Other tax		According to the relevant provisions of the state and local

Notes for tax entities with different EIT rate

Tax entities	EIT rate
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 Guardian Automation Co., Ltd.	15%
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%

Bingshan Technology Service (Dalian) Co.,Ltd.	15%
Dalian Bingshan Engineering&Trading Co.,Ltd	25%
Dalian Universe Thermal Technology Co., Ltd.	15%
Dalian New Meica Electronics Technology Co., Ltd	15%

2. Tax preference

The Company obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR201721200306, 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 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR201721200279, and the validity duration is three years. According to the tax law, it can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

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

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

The Company's subsidiary, Bingshan Technology Service (Dalian) Co.,Ltd.. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200155, and the validity duration is three years. According to the tax law, it can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The Company's subsidiary, Dalian Universe Thermal Technology Co., Ltd.. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian

Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200108, and the validity duration is three years. According to the tax law, it can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The Company's subsidiary, Dalian New Meica Electrical Technology Co., Ltd obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No is GR2201721200301, and the validity duration is three years. According to the tax law, it can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

V. 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 June 30, 2020; “current period” refers to the period from January 1, 2020 to June 30, 2020; and “last period” refers to the period from January 1, 2019 to June 30, 2019; with the currency unit RMB.

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	106,840.56	92,096.63
Cash in bank	268,783,147.06	301,435,257.93
Other cash and cash equivalents	9,266,488.54	30,591,791.66
Total	278,156,476.16	332,119,146.22

Note: Other cash and cash equivalents is restricted, including deposit for bank acceptance notes of 6,636,005.82 Yuan, deposit to creditor of 69,000.00 Yuan, guarantee deposit of 2,561,482.72 Yuan, total of 9,266,488.54 Yuan.

2. Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	59,963,498.75	71,184,057.96
Commercial acceptance notes	1,012,237.74	48,763,268.45
Total	60,975,736.49	119,947,326.41

Categories according to bad debts provision

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Bad debts provision based on	61,049,474.22	100.00%	73,737.73	0.12%	60,975,736.49

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
group					
Including: bank acceptance notes	59,963,498.75	98.34%			59,963,498.75
Trade acceptance notes	1,085,975.47	1.69%	73,737.73	6.79%	1,012,237.74
Total	61,049,474.22	100.00%	73,737.73	0.12%	60,975,736.49

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debts provision based on group	123,500,123.97	100.00%	3,552,797.56	2.88%	119,947,326.41
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
Total	123,500,123.97	100.00%	3,552,797.56	2.88%	119,947,326.41

Categories based on group

Items	Closing Balance		
	Booking balance	Provision	Provision (%)
Trade acceptance notes	1,085,975.47	73,737.73	6.79
Total	1,085,975.47	73,737.73	6.79

(2) Provision for bad debts for the current period:

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Trade acceptance notes	3,552,797.56	438,988.01	3,918,047.84		73,737.73
Total	3,552,797.56	438,988.01	3,918,047.84		73,737.73

(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	197,699,977.38	

Item	Closing amount no more recognized	Closing amount still recognized
Total	197,699,977.38	

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	50,985,562.10	3.66%	15,614,746.06	30.63%	35,370,816.04
Accounts receivable with bad debt provision based on the group	1,340,314,231.72	96.34%	271,880,578.57	20.28%	1,068,433,653.15
Including: aging as characteristics of credit risk	1,340,314,231.72	96.34%	271,880,578.57	20.28%	1,068,433,653.15
Total	1,391,299,793.82	100.00%	287,495,324.63	20.66%	1,103,804,469.19

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	3.97%	12,628,091.85	27.05%	38,852,470.25
Accounts receivable with bad debt provision based on the group	1,244,625,041.06	96.03%	275,097,400.08	22.10%	969,527,640.98
Including: aging as	1,244,625,041.06	96.03%	275,097,400.08	22.10%	969,527,640.98

characteristics of credit risk					
Total	1,296,105,603.16	100.00%	287,725,491.93	22.20%	1,008,380,111.23

Accounts receivable with significant individual amount and separate bad debt provision:

Items	Closing Balance			
	Booking balance	Provision	%	Reasons for the provision
Accounts receivable with significant individual amount and separate bad debt provision	50,985,562.10	15,614,746.06	30.63	Difficulty in recouped
Total	50,985,562.10	15,614,746.06	--	--

Accounts receivable with bad debt provision based on the group:

Items	Closing Balance		
	Booking balance	Provision	%
within 1 year	700,318,861.85	47,551,650.72	6.79%
1-2 years	286,565,692.33	43,959,177.20	15.34%
2-3 years	185,647,956.24	53,967,860.88	29.07%
3-4 years	54,975,136.64	25,733,861.46	46.81%
4-5 years	44,824,801.87	32,686,245.52	72.92%
more than 5 years	67,981,782.79	67,981,782.79	100.00%
Total	1,340,314,231.72	271,880,578.57	--

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

Aging	Closing Balance
Within1 year	700,318,861.85
1to 2 years	286,565,692.33
2 to 3 years	185,647,956.24
More than 3 years	218,767,283.40
3 to 4 years	54,975,136.64
4 to 5 years	95,810,363.97
More than 5 years	67,981,782.79
Total	1,391,299,793.82

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

Category	Opening balance	Change during the period			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	287,725,491.93	10,086,373.98	10,000.00	10,326,541.28	287,495,324.63
Total	287,725,491.93	10,086,373.98	10,000.00	10,326,541.28	287,495,324.63

3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	10,326,541.28

The amount of account receivable written off in the current period is RMB 10,326,541.28, and the bad debt provision has been withdrawn RMB 9,375,298.26, and the amount affecting the profit in 2020 is RMB 951,243.02.

4) The top five significant accounts receivable categorized by debtors

Company	Closing Balance	% of the total AR	Closing Balance of Provision
Zhejiang Wankai New Materials Co.,Ltd	50,985,562.10	3.64%	15,614,746.06
Xinyi Yuanda construction and Installation Engineering Co., Ltd.	32,748,744.00	2.35%	17,167,304.59
Panasonic Appliances Cold-Chain (Dalian) Co., Ltd.	31,658,836.68	2.28%	2,149,635.01
Shenzhen Zhaofude Tourism development	24,749,430.13	1.78%	7,194,659.34
Xiangyang Tongjitang Logistic	23,150,000.00	1.66%	3,551,210.00
Total	163,292,572.91	11.71%	

4. Accounts paid in advance

(1) Aging of accounts paid in advance

Items	Closing Balance		Opening Balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	116,719,429.98	75.55%	112,706,836.54	78.93%
1 to 2 years	10,014,184.30	6.48%	17,090,076.33	11.97%
2 to 3 years	20,656,290.68	13.37%	4,786,466.74	3.35%
Over 3 years	7,110,538.04	4.60%	8,203,148.96	5.75%
Total	154,500,443.00		142,786,528.57	

Significant prepayment 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 Shengda Construction Engineering Co. LTD	2,875,228.35	1-2 years	Contract is not fully implemented
Yunnan Xinneng Technology Co., Ltd	2,020,380.50	1-2 years	Contract is not fully implemented
Dalian Jingdian Steel Work Co., Ltd	1,313,924.02	2-3years	Contract is not fully implemented
Total	16,202,432.87	—	—

(2) The top five significant accounts paid in advance categorized by debtors

Company	Closing Balance	Aging	% of the total advances to suppliers
Dalian Shentong Electric Co., Ltd.	9,508,361.15	Within 1 year	6.15
DalianHeng Tong refrigeration Equipment Engineering Co. LTD	5,720,000.00	1-2 years; 2-3 years	3.70
Shanghai POMA Automation Equipment Co.,Ltd	4,272,900.00	4-5 years	2.77
Anhui Songze Energy Co. LTD	4,000,000.00	Within 1 year	2.59
Yunnan Xinneng Technology Co., Ltd	2,716,733.26	Within 1 year	1.76
Total	26,217,994.41		16.97

5. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	348,833.33	583,833.33
Dividend receivable	42,152,903.12	33,450.00
Other receivable	45,231,318.20	38,113,945.24
Total	87,733,054.65	38,731,228.57

(1) Interest receivable

Items	Closing Balance	Opening Balance
Interest on Term deposits	348,833.33	583,833.33
Total	348,833.33	583,833.33

(2). Dividends receivable

Company	Closing Balance	Opening Balance
Wuhan Steel and Electricity Co., Ltd.		33,450.00
Panasonic Appliances Compressor (Dalian) Co. , Ltd.	36,026,000.00	
Guotai Junan Securities Co., Ltd.	6,126,903.12	
Total	42,152,903.12	33,450.00

(3). Other receivables

1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	33,539,619.85	23,419,558.44
Petty cash	7,568,194.23	8,132,205.01
Receivables and Payables	10,532,968.99	13,757,372.35
Others	1,603,962.41	225,649.71
Total	53,244,745.48	45,534,785.51

2) Provision for bad debts

Provision for bad debts	The first phase	The second phase	The third phase	Total
	Expected credit losses in the next 12 months	Expected Credit Loss for the duration (No Credit Devaluation)	Expected Credit Loss for the duration (Credit impairment has occurred)	
Balance on January 1, 2020	7,420,840.27			7,420,840.27
The balance of January 1, 2020 in the current period	—	—	—	—
Provision for bad debts	592,587.01			592,587.01
Balance on June 30, 2020	8,013,427.28			8,013,427.28

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

Aging	Closing Balance
Within 1 year	31,604,557.17
1-2 years	8,547,197.14
2-3 years	4,600,092.98
Over 3 years	8,492,898.19
3-4 years	4,579,901.18
4-5 years	1,881,400.00
Over 5 years	2,031,597.01
Total	53,244,745.48

3) 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	592,587.01			8,013,427.28
Total	7,420,840.27	592,587.01			8,013,427.28

4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
State Taxation Administration Dalian Shahekou District Bureau	Export tax refund	5,408,818.28	Within 1 year	10.16	181,195.41
Agriculture Bureau of Moyu County	Deposit	2,049,000.00	2-3 years	3.85	465,327.90
Huangmei Kanghong Ecological Agriculture Development Co., Ltd.	Deposit	2,279,000.00	1-2 years	4.28	170,697.10
Dalian Huali Coating Equipment Co., Ltd	Deposit	1,650,000.00	3-4 years	3.10	715,275.00
Dalian Delta HK& China Gas Co.,Ltd	Deposit	1,100,000.00	Within 1 year	2.07	36,850.00
Total		12,486,818.28		23.45	1,569,345.41

6. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	112,475,735.09	1,089,032.88	111,386,702.21
Working in progress	104,046,721.36		104,046,721.36
Finished goods	258,332,640.04	50,000.00	258,282,640.04
Low-value consumable	150,998.50		150,998.50
Self-manufactured semi-finished products	34,848,590.82	0.00	34,848,590.82
Materials on consignment for further processing	914,331.28		914,331.28
Completed constructing projects not settled	100,391,186.03	1,200,000.00	99,191,186.03
Total	611,160,203.12	2,339,032.88	608,821,170.24

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
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	0.00	26,595,183.32
Materials on consignment for further processing	2,505,829.92		2,505,829.92
Completed constructing projects not settled	85,532,846.86	1,200,000.00	84,332,846.86
Total	541,836,246.27	2,339,032.88	539,497,213.39

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Raw materials	1,089,032.88					1,089,032.88
Finished goods	50,000.00					50,000.00
Completed constructing projects not settled	1,200,000.00					1,200,000.00
Total	2,339,032.88					2,339,032.88

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

Item	Basis for net realizable value recognition	Reasons for reverse/write-off
Raw materials	Lower of cost and NRV	

Finished goods	Lower of cost and NRV	
Completed constructing projects unsettled	Lower of cost and NRV	

7. Contract assets

Item	Closing Balance			Opening Balance		
	Book value	Provision for decline	Net book value	Book value	Provision for decline	Net book value
Contract assets	102,887,603.42	8,441,885.81	94,445,717.61	23,562,311.61	1,599,880.96	21,962,430.65
Total	102,887,603.42	8,441,885.81	94,445,717.61	23,562,311.61	1,599,880.96	21,962,430.65

The amount and reasons for significant changes in the book value of the contract assets during the current period:

Item	Changes in the amount	reason
Contract assets	72,483,286.96	Newly signed contract
Total	72,483,286.96	--

Provision for bad debt

Item	Accrued	Collected/reversed	Written-off	reason
Provision for impairment of contract assets	6,842,004.85			
Total	6,842,004.85			--

8. Other current assets

Item	Closing Balance	Opening Balance
Prepaid expenses	599,467.91	119,323.70
Prepaid income tax presented at net amount after offsetting	739,817.03	926,962.16
VAT to be deducted	10,374,870.36	13,114,701.01
Prepaid turnover tax		11,143.58
Total	11,714,155.30	14,172,130.45

9. Long-term equity investments

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Provision for impairment of the current period	Others		
Associates											
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	177,390,883.01			-7,151,886.71			3,400,000.00			166,838,996.30	
Dalian Honjo Chemical Co., Ltd.	8,535,439.50			202,736.66						8,738,176.16	
Panasonic Appliances Cold-Chain (Dalian) Co., Ltd.	267,179,066.77			-5,126,459.68						262,052,607.09	
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	61,090,955.30			83,797.06			8,600,000.00			52,574,752.36	
Panasonic Appliances Compressor (Dalian) Co., Ltd.	471,693,615.32			11,156,432.40			36,026,000.00			446,824,047.72	
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	13,892,866.25			52,472.24						13,945,338.49	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,537,672.84			-40,708.15						1,496,964.69	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	193,109,792.45			-2,512,123.83						190,597,668.62	
Jiangsu JingXue Insulation Technology Co., Ltd.	185,385,615.80			5,010,588.30						190,396,204.10	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	12,614,480.80			-1,069,983.28						11,544,497.52	
Wuhan Sikafu Power Control Equipment Co., Ltd.	5,266,277.34			-479,796.67						4,786,480.67	
Panasonic Appliances Refrigerating System (Dalian) Co., Ltd.	33,975,371.41			2,290,230.84			2,528,392.05			33,737,210.20	
Dalian Bingshan Metal Technology Co., Ltd.	172,730,683.19			13,479,968.92						186,210,652.11	
Dalian Bingshan Group Management and Consulting Co., Ltd.	57,778,289.16			920,905.89						58,699,195.05	
Total	1,662,181,009.14			16,816,173.99			50,554,392.05			1,628,442,791.08	

10. Other non-current financial assets

Item	Closing Balance	Opening Balance
Measured as fair value method	284,146,396.67	303,469,706.51
Measured as cost method		
Total	284,146,396.67	303,469,706.51

11. Investment property

Item	Property & Building	Land-use-rights	Total
I. Initial Cost			
1. Opening Balance	194,717,932.54	24,391,511.82	219,109,444.36
2. Increase			
(1) Outsourcing			
(2) Transferred from Construction in progress			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	194,717,932.54	24,391,511.82	219,109,444.36
II. Accumulated Depreciation			
1. Opening Balance	112,054,714.34	10,854,222.78	122,908,937.12
2. Increase	2,272,247.04	243,915.12	2,516,162.16
(1) Provision or amortization	2,272,247.04	243,915.12	2,516,162.16
(2) Transferred from Construction in progress			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	114,326,961.38	11,098,137.90	125,425,099.28
III. Impairment Reserve			
1. Opening Balance			
2. Increase			
(1) Provision or amortization			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance			
IV. Book Value			
1. Closing book value	80,390,971.16	13,293,373.92	93,684,345.08
2. Opening book value	82,663,218.20	13,537,289.04	96,200,507.24

Note: The Company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square meters, and the rental term till 16th July, 2029. The annual rent fee for 2020 is RMB 4.0 million Yuan.

In 2019, The annual rent fee for 2020 is RMB 4.0 million Yuan. The Company signed rental contract with Dalian Bingshan Wisdom Park Co., Ltd., and rent out the whole land and house of the Company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd., with rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters. The lease term is from April 1, 2017 to December 31, 2036. The annual rent fee for 2020 is RMB 8.646 million Yuan.

On June 1st, 2017, the Company's subsidiary, Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd., signed the leasing contract with Dalian Jingxue Energy Saving Technology Co. Ltd. and rented out # 7 building of workshop located on No.92, Tieshan West Rd, DDA, Dalian. The rental area is 3653.76 square metres, and annual rent is RMB 840 thousand Yuan with the contracted date between June 1st, 2017 and May 31st, 2022. Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd. also rented out Room 201, # 4 building located on No.92, Tieshan West Rd, DDA, Dalian to Dalian Jingxue Energy Saving Technology Co., Ltd. The rental area is 25 square metres, and annual lease premium is RMB 15 thousand Yuan with the contracted date between June 1st, 2017 and May 31st, 2022.

12. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	957,684,403.68	992,435,172.94
Fixed asset clearance		
Total	957,684,403.68	992,435,172.94

(1) Fixed assets detail

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
I. Initial Cost					
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	54,455.45	7,019,358.99	1,258,849.55	803,331.45	9,135,995.44
(1) Purchase	54,455.45	6,968,916.51	1,258,849.55	803,331.45	9,085,552.96
(2) Transferred from construction-in-progress		50,442.48			50,442.48
(3) Acquired from business combination					
3. Decrease		12,538,935.87	2,149,231.20	2,645,924.52	17,334,091.59
(1) Disposal		12,538,935.87	2,149,231.20	2,645,924.52	17,334,091.59
(2) Transferred to other					

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
4. Closing Balance	719,427,556.98	740,479,836.21	15,129,999.32	67,142,551.03	1,542,179,943.54
II. Accumulated Depreciation					
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	8,817,596.81	24,271,080.85	529,003.13	2,739,353.00	36,357,033.79
(1) Accrued	8,817,596.81	24,271,080.85	529,003.13	2,739,353.00	36,357,033.79
(2) Acquired from business combination					
3. Decrease	0.00	6,229,153.66	1,664,925.95	1,910,281.07	9,804,360.68
(1) Disposal	0.00	6,229,153.66	1,664,925.95	1,910,281.07	9,804,360.68
(2) Transferred to other					
4. Closing Balance	108,265,899.18	414,936,322.63	10,658,661.52	50,117,337.03	583,978,220.36
III. Impairment Reserve					
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
IV. Book Value					
1. Closing book value	611,161,657.80	325,026,194.08	4,471,337.80	17,025,214.00	957,684,403.68
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) The situation of fixed assets leased through finance lease

Item	Initial Cost	Accumulated Depreciation	Impairment Reserve	Book Value
Machinery Equipment	2,527,482.76	469,126.14		2,058,356.62

13. Construction-in-progress

(1) Construction in progress details

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Buildings reconstruction	14,866,010.00		14,866,010.00	14,866,010.00		14,866,010.00
Improvement	1,058,255.11		1,058,255.11	502,148.95		502,148.95

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
of machinery						
Construction of intelligent software	12,203,165.20		12,203,165.20	12,161,571.62		12,161,571.62
Financing lease item	8,838,326.42		8,838,326.42	8,755,326.23		8,755,326.23
Total	36,965,756.73		36,965,756.73	36,285,056.80		36,285,056.80

(2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Improvement of machinery	502,148.95	556,106.16			1,058,255.11
Construction of intelligent software	12,161,571.62	401,612.39	360,018.81		12,203,165.20
Financing lease item	8,755,326.23	83,000.19			8,838,326.42
Total	21,419,046.80	1,040,718.74	360,018.81		22,099,746.73

(Continued)

Name	Budget	Percent of investment against budget	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
Improvement of machinery	3,490,428.31	30.32%	30.32%				Self financing
Construction of intelligent software	15,040,000.00	81.14%	81.14%				Self financing
Financing lease item	15,020,000.00	58.85%	58.85%				Self financing
Total	33,550,428.31		—				—

14. Intangible assets

(1) Intangible assets list

Item	Land use right	Patent technology	Non Patent technology	Others	Total
I. Initial Cost					
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				360,018.81	360,018.81
(1) Purchase				360,018.81	360,018.81
(2) Acquired from business combination					

Item	Land use right	Patent technology	Non Patent technology	Others	Total
(3)Transferred from construction-in-progress					
3. Decrease					
(1) Disposal					
4. Closing Balance	152,890,196.80	17,630,188.82	5,000,000.00	19,461,127.23	194,981,512.85
II.Accumulated amortisation					
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	990,551.49	561,698.10	250,000.00	931,458.40	2,733,707.99
(1)Accrued	990,551.49	561,698.10	250,000.00	931,458.40	2,733,707.99
3. Decrease					
(1) Disposal					
4. Closing Balance	36,059,641.81	4,999,549.55	2,250,004.00	12,505,628.57	55,814,823.93
III. Impairment Reserve					
1. Opening Balance					
2. Increase					
(1)Accrued					
3. Decrease					
(1) Disposal					
4. Closing Balance					
IV. Book Value					
1. Closing book value	116,830,554.99	12,630,639.27	2,749,996.00	6,955,498.66	139,166,688.92
2. Opening book value	117,821,106.48	13,192,337.37	2,999,996.00	7,526,938.25	141,540,378.10

15. Goodwill

(1) Original cost of goodwill

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprise s merger increase	Other	Disposal	Other	
Dalian Universe Thermal Technology Co., Ltd.	1,440,347.92					1,440,347.92
Dalian Bingshan Group Engineering Co., Ltd.	310,451.57					310,451.57
Total	1,750,799.49					1,750,799.49

(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 31st 2015 is recognized as goodwill of 1,440,347.92 Yuan on the group consolidated financial report at the end of the year.

In the year 2016, 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 30th, 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 310,451.57Yuan 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 Group Engineering 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.

16. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Employee's dormitory use right	2,012,170.38		69,239.16		1,942,931.22
Renovation and rebuilding	1,175,049.06		405,529.42		769,519.64
Lease	531,450.00		53,145.00		478,305.00
Membership fee for Golf	440,000.00		8,250.00		431,750.00
Technology entrance fee of cold and heat machinery	840,206.25		186,712.50		653,493.75
Greenland of new factory	6,616,523.14		446,057.76		6,170,465.38
Service fee from Technology center	31,446.64		18,867.90		12,578.74
Total	11,646,845.47		1,187,801.74		10,459,043.73

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	2,856,352.38	260,452.84	2,856,352.38	560,452.86

Unrealized profit from internal transaction	14,598,643.89	2,189,796.58	14,598,643.87	2,189,796.58
Provision for credit impairment	290,189,157.73	57,612,627.96	300,299,010.72	59,647,415.64
Total	307,644,154.00	60,062,877.38	317,754,006.97	62,397,665.08

(2) Deferred tax liabilities without offsetting

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in the fair value of other non-current financial assets	255,444,730.13	38,316,709.52	274,768,039.93	41,215,205.99
Total	255,444,730.13	38,316,709.52	274,768,039.93	41,215,205.99

(3) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	59,426,067.14	11,851,149.26
Deductible loss	69,961,611.48	97,241,944.12
Total	129,387,678.62	109,093,093.38

(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	52,903,288.00	16,927,871.66	
2024	16,342,165.39	76,357,094.40	
2025			
Total	69,961,611.48	97,241,944.12	

18. Short-term loan

(1) Category of short term loan

Loan category	Closing Balance	Opening Balance
Mortgage loan	16,600,000.00	47,170,000.00
Credit loan	366,093,600.00	308,082,000.00
Total	382,693,600.00	355,252,000.00

19. Notes payable

Notes category	Closing Balance	Opening Balance
Commercial acceptance notes	22,985,825.00	13,153,582.80
Bank acceptance notes	241,020,484.11	292,314,922.58
Total	264,006,309.11	305,468,505.38

20. Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	664,967,195.37	536,857,742.20
Project payments	256,212,791.53	207,388,636.82
Equipment payments	19,164,984.65	67,053,415.79
Others	336,510.31	3,031,889.21
Total	940,681,481.86	814,331,684.02

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Panasonic Refrigerating System (Dalian) Co., Ltd.	13,774,637.70	Project is uncompleted contract is not finished
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Project is uncompleted contract is not finished
Wuhan KaiXing Economic Development Co., Ltd	6,845,648.14	Project is uncompleted contract is not finished
Binzhou Shanfu Refrigeration Co.,Ltd	6,566,526.22	Project is uncompleted contract is not finished
Total	36,600,102.06	

21. Contract Liabilities

Item	Closing Balance	Opening Balance
Accounts received in advance	201,589,646.20	160,571,622.53
Total	201,589,646.20	160,571,622.53

22. 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	133,143,875.44	153,347,067.55	10,304,848.64
Post-employment benefit –defined contribution plan		4,709,599.79	4,657,892.57	51,707.22
Termination benefits		206,650.00	206,650.00	
Total	31,701,317.58	138,060,125.23	158,211,610.12	10,356,555.86

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus,	26,129,186.34	108,836,058.57	129,222,948.73	5,806,996.28

Item	Opening Balance	Increase	Decrease	Closing Balance
allowance, and subsidy				
Welfare	4,142,390.78	4,959,663.22	4,464,050.23	3,258,602.73
Social insurance		6,701,840.32	6,687,262.77	136,001.66
Include: Medical insurance		5,798,067.25	5,671,023.70	127,043.55
On-duty injury insurance		197,631.88	197,631.88	9,440.65
Maternity insurance		875,891.12	875,891.12	
Housing funds	162,229.36	10,703,749.17	10,991,711.73	-125,733.20
Labor union and training expenses	1,267,511.10	1,942,564.16	1,981,094.09	1,228,981.17
Total	31,701,317.58	133,143,875.44	153,347,067.55	10,304,848.64

(3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension		3,558,913.37	3,508,880.97	50,032.40
Unemployment insurance		34,398.23	32,723.41	1,674.82
Company annuity plan		1,116,288.19	1,116,288.19	
Total		4,709,599.79	4,657,892.57	51,707.22

23. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	4,431,168.46	2,486,893.96
Enterprise income tax	1,099,836.96	2,246,427.46
Individual income tax	90,640.38	244,461.02
City maintenance and construction tax	110,760.05	60,130.79
Real estate tax	1,897,782.33	1,853,410.62
Land use tax	1,100,471.22	1,094,760.28
Stamp duty	119,887.82	153,970.35
Education surcharge	79,114.30	42,950.57
Green tax	456.51	573.64
Safeguard fund for disables		440.00
Total	8,930,118.03	8,184,018.69

24. Other accounts payable

Item	Closing Balance	Opening Balance
Interest payable	5,180,733.92	6,396,385.83
Dividend payable	28,304,531.21	533,156.00
Other accounts payable	27,558,513.06	48,991,518.86
Total	61,043,778.19	55,921,060.69

. (1) Interest payable

Item	Closing Balance	Opening Balance
Interest on long term loan	5,018,233.79	6,260,969.04
Interest on corporate bond	162,500.13	135,416.79
Total	5,180,733.92	6,396,385.83

(2). Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	28,304,531.21	533,156.00
Total	28,304,531.21	533,156.00

(3) Other accounts payable

Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Loan from non-financial institutes		
Cash pledge and security deposit	9,850,863.02	9,620,594.19
Apply for reimbursement and unpaid	7,442,222.80	21,211,414.23
Funds about related parties	0.00	5,900,000.00
Receipts under custody	946,865.97	6,980,440.67
Others	9,318,561.27	5,279,069.77
Total	27,558,513.06	48,991,518.86

25. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term accounts payable with one year	10,276,677.27	14,174,643.42
Total	10,276,677.27	14,174,643.42

26. Long-term loan

(1) Category of long-term loan

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

CDB development fund give support to the Company's intelligent and green equipment of cold chain and service industry base project and provide special fund to the Company's holding shareholder, Bingshan Group. The fund is 0.16 billion Yuan with 10year's expiration at 1.2% rate. Once the fund 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.

27. Bonds payable

(1) Bonds payable

Item	Closing Balance	Opening Balance
Exchangeable corporate bonds	25,000,034.00	25,000,034.00
Total	25,000,034.00	25,000,034.00

(2) The changes of bond

Bond name	Par value	Issue date	Bond term	Issue Amount	Opening balance	Issued this year	Interest at par value	Repay	Closing balance
Exchangeable corporate bonds	176,000,000.00	2018.7.30	3 years	176,000,000.00	25,000,034.00			0.00	25,000,034.00
Total	--	--	--	176,000,000.00	25,000,034.00			0.00	25,000,034.00

(3) other notes:

Approved by the Shanghai Stock Exchange "Letter of No-Objection to the Non-public Issuance of Convertible Corporate Bonds of Dalian Refrigeration Co., Ltd." ([2018] No. 125), the company non-publicly issued 1.76 million number of convertible corporate bonds on July 30, 2018, at a par value of 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 convertible corporate bonds to the maturity date of the convertible corporate bonds, which is from January 30, 2019 to July 29, 2021.

The total number of shares exchanged by the holders of "18 Da Leng EB" till Dec. 31, 2019 is 8,388,887.00 shares, and the exchange price is 18 yuan per share

28. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	397,771.84	397,771.84
Total	397,771.84	397,771.84

(1) Category by nature

Item	Closing Balance	Opening Balance
Financial lease	397,771.84	397,771.84

29. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	99,154,666.29	11,295,411.67	2,674,413.00	107,775,664.96	
Sale-leaseback contract	2,872.23		2,872.23		
Total	99,157,538.52	11,295,411.67	2,677,285.23	107,775,664.96	—

(2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Recorded into other income	Offset cost or expense	Closing Balance	Related with asset/equity
Subsidy fund for highly effective heat pump and related system	1,497,604.00			275,836.02	1,221,767.98	Asset related
Relocation compensation	41,218,000.00				41,218,000.00	Asset related
Application of NH ₃ and CO ₂ instead of R22 screw refrigerating machine combined condensing unit	14,477,971.01			787,005.30	13,690,965.71	Asset related
Compressor IC system	4,279,196.37			187,229.64	4,091,966.73	Asset related
Ultrasonic intelligent defrost technology	4,010,844.42		15,000.00	132,416.76	3,863,427.66	Asset related
Eco Compressor project	25,083,171.79			1,276,925.28	23,806,246.51	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 industrial Internet platform	1,930,000.00				1,930,000.00	Asset related
Product standardization pilot project		7,547.17			7,547.17	Income related
Quick pre-cooling red water circulation cooling device for poultry slaughtering		191,400.00			191,400.00	Asset related
Total	99,154,666.29	11,295,411.67	15,000.00	2,674,413.00	107,775,664.96	

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.

30. Share capital

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

31. 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
Total	726,768,468.00			726,768,468.00

32. Other comprehensive income

Items	Opening Balance	2020.1-6					Closing Balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss in other comprehensive income	Less: income tax	After-tax attribute to the company	After-tax attribute to minority shareholder	
I. Later can't reclassified into profit and loss of other comprehensive income							
II. Later reclassified into profit and loss of other comprehensive income	2,501,459.77						2,501,459.77
Proportional other comprehensive income of investee which is reclassified into income statement under equity method	2,501,459.77						2,501,459.77
Other comprehensive income total	2,501,459.77						2,501,459.77

33. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		1,127,227.68	1,127,227.68	
Total		1,127,227.68	1,127,227.68	

34. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	349,664,058.11			349,664,058.11
Discretionary surplus reserve	419,059,754.42	30,409,270.84		449,469,025.26
Total	768,723,812.53	30,409,270.84		799,133,083.37

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.

35. Undistributed profits

Item	2020-06-30	2019-06-30
Closing balance of 2019	1,038,358,782.59	764,859,288.45
Add: Adjustments to the opening balance of undistributed profits		294,408,505.78
Opening balance of 2020	1,038,358,782.59	1,059,267,794.23
Add: net profit attributable to shareholders of parent company in the year	-23,604,345.52	108,373,919.30
Less: Provision for statutory surplus reserves		0.00
Provision for any surplus reserves	30,409,270.84	32,428,137.09
Dividends payable for common shares	25,296,375.21	42,160,625.35
Closing balance of the current period	959,048,791.02	1,093,052,951.09

36. Operating revenue and cost

Items	2020.01-06		2019.01-06	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	857,035,486.66	732,433,950.29	1,052,236,172.60	903,291,760.46
Revenue from other operation	16,367,927.80	15,641,145.83	23,493,067.97	16,468,219.40
Total	873,403,414.46	748,075,096.12	1,075,729,240.57	919,759,979.86

37. Operating taxes and surcharges

Items	2020.01-06	2019.01-06
City construction tax	822,185.02	1,253,720.56
Education surcharge	589,369.05	884,724.11
Property tax	3,835,774.27	3,758,045.42
Land use tax	2,189,549.16	2,185,948.32
Vehicle and vessel tax	11,571.44	10,907.04
Stamp duty	563,772.21	633,223.16
Environmental Protection Tax	8,270.68	3,606.49
Levee fee		108.77
Total	8,020,491.83	8,730,283.87

38. Selling expenses

Items	2020.01-06	2019.01-06
Official business expense	2,994,176.07	3,988,847.51
Employee benefit	18,899,327.99	21,396,465.27
Depreciation expense	110,392.35	155,303.69
Transportation expense	5,215,850.58	12,587,418.44
Business entertaining expense	2,356,885.18	4,881,843.49
Travel expense	3,742,450.00	5,066,994.70
Maintenance and repair expense	1,890,493.88	3,484,274.34
Advertisement and bids expense	806,949.46	980,196.85
Other expense	-569,730.79	555,474.33
Total	35,446,794.72	53,096,818.62

39. Administrative expenses

Items	2020.01-06	2019.01-06
Official expense	5,862,390.02	7,892,079.60
Employee benefit	44,701,524.40	52,352,461.45
Depreciation expense	5,681,960.08	6,251,109.67
Business entertaining expense	793,831.00	2,081,570.86
Travel expense	1,161,310.14	4,064,689.71
Maintenance and repair expense	3,332,999.96	2,309,890.96
Advertisement expense	100,998.04	408,712.91
Insurance expense	407,320.27	533,710.46
Long-term assets amortization	3,319,148.39	3,801,155.48
Design consultant and test service expense	3,623,329.62	2,237,748.01
Safety production cost	1,127,227.68	1,031,715.77
Other expense	658,087.26	2,977,250.33
Total	70,770,126.86	85,942,095.21

40. R&D expenses

Items	2020.01-06	2019.01-06
Employee benefit	21,428,261.05	21,344,115.07
Depreciation and amortization expense	2,110,399.66	2,405,920.60
Raw material	478,225.01	3,770,083.72
Entrust external R&D investment	6,283.00	132,075.47
Other expense	691,852.56	897,669.31
Total	24,715,021.28	28,549,864.17

41. Financial expenses

Items	2020.01-06	2019.01-06
Interest expenses	17,434,559.05	5,542,418.26
Less: Interest income	1,421,000.67	572,223.80
Add: Exchange loss	-553,243.45	-570,799.89
Others expenditure	2,375,420.28	1,068,192.62
Total	10,061,328.07	5,467,587.19

42. Other income

Items	2020.01-06	2019.01-06
VAT refund		53,838.84
Grant given by the government for relocation		556,998.00
Government subsidy	6,507,868.29	1,424,600.00
Total	6,507,868.29	2,035,436.84

43. Investment income

Items	2020.01-06	2019.01-06
Long-term equity investment gain under equity method	16,816,173.99	72,239,478.13
Gain from holding of other non-current financial assets	6,126,903.12	4,320,252.20
Gain from disposal other non-current financial assets		40,567,691.40
Total	22,943,077.11	117,127,421.73

44. Fair value change income

Items	2020.01-06	2019.01-06
Other non-current financial assets	-19,323,309.84	40,461,125.59
Total	-19,323,309.84	40,461,125.59

45. Credit impairment losses (loss listed as“-”)

Items	2020.01-06	2019.01-06
Bad debt loss on notes receivable	3,479,059.83	
Bad debt loss on receivable	-10,086,373.98	
Bad debt loss on other receivable	-592,587.01	
Bad debt loss on contract assets	-6,842,004.85	
Total	-14,041,906.01	

46. Assets impairment losses

Items	2020.01-06	2019.01-06
Loss of bad debts		-16,863,134.42
Provision for inventory impairment		
Total		-16,863,134.42

The Assets impairment losses increased 108.60% in the current period compared with the previous period, mainly because of the increase in provision for bad debts against receivables in the current period.

47. Gain on assets disposal

Item	2020.01-06	2019.01-06
Gains on disposal of non-current assets	10,788.53	1,242,799.31
Including: Gain on non-current assets disposal income not classified as held for sale	10,788.53	1,242,799.31
Including: gain on fixed assets disposal	10,788.53	1,242,799.31
Total	10,788.53	1,242,799.31

48. Non-operating income

Item	2020.01-06	2019.01-06	Amounts recognized into non-recurring profit or loss for the year
Debt restructuring gains	162,560.00	1,999,241.94	162,560.00
Government grant		337,400.00	
Penalty and fine income	216,492.50	135,723.19	216,492.50
Others	987,052.84		987,052.84
Total	1,280,059.12	2,472,365.13	1,280,059.12

49. Non-operating expenses

Item	2020.01-06	2019.01-06	Amounts recognized into non-recurring profit or loss for the year
Outward donation		60,000.00	
Quality Claim	48,522.19	46,516.94	48,522.19

Non-current assets scrap loss	44,972.15	15,126.57	44,972.15
Total	93,891.78	121,643.51	93,891.78

50. Income tax expenses

(1) Income tax expenses

Items	2020.01-06	2019.01-06
Current income tax expenses	1,427,499.91	16,570,975.86
Deferred income tax expenses	-2,919,759.08	-2,804,370.02
Total	-1,492,259.17	13,766,605.84

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

Items	2020.01-06
Total profits	-26,402,759.00
Current income tax expense accounted by tax and relevant regulations	-3,960,413.85
Influence of different tax rate suitable to subsidiary	414,712.69
Influence of income tax before adjustment	-641,993.37
Influence of non taxable income	-542,965.09
Influence of not deductible costs, expenses and losses	3,826,755.46
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	-588,355.00
Income tax expenses	-1,492,259.17

51. Other comprehensive income

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

52. Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	2020.01-06	2019.01-06
Government grants	12,168,371.56	1,762,000.00
Received travel expense refund	1,063,272.24	2,190,560.23
Deposit given back	14,765,375.21	11,938,968.66
Interest income	314,336.56	859,925.57
Others	4,566,093.18	1,027,584.20
Total	32,877,448.75	17,779,038.66

2) Other cash paid relating to operating activities

Items	2020.01-06	2019.01-06
Business travel borrowing	8,230,047.29	5,490,477.40
Deposit paid	17,663,991.76	8,675,281.20

Expenditure	34,127,531.31	47,585,026.48
Bank handling charges	1,769,898.93	965,122.59
Others	583,138.56	713,616.93
Total	62,374,607.85	63,429,524.60

3) Others cash received relating to financing activities

Items	2020.01-06	2019.01-06
Collection of guarantee money	32,960,611.49	38,323,050.64
Sale leaseback and financial lease	3,886,589.07	
Total	36,847,200.56	38,323,050.64

4) Others cash played relating to financing activities

Items	2020.01-06	2019.01-06
Payment of guarantee money	9,266,488.54	17,348,438.30
Sale& lease back and financial lease	2,853,316.11	2,815,038.27
Repurchase the restricted stock		47,566,389.36
Note financing is due and is paid		136,500.00
Total	12,119,804.65	67,866,365.93

53. Supplementary information of consolidated cash flow statement

Items	2020.01-06	2019.01-06
1. Adjusting net profit into cash flows of operating activities:	—	—
Net profit	-24,910,499.83	106,770,376.48
Add: Provision for impairment of assets	15,147,375.91	16,863,134.42
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	34,750,769.26	33,043,962.66
Amortization of intangible assets	2,373,689.18	3,230,112.71
Amortization of long-term deferred expenses	2,175,118.39	804,794.82
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	-55,668.73	-1,242,799.31
Losses on write-off of fixed assets (income listed with“-”)	45,369.59	15,126.57
Change of fair value profit or loss	19,323,309.84	-40,461,125.59
Financial expense (income listed with“-”)	9,635,047.81	5,275,618.93
Investment loss (income listed with“-”)	-22,943,077.11	-117,127,421.73
Decrease of deferred tax assets(increase listed with“-”)	2,334,787.70	-2,804,370.02
Increase of deferred tax liabilities(decrease listed with“-”)	-2,898,496.47	0.00
Decrease of inventories (increase listed with“-”)	-69,323,956.85	-56,623,320.41

Decrease of operating receivables (increase listed with“-”)	-147,581,069.09	-109,300,254.90
Increase of operating payables (decrease listed with“-”)	103,576,611.65	83,780,127.49
Others	0.00	
Net cash flows arising from operating activities	-78,350,688.75	-77,776,037.88
2. Significant investment and financing activities unrelated to cash income and expenses		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
3. Net increase (decrease) of cash and cash equivalent		
Closing balance of cash	268,889,987.62	214,418,184.24
Less: Opening balance of cash	301,527,354.56	304,703,434.47
Net increase of cash and cash equivalent	-32,637,366.94	-90,285,250.23

(1) Cash and cash equivalents

Items	2020.6.30	2020.1.1
Cash	268,889,987.62	301,527,354.56
Including: Cash on hand	106,840.56	92,096.63
Bank deposit used for paying at any moment	265,568,493.02	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	268,889,987.62	301,527,354.56

54. The assets with the ownership or use right restricted

Items	2020.6.30	Reasons
Monetary fund	9,266,488.54	Guarantee money
Notes Receivable	19,345,284.19	Pledge
Fixed assets	127,229,833.57	Mortgage Loan

Dalian Universe Thermal Technology Co., Ltd. and Dalian Bingshan Engineering & Trading Co., Ltd. pledged the bank acceptance note to bank as guarantee for issuing the commercial acceptance note.

Wuhan New World Refrigeration Industrial Co., Ltd. signed the “maximum pledge contract” with Ever bright Bank of China Wuhan branch. Property was pledged and Wuhan New World Refrigeration Industrial Co., Ltd. was granted for credit.

55. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash	—	—	10,315,403.21
Including: USD	1,264,534.74	7.0795	8,962,273.69
GBP	18,152.31	8.7144	158,186.50
JPY	18,309,977.83	0.0658	1,204,943.02
Accounts receivable	—	—	45,614,023.00
Including: USD	6,173,806.55	7.0795	43,707,463.47
GBP	63,815.36	8.7144	556,122.57
JPY	20,521,015.00	0.0658	1,350,446.96
Accounts payable	—	—	8,980,047.26
Including: USD	911,800.72	7.0795	6,450,845.50
GBP	37,274.28	8.7144	324,822.99
JPY	33,497,124.47	0.0658	2,204,378.77

56. Government Grants

Category	Amount	Disclosure	Amount recognized in current profit and loss
Dalian special fund subsidy for the construction of manufacturing Innovation Center in 2017	15,000.00	Other Income	15,000.00
Featured carrier of mass entrepreneurship and innovation	5,900,000.00	Other Income	5,900,000.00
R290 replacement of R22 large industrial screw unit	11,096,464.50	Deferred Income	
Steady post subsidies	136,538.60	Other Income	136,538.60
Total	17,148,003.10	-	6,051,538.60

57. Others

None

VI. 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

Name of subsidiaries	Main	Registered	Business nature	Shareholding (%)		Obtaining
Dalian Bingshan Group Sales Co., Ltd.	Dalian	Dalian	Trading	100		Establish
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	70		Establish
Dalian Bingshan Guardian Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Acquisition
Bingshan Technical Service (Dalian) Co., Ltd.	Dalian	Dalian	Services	100		Establish
Dalian New Meica Electronics Technology Co., Ltd.	Dalian	Dalian	Electronic	100		Acquisition
Dalian Universe Thermal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55		Acquisition
Dalian Bingshan Engineering & Trading Co., Ltd.	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		51.00	Establish
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Services		51.00	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
 - 3) There is no change on the shareholding of the subsidiaries.
- (2) There is no significant non-wholly-owned Subsidiary.
2. Equity in joint venture arrangement or associated enterprise

- (1) The important of joint ventures or affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Panasonic Appliances Compressor (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	40		Equity method
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49		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	30-06-2020/2020.01-06	
	Panasonic Appliances Compressor (Dalian) Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	1,223,509,851.91	373,441,442.40
Non-current assets	306,353,358.57	43,583,860.17
Total assets	1,529,863,210.48	417,025,302.57
Current liabilities	410,377,576.67	78,301,526.66
Non-current liabilities		
Total liabilities	410,377,576.67	78,301,526.66
Minority interests		
Equity to the parent company	1,119,485,633.81	338,723,775.91
Proportions of net assets according to the shareholding percentage	447,794,253.52	165,974,650.20
Adjusting events		
—Goodwill		19,269,770.94
—Unrealized profits of		

Items	30-06-2020/2020.01-06	
	Panasonic Appliances Compressor (Dalian) Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
insider trading		
--Others	-970,205.80	966,230.97
Book value of equity investment of affiliated companies	446,824,047.72	186,210,652.11
Fair value of equity investment of affiliated companies		
Operating income	498,727,220.29	204,625,692.76
Net profit	30,316,392.38	25,242,882.57
Net profit from closing		
Other comprehensive income	30,316,392.38	25,242,882.57
Total comprehensive income	30,316,392.38	25,242,882.57

Continued:

Items	31-12-2019/2019.01-06	
	Panasonic Appliances Compressor (Dalian) Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	1,273,294,847.52	337,202,163.28
Non-current assets	321,031,252.89	45,671,841.16
Total assets	1,594,326,100.41	382,874,004.44
Current liabilities	407,886,858.98	69,393,111.10
Non-current liabilities		
Total liabilities	407,886,858.98	69,393,111.10
Minority interests		
Equity to the parent company	1,186,439,241.43	313,480,893.34
Net assets calculated according to the shareholding proportions	474,575,696.57	153,605,637.74
Adjusting events		
—Goodwill		19,269,770.94
—Unrealized profits of insider trading		
--Others	-2,882,081.25	144,725.49
Book value of equity investment of affiliated companies	471,693,615.32	172,730,683.20
Fair value of equity investment of affiliated companies		

Items	31-12-2019/2019.01-06	
	Panasonic Appliances Compressor (Dalian) Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Operating income	620,287,402.33	202,961,647.33
Net profit	41,081,512.65	28,166,390.78
Net profit from closing		
Other comprehensive income	41,081,512.65	28,166,390.78
Total comprehensive income	41,081,512.65	28,166,390.78

(3) Summary financial information of insignificant affiliated companies

Items	30-06-2020/2020.01-06	31-12-2019/2019.01-06
Total book value of investment of affiliated companies	733,355,484.16	607,706,323.17
The total of following items according to the shareholding proportions		
Net profit	3,936,888.40	47,324,500.55
Other comprehensive income		
Total comprehensive income	3,936,888.40	47,324,500.55

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

None

(5) Excessive loss of affiliated companies.

None

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

None

XII. Risk Related to Financial Instruments

(1) Market risk

1) Exchange rate risk

Most of the Company's business is located in China, and settled with RMB. But the company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD, JPY, HKD and GBP). The financial department of the company monitors the company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the company didn't agree any forward foreign exchange contract or currency swap contract. As at 30 June 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	8,962,273.69	16,719,234.66
Monetary fund-JPY	1,204,943.02	1,142,608.46
Monetary fund-EURO		29,112.74
Monetary fund- GBP	158,186.5	385,286.46
Receivable - GBP	556,122.57	1,281,698.98
Receivable- USD	43,707,463.47	43,923,973.48
Receivable - EURO		57,832.75
Receivable - JPY	1,350,446.96	1,833,735.72
Payables -USD	6,450,845.5	5,245,528.61
Payables -EURO		10,394.62
Payables - JPY	2,204,378.77	2,807,578.63
Payables -GBP	324,822.99	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 30 June 2020, base on the assumption of interest rate change of 50 BP, the Company's net profit will increase or decrease RMB 1,352.9 thousand Yuan.

3) Price risk

As at 30 June 2020, there will be effect on the price variance for financial assets valued in fair value.

(2)Credit risk

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

The company's working capital was in bank with higher credit rating, so there was no significant credit risk, nor

significant losses due to the default of other entity. Upper limit policy is adopted to avoid any credit risk from financial institution.

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

As at 30 June 2020, the top five customers of receivable accounts balance is: 163,292,572.91 Yuan.

(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 provide plenty of funds.

The main fund comes from bank loan. By 30 June 2020, the credit limit still available is 398 million Yuan and short term credit limit available is 398 million Yuan.

As at 30 June 2020, the Company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following: Currency unity: 10 thousand Yuan

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	27,815.65				27,815.65
Notes receivable	6,097.57				6,097.57
Accounts receivable	110,380.45				110,380.45
Other receivable	4,523.13				4,523.13
Other non-current financial assets				28,414.64	28,414.64
Contract asset	9,444.57				9,444.57
Financial Liabilities					
Short-term loan	38,269.36				38,269.36
Notes Payable	26,400.63				26,400.63
Accounts payable	94,068.15				94,068.15
Other payable	2,755.85				2,755.85

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Employee's payable	1,035.66				1,035.66
Tax payable	893.01				893.01
Long-term loan			16,000.00		16,000.00
Bonds payable	2,500.00				2,500.00

VIII. Disclosure of Fair Value

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

Items	Fair value at the year end			
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	Total
Financial assets Continuously measured at FV available for sale				
Other non-current financial assets	271,154,738.08		12,991,658.59	284,146,396.67
(1) Investment by debt instruments				
(2) Investment by equity instruments	271,154,738.08		12,991,658.59	284,146,396.67
(3) Others				

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

Equity instrument portion of other non-current financial assets is measured at the unadjusted closing quoted price on stock market on June 30, 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.

It was valued by cost price.

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

None

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

None

7. Changes of valuation technique and reasons for changes

None

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

None

IX. 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

Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.888 Xinan Road, Shahekou District, 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. Subsidiaries

Referring to the content in the Note IX. 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 IX. 3 ‘The significant affiliated company and joint venture’. The company had transactions with related parties during the current period or last period, including:

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Appliances Cold-chain (Dalian) Co., Ltd	Affiliated company of the Company

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Appliances 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 Bingshan Vending Machine Sales Co., Ltd	Affiliated company of the Company
Jiangsu JingXue Insulation Technology Co., Ltd.	Affiliated company of the Company
Panasonic Refrigerating System (Dalian) Co., Ltd.	Affiliated company of the Company
Dalian Bingshan Metal Technology Co., Ltd.	Affiliated company of the Company
Wuhan Sikafu Power Control Equipment Co., Ltd.	Affiliated wholly owned subsidiary of the Company

4. Other related parties

Name of related party	Related party relationship
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC Dalian Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Bingshan Part Technology Co., Ltd.	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Management and Consulting Co., Ltd	Subsidiary of Dalian Bingshan Group
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Wisdom Park 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

5. Related Party transactions

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

1) Purchase of goods/receive labour services

Related party	Content	2020.1-6	2019.1-6
Dalian Bingshan Part Technology Co., Ltd.	Purchases of goods	1,386,362.74	3,741,590.18
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.		12,544,723.07	36,142,649.15
Panasonic Appliances Cold-chain (Dalian) Co., Ltd		19,945,469.77	23,174,161.33

Panasonic Appliances Compressor (Dalian) Co., Ltd	1,079,512.31	1,773,477.15
Panasonic Refrigerating System (Dalian) Co., Ltd.	3,328,792.07	10,227,269.49
Dalian Fuji Bingshan Vending Machine Co., Ltd	367,523.31	14,488.80
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	0.00	
Dalian Spindle Cooling Towers Co., Ltd	1,307,075.22	1,704,026.65
BAC Dalian Co., Ltd	16,350,334.91	15,071,702.87
Dalian Bingshan Metal Technology Co., Ltd	70,809.38	43,155.87
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd		
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	12,654,852.80	12,909,130.64
Jiangsu JingXue Insulation Technology Co.,Ltd	7,480,038.96	16,629,233.61
Dalian Bingshan Wisdom Park Co., Ltd	64,991.82	342,045.83
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		
Dalian Kelvins Technology Technology Co., Ltd	24,458.00	
Total	76,604,944.36	121,772,931.57

2) Sales of goods/ labour services provision

Related party	Content	2020.1-6	2019.1-6
Dalian Bingshan Part Technology Co., Ltd.	Sales of goods	697,339.29	2,424,649.57
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.		24,550,377.53	48,139,165.51
Panasonic Appliances Cold-chain (Dalian) Co., Ltd		61,605,326.43	73,431,383.81
Panasonic Appliances Compressor (Dalian) Co., Ltd		3,787,087.37	7,987,011.69
Panasonic Refrigerating System (Dalian) Co., Ltd.		8,265,834.12	15,372,612.19
Dalian Fuji Bingshan Vending Machine Co., Ltd		12,025,828.33	14,649,557.64
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd		45,419.30	393,571.69
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.		5,017,942.62	3,785,687.98
Dalian Spindle Cooling Towers Co., Ltd		322,836.39	146,937.92
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.		614,180.71	425,682.00
BAC Dalian Co., Ltd		16,935,526.04	11,715,950.10
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.			32,657.62
Dalian Bingshan Group Refrigeration Equipment Co., Ltd		983,506.99	3,803,139.47
Jiangsu JingXue Insulation Technology Co.,Ltd			
Wuhan Sikafu Power Control Equipment Co., Ltd		491,777.00	258,666.59
Dalian Bingshan Group Mangement and Consulting Co.,Ltd			
Dalian Bingshan Group Huahuida Financial Leasing Co.,LTd		145,152.00	412,289.70
Dalian Bingshan Wisdom Park Co., Ltd		4,750,730.48	3,770,188.67
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		80,619.45	22,000.00
Dalian Kelvins Technology Technology Co., Ltd			
Alphavita Bio-scientific (Dalian) Co., Ltd.		394,317.76	
Total		140,713,801.81	186,771,152.15

2. Assets Lease

Assets rent out

Lessor	Lessee	Category of assets rent out	2020-6-30 Lease Income	2019-6-30 Lease Income
The Company	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Plant	1,904,761.90	2,000,000.00
The Company	Dalian Bingshan Wisdom Park Co., Ltd	Office	4,095,276.17	3,722,293.19
The Company	Panasonic compressor (Dalian) Co., Ltd	Employee dormitory	45,714.28	45,714.28
The Company	Panasonic Refrigeration (Dalian) Co., Ltd.	Employee dormitory	28,183.50	35,122.60
The Company	Jiangsu JingXue Insulation Technology Co.,Ltd	Plant and office	502,555.72	493,160.97

Note: The Company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square meters, and the rental term till 16th July, 2029. The annual rent fee for 2020 is RMB 4 million Yuan.

The Company signed rental contract with Dalian Bingshan Wisdom Park Co., Ltd., and rent out the whole land and house of the Company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd., with rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters. The lease term is from April 1, 2017 to December 31, 2036. The annual rent fee for 2020 is RMB 8.646 million Yuan.

3) Guarantee with related companies.

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group.

4) Funds borrow from /lent to related party

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

6. Balances with Related party

(1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Accounts receivable	BAC Dalian Co., Ltd	5,492,750.32	372,957.75	8,564,678.88	583,733.64
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	7,334,855.23	498,036.67	6,717,761.21	1,638,415.37
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	14,149,812.29	960,772.25	2,683,672.86	182,221.39
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	388,459.95	26,382.54	33,010.40	2,241.41
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	3,259,468.62	221,317.92	1,437,917.14	97,634.57
Accounts receivable	Panasonic Refrigeration System (Dalian) Co., Ltd.	7,351,697.59	499,180.27	6,491,662.21	441,319.35
Accounts receivable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	39,805,809.91	2,702,814.49	16,875,971.95	1,153,468.33
Accounts receivable	Panasonic Appliances Compressor (Dalian) Co., Ltd	70,037.32	4,755.53	296,902.58	20,159.69
Accounts receivable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	3,599,818.68	244,427.69	3,101,660.89	210,602.77
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	128,100.00	8,697.99	9,739.50	661.31
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	73,500.00	4,990.65	100,251.50	6,807.08
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co.,LTd	311,170.61	21,128.48	1,935,465.61	296,900.42

Accounts receivable	Dalian Bingshan Wisdom Park Co., Ltd	5,023,000.00	341,061.70	920,000.00	62,468.00
Other receivable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	50,000.00	1,675.00		
Prepayment	Jiangsu JingXue Insulation Technology Co., Ltd	611,326.80		2,539,291.63	
Prepayment	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	525,324.70		164,600.00	
Prepayment	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	225,650.00		468,800.00	
Prepayment	Panasonic Refrigeration System (Dalian) Co., Ltd.	627,451.00		341,601.00	
Prepayment	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	3,938.00		3,938.00	
Prepayment	Dalian Spindle Cooling Towers Co., Ltd			56,500.00	
Prepayment	Dalian Bingshan Part Technology Co., Ltd.	2,800.00		2,800.00	
Notes receivable	BAC Dalian Co., Ltd	8,401,389.26		11,317,936.09	
Notes receivable	Panasonic Refrigeration System (Dalian) Co., Ltd.	1,207,293.52		4,692,378.47	
Notes receivable	Panasonic Appliances Compressor (Dalian) Co., Ltd	641,874.30		1,859,495.23	
Notes receivable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	10,810,000.00		43,270,000.00	1,548,120.00
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	355,486.76		12,607,409.17	856,043.08

Notes receivable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.			18,494,998.52	450,703.89
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	2,541,450.00	11,908.12	886,450.00	60,189.96
Notes receivable	Dalian Spindle Cooling Towers Co., Ltd.	136,860.45			

(2) Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	BAC Dalian Co., Ltd	23,167,547.00	6,536,883.20
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	10,291,983.37	4,904,782.83
Accounts Payable	Dalian Bingshan Part Technology Co., Ltd.	682,968.81	2,033,644.49
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	415,301.34	60,519.99
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd.	3,470,669.00	2,235,874.00
Accounts Payable	Jiangsu JingXue Insulation Technology Co., Ltd	8,739,794.38	7,827,836.00
Accounts Payable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	132,284.48	132,284.48
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	414,000.00	414,000.00
Accounts Payable	Panasonic Refrigeration System (Dalian) Co., Ltd.	26,322,849.32	22,882,950.32
Accounts Payable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	389,277.05	
Accounts Payable	Panasonic Appliances Compressor (Dalian) Co., Ltd	1,774,444.60	1,696,000.00
Accounts Payable	Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	1,771,490.40	19,565,101.85
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd.	80,014.61	66,651.05
Other accounts payable	Dalian Bingshan Group Co., Ltd		5,900,000.00
Other accounts payable	Dalian Bingshan Wisdom Park Co., Ltd.		500,000.00
Other accounts payable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	170,000.00	170,000.00
Accounts Received in Advance	Dalian Spindle Cooling Towers Co., Ltd.	2,000,000.00	1,869,651.43

Accounts Received in Advance	Dalian BingshanWisdom Park Co., Ltd.	500,000.00	700,000.00
Accounts Received in Advance	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	235,834.48	567,258.21
Accounts Received in Advance	Wuhan Sikafu Power Control Equipment Co., Ltd.	153,555.20	192,034.80
Accounts Received in Advance	Panasonic Refrigeration System (Dalian) Co., Ltd.		
Accounts Received in Advance	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.		
Accounts Received in Advance	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	405,000.00	
Notes Payable	BAC Dalian Co., Ltd	21,304,454.00	21,758,609.00
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	6,986,259.12	10,722,797.72
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd.		77,548.03
Notes Payable	Dalian Bingshan Pate Technology Co.,Ltd	2,500,000.00	1,200,000.00
Notes Payable	Jiangsu JingXue Insulation Technology Co.,Ltd		627,084.00
Notes Payable	Panasonic Appliances Cold Chain (Dalian) Co., Ltd	1,657,321.00	64,984.00
Notes Payable	Dalian Spindle Cooling Towers Co., Ltd		969,602.80
Notes Payable	Panasonic Refrigeration System (Dalian) Co., Ltd.		92,728.65

(II) Related Party Commitment

None

X. Share-Based Payment

1. General situation of share payment

☐ Applicable ☒ Not applicable

2. Share payment settled by equity

☐ Applicable ☒ Not applicable

3. Share Payments Settled in Cash

☐ Applicable ☒ Not applicable

4. Modification and Termination of Share Payment

☐ Applicable ☒ Not applicable

XI. Events after the Balance Sheet Date**(1)Contingency**

As at 30 June 2020, the Company does not have any other contingencies for disclosure.

(2)Commitment

As at 30 June 2020, the Company does not have any other significant commitments.

(3)Other event

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

XII. Other Significant Events

1. Error correction and effect in previous period.

The Company has no adjustment of prior period accounting error this year.

2. Debt Restructuring

The Company has no events of debt restructuring this year.

3. Asset exchange

- (1) The exchange of non-monetary assets

None

- (2) The exchange of other assets

None

4. Annuity Plan

None

5. Operation Termination

None

6. Segment Information

The management of the Company divided the Company into 3 segments based on the geographic area: Northeast China, Central China, and East China. The Northeast is the Company's general headquarters and the registered address. The Central is the subsidiary of the Company, Wuhan New World Refrigeration Industrial Co., Ltd, Wuhan Lanning Energy Technology Co., Ltd, and Chengdu Bingshan Refrigeration Engineering Co., Ltd. The East is the subsidiary of the Company, 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 : Yuan

Items	30-06-2020/2020.01-06				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	1,071,216,691.12	111,618,986.85	6,207,964.38	-315,640,227.89	873,403,414.46
2 Cost	1,088,054,189.71	117,228,210.68	7,446,686.38	-315,640,227.89	897,088,858.88
3 Investment income from associates and joint venture	17,295,970.66	-479,796.67			16,816,173.99
4 Operating profits(loss)	-5,650,799.72	-11,589,109.88	-976,966.12	-8,185,883.28	-26,402,759.00
5 Income tax	-1,369,839.24	-187,549.51	65,129.58		-1,492,259.17
6 Net profit(loss)	-4,280,960.48	-11,401,560.37	-1,042,095.70	-8,185,883.28	-24,910,499.83
7 Total assets	6,147,995,276.91	87,700,536.25	14,227,645.28	-1,137,409,133.03	5,612,514,325.40
8 Total liabilities	2,246,648,187.20	395,140,368.46	10,063,170.17	-440,783,378.99	2,211,068,346.84

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

1. Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad	50,985,562.10	8.66%	15,614,746.06	30.63%	35,370,816.04

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting age as characters	296,912,703.73	50.41%	63,879,809.05	21.52%	233,032,894.68
Related party within consolidation scope	241,107,880.19	40.93%			241,107,880.19
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	589,006,146.02	100.00%	79,494,555.11	13.50%	509,511,590.91

(Continued)

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	50,985,562.10	8.29%	12,133,091.84	23.80%	38,852,470.26
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting age as characters	266,070,550.78	43.21%	77,679,396.59	29.20%	188,391,154.19
Related party within consolidation scope	298,594,548.44	48.50%		0.00%	298,594,548.44
Accounts receivable with insignificant					

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
individual amount and separate bad debt provision					
Total	615,650,661.32	100.00%	89,812,488.43	14.59%	525,838,172.89

Items	Closing Balance		
	Booking balance	Provision	%
Expected credit losses within 1 year	171,059,966.21	11,614,971.70	6.79%
Expect credit losses of 1-2 years	47,523,394.62	7,290,088.73	15.34%
Expect credit losses of 2-3 years	32,787,860.19	9,531,430.96	29.07%
Expect credit losses of 3-4 years	14,339,773.14	6,712,447.81	46.81%
Expect credit losses of 4-5 years	9,124,223.47	6,653,383.75	72.92%
Expect credit losses more than 5 years	22,077,486.10	22,077,486.10	100.00%
Total	296,912,703.73	63,879,809.05	--

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

Aging	Closing Balance
Within 1 year	409,167,846.39
1 to 2 years	40,440,142.12
2 to 3 years	34,871,112.69
More than 3 years	104,527,044.82
3 to 4 years	16,339,773.14
4 to 5 years	62,109,785.57
More than 5 years	26,077,486.11
Total	589,006,146.02

(2) Bad debt provision accrued and reversed (withdraw)

The bad debt provision has been accrued in the amount of 2,764,420.71 Yuan.

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

Item	Written off amount
Receivable actually written off	7,563,512.61

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

Company	Closing Balance	% of the total AR	Closing Balance of Provision
Zhejiang Wankai New Material Co., Ltd.	50,985,562.10	8.66%	15,614,746.06

Company	Closing Balance	% of the total AR	Closing Balance of Provision
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	8.56%	17,167,304.59
SINOPEC International Business Ningbo Co., Ltd.	21,269,111.33	3.61%	3,262,681.68
Ningxia Wangwa Coal	18,002,800.00	3.06%	2,761,629.52
Yangmei Fengxi Fertilizer (Group) Co. LTD. Pinglu Branch	16,700,000.00	2.84%	1,133,930.00
Total	139,706,217.43	26.73%	

2. Other Receivables

Item	Closing Balance	Opening Balance
Interest receivable	348,833.33	583,833.33
Dividend receivable	50,338,786.40	
Other receivable	6,718,099.01	5,398,160.49
Total	57,405,718.74	5,981,993.82

2.1 Interest receivable

(1) Interest receivable category

Item	Closing Balance	Opening Balance
Interest on term deposits	348,833.33	583,833.33
Interest on bank financial product		
Total	348,833.33	583,833.33

1.2 Dividend receivable

Item	Closing Balance	Opening Balance
Guotai Junan Securities Co., Ltd.	6,126,903.12	
Panasonic Compressor (Dalian) Co., Ltd	36,026,000.00	
Dalian Bingshan Engineering & Trading Co., Ltd.	5,160,883.28	
Dalian Universe Thermal Technology Co., Ltd.	3,025,000.00	
Total	50,338,786.40	

2.3 Other receivable

(1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	2,765,156.58	3,848,019.79
Petty cash	542,344.30	117,661.57
Equity transfer fund	5,601,660.31	2,774,045.87
Others		68,554.00

Nature	Closing Balance	Opening Balance
Guarantee deposits	2,765,156.58	3,848,019.79
Petty cash	542,344.30	117,661.57
Equity transfer fund	5,601,660.31	2,774,045.87
Others		68,554.00
Total	8,909,161.19	6,808,281.23

(2) Provision for bad debts

Provision for bad debts	The first phase	The second phase	The third phase	Total
	Expected credit losses in the next 12 months	Expected Credit Loss for the duration (No Credit Devaluation)	Expected Credit Loss for the duration (Credit impairment has occurred)	
Balance on January 1, 2020	1,410,120.74			1,410,120.74
The balance of January 1, 2020 in the current period				
Provision for bad debts	780,941.44			780,941.44
Balance on June 30, 2020	2,191,062.18			2,191,062.18

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

Aging	Closing Balance
Within 1 year	3,416,061.88
1 to 2 years	1,547,247.31
2 to 3 years	296,826.00
More than 3 years	3,649,026.00
3 to 4 years	2,450,461.00
4 to 5 years	1,100,000.00
More than 5 years	98,565.00
Total	8,909,161.19

(3) Bad debt provision accrued and reversed (withdraw) in the period.

The bad debt provision has been reversed by 780,941.44 Yuan.

(4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Dalian Huali Coating Equipment Co., Ltd.	Equity transfer fund	1,650,000.00	3-4 years	18.52%	188,572.50
Dalian Delta HK China gas Co., Ltd.	Security deposit	1,100,000.00	Within 1 year	12.35%	3,685.00
China petroleum materials Tianjin Co., Ltd.	Security deposit	1,000,000.00	Within 1 year	11.22%	1,675.00
Dalian Changde Welding Co., Ltd.	Equity transfer fund	780,000.00	3-4 years	8.76%	16,906.50
Shandong Borun Co., Ltd.	Security deposit	300,000.00	Within 1 year	3.37%	502.50
Total		4,830,000.00		54.21%	211,341.50

3. Long-term equity investments

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	1,623,656,310.41		1,623,656,310.41	1,656,914,731.80		1,656,914,731.80
Total	2,311,152,962.49		2,311,152,962.49	2,244,411,383.88		2,244,411,383.88

(1) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
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 Guardian Automation Co., Ltd.	6,872,117.80			6,872,117.80
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	59,356,051.19			59,356,051.19
Dalian Universe Thermal Technology Co., Ltd.	48,287,589.78			48,287,589.78
Wuhan New World Refrigeration Industrial Co., Ltd	184,674,910.81			184,674,910.81
Bingshan Technical Service (Dalian) Co.,Ltd.	22,024,000.00			22,024,000.00
Dalian New Meica Electronics Co., Ltd.	43,766,243.72			43,766,243.72
Dalian Bingshan Engineering & Trading Co., Ltd.	71,537,064.86			71,537,064.86
Total	587,496,652.08	100,000,000.00		687,496,652.08

(2) Joint ventures& affiliated companies

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
1. Affiliated companies											
Panasonic Appliances Air-conditioning and Refrigeration (Dalian) Co., Ltd.	177,390,883.01			-7,151,886.71			3,400,000.00			166,838,996.30	
Panasonic Appliances Cold-chain (Dalian) Co., Ltd	267,179,066.77			-5,126,459.68						262,052,607.09	
Panasonic Appliances Compressor (Dalian) Co., Ltd	471,693,615.32			11,156,432.40			36,026,000.00			446,824,047.72	
Dalian Honjo Chemical Co., Ltd	8,535,439.50			202,736.66						8,738,176.16	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	61,090,955.30			83,797.06			8,600,000.00			52,574,752.36	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	1,537,672.84			-40,708.15						1,496,964.69	
Dalian Fuji Bingshan Vending Machine Co., Ltd	193,109,792.45			-2,512,123.83						190,597,668.62	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,892,866.25			52,472.24						13,945,338.49	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	12,614,480.80			-1,069,983.28						11,544,497.52	
Jiangsu JingXue Insulation Technology Co.,Ltd	185,385,615.80			5,010,588.30						190,396,204.10	
Panasonic Refrigeration System (Dalian) Co., Ltd.	33,975,371.41			2,290,230.84			2,528,392.05			33,737,210.20	
Bingshan Metal Technical Service (Dalian) Co.,Ltd.	172,730,683.19			13,479,968.92						186,210,652.11	
Dalian Bingshan Group Mangement and Consulting Company	57,778,289.16			920,905.89						58,699,195.05	
Total	1,656,914,731.80			17,295,970.66			50,554,392.05			1,623,656,310.41	

4. Operating revenue and cost

Item	2020.01-06		2019.01-06	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	401,973,100.61	346,387,083.54	304,851,204.51	262,956,736.05
Revenue from other operation	19,564,567.55	13,444,729.68	20,505,068.81	13,936,660.77
Total	421,537,668.16	359,831,813.22	325,356,273.32	276,893,396.82

5. Investment income

Items	2020.01-06	2019.01-06
Income from long-term equity investments under cost method	8,185,883.28	3,000,000.00
Income from long-term equity investments under equity method	17,295,970.66	72,908,832.16
Income from holding of other non-current financial assets	6,126,903.12	4,320,252.20
Income from disposing other non-current financial assets		40,567,691.40
Total	31,608,757.06	120,796,775.76

XIV. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Group on August 21, 2020.

XV. Supplementary Information to the Financial Statements

1. Non-operating profit or loss

item	Amount
Disposal gains and losses of non-current asset	10,788.53
Government subsidies included in current profit or loss	151,538.60
Income from changes in fair value during the period of holding financial assets available for sale and income from disposal of financial assets available for sale	-19,323,309.84
Other non-operating revenue or expense	1,186,167.34
Influence on income tax	-2,681,482.01
Influence on minority shareholders	54,017.17
Total	-15,347,350.53

2. Return on equity and earnings per share

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	-0.70	-0.028	-0.028
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-0.25	-0.01	-0.01

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd
August 22, 2020