



**Bingshan Refrigeration & Heat Transfer
Technologies Co., Ltd.**

2022 Semiannual Report

August, 2022

Section 1 Important Notice, Table of Contents, and Definitions

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

All directors have attended this Board meeting of the Company.

There is no significant risk having adverse influence on attainment of the Company's future development strategy and business targets. The paragraph " Management discussion and analysis" in Section 3 of this Semiannual Report describes major risks , including the risk of increasing market competition risk, the market promotion for new product and new technology slow and the accounts receivable is on the high side. See the related sections for the countermeasures to be taken by the Company.

The Company plans to distribute no cash dividends, no bonus shares and convert no reserve fund into capital stock.

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

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

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Reference Documents

1. The accounting statements bearing the signatures and seals of the legal representative, the financial majordomo and the accountants in charge.
2. The original copies of all the Company's documents and the original copies of the bulletins published on the newspapers designated by the China Securities Regulatory Commission in the report period.
3. Time for reference: from Monday to Friday 8:00 - 11:30 (am) 1:00 - 4:30 (pm)

Liaison persons: Mr. Song Wenbao, Ms Du Yu

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Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2022 to Jun. 30, 2022
The Company, this Company	Stands for	Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd.
Bingshan Engineering Company	Stands for	Dalian Bingshan Group Engineering Co., Ltd.,one of the subsidiaries of the Company where the Company holds 100% of its shares.
Wuxin Refrigeration	Stands for	Wuhan New World Refrigeration Industry Co., Ltd., one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Guardian	Stands for	Dalian Bingshan Guardian Automation Co., Ltd. one of the subsidiaries of the Company where the Company holds 100% of its shares.
Panasonic Compressor	Stands for	Panasonic Appliances Compressor (Dalian) Co., Ltd. one of the associated companies of the Company, where the Company holds 40% of its shares.
Panasonic Cold-Chain	Stands for	Panasonic Appliances Cold-Chain (Dalian) Co., Ltd. one of the associated companies of the Company, where the Company holds 40% of its shares.
Panasonic Refrigerating System	Stands for	Panasonic Appliances Refrigerating System (Dalian) Co., Ltd., one of the associated company of the Company, where the Company holds 20% of its shares
Jingxue Insulation	Stands for	Jiangsu Jingxue Insulation Technology Co., Ltd., one of the associated companies of the Company, where the Company holds 21.91% of its shares.

Section 2 About the Company and Main Financial Indicators

I. Company information

Short form of the stock	Bingshan; Bingshan B
Stock code	000530; 200530
Listed stock exchange	Shenzhen Stock Exchange
Legal name in Chinese	冰山冷热科技股份有限公司
Short form of legal name	冰山冷热
Legal English name	Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.
Abbreviation of legal English name	Bingshan
Legal representative	Ji Zhijian

II. Contact persons and information

	Secretary of the Board of Directors	Authorized representative for securities affairs
Name	Song Wenbao	Du Yu
Address	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone	No.106, Liaohe East Road, Dalian Economic and Technological Development Zone
Tel.	0411-87968130	0411-87968822
Fax	0411-87968125	0411-87968125
E-mail	000530@bingshan.com	000530@bingshan.com

III. Other situations

1. Contact of company

If the registered address, office address and zip code, website, email box of the Company had any change in the report period

Applicable Not applicable

2. Information disclosure and place of preparation

If the information disclosure and the place of preparation had any change in the report period

Applicable Not applicable

The name of newspaper for information disclosure selected by the Company, the address of the website designated by China Securities Regulatory Commission for carrying semi-annual report, the place where the semi-annual report of the Company is prepared had no change in the report period. Refer to the Annual Report for 2021 for details.

IV. Main accounting data and financial indicators

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

Applicable Not applicable

Unit: RMB Yuan

	2022.1-6	2021.1-6	Increase/decrease compared with the same period of last year
Operating revenue	1,291,858,908.71	1,094,285,620.97	18.06%
Net profit attributable to shareholders of listed companies	29,568,351.52	-14,584,210.01	302.74%
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	10,705,118.35	-11,882,674.61	190.09%
Net cash flow from operating activities	-189,406,336.85	-28,887,836.28	-555.66%
Basic earnings per share	0.035	-0.017	305.88%
Diluted earnings per share	0.035	-0.017	305.88%
Weighted average return on net asset yield	0.98%	-0.43%	Increase 1.41 percentage points
	2022.6.30	2021.12.31	Increase/decrease compared with 2021.12.31
Total assets	5,841,301,503.15	5,735,570,604.67	1.84%
Owner's equity attributable to shareholders of listed companies	3,023,642,891.92	3,002,842,837.47	0.69%

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

Applicable Not applicable

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

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

VI. Non-recurring profits and losses and their amounts

item	Amount
Disposal gains and losses of non-current asset	67,260.20
Government subsidies included in current profit or loss	1,984,170.62
When the investment cost of a subsidiary, associate or joint venture is less than that of the investment, an enterprise shall enjoy the income generated by the fair value of the identifiable net assets of the invested entity	2,834,620.63
Disposal gains from investments on financial assets available for sale, and gains from fair value change of other non-current financial assets	13,870,603.52
Other non-operating revenue or expense	1,278,039.78
Influence on income tax	992,883.13
Influence on minority shareholders	178,578.45
Total	18,863,233.17

Section 3 Management discussion and analysis

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

Focusing on the hot and cold industry, the Company is committed to the development of industrial refrigeration and heating business, commercial refrigeration business, air conditioning and environment business, engineering and service business and new business fields, covering the key areas of the hot and cold industry chain and creating a complete hot and cold industry chain.

The Company's main products include piston and screw refrigeration compressors, pressure vessels, combined warehouses, controlled atmosphere storage, quick freezer, etc., which are used in national defense, scientific research, petroleum, chemical, textile, medicine, power generation, agriculture, animal husbandry, fishery and catering service industries. The Company's product sales and comprehensive solutions provide both domestic and international markets, with self-supporting sales as the main and channel sales as the auxiliary.

During the reporting period, rigid demands such as food safety, consumption upgrading, energy conservation and carbon reduction will benefit the refrigeration and air conditioning industry. At the same time, the refrigeration and air conditioning industry is also facing the problems of intensified market competition, increased cost pressure, and difficulty in improving efficiency. Facing the opportunities and challenges, focusing on the hot and cold industry, the Company continued to deeply cultivate the advantageous market segments, and actively expanded and occupied the domestic market.

1. Industrial refrigeration and heating business

Industrial refrigeration is an important field reflecting the core technology of the Company. After years of development, the Company has been close to the technical level of the main international competitors in the field of industrial refrigeration, and has achieved catching up in some fields. Based on the traditional refrigeration, the Company realizes the balance of cold and heat through the utilization of heat, which greatly improves the energy utilization rate.

2. Commercial refrigeration business

Commercial refrigeration is the Company's core business. In China, the Company takes the lead in opening up the green intelligent cold chain from the first kilometer of the field to the last 100 meters of the residential community, which is the competitive advantage of the Company.

Focusing on food refrigeration, the Company has patented products pre-cooling from the field, all kinds of quick freezing equipment and refrigeration facilities of various specifications, and China's leading experience in the design and installation of large-scale ammonia and carbon dioxide refrigerators. On the basis of absorbing the relevant experience of Japan, Europe and the United States, combined with China's new needs, to provide newer products, better solutions and fresher experience for the field of food freezing and refrigeration.

3. Air conditioning and environment business

In recent years, relying on the complete industrial chain, the Company has continuously carried out transformation and upgrading in the field of air conditioning and environment, developed more energy-saving and environmental protection products around the blue sky project, and accelerated the transformation and upgrading from air treatment to environmental governance.

At present, the Company has developed a series of innovative products around the market segments of commercial air conditioning, central air conditioning and special air conditioning, and provides corresponding solutions in different segments around these innovative products. For hospitals, electronic factories, high-end real estate, rail transit and other fields, provide targeted solutions.

4. Engineering and service business

Cold and hot engineering and service are the Company's advantageous business fields. In recent years, the Company has realized transformation and upgrading from the manufacturer of cold and hot equipment to the service provider of comprehensive solution of cold and hot through the development of engineering and service industry, and realized the dual wheel drive of the enterprise, and provided more professional and accurate services to each segment market, and constantly created new value for customers and realized common growth.

At present, the Company focuses on petrochemical technology, refrigeration, central air conditioning, ice and snow engineering, artificial environment and other market segments. Relying on the enterprise's industrial chain, value chain and ecosystem, the Company provides services from consulting, planning, design to manufacturing, installation, commissioning and service in the whole process and life cycle. At the same time, according to the needs of customers, promote the combination of industry and finance, and provide services for customers through the form of project general contracting and financial leasing.

5. New business

With the deepening of China's economic transformation and upgrading, as well as the continuous introduction of environmental governance policies, the domestic industrial energy conservation and environmental protection industry is growing rapidly, the level of energy conservation and consumption reduction of enterprises and the comprehensive utilization of resources is constantly improving, and the energy industrial structure has changed. Strengthening the optimal utilization of energy has become a development trend. For low-grade energy recycling, the Company provides customers with a series of energy-saving, environmental protection, efficient new products, in line with the national strategic requirements of energy conservation, carbon reduction and sustainable development, and contributes professional wisdom to the national carbon peak and carbon neutral strategy.

During the reporting period, the Company made good progress in CCUS, ORC, photovoltaic and other new undertakings.

II. Analysis of core competence

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

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

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

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

While move forward with transformation and upgrading for former business, the Company will implement the cultivation for new business, thus the sustainable healthy development will come more and more feasible. Core-competency of the Company further promoted in the reporting period.

III. Analysis of main business

In the first half of 2022, the Company focused on hot and cold industries, continued to cultivate advantageous market segments, solidly improved its core competitiveness, and accelerated the improvement of its main business. In the first half of 2022, the Company achieved an operating revenue of 1,291.86 million yuan, an increase of 18.06% year-on-year; The net profit attributable to the shareholders of the listed company was 29.57million yuan, turning losses into profits year on year.

During the reporting period, the Company adhered to integrity, innovation and pragmatic reform. Enrich and strengthen the operation and management team, adjust and optimize the organizational structure and business processes. Multiple strategies should be taken simultaneously to effectively improve production capacity and production efficiency. With green refrigerant and zero carbon as the center and market segmentation as the goal, we will solidly improve technology. The "national high-end equipment manufacturing standardization pilot" passed the acceptance smoothly. The screw refrigeration unit for large ocean fishing vessels of the Company was selected as the "specialized and special new" product of Liaoning Province in 2022.

During the reporting period, Bingshan Engineering company, a subsidiary of the Company, continued to cultivate advantageous market segments. In the field of product business, actively serve high-end customers, and sign a number of projects with BASF, Yabao, etc; Join hands with leading enterprises to lead the polysilicon market. In the field of engineering, Xinjiang central kitchen project, Shanghai Star indoor comprehensive ice and snow venue project and other landmark projects were constructed in an orderly manner. In the field of energy, the implementation of CCUS projects has been accelerated, and carbon neutralization solutions have been strongly expanded.

During the reporting period, Wuhan New World Refrigeration, a subsidiary of the Company, further optimized its products and solutions. Based on the existing traditional products, focus on expanding the energy, coal and LNG segment markets. The marketing of the main models of energy products has achieved good results, and the steam screw compressor unit has achieved a breakthrough in the sales of new products.

During the reporting period, Bingshan Guardian, a subsidiary of the Company, focused on energy-saving control of cooling and heating systems and made efforts to become stronger and bigger. Absorb and merge New Meica to realize resource integration, complementary advantages and efficient operation. Won the bid for the distribution box project of Dalian Bay Subsea Tunnel project, and helped Dalian key projects. Independently develop comprehensive energy-saving algorithm, and launch the centralized monitoring energy-saving system of IOT supermarket convenience stores with obvious energy-saving effect.

Main financial data variations as compared to the same period of last year

Monetary unit: RMB Yuan

	Report period	Same period of last year	Increase or decrease from the same period of last year	Reason for variation
Operating revenue	1,291,858,908.71	1,094,285,620.97	18.06%	
Operating cost	1,131,915,209.09	950,404,769.26	19.10%	
Selling and distribution expenses	55,209,408.15	56,710,524.65	-2.65%	
Administrative expenses	70,074,155.71	71,726,497.78	-2.30%	
Financial expenses	5,470,355.43	6,240,668.73	-12.34%	
Income tax	2,774,153.99	2,514,997.49	10.30%	
R&D expenses	31,564,520.91	30,738,151.60	2.69%	
Net cash flow coming from operating activities	-189,406,336.85	-28,887,836.28	-555.66%	Due to the substantial increase in orders, the purchase volume and engineering installation volume increased, and the cash

				paid for purchasing goods and accepting labor services increased
Net cash flow coming from investment activities	70,350,256.80	26,104,458.71	169.50%	Increase in cash received from dividends of associates and decrease in cash paid for investments
Net cash flow coming from fund-raising activities	30,185,223.89	-57,923,362.57	152.11%	Decrease in cash paid for debt repayment
Net increase in cash and cash equivalents	-87,256,638.78	-60,589,772.47	-44.01%	

Sales income and costs

	Report period		Same period of last year		Increase or decrease from the same period of last year
	Amount	Proportion to the Sales costs	Amount	Proportion to the Sales costs	
Total sales income	1,291,858,908.71	100%	1,094,285,620.97	100%	25.29%
By industry					
Refrigeration and air-conditioning equipment	1,246,624,682.46	96.50%	1,069,601,775.40	97.74%	16.55%
Others	45,234,226.25	3.50%	24,683,845.57	2.26%	83.00%
By product					
Industrial products	912,396,566.62	70.63%	864,579,358.55	79.01%	5.53%
Installation project	328,784,059.27	25.45%	196,759,744.53	17.98%	67.10%
Other products and services	50,678,282.82	3.92%	32,946,517.89	3.01%	53.82%
By region					
Domestic sales	1,215,091,356.98	94.06%	1,036,222,666.10	94.69%	17.26%
Foreign sales	76,767,551.73	5.94%	58,062,954.87	5.31%	32.21%

Main business structure

Monetary unit: RMB yuan

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues from the same period of last year	Increase/decrease of operating costs from the same period of last year	Increase/decrease of gross profit from the same period of last year
By industry						
Refrigeration and air-conditioning	1,246,624,682.46	1,101,097,130.75	11.67%	16.55%	17.19%	Decrease 0.49 percentage points
By product						
Industrial products	912,396,566.62	784,509,505.43	14.02%	5.50%	6.00%	Decrease 0.51 percentage points
Installation project	328,784,059.27	312,879,375.49	4.84%	67.10%	62.50%	Increase 2.36 percentage points
Other products and services	5,444,056.57	3,708,249.83	31.88%	-34.10%	-47.90%	Increase 18.09 percentage points
By region						
Domestic sales	1,169,857,130.73	1,031,667,083.53	11.81%	15.65%	16.22%	Decrease 0.43 percentage points
Foreign sales	76,767,551.73	69,430,047.22	9.56%	32.21%	33.92%	Decrease 1.15 percentage points

IV. Analysis of the non-main business√ Applicable Not applicable

unit: RMB yuan

income from investment	83,743,763.15	In addition to the investment income from one-time equity transfer, the investment income of the Company to the associated companies is sustainable.
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V. Analysis of assets & liabilities**1. Remarkable change in assets**

Monetary unit: RMB yuan

	30-6-2022		31-12-2021		Proportion increase/decrease.
	Amount	Proportion to the total assets	Amount	Proportion to the total assets	
Monetary funds	402,662,001.86	6.89%	522,658,505.79	9.11%	Decrease 2.22percentage points
Accounts receivable	982,008,651.89	16.81%	821,548,678.85	14.32%	Increase 2.49 percentage points
Contract assets	126,164,442.94	2.16%	109,859,658.79	1.92%	Increase 0.24 percentage points
Inventories	1,053,998,091.18	18.04%	1,014,527,127.82	17.69%	Increase 0.35 percentage points
Investment property	117,379,096.16	2.01%	120,752,809.61	2.11%	Decrease 0.01 percentage points
Long-term equity investment	1,207,390,848.39	20.67%	1,231,504,533.45	21.47%	Decrease 0.08 percentage points
Fixed assets	831,680,902.75	14.24%	855,395,405.85	14.91%	Decrease 0.67 percentage points
Construction in progress	50,556,431.55	0.87%	38,974,478.45	0.68%	Decrease 019 percentage points
Right of use assets	16,107,591.26	0.28%	23,934,703.37	0.42%	Decrease 0.14 percentage points
Short-term loans	240,000,000.00	4.11%	245,937,091.72	4.29%	Decrease 0.18 percentage points
Contract liabilities	445,660,584.96	7.63%	499,719,963.40	8.71%	Decrease 1.08percentage point
Long-term loans	140,000,000.00	2.40%	150,000,000.00	2.62%	Decrease 0.22 percentage points
Lease liabilities	5,631,101.48	0.10%	5,394,021.14	0.09%	Increase 0.01 percentage points

2. The main overseas assets Applicable Not applicable**3. Assets & liabilities which are measured by fair value**√ Applicable Not applicable

The beginning number is 261,410,664.61 yuan for other non-current financial assets measured by fair value. Changes in the profit and loss of the fair value in this period is-29,425,921.52 yuan, The amount sold in the current period is 107,495,400.00 yuan, the current sale amount is 0 yuan, and the final number is 167,515,974.19 yuan.

3. Restrictions on asset rights at the end of reporting period√ Applicable Not applicable

Items	2022.6.30	Reasons
Monetary fund	50,887,086.77	Guarantee money
Notes Receivable	4,810,536.65	Pledge
Inventories	88,294,179.79	Pledge
Fixed assets	38,433,002.00	Pledge
Intangible assets	6,209,834.23	Pledge

VI. Analysis of investments**1. The overall situation**

√ Applicable □ Not applicable

Investment in the report period (yuan)	Investment in the same period of last year (yuan)	Amount of variation
1,207,390,848.39	1,606,295,377.43	-24.83%

2. The significant equity investment during the reporting period

□ Applicable √ Not applicable

3 The significant non-equity investment during the reporting period

□ Applicable √ Not applicable

4. The financial asset investment**(1) The securities investment**

√ Applicable □ Not applicable

Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning	Changes in the profit and loss of the fair value in this period	Accumulative change of fair value credited to equity	Current sale amount	Report period profit and loss	Book value in the ending	Accounting subjects	Source of funds
601211	Guotai Jun'an	10,910,008.00	fair value measurement	195,180,043.12	-29,425,921.52		5,289,000.00	-22,007,116.08	165,832,121.60	Other Non-current financial assets	Own funds
total		10,910,008.00	--	195,180,043.12	-29,425,921.52		5,289,000.00	-22,007,116.08	165,832,121.60		--

(2) Derivative investment

□ Applicable √ Not applicable

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

VII. The material assets and equity sale**1. The material assets sale**

□ Applicable √ Not applicable

2. The material equity sale

√ Applicable □ Not applicable

The Company transferred 17.80 percent equity of Suzhou Thermoking which was held by the Company with price of RMB 102.2064 million yuan to Trane Technologies European Holding Company B.V. After the above mentioned equity transfer finished, the Company will not hold equity of Suzhou Thermoking.

VIII. Analysis of major subsidiary companies and mutual shareholding companies

√ Applicable □ Not applicable

Unit: ten thousand yuan (except for registered capital)

Company name	Type	The main business	registered capital	total assets	net assets	Operating income	Net profit
Panasonic Compressor	mutual shareholding company	Scroll Compressor	JPY 6,200 million	149,014.00	111,476.00	58,677.00	4,843.00
Jing Xue Insulation	mutual shareholding company	New building energy-saving board, refrigerated storage door	RMB108,000 thousand	158,759.00	77,728.00	27,483.00	1,423.00
Bingshan Metal	mutual	Pipe system connectors,	USD 18.0645	39,119.00	33,394.00	24,038.00	2,981.00

Technology	shareholding company	high-speed rail connectors, hydraulic valve bodies, automotive engine parts, etc.	million				
Panasonic Cold-chain	mutual shareholding company	Production and sales of commercial refrigeration equipment, cold storage, stainless steel kitchen equipment and electrical products	JPY 4,650 million	223,961.00	16,987.00	107,604.00	-4,485.00

Subsidiary companies obtained or disposed in the reporting period

Applicable Not applicable

The Company transferred 100 percent equity of Bingshan Service which was held by the Company with price of RMB 25.8882 million yuan. During the reporting period, the equity transfer has been finished, the Company not hold equity of Bingshan Service.

IX. The structured corporate bodies which the Company controlled

Applicable Not applicable

X. Main risks the company faces and response measures

(1) Increasing market competition risk

Countermeasures: focus on the hot and cold industry, deeply cultivate the advantage market segmentation; rapidly improve the engineering and manufacturing power; orderly improve the level of intelligent manufacturing and service-oriented manufacturing; speed up the transformation and upgrading of inherent undertakings; accelerate the implementation of new kinetic energy cultivation; continue to build Bingshan enterprise and interest community.

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

Countermeasures: create differentiated competitiveness of new products and technologies; strengthen the technology marketing and service marketing, and cultivate the market segmentation professionally; appropriate use of financial leasing, contract energy management and other innovative models.

(3) Risk of high level of trade receivables

Countermeasures: strictly implement the project management system and further strengthen the management of accounts receivable; enhance quality of contract through intensified customer credit assessment and contract appraisal; effective control of increase in trade receivables by reduction of guarantee deposits, and taking bank credit instruments as guarantee deposits; improve contract execution through stricter review on goods delivery, intensified control on project construction and acceptance, and post-sale service; prepare special composition solutions and incentive policy to accelerate settlement of trade receivables with relatively long aging.

(4) Risk of rising raw material prices

Countermeasures: the Company will actively respond to cost pressure by reducing material rates, centralized procurement, expanding sales, adjusting selling prices, reducing expenses and other measures.

Section 4 Corporate governance

I. Shareholders' general meeting convened in the reporting period

Session number of meeting	The type of the meeting	The proportion of participate investors	date	Disclosing date	Disclosing index
The first Extraordinary General Meeting of shareholders in 2022	Extraordinary Shareholders' General Meeting	29.37%	Jan 12, 2022	Jan 13, 2022	http://www.cninfo.com.cn
2021 Annual Shareholders' General Meeting	Annual Shareholders' General Meeting	29.74%	May 18, 2022	May 19, 2022	http://www.cninfo.com.cn

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

Name	Position held	Type	Date	Reason
Fan Wen	Director	be elected	Jan 12, 2022	The Board of directors changes, gets elected
Song Wenbao	Director	be elected	Jan 12, 2022	The Board of directors changes, gets elected
Dono Shigeru	Director	be elected	Jan 12, 2022	The Board of directors changes, gets elected
Lu Jun	Vice General Manager	be appointed	Jan 12, 2022	Appointed by the Board of Directors
Yang Fuhua	Vice General Manager	be appointed	Jan 12, 2022	Appointed by the Board of Directors
Yin Xide	Vice chairman of the board of directors	be elected	Jan 12, 2022	be elected
Xu Junrao	Director	Leave office after the end of term	Jan 12, 2022	General election, leave office
Yokoo Sadaaki	Director	Leave office after the end of term	Jan 12, 2022	General election, leave office
Ding Jie	Vice chairman of the board of directors	Leave office after the end of term	Jan 12, 2022	General election, leave office

III. Profit distribution and dividend payment

Applicable Not applicable

IV. The implementation and effect of equity incentive

Applicable Not applicable

Section 5 Environmental and social responsibility

I. Major environmental issues

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

Yes No

Administrative penalties imposed for environmental problems during the reporting period

Yes No

Enterprise or subsidiary	Main pollutant and features	Way of discharge	Number of discharge outlet	Distribution of the discharge outlet	Emission concentration	Pollutant discharge standard implemented	Total discharge	Total approved emissions	Excessive emission
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	COD	sequence	1	Unified discharged	129 mg/L	DB21 1627-2008	1.807tons	None	Not over standard
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	Ammonia nitrogen	sequence	1	Unified discharged	9.72 mg/L	DB21 1627-2008	0.127 tons	None	Not over standard
Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.	Dust	sequence	1	Unified discharged	2.2mg/m ³	GB9078-1996	1.363 tons	None	Not over standard

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

Measures and effects taken by the Company to reduce carbon emissions

During the reporting period, the Company implemented the green, energy-saving and efficient lean production mode in the production process, continuously improved the operation mode, improved the operation efficiency, reduced the operation cost, and continued to move forward towards intelligent manufacturing and green manufacturing.

During the reporting period, the phase I photovoltaic power generation project constructed by the Company using the roofs of some plants in the new plant area operated smoothly as a whole. The installed power of the project is 3.4 MW, the annual power generation is about 4.08 million kwh, and the annual carbon dioxide emission is reduced by about 4067 tons.

During the reporting period, based on energy-saving and carbon reduction technologies such as high-efficiency energy-saving compressors, green refrigerants and CCUS, the Company completed a number of energy-saving and carbon reduction projects with customers, creating good economic and social benefits.

II. Social responsibilities

During the reporting period, the Company continued to pay attention to the poverty alleviation and consolidation of its counterpart, Songlin Village, Guangming Mountain Town, Zhuanghe City, visited and regularly maintained the air conditioning equipment of the villagers' cultural activity center.

Section 6 Important items

I. Commitments made by the actual controller, shareholders, related parties, purchasers, the company and other relevant parties that have completed their performance during the reporting period and have not completed their performance as of the end of the reporting period

Applicable Not applicable

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

Applicable Not applicable

III. Foreign guarantee in violation of regulations

Applicable Not applicable

IV. Engagement and dismissal of the accounting firm

Applicable Not applicable

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

Applicable Not applicable

VI. Explain to the “non standard audit report” last year from the board of directors of the Company

Applicable Not applicable

VII. Bankruptcy restructuring related matters

Applicable Not applicable

VIII. Major lawsuit issues

Applicable Not applicable

The Company had no major lawsuit issues in the reporting period.

IX. Punishment and rectification

Applicable Not applicable

X. The credibility of Companies and its controlling shareholder, actual controller

Applicable Not applicable

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

XI. Important associated transactions

1. Important associated transactions

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 262,660 thousand yuan, accounting for 34.27% of the budgeted amount for the year 2022. This included 65,490 thousand yuan, accounting for 37.75% of the budgeted amount for the year 2022, for purchasing supporting products for package projects from associated parties, and 197,170 thousand yuan, accounting for 33.24% of the budgeted amount for the year 2022, from selling supporting parts and components to associated parties.

2. Associated transactions related to purchases or sales of assets

Applicable Not applicable

3. Important associated transactions with joint external investments

Applicable Not applicable

4. Current associated rights of credit and liabilities

Applicable Not applicable

5. Current associated rights of credit and liabilities with related financial companies or financial companies that the company holds

Applicable Not applicable

6. Other associated transactions

Applicable Not applicable

During the reporting period, the Company transferred 100% equity of its wholly-owned subsidiary Bingshan Technology Services (Dalian) Co., Ltd. to Dalian Bingshan Group Co., Ltd., Dalian Zhonghuida Refrigeration Technology Co., Ltd. and Dalian Zhixin Enterprise Management Partnership (limited partnership) upon deliberation at the 2nd meeting of the 9th Board of Directors of the Company. The above transactions constitute connected transactions and the equity transfer has been completed.

XII. Major contract and its performance

1. Hosting, contracting and leasing status

(1) the hosting status

 Applicable Not applicable

(2) the contracting status

 Applicable Not applicable

(3) the leasing status

 Applicable Not applicable

The Company signed 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 2022 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 2022 is RMB 8.646 million Yuan.

On March 17, 2021, the Company signed a lease contract with Linde Hydrogenation Station Equipment (Dalian) Co., LTD., which will lease the 8,700 square meters of plant and office located at No. 106, East Liaohe Road, Dalian Development Zone to Linde Hydrogenation Station Equipment (Dalian) Co., LTD. The lease term will be up to December 31, 2030, and the current rent is RMB 2,137,500.

2. Guaranteeing status

 Applicable Not applicable

Resolution of 2nd meeting of 7th session of the Board of directors agreed to provide guarantee to Dalian Bingshan Group Co., Ltd. for obtaining Development Fund of National Development Bank. Total amount of the loan was RMB160 million with interest rate 1.2%, and the loan period was 10 years. The fund can only be used for cold chain green intelligent equipment and the development of service industry. When Dalian Bingshan Group Co., Ltd. receives the fund, it has transferred all the fund to the Company with the same conditions. The above guarantee to Dalian Bingshan Group Co., Ltd. is to the Company itself actually.

The guarantee provided by the Company to the customer Guizhou Waterfall Cold Chain Food Investment Co., Ltd. based on the financial leasing business continued to the reporting period, with a guarantee amount of 25.705 million yuan. The project is currently under normal performance. The shareholders of the guaranteed party and relevant natural persons have provided the Company with full joint and several liability guarantee counter guarantee, and the Company's guarantee risk is generally controllable.

The guarantee provided by the Company to the customer Liuyang Zhongjie Technology Investment Co., Ltd. based on the financial leasing business continued to the reporting period, with a guarantee amount of 9.831 million yuan. The project is currently under normal performance. The shareholders of the guaranteed party and relevant natural persons have provided the Company with full joint and several liability guarantee counter guarantee, and the Company's guarantee risk is generally controllable.

The above guarantee matters have been reviewed and disclosed by the board of directors.

3. Entrusted Financial Management

 Applicable Not applicable

4. Major contract of daily operation

 Applicable Not applicable

5. Other important contracts

 Applicable Not applicable**XIII. Description of other important matters** Applicable Not applicable**XV. Major matters of the company's subsidiaries** Applicable Not applicable

Section 7 Change in Share Capital and Shareholders' Information

I. Change in share capital

1. Change in share capital

items	Shares (before change)		Changes	Shares (after change)	
	number	proportion		number	proportion
I. Non-circulating share capital with restricted trade conditions	3,130,039	0.37%	+387,789	3,517,828	0.42%
Other domestic shares	3,130,039	0.37%	+387,789	3,517,828	0.42%
II. Circulating share capital	840,082,468	99.63%	-387,789	839,694,679	99.58%
1. Domestically listed ordinary shares	598,582,468	70.99%	-387,789	598,194,679	70.94%
2. Domestically listed foreign shares	241,500,000	28.64%	0	241,500,000	28.64%
III. Total shares	843,212,507	100%	0	843,212,507	100%

The reason for the Change in share capital

During the report period, the Company's new director Fan Wen, deputy general manager Lu Jun, the Company's director Ding Jie, Xu Junrao expired term of office. The above changes in personnel lead to changes in senior executives' locked-in shares, resulting in changes in share composition. The above reasons cause changes in the composition of shares.

Approval of changes in shares

Applicable Not applicable

The influence of change in share capital on the recent year and recent issue for basic earnings per share, diluted earnings per share and net assets per share.

Applicable Not applicable

2. The restricted shares changes

Applicable Not applicable

The beginning number of the restricted shares is 3,130,039, and the final number of the restricted shares is 3,517,828, with an increase of 387,789.

II. Securities issuance and listing

1. Securities issuance in the report period

Applicable Not applicable

III. Shareholders and actual controller

1. Number of shareholders and their shareholding

Total number of shareholders at the end of the reporting period	82,519	Total number of shareholders as of the last month before disclosure of the annual report	--		
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	20.27%	170,916,934		
Sanyo Electric Co., Ltd.	Overseas legal person	8.72%	73,503,150		
Lin Zhenming	Foreign natural person	0.80%	6,730,000		
Chen Yong	Domestic natural person	0.54%	4,520,000		
Wu An	Domestic natural person	0.53%	4,500,000		
Zhang Sufen	Domestic natural person	0.51%	4,300,000		
Xue Hong	Domestic natural person	0.43%	3,600,000		
Dalian industrial development investment Co., Ltd.	Domestic non-state-owned legal person	0.40%	3,406,725		
Li Xiaohua	Domestic natural person	0.37%	3,145,608		

Zhan Changcheng	Domestic natural person	0.36%	3,013,927	
Shareholding of top ten shareholders without sale restriction				
Name	Number of shares without sale restriction	Type of shares		
Dalian Bingshan Group Co., Ltd.	170,916,934	RMB denominated ordinary shares		
Sanyo Electric Co., Ltd.	73,503,150	Domestically listed foreign shares		
Lin Zhenming	6,730,000	Domestically listed foreign shares		
Chen Yong	4,520,000	RMB denominated ordinary shares		
Wu An	4,500,000	Domestically listed foreign shares		
Zhang Sufen	4,300,000	RMB denominated ordinary shares		
Xue Hong	3,600,000	Domestically listed foreign shares		
Dalian industrial development investment Co., Ltd.	3,406,725	RMB denominated ordinary shares		
Li Xiaohua	3,145,608	RMB denominated ordinary shares		
Zhan Changcheng	3,013,927	Domestically listed foreign shares		
Notes to the associated relationship and uniform actions of the above shareholders	Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.			

At the end of the reporting period, the total number of shareholders of the Company was 82,519, including 75,178 A-share shareholders and 7,341 B-share shareholders.

If the Company shareholders had any agreed repurchase transaction in the report period

Yes No

IV. Changes in shareholding of directors, supervisors and senior managers

Applicable Not applicable

V. Variation in controlling shareholders or actual controllers

Variation in controlling shareholders in the report period

Applicable Not applicable

There were no changes in the controlling shareholder in the reporting period.

Variation in actual controllers in the report period

Applicable Not applicable

Section 8 Information on Preferred Stock

Applicable Not applicable

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

Section 9 Bond Related Information

Applicable Not applicable

In the reporting period, the Company didn't own Bond.

Section 10 Financial Report

I. The Company's semiannual financial report has not been audited.

BALANCE SHEET

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. June 30, 2022 Unit: RMB Yuan

Items	30-June-2022		1-Jan-2022	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	402,662,001.86	226,098,769.14	522,658,505.79	391,077,589.19
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	181,955,093.07	54,171,528.95	166,430,365.74	61,036,803.62
Accounts receivable	982,008,651.89	640,566,516.75	821,548,678.85	408,719,275.78
Receivables financing	24,737,543.92	764,581.61	43,704,310.38	5,427,828.26
Accounts paid in advance	225,537,271.29	90,322,298.26	182,701,403.55	57,409,521.75
Other receivables	182,939,942.92	154,188,541.18	60,340,096.45	54,222,825.18
Interest receivables				
Dividend receivable	12,864,770.89	16,321,464.90	1,003,568.75	25,100,920.84
Inventories	1,053,998,091.18	340,277,702.25	1,014,527,127.82	339,977,048.51
Contract assets	126,164,442.94	74,697,908.71	109,859,658.79	50,916,025.04
Assets held for sale				
Non-current asset due within one year	14,990,989.30	13,281,553.63	14,990,989.30	13,281,553.63
Other current assets	17,677,299.20	262,875.32	24,525,076.71	8,871,387.69
Total current assets	3,212,671,327.57	1,594,632,275.80	2,961,286,213.38	1,390,939,858.65
Non-current assets:				
Finance asset held available for sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,207,390,848.39	1,877,227,706.53	1,231,504,533.45	1,923,394,225.05
Other Non-current financial assets	167,515,974.19	166,200,831.69	261,410,664.61	260,095,522.11
Investment property	117,379,096.16	93,418,471.21	120,752,809.61	95,850,052.41
Fixed assets	831,680,902.75	654,070,032.03	855,395,405.85	680,392,162.13
Construction in progress	50,556,431.55	42,169,867.00	38,974,478.45	28,279,901.38
Right of use assets	16,107,591.26	14,980,609.23	23,934,703.37	15,636,361.47
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	138,604,066.93	71,688,794.33	142,592,738.10	73,679,019.01
Expense on Research and Development				
Goodwill	1,750,799.49	-	1,750,799.49	-
Long-term expenses to be apportioned	7,465,632.83	6,113,409.69	8,088,684.23	6,766,442.52
Deferred income tax asset	90,178,832.03	16,863,056.76	89,879,574.13	16,806,287.61
Other non-current asset				
Total non-current asset	2,628,630,175.58	2,942,732,778.47	2,774,284,391.29	3,100,899,973.69
Total assets	5,841,301,503.15	4,537,365,054.27	5,735,570,604.67	4,491,839,832.34
Current liabilities:				

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Short-term loans	240,000,000.00	229,000,000.00	245,937,091.72	230,373,666.72
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	320,677,585.76	206,656,813.15	380,033,039.56	238,051,362.81
Accounts payable	1,157,541,083.28	373,435,894.60	919,871,927.53	318,798,749.33
Accounts received in advance				
Contract liabilities	445,660,584.96	130,257,394.65	499,719,963.40	115,654,933.60
Wage payable	9,106,878.51	133,117.58	35,148,782.48	13,551,313.90
Taxes payable	32,022,968.12	17,912,457.32	13,514,847.82	2,667,309.95
Other accounts payable	47,679,599.23	26,296,775.31	55,284,140.21	23,508,139.39
Interest payable				
Dividend payable	10,765,281.07	8,965,281.07	3,008,156.00	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	22,899,439.44	1,918,874.53	24,175,388.12	1,918,874.53
Other current liabilities	201,328,280.32	70,763,171.64	195,213,206.91	68,871,944.99
Total current liabilities	2,476,916,419.62	1,056,374,498.78	2,368,898,387.75	1,013,396,295.22
Non-current liabilities:				
Long-term loans	140,000,000.00	140,000,000.00	150,000,000.00	150,000,000.00
Bonds payable				
Preferred stock				
Perpetual bond				
Lease liability	5,631,101.48	12,121,374.01	5,394,021.14	13,243,055.41
Long-term account payable	23,088,337.61	-	19,998,913.29	-
Long-term wage payable				
Special Payable				
Anticipation liabilities				
Deferred income	103,009,836.92	64,389,334.92	106,185,323.82	66,992,823.82
Deferred income tax liabilities	23,238,317.04	23,238,317.04	35,596,349.70	35,596,349.70
Other non-current liabilities				
Total non-current liabilities	294,967,593.05	239,749,025.97	317,174,607.95	265,832,228.93
Total liabilities	2,771,884,012.67	1,296,123,524.75	2,686,072,995.70	1,279,228,524.15
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	719,879,694.78	755,146,592.54	720,215,866.78	755,146,592.54
Less: Treasury stock				
Other comprehensive income	2,178,681.73	1,216,581.06	2,178,681.73	1,216,581.06
Special preparation				
Surplus public reserve	809,471,199.64	809,471,199.64	809,471,199.64	809,471,199.64
Generic risk reserve				
Retained profit	648,900,808.77	832,194,649.28	627,764,582.32	803,564,427.95
Total owner's equity attributable to parent company	3,023,642,891.92	3,241,241,529.52	3,002,842,837.47	3,212,611,308.19
Minority interests	45,774,598.56	-	46,654,771.50	-

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Total owner's equity	3,069,417,490.48	3,241,241,529.52	3,049,497,608.97	3,212,611,308.19
Total liabilities and shareholder's equity	5,841,301,503.15	4,537,365,054.27	5,735,570,604.67	4,491,839,832.34

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

INCOME STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. January-June, 2022 Unit: RMB Yuan

Items	January-June, 2022		January-June, 2021	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	1,291,858,908.71	468,001,628.25	1,094,285,620.97	406,481,436.30
II. Total operating cost	1,304,025,021.32	486,496,189.37	1,125,502,134.17	430,343,974.93
Including: Operating cost	1,131,915,209.09	407,577,362.51	950,404,769.26	350,403,193.45
Taxes and associate charges	9,791,372.03	5,558,409.19	9,681,522.15	6,384,124.77
Selling and distribution expenses	55,209,408.15	20,533,128.73	56,710,524.65	21,863,336.01
Administrative expenses	70,074,155.71	34,892,044.21	71,726,497.78	33,484,241.78
R&D expenses	31,564,520.91	14,040,048.85	30,738,151.60	13,801,193.69
Financial expense	5,470,355.43	3,863,954.55	6,240,668.73	4,407,885.23
Including: interest expense	7,533,477.17	4,561,734.35	8,685,937.28	6,705,229.51
interest income	2,004,850.77	1,542,821.77	3,144,366.44	3,042,414.46
Add: Other income	1,984,170.62	31,241.33	914,454.99	-
Gain/(loss) from investment	83,743,763.15	88,227,124.82	28,211,757.61	29,386,783.07
Including: income from investment on affiliated enterprise and jointly enterprise	16,955,402.09	16,926,568.63	21,085,751.39	22,157,178.59
Gain/(loss) from change in fair value (loss as "--")	-29,425,921.52	-29,425,921.52	-5,034,903.12	-5,034,903.12
Credit impairment loss (loss as "--")	-12,091,879.71	-1,460,424.20	-7,635,425.72	-2,126,150.18
Assets impairment loss (loss as "--")	-775,665.61	-632,818.79	-1,016,603.72	-403,392.99
Gain/(loss) from asset disposal (loss as "--")	67,260.20	1,451.76	8,393.93	-399.28
III. Operating profit	31,335,614.52	38,277,333.61	-15,768,839.23	-2,040,601.13
Add: non-business income	1,610,684.35	20,000.08	1,939,098.38	48.54
Less: non-business expense	332,644.57		561,689.05	373,198.48
IV. Total profit	32,613,654.30	38,297,333.69	-14,391,429.90	-2,413,751.07
Less: Income tax	2,774,153.99	1,234,987.29	2,514,997.49	-1,043,300.45
V. Net profit	29,839,500.31	37,062,346.40	-16,906,427.39	-1,370,450.62
(I) Net profit from continuous operation	29,839,500.31	37,062,346.40	-16,906,427.39	-1,370,450.62
(II) Net profit from discontinuing operation				
Net profit attributable to parent company	29,568,351.52	37,062,346.40	-14,584,210.01	-1,370,450.62
Minority shareholders' gains and losses	271,148.79		-2,322,217.38	-
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				

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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	29,839,500.31	37,062,346.40	-16,906,427.39	-1,370,450.62
Total comprehensive income attributable to parent company	29,568,351.52	37,062,346.40	-14,584,210.01	-1,370,450.62
Total comprehensive income attributable to minority shareholders	271,148.79		-2,322,217.38	-
VIII. Earnings per share				
(I) basic earnings per share	0.035		-0.017	-
(II) diluted earnings per share	0.035		-0.017	-

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

CASH FLOW STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. January -June, 2022 Unit: RMB Yuan

Items	January -June, 2022		January -June, 2021	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1,261,666,720.62	352,345,258.81	829,930,587.89	363,144,362.91
Write-back of tax received	11,560,593.20	4,006,659.69	13,785,959.06	-
Other cash received concerning operating activities	27,127,455.59	5,384,314.18	43,810,533.99	10,124,431.16
Subtotal of cash inflow arising from operating activities	1,300,354,769.41	361,736,232.68	887,527,080.94	373,268,794.07
Cash paid for purchasing commodities and receiving labor service	1,193,219,986.59	496,371,451.85	611,357,308.87	250,713,151.99
Cash paid to/for staff and workers	188,402,543.12	62,633,591.91	180,167,491.49	57,127,778.83
Taxes paid	31,106,515.38	11,139,042.04	39,272,409.35	21,117,335.18
Other cash paid concerning operating activities	77,032,061.17	32,464,131.37	85,617,707.51	24,604,890.78
Subtotal of cash outflow arising from operating activities	1,489,761,106.26	602,608,217.17	916,414,917.22	353,563,156.78
Net cash flows arising from operating activities	-189,406,336.85	-240,871,984.49	-28,887,836.28	19,705,637.29
II. Cash flows arising from investing activities:				
Cash received from recovering investment	300,000.00	300,000.00	3,262.34	
Cash received from investment income	76,499,887.00	76,474,242.00	40,106,533.49	40,106,533.49
Net cash received from disposal of fixed, intangible and other long-term assets	361,191.28	5,000.00	79,228.00	5,000.00
Net cash received from disposal of subsidiaries and other units	5,605,792.62	25,888,200.00	36,263,700.00	36,263,700.00
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	82,766,870.90	102,667,442.00	76,452,723.83	76,375,233.49
Cash paid for purchasing fixed, intangible and other long-term assets	12,416,614.10	9,320,136.74	4,948,265.12	3,291,284.99
Cash paid for investment			45,400,000.00	45,400,000.00
Net cash paid for achievement of subsidiaries and other business units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	12,416,614.10	9,320,136.74	50,348,265.12	48,691,284.99
Net cash flows arising from investing activities	70,350,256.80	93,347,305.26	26,104,458.71	27,683,948.50
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	240,850,000.00	229,000,000.00	235,180,000.00	207,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	95,778,131.09	21,144,709.02	60,343,934.67	23,123,472.43
Subtotal of cash inflow from financing activities	336,628,131.09	250,144,709.02	295,523,934.67	230,123,472.43
Cash paid for settling debts	237,845,000.00	237,845,000.00	284,622,721.99	266,011,600.00
Cash paid for dividend and profit distributing or interest paying	12,340,724.16	8,186,734.35	8,511,930.03	7,062,645.82
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash paid concerning financing activities	56,257,183.04	612,000.00	60,312,645.22	22,103,989.52
Subtotal of cash outflow from financing activities	306,442,907.20	246,643,734.35	353,447,297.24	295,178,235.34
Net cash flows arising from financing activities	30,185,223.89	3,500,974.67	-57,923,362.57	-65,054,762.91
IV. Influence on cash due to fluctuation in exchange rate	1,614,217.38	-15.49	116,967.67	-448.17

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V. Net increase of cash and cash equivalents	-87,256,638.78	-144,023,720.05	-60,589,772.47	-17,665,625.29
Add: Balance of cash and cash equivalents at the period -begin	438,969,337.87	369,932,989.19	314,978,460.49	185,202,268.28
VI. Balance of cash and cash equivalents at the period-end	351,712,699.09	225,909,269.14	254,388,688.02	167,536,642.99

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd 2022.01-06 Unit: RMB Yuan

Items	2022.01-06								
	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	720,215,866.78		2,178,681.73		809,471,199.64	627,764,582.32	46,654,771.50	3,049,497,608.97
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00	720,215,866.78		2,178,681.73		809,471,199.64	627,764,582.32	46,654,771.50	3,049,497,608.97
III. Increase/ decrease of amount in this year ("-" means decrease)		336,172.00					21,136,226.45	-880,172.94	19,919,881.51
(I) Total comprehensive incomes							29,568,351.52	271,148.79	29,839,500.31
(II) Capital increased and reduced by owners								648,678.27	648,678.27
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								648,678.27	648,678.27
(III) Profit distribution							-8,432,125.07	-1,800,000.00	-10,232,125.07
1. Withdrawing surplus public reserve									
2. Distribution to all owners (shareholders)							-8,432,125.07	-1,800,000.00	-10,232,125.07
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period									
2. Used in the period									
(VI) Other		-336,172.00							-336,172.00
IV. Balance at the end of this period	843,212,507.00	719,879,694.78		2,178,681.73		809,471,199.64	648,900,808.77	45,774,598.56	3,069,417,490.48

Legal Representative: Ji Zhijian

Chief Financial Official: Wang Jinxiu

Person in Charge of Accounting Organization: Li Sheng

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. 2022 Semiannual Report

Items	2021.01-06								
	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		805,525,775.33	997,601,577.97	73,596,499.65	3,449,206,287.72
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		805,525,775.33	997,601,577.97	73,596,499.65	3,449,206,287.72
III. Increase/ decrease of amount in this year ("-" means decrease)		-16,123,970.29				12,785,383.91	-35,801,718.99	-2,322,217.38	-41,462,522.75
(I) Total comprehensive incomes							-14,584,210.01	-2,322,217.38	-16,906,427.39
(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						12,785,383.91	-21,217,508.98		-8,432,125.07
1. Withdrawing surplus public reserve						12,785,383.91	-12,785,383.91		
2. Distribution to all owners (shareholders)							-8,432,125.07		-8,432,125.07
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					1,201,021.67				1,201,021.67
2. Used in the period					-1,201,021.67				-1,201,021.67
(VI) Other		-16,123,970.29							-16,123,970.29
IV. Balance at the end of this period	843,212,507.00	710,644,497.71		2,501,459.77		818,311,159.24	961,799,858.98	71,274,282.27	3,407,743,764.97

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd 2022.01-06 Unit: RMB Yuan

Items	2022.01-06								
	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		755,146,592.54		1,216,581.06		809,471,199.64	803,564,427.95	3,212,611,308.19
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00		755,146,592.54		1,216,581.06		809,471,199.64	803,564,427.95	3,212,611,308.19
III. Increase/ decrease of amount in this year ("-" means decrease)								28,630,221.33	28,630,221.33
(I) Total comprehensive incomes								37,062,346.40	37,062,346.40
(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								-8,432,125.07	-8,432,125.07
1. Withdrawing surplus public reserve									
2. Distribution to all owners (shareholders)								-8,432,125.07	-8,432,125.07
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						641,750.97			641,750.97
2. Used in the period						-641,750.97			-641,750.97
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		755,146,592.54		1,216,581.060		809,471,199.64	832,194,649.28	3,241,241,529.52

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

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Items	2021.01-06								
	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		805,525,775.33	990,593,941.49	3,412,142,145.75
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		805,525,775.33	990,593,941.49	3,412,142,145.75
III. Increase/ decrease of amount in this year ("+" means increase)			-16,123,970.29				12,785,383.91	-22,587,959.60	-25,926,545.98
(I) Total comprehensive incomes								-1,370,450.62	-1,370,450.62
(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							12,785,383.91	-21,217,508.98	-8,432,125.07
1. Withdrawing surplus public reserve							12,785,383.91	-12,785,383.91	-
2. Distribution to all owners (shareholders)								-8,432,125.07	-8,432,125.07
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						1,201,021.67			1,201,021.67
2. Used in the period						-1,201,021.67			-1,201,021.67
(VI) Other			-16,123,970.29						-16,123,970.29
IV. Balance at the end of this period	843,212,507.00		755,146,592.54		1,539,359.10		818,311,159.24	968,005,981.89	3,386,215,599.77

Legal Representative: Ji Zhijian Chief Financial Officer: Wang Jinxiu Person in Charge of Accounting Organization: Li Sheng

II. Accounting statement

III. 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 RMB350,014,975Yuan.

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

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

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

According to the 'Restricted Share Incentive Plan(draft) of Dalian Refrigeration Company Limited for the year of 2016' and the 'Proposal regarding the shareholders' meeting authorized the board of directors to implement the Restricted Share Incentive Plan' approved on the 3rd provisional general meeting held on 13th September 2016, the 9th meeting of the 7th generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20th, 2016 and set 20th September 2016 as share granted date, and granted

12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22ndNovember, 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 23rdNovember, 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 logging 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).

During this reporting period, entities within the consolidation scope has change comparing to last year, decreasing 2 entities (Bingshan Technology Services (Dalian) Co., Ltd. and Ningbo Bingshan Refrigeration and Air Conditioning Engineering Co., Ltd.).

IV. 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.

V. Significant Accounting Policies and Accounting Estimates

1. Declaration for compliance with accounting standards for business enterprises

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

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

The Group adopts RMB as functional currency.

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

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

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

6. Method of preparation of consolidated financial statements

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

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

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

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

If a business consolidation under common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained.

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

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

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

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

When the Group partially disposes of the long-term equity investment in subsidiary and lose the control over it, in preparation of consolidated financial statements, remaining share of interest in the subsidiary shall be remeasured on the date of losing control. Sum of the share disposal consideration and fair value of remaining portion of shareholding minus the share of the net assets in the subsidiary held based on the previous shareholding percentage since the acquisition date or

combination date, the balance of above is recognized as investment gain/loss for the period and goodwill shall be written off accordingly. Other comprehensive income relevant to share investment in subsidiary shall be transferred to investment gain /loss for the period on the date of losing control.

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

7. Joint arrangement classification and joint operation accounting

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

8. Cash and cash equivalent

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

9. Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the owner’s equity items except “undistributed

profit”, others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the other comprehensive income title. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

10. Financial assets and financial liabilities

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: ① financial liability measured at fair value through profit or loss including tradable financial liability (derivative instrument of financial liability included) and designated as financial liability measured at fair value through profit or loss ② financial assets transfers that do not qualify for derecognition or financial liability is formed from continuing involvement in transferred assets ③ financial guarantee contract not in the above category of ① or ② and loan commitment which is not in the category ① at the below the market loan rate.

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

2) Financial liability derecognition

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

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

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

(4) Financial asset and financial liability offset

Financial asset and financial liability shall be presented in the balance sheet separately and cannot be offset, unless the following conditions are all met: 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 recollectd within rational expectation any longer.

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

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.

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. Receivables financing

In the process of managing enterprise liquidity, the Company carries out endorsement transfer or discount of most of the notes receivable before maturity, and terminates the confirmation of the discounted or endorsed notes receivable based on the fact that the Company has transferred almost all the risks and rewards of the relevant notes receivable to the relevant counterparty. The company's business model of managing notes receivable is aimed at both collecting the contract cash flow and selling the financial asset, so it is classified as the financial asset measured at fair value and its changes are included in other comprehensive income, and listed in the receivables financing.

14. 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.

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”

15. 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

16. 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".

17. 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.

18. Long-term receivables

(1) Confirmation method of impairment provisio

On the basis of expected credit losses, the Company will always measure its loss provision in accordance with the amount equivalent to the expected credit losses in the entire duration for long-term receivables formed by transactions regulated by the Accounting Standards for Enterprises No. 14 - Income Standards that do not contain significant financing components.

Measurement of expected credit losses. Expected credit loss refers to the weighted average of the credit loss of a financial instrument weighted by the risk of default. The credit loss herein refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

(2) A portfolio method to evaluate expected credit risk on the basis of portfolio

The Company evaluates the credit risk of financial assets with significantly different credit risks, such as: long-term receivables that have disputes with the other party or involve litigation or

arbitration; Other receivables where there is a clear indication that the debtor is likely to be unable to meet its obligations, etc.

Except for financial assets for which credit risk is assessed individually, the Company divides financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

In addition to long-term receivables with single credit risk assessment, it is divided into different combinations based on the relationship between long-term receivables transaction objects as the common risk characteristics, and the expected credit loss accounting estimation policy is determined:

Accounting policy for expected credit loss of portfolio classification

The related party portfolio management within the scope of the merger evaluates that such projects have low credit risk

Other related parties and combinations of non-related parties shall draw impairment provisions in accordance with the expected loss rate

With reference to historical credit loss experience and combined with the current situation and forecast of future economic conditions, the company prepares a comparison table between the age of long-term receivables and the expected credit loss rate of the entire duration to calculate the expected credit loss.

The Company's method of measuring expected credit losses on financial instruments reflects factors such as: an unbiased probability weighted average amount determined by evaluating a range of possible outcomes; Time value of money; Reasonable and evidence-based information about past events, current conditions, and projections of future economic conditions that are available at no unnecessary additional cost or effort at the balance sheet date.

The Company calculates the expected credit loss of long-term receivables on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current impairment provision for long-term receivables, the Company recognizes the difference as the impairment loss for long-term receivables, debits the "credit impairment loss" and credits the "bad debt provision". Instead, the company recognizes the difference as an impairment gain and makes the opposite accounting record.

If the company decides that the related long-term receivables cannot be collected due to the actual credit loss and is approved to cancel, the "bad debt reserve" and the "long-term receivables" shall be debited and credited according to the approved amount of write-off. If the write-off amount is greater than the loss provision already drawn, the difference will be debited to "credit impairment loss" on a regular basis.

19. Long-term equity investment

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

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

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

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

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

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

If the equity of investee not under common control is acquired by stages and business combination incursion the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. If the equity investment of investee not under common control is acquired by stages and business combination incursion the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount of the equity investment held previously plus newly increased investment cost are taken as the initial investment cost under cost model. If equity investment is held under equity method before the acquisition date, other comprehensive income under equity method previously shall not be adjusted accordingly. When disposing of the

investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Equity held prior to acquisition date as available for sale financial assets under fair value model, accumulated change on fair value previously recorded in other comprehensive shall be transferred into investment gain/loss for the period.

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

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

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

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

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

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

Where the entity has no longer control over the investee company as a result of partially disposal

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

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

20. 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%

21. 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.

22. 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.

23. 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.

24. Right of use assets

The right to use assets refers to the right of the Company as the lessee to use the leased assets during the lease term.

(1) Initial measurement

On the commencement date of the lease term, the Company shall make an initial measurement of the right to use assets at the cost. The cost includes the following four items: (1) The initial measurement amount of lease liabilities; (2) The amount of the lease payment paid on or before the commencement date of the lease term, if there is a lease incentive, will be deducted from the amount of the lease incentive already enjoyed; (3) The initial direct costs incurred, namely the incremental costs incurred to achieve the lease; (4) The cost expected to be incurred for the demolition and removal of the leased asset, the restoration of the leased asset site or the restoration of the leased asset to the state agreed in the lease terms, except those incurred for the production of inventory.

(2) Follow-up measurement

After the commencement of the lease term, the Company shall adopt the cost model to carry out subsequent measurement of the right to use assets, that is, to measure the right to use assets at the cost minus accumulated depreciation and accumulated impairment losses. If the Company re-measures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right to use assets shall be adjusted accordingly.

Depreciation of usufruct assets

From the commencement date of the lease term, the Company shall make depreciation of the usufruct. The usufruct asset is usually depreciated in the month in which the lease begins (if the enterprise chooses to depreciate in the month in which the lease begins, it needs to be depreciated according to the specific situation described). The amount of depreciation deducted shall, according to the use of the usufruct, be included in the cost of the relevant asset or the current profit and loss.

When determining the depreciation method of the right to use assets, the Company shall make a decision based on the expected consumption mode of the economic benefits related to the right to use assets, and shall calculate and deduct the depreciation of the right to use assets by the straight

line method.

In determining the depreciable life of the use-right assets, the Company shall follow the following principles: Where the ownership of the leased assets is reasonably determined at the end of the lease term, depreciation shall be accrued during the remaining service life of the leased assets; Where it is not reasonably certain that ownership of the leased asset will be acquired at the end of the lease term, depreciation shall be accrued within the shorter period of the lease term or the remaining useful life of the leased asset.

Impairment of the right to use assets

In case of impairment of the right to use assets, the Company shall carry out subsequent depreciation according to the book value of the right to use assets after deducting the impairment loss.

25. 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.

26. 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.

27. 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 30 years; redecoration expense and others will be amortized within 3 years.

28. 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.

29. 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.

30. Lease liability

(1) Initial measurement

The company shall initially measure the liabilities of the lease according to the present value of the outstanding lease payments on the commencement date of the lease term.

1) Lease payment

The lease payment amount refers to the amount paid by the Company to the Lessor in connection with the right to use the leased assets during the lease term, including: (1) Fixed payment amount and substantial fixed payment amount, less the amount related to the lease incentive where there is a lease incentive; (ii) variable lease payments dependent on indices or ratios, which are determined at the initial measurement on the basis of the indices or ratios on the commencement date of the lease; (3) The exercise price of the purchase option when the Company reasonably determines that the purchase option will be exercised; (4) The term of the lease reflects the amount of money to be paid for the termination of the lease option when the Company will exercise it; (5) The amount expected to be paid based on the residual value of the guarantee provided by the Company.

2) Discount rate

When calculating the present value of the lease payments, the Company shall use the interest rate embedded in the lease as the discount rate, which is the interest rate at which the sum of the present value of the lease receipts and the present value of the unsecured residual value of the lessor is equal to the sum of the fair value of the leased asset and the initial direct expenses of the Lessor. If the company is unable to determine the inherent interest rate of the lease, the incremental borrowing rate shall be used as the discount rate. Such incremental borrowing rate shall mean the interest rate

payable by the Company during a similar period under similar mortgage conditions in order to acquire assets with a value similar to that of the usable-use assets under similar economic circumstances. The interest rate is related to: (1) the company's own situation, i.e., the company's solvency and credit standing; ② The term of the "loan", i.e. the lease term; (3) The amount of "borrowed" funds, that is, the amount of lease liabilities; (4) "collateral conditions", that is, the nature and quality of the underlying assets; (5) Economic environment, including the jurisdiction where the lessee is located, the valuation currency, the signing time of the contract, etc. The company's bank loan interest rate/related lease contract interest rate/the company's latest similar asset mortgage interest rate/the interest rate of bonds issued by the enterprise in the same period..... Based on the above adjustment factors to obtain the incremental borrowing rate.

(2) Follow-up measurement

On the commencement date of the lease term, the Company shall carry out subsequent measurement of the lease liabilities according to the following principles: (1) Increase the carrying amount of the lease liabilities when recognizing the interest of the lease liabilities; (2) Reduce the carrying amount of lease liabilities when paying the lease payment; (3) When the lease payment changes due to revaluation or lease change, the book value of the lease liability shall be measured again.

The Company shall calculate the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate and record it into the current profit and loss, except for those that should be capitalized. The periodic interest rate refers to the discount rate used by the Company for the initial measurement of lease liabilities, or the revised discount rate used by the Company for the remeasurement of lease liabilities due to changes in lease payments or changes in lease.

(3) Re-measurement

After the commencement of the lease term, in the event of any of the following circumstances, the Company shall re-measure the lease liabilities according to the present value of the lease payments after the change and adjust the book value of the usufruct accordingly. If the book value of the right to use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the company shall record the remaining amount into the profits and losses of the current period. (1) Changes in the substantial fixed payment amount (in this case, the original discount rate is used to discount); (2) The estimated amount payable of the residual value changes (in this case, the original discount rate is used to discount); (3) Any change in the index or rate used to determine the lease payment (in which case the revised discount rate is used); (4) The evaluation result of the call option changes (in this case, the revised discount rate is used to discount); (5) Changes in the assessment result or actual exercise of the lease option to renew or terminate the lease option (in which case, the revised discount rate is used to discount the option).

31. 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.

32. 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.

33. 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.

34. 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.

35. 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.

36. Lease

(1) Accounting treatment of operating leases

(1) Identification of lease

A lease is a contract whereby the lessor assigns the right to the use of an asset to the lessee for a certain period of time in exchange for consideration. On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if a party assigns the right to control the use of one or more identified assets for a certain period of time in exchange for consideration. To determine whether the contract relinquishes the right to control the use of the identified assets for a given period, the Company assesses whether the client under the contract is entitled to receive virtually all the economic benefits arising from the use of the identified assets during the use period and is entitled to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases at the same time, the company will divide the contract and make accounting treatment for each separate lease. If the contract contains both leasing and non-leasing parts, the company shall split the leasing and non-leasing parts for accounting treatment.

(2) The Company acts as the lessee

On the commencement date of the lease term, the Company shall recognize the right to use assets and liabilities of the lease. The recognition and measurement of right to use assets and lease liabilities are shown in "27. Right to use Assets" and "33. Lease liabilities".

2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the terms of the original contract, including the increase or termination of the right to use one or more leased assets, the extension or shortening of the lease term stipulated in the contract, etc. The effective date of the lease change means the date on which the parties agree on the lease change.

If the lease changes and the following conditions are met at the same time, the Company will treat the lease change as a separate lease for accounting: (1) The lease change expands the lease scope or the lease term by increasing the right to use one or more leased assets; (2) The increased consideration shall be equivalent to the amount of the individual price for the extended portion of the lease scope or the extended lease term adjusted for the circumstances of the contract.

If the change of lease is not accounted for as a separate lease, the Company shall, on the effective date of the change of lease, apportion the consideration of the contract after the change in accordance with relevant provisions of the lease standards and redefine the lease period after the change; The revised discount rate is used to discount the changed lease payment amount to re-measure the lease liabilities. When calculating the present value of the lease payment after the change, the Company shall use the lease embedded interest rate during the remaining lease period as the discount rate; If it is not possible to determine the leasehold interest rate for the remaining lease term, the Company shall use the lessee's incremental borrowing rate on the effective date of the lease change as the discount rate. With respect to the impact of the above adjustment of lease liabilities, the Company will make accounting treatment according to the following circumstances: (1) If the change of lease results in the reduction of the scope of lease or the shortening of lease term, the lessee shall reduce the book value of the right to use assets and record the profits or losses related to partial or complete termination of lease into the current profit and loss. (2) If the lease liabilities are remeasured due to other lease changes, the lessee shall adjust the book value of the right to use assets accordingly.

3) Short-term leases and leases of low-value assets

For short-term leases with a lease term of no more than 12 months and low-value asset leases with a lower value when each leased asset is a new asset, the Company chooses not to recognize the right to use assets and lease liabilities. The Company will include the lease payments for short-term leases and leases of low-value assets into the cost of the relevant assets or current profits and losses during each period of the lease term in accordance with the straight-line method or other systematically reasonable method.

(3) Our company is the lessor

On the basis that this Contract is or includes a lease as assessed in (1), the Company, as the lessor, on the commencement date of the lease, divides the lease into a finance lease and an operating lease.

If a lease substantially transfers almost all of the risks and rewards associated with ownership of the leased asset, the lessor classifies the lease as a finance lease and any lease other than finance lease as an operating lease.

The Company generally classifies a lease as a finance lease if it has one or more of the following conditions: (1) At the end of the lease term, the ownership of the leased asset passes to the lessee; (2) The lessee has the option to purchase the leased asset, and the purchase price entered into is

sufficiently low compared with the fair value of the leased asset at the time the option is expected to be exercised, so that it can be reasonably determined on the commencement date that the lessee will exercise the option; (3) Although the ownership of the asset is not transferred, the lease period accounts for most of the service life of the leased asset (no less than 75% of the service life of the leased asset); (4) On the lease commencement date, the present value of the lease receipts is almost equivalent to the fair value of the leased asset (not less than 90% of the fair value of the leased asset). ; ⑤ The leased assets are special in nature, and only the lessee can use them if there is no major transformation. The Company may also classify a lease as a finance lease if it has one or more of the following signs: (1) If the lessee cancels the lease, the lessee shall bear the loss caused to the lessor by the cancellation; (2) the profit or loss generated by the fluctuation of the fair value of the residual asset belongs to the lessee; (3) The lessee has the ability to continue the lease at a rent far below the market level until the next period.

2) Accounting treatment of operating lease

Disposal of rent

During each period of the lease term, the Company will use the straight-line method/other systematic and reasonable methods to recognize lease receipts from operating leases as rental income.

Incentives offered

If the rent-free period is provided, the Company shall allocate the total rent by the straight line method/other reasonable method throughout the lease period without deducting the rent-free period, and shall recognize the rental income during the rent-free period. If the Company bears certain expenses of the Lessee, such expenses shall be deducted from the total rental income and distributed according to the balance of the rental income after deduction.

Initial direct cost

The initial direct expenses incurred by the Company in connection with the operating lease shall be capitalized to the cost of the underlying assets under lease and shall be booked into the current profits and losses in stages during the lease term on the same recognition basis as the rental income.

Depreciation

For the fixed assets in the operating leased assets, the Company shall adopt the depreciation policy for similar assets. Other operating leased assets shall be amortized in a systematic and reasonable manner.

Variable lease payments

The variable lease payments obtained by the Company in connection with the operating lease and not included in the lease receipts shall be recorded into the current profit and loss when actually incurred.

Changes in operating leases

If an operating lease changes, the Company will treat it as a new lease as of the effective date of the change, and the amount received in advance or receivable for the lease related to the lease before the change is regarded as the amount received for the new lease.

(2) Accounting treatment of finance lease

Initial measurement

On the commencement date of the lease term, the Company shall recognize the finance lease receivable and terminate the recognition of the finance lease assets. In the initial measurement of the finance lease receivables, the Group shall take the net lease investment as the recorded value of the finance lease receivables.

The net lease investment is the sum of the present value of the unsecured residual value and the lease receipts not yet received at the commencement of the lease period, discounted at the interest rate contained in the lease. Lease revenue refers to the amount of money that the lessor should collect from the lessee for the assignment of the right to use the leased assets during the lease term, including: (1) the fixed amount and substantial fixed amount payable by the lessee; If there is a lease incentive, the amount related to the lease incentive will be deducted; (ii) variable lease payments dependent on indices or ratios, which are initially measured according to the indices or ratios on the commencement date of the lease; (3) the exercise price of the option to buy, provided that it is reasonably determined that the lessee will exercise the option; (4) the amount to be paid by the lessee to exercise the termination option, provided that the lease term reflects that the lessee will exercise the termination option; (5) Guarantee residual value provided to the lessor by the lessee, the party related to the lessee and an independent third party who has the economic ability to perform the guarantee obligation.

Subsequent measurement

The Company calculates and recognizes the interest income for each period of the lease term at a fixed periodic interest rate. The periodic interest rate, it is to point to determine the net investment in the lease use contains the discount rate (if relet, sublet's interest rate implicit in the lease cannot be determined, using the original leasing of the discount rate (adjustments according to the initial direct costs related to sublease)), or change in the financing lease is not as a separate lease accounting treatment, and meet if changes to take effect on the lease beginning date, The lease will be classified as a financial lease at the revised discount rate determined in accordance with the relevant provisions.

Accounting treatment of lease changes

If the finance lease changes and meets the following conditions at the same time, the Company will treat the change as a separate lease for accounting: (1) The change expands the scope of lease by increasing the right to use one or more leased assets; (2) The increased consideration shall be equivalent to the amount of the individual price of the expanded lease area adjusted for the

circumstances of the contract.

If the change of financing lease is not as a single lease accounting treatment, and meet if changes to take effect on the lease beginning date, the lease will be classified as an operating lease terms, the group since the day of the effect of the change of it as a new lease accounting treatment, and prior to the effect of the change of the net investment in the lease as the book value of the leased asset.

37. Other significant accounting policies, accounting Estimates

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

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

(1) Impairment of receivable

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

(2) Provision of inventory impairment

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

(3) Provision of goodwill impairment

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

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

applied, the impairment is required.

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

If actual profit margin or discounting rate before tax is higher or lower than management's estimate, any impairment recognized before 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.

38. Changes in Accounting Policies, Accounting Estimates

None

VI. 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 3rd December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200646, and the validity duration is three years. According to the tax law, the Company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The Company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 3rd December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200672, and the validity duration is three years.

According to the tax law, Bingshan Air-conditioning 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, Bingshan Guardian 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, Wuhan New World Refrigeration 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 3rd December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200570, and the validity duration is three years. According to the tax law, Universe 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 Electronics Technology Co., Ltd obtained the qualification of high and new technology enterprises on 3rd December, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200699, and the validity duration is three years. According to the tax law, New Meica can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

VII. Notes to Consolidated Financial Statements

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	37,599.67	99,580.64
Cash in bank	351,737,315.42	443,177,237.30
Other cash and cash equivalents	50,887,086.77	79,381,687.85
Total	402,662,001.86	522,658,505.79

Note: The total amount of restricted monetary funds at the end of the period was 50,887,086.77 Yuan, including 30,671,478.54 Yuan for bank acceptance, 5,987,639.95 Yuan for letter of credit, 7,793,072.96 Yuan for letter of guarantee, 1,000,000.00 Yuan for migrant workers, and 5,434,895.32 Yuan for bank accounts frozen due to litigation.

2. Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	174,585,498.27	163,956,682.86
Commercial acceptance notes	7,369,594.80	2,473,682.88
Total	181,955,093.07	166,430,365.74

Items	Closing Balance					Opening Balance				
	Booking balance		Provision for bad debts		Book value	Booking balance		Provision for bad debts		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Including:										
Notes receivable with provision for bad debts by combination	182,511,498.27	100.00	556,405.20	0.30	181,955,093.07	166,617,129.06	100.00	186,763.32	0.11	166,430,365.74
Including:										
Bank acceptance bill	174,585,498.27	95.66			174,585,498.27	163,956,682.86	98.40			163,956,682.86
trade acceptance draft	7,926,000.00	43.34	556,405.20	7.02	7,369,594.80	2,660,446.20	1.60	186,763.32	7.02	2,473,682.88
Total	182,511,498.27	100.00	556,405.20	0.30	181,955,093.07	166,617,129.06	100.00	186,763.32	0.11	166,430,365.74

Provision for bad debts by combination:

Items	Closing Balance		
	Booking balance	Bad debt provision	Provision ratio
Trade acceptance draft	7,926,000.00	556,405.20	7.02%

Instructions for determining the basis for this combination:

If the bad debt provision for bills receivable is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

£Applicable RNot applicable

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

Provision for bad debts in the current period:

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Collected/reversed	Written-off	Others	
Bad debt provision for notes receivable	186,763.32	369,641.88				556,405.20
Total	186,763.32	369,641.88				556,405.20

Among them, the amount of bad debt provision recovered or reversed in the current period is important:

£Applicable RNot applicable

(3) Notes receivable pledged by the company at the end of the period

Items	Closing pledged amount
Bank acceptance notes	4,810,536.65
Total	4,810,536.65

(4) 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		142,918,849.10
Total		142,918,849.10

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance					Opening Balance				
	Booking balance		Provision for bad debts		Book value	Booking balance		Provision for bad debts		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable with provision for bad debts by combination	1,355,303,774.28	100.00	373,295,122.39	27.54	982,008,651.89	1,193,312,546.52	100.00	371,763,867.67	31.15	821,548,678.85
Total	1,355,303,774.28	100.00	373,295,122.39	27.54	982,008,651.89	1,193,312,546.52	100.00	371,763,867.67	31.15	821,548,678.85

Provision for bad debts by combination:

Items	Closing Balance		
	Booking balance	Provision	%
within 1 year	749,445,703.10	52,611,088.36	7.02
1-2 years	150,287,415.03	25,158,113.28	16.74
2-3 years	63,997,681.96	19,730,485.35	30.83
3-4 years	159,385,816.51	78,625,023.28	49.33
4-5 years	125,733,377.22	90,716,631.66	72.15
more than 5 years	106,453,780.46	106,453,780.46	100.00
Total	1,355,303,774.28	373,295,122.39	

Instructions for determining the basis for this combination:

If the bad debt provision for accounts receivable is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

ⒺApplicable ⒻNot applicable

Disclosure by age

Aging	Closing Balance
Within 1 year	749,445,703.10
1 to 2 years	150,287,415.03
2 to 3 years	63,997,681.96
More than 3 years	391,572,974.19
3 to 4 years	159,385,816.51
4 to 5 years	125,733,377.22
More than 5 years	106,453,780.46
Total	1,355,303,774.28

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

Provision for bad debts in the current period:

Category	Opening balance	Change during the period				Closing Balance
		Accrued	Collected/reversed	Written-off	Others	
Bad debt provision for accounts receivable	371,763,867.67	11,270,943.86	46,564.77	9,693,124.37		373,295,122.39

3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	9,693,124.37

Among them, the important accounts receivable write-off situation:

Company	The nature of accounts receivable	Written off amount	Reason for written off	Written off procedures performed	Whether the payment is caused by a related transaction
Tianjin Jitai Technology Co., Ltd.	payment	574,259.50	Quality issues	Board Resolution	No

Anyang Zhongpin Food Co., Ltd.	payment	1,520,000.00	Client has been bankrupted	Board Resolution	No
Sanhui Food Logistics (Tianjin) Co., Ltd.	payment	1,189,926.00	Agreement	Board Resolution	No
Qingdao Haihe Engineering Group Co., Ltd. (Shandong Yurui)	payment	903,000.00	Client has been bankrupted	Board Resolution	No
Hebei Hongdao Technology Co., Ltd.	payment	1,257,965.20	Client has no executable assets	Board Resolution	No
Total		5,445,150.70			

4) The top five significant accounts receivable categorized by debtors

Company	Closing Balance	% of the total AR	Closing Balance of Provision
Xinjiang Silk Road Tianshan International Food City Investment Co., Ltd.	41,310,655.23	3.05	2,900,008.00
Hualu Engineering Technology Co., Ltd.	40,138,250.00	2.96	2,817,705.15
Panasonic Cold Chain (Dalian) Co., Ltd.	38,098,054.10	2.81	2,674,483.40
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	2.42	25,281,907.38
Dalian Xinghaiwan Management and Development Center	24,020,836.00	1.77	18,577,302.85
Total	176,316,539.33	13.01	

4. Receivables financing

Items	Closing Balance	Opening Balance
Notes receivable	24,737,543.92	43,704,310.38
Total	24,737,543.92	43,704,310.38

Increase and decrease of receivables in financing capital period and changes in fair value

£Applicable RNot applicable

If the provision for impairment of receivable financing is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of impairment provision:

ⓧApplicable ⓂNot applicable

5. Accounts paid in advance

(1) Aging of accounts paid in advance

Items	Closing Balance		Opening Balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	151,577,102.96	67.21%	146,457,045.63	80.16%
1 to 2 years	42,665,123.96	18.92%	16,304,629.82	8.92%
2 to 3 years	16,412,801.81	7.28%	12,765,104.33	6.99%
Over 3 years	14,882,242.56	6.59%	7,174,623.77	3.93%
Total	225,537,271.29		182,701,403.55	

Significant prepayment over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Dalian Hengtong Refrigeration engineering Co., Ltd	5,720,000.00	2-3years 3-4years	Contract is not fully implemented
Dalian Shengda Construction Engineering Co., Ltd.	3,878,617.15	Within 1 year 1-2 years	Contract is not fully implemented
PT MULTI SUKSES ENGINEERING Indonesia	2,537,821.33	Within 1 year 1-2 years	Contract is not fully implemented
Ningbo Qianghao Mould Co., Ltd.	1,960,914.00	Within 1 year 1-2 years	Contract is not fully implemented
Nanjing Bingshan Electromechanical Equipment Co., Ltd.	1,785,408.00	1-2 years	Contract is not fully implemented
Total	15,882,760.48	—	—

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

Company	Closing Balance	Aging	% of the total advances to suppliers
Shenyang Baosteel Northeast Trading Co., Ltd.	19,521,694.79	Within 1 year	8.66
Dalian Shentong Electric Co., Ltd.	12,843,114.98	Within 1 year	5.69
Shanghai Qingneng Cold Chain Equipment Engineering Co., Ltd.	11,969,675.07	Within 1 year	5.31
Shanghai Daleng Refrigeration and Air Conditioning Equipment Co., Ltd.	9,226,800.00	Within 1 year	4.09
Dalian Jindi Construction Labor Service Co., Ltd.	7,789,238.00	Within 1 year	3.45
Total	61,350,522.84		27.2

6. Other receivables

Items	Closing Balance	Opening Balance
Dividends receivable	12,864,770.89	1,003,568.75
Other receivable	170,075,172.03	59,336,527.70
Total	182,939,942.92	60,340,096.45

(1) Dividends receivable

1) Classification of Dividends Receivable

Items(or Investee)	Closing Balance	Opening Balance
Guotai Junan Securities Co., Ltd.	7,418,805.44	952,000.00
Wuhan Iron and Steel Co., Ltd.	25,923.75	51,568.75
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	4,732,344.00	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	687,697.70	
Total	12,864,770.89	1,003,568.75

2) Provision for bad debts

£Applicable RNot applicable

(2). Other receivables

1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee deposits	31,668,280.89	26,933,345.60
Petty cash	7,048,388.82	5,654,074.94
Receivables and Payables	37,746,399.88	36,138,235.04
Others	2,855,483.79	1,609,350.55
Thermoking Share Transfer	102,206,391.05	
Total	181,524,944.43	70,335,006.13

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, 2022	6,828,531.31		4,169,947.12	10,998,478.43
The balance of January 1, 2022in the current period				
transfer to the third phase	4,169,947.12		4,169,947.12	
Provision for bad debts			451,293.97	451,293.97
Balance on June 30, 2022	6,828,531.31		4,621,241.09	11,449,772.40

Changes in book balances with significant changes in loss provisions in the current period

£Applicable RNot applicable

Disclosure by age

Aging	Closing Balance
Within 1 year	164,068,369.35
1-2 years	3,627,649.31
2-3 years	4,110,018.69
Over 3 years	9,718,907.08
3-4 years	3,461,616.39
4-5 years	1,961,060.69
Over 5 years	4,296,230.00
Total	181,524,944.43

3) Provisions for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in the current period:

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Collected/reversed	Written-off	Others	
Provision for bad debts of other receivables	10,998,478.43	451,293.97				11,449,772.40
Total	10,998,478.43	451,293.97				11,449,772.40

4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Trane Technologies Europe Holdings	Stock transfer	102,206,391.05	Within 1 year	56.30	
Hangzhou Zhonghong New Energy Technology Co., Ltd.	Return payment	24,595,000.00	Within 1 year	13.55	1,025,611.50
The People's Insurance Company of China Dalian Branch	Compensation payments	5,000,000.00	Within 1 year	2.75	208,500.00
Cangzhou Lingang Renguo Chemical Co., Ltd.	Margin	2,000,000.00	Within 1 year	1.10	83,400.00
Moyu County Agricultural Bureau XC19-034 Contract Warranty Fund	Margin	1,892,400.00	1-2 years 2-3 years	1.04	503,189.16
Total		135,693,791.05		74.75	1,820,700.66

7. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	183,487,513.10	4,570,316.95	178,917,196.15
Working in progress	171,173,955.58	1,929,842.21	169,244,113.37
Finished goods	318,968,688.09	28,665,326.94	290,303,361.15
Contract performance cost	358,969,740.68	7,604,743.83	351,364,996.85
goods shipped in transit	29,557,522.14		29,557,522.14
Commissioned processing materials	1,723,151.16		1,723,151.16
Low-value consumable	200,593.46		200,593.46
Self-manufactured semi-finished products	28,607,876.30		28,607,876.30
House acquired as payment for a debt	9,282,384.10	5,203,103.50	4,079,280.60
Total	1,101,971,424.61	47,973,333.43	1,053,998,091.18

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	166,815,875.73	4,570,316.95	162,245,558.78
Working in progress	171,554,710.97	1,929,842.21	169,624,868.76
Finished goods	300,140,274.98	29,448,083.12	270,692,191.86
Contract performance cost	295,750,380.56	11,185,200.11	284,565,180.45
goods shipped in transit	86,049,156.11		86,049,156.11
Commissioned processing materials	887,585.94		887,585.94
Low-value consumable	51,817.59		51,817.59
Self-manufactured semi-finished products	30,747,861.83		30,747,861.83
House acquired as payment for a debt	14,866,010.00	5,203,103.50	9,662,906.50
Total	1,066,863,673.71	52,336,545.89	1,014,527,127.82

(2) Provision for impairment of inventories and provision for impairment of contract performance costs

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Raw materials	4,570,316.95					4,570,316.95
Working in progress	1,929,842.21					1,929,842.21
Finished goods	29,448,083.12			782,756.18		28,665,326.94

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Contract performance cost	11,185,200.11			3,580,456.28		7,604,743.83
House acquired as payment for a debt	5,203,103.50					5,203,103.50
Total	52,336,545.89	0.00	0.00	4,363,212.46		47,973,333.43

8. Contract assets

Item	Closing Balance			Opening Balance		
	Book value	Provision for decline	Net book value	Book value	Provision for decline	Net book value
Unexpired warranty money	142,784,708.83	16,620,265.89	126,164,442.94	125,891,499.90	16,031,841.11	109,859,658.79
Total	142,784,708.83	16,620,265.89	126,164,442.94	125,891,499.90	16,031,841.11	109,859,658.79

If the provision for impairment of contract assets is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of impairment provision:

£Applicable RNot applicable

Provision for bad debt

Item	Accrued	Collected/reversed	Written-off	reason
Unexpired warranty money	588,424.79			
Total	588,424.79			--

9. Non-current assets maturing within one year

Item	Closing Balance	Opening Balance
Long-term receivables due within one year	14,990,989.30	14,990,989.30
Total	14,990,989.30	14,990,989.30

10. Other current assets

Item	Closing Balance	Opening Balance
Prepaid income tax presented at net amount after offsetting	18,348.62	380,483.32
Input VAT to be deducted	11,631,457.88	23,989,939.28
Prepaid expenses	375,752.93	154,654.11
Prepaid turnover tax	5,651,739.77	
Total	17,677,299.20	24,525,076.71

11. 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		
Panasonic Cold Chain (Dalian) Co., Ltd.	90,330,037.43			-17,939,591.19						72,390,446.24	
Panasonic Compressor (Dalian) Co., Ltd.	460,060,249.49			18,414,454.28			34,122,000.00			444,352,703.77	
Dalian Benzhuang Chemical Co., Ltd.	8,926,266.52			384,787.54						9,311,054.06	
Songzhi Dayang Cooling and Heating Technology (Dalian) Co., Ltd.	58,799,068.28			1,211,480.90						60,010,549.18	
Beijing Huashang Bingshan Refrigeration and Air Conditioning Equipment Co., Ltd.	2,139,942.18			3,596.55						2,143,538.73	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	148,656,014.75			-5,441,140.87						143,214,873.88	
Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.	14,923,803.87			401,999.21						15,325,803.08	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	44,789,319.55			511,557.51			687,697.70			44,613,179.36	
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	201,731,528.04			3,255,908.10			4,732,560.00			200,255,092.14	
Panasonic Refrigeration System (Dalian) Co., Ltd.	28,480,784.93			1,517,604.68			1,527,045.45			28,471,344.16	
Dalian Bingshan Metal Technology Co., Ltd.	168,294,942.93			14,605,911.92						182,900,854.85	
Wuhan Scaf Power Control Equipment Co., Ltd.	4,372,575.48			28,833.46						4,401,408.94	
Total	1,231,504,533.45			16,955,402.09			41,069,087.15			1,207,390,848.39	

12. Other non-current financial assets

Item	Closing Balance	Opening Balance
Financial assets classified as fair value through profit or loss	167,515,974.19	261,410,664.61
Total	167,515,974.19	261,410,664.61

13. Investment property

Item	Property & Building	Land-use-rights	Construction in progress	Total
I. Initial Cost				
1. Opening Balance	230,594,490.07	26,094,438.38		256,688,928.45
2. Increase				
(1) Outsourcing				
(2) Inventory\fixed assets\construction-in-progress transfer				
(3) Business combination increase				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	230,594,490.07	26,094,438.38		256,688,928.45
II. Accumulated Depreciation and Accumulated Amortization				
1. Opening Balance	123,629,414.79	12,306,704.05		135,936,118.84
2. Increase	3,112,769.07	260,944.38		3,373,713.45
(1) Provision or amortization	3,112,769.07	260,944.38		3,373,713.45
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	126,742,183.86	12,567,648.43		139,309,832.29
III. Impairment Reserve				
1. Opening Balance				
2. Increase				
(1) Provision				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance				
IV. Book Value				
1. Closing book value	103,852,306.21	13,526,789.95		117,379,096.16
2. Opening book value	106,965,075.28	13,787,734.33		120,752,809.61

14. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	831,680,902.75	855,395,405.85
Total	831,680,902.75	855,395,405.85

(1) Fixed assets detail

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
I. Initial Cost	695,343,883.14	617,253,312.03	12,914,199.47	61,535,741.18	1,387,047,135.82
1. Opening Balance	695,343,883.14	617,253,312.03	12,914,199.47	61,535,741.18	1,387,047,135.82
2. Increase	987,072.39	13,435,837.39	374,178.83	2,253,699.10	17,050,787.71
(1) Purchase		13,064,489.32	374,178.83	417,413.39	13,856,081.54
(2) Transferred from construction-in-progress	987,072.39	371,348.07		1,836,285.71	3,194,706.17
(3) Acquired from business combination					
3. Decrease		6,996,198.69	1,411,501.40	1,629,825.83	10,037,525.92
(1) Dispose or scrap		6,996,198.69	1,411,501.40	1,629,825.83	10,037,525.92
4. Closing Balance	696,330,955.53	623,692,950.73	11,876,876.90	61,770,034.45	1,393,670,817.61
II. Accumulated Depreciation	131,345,400.98	341,061,738.95	8,806,440.56	50,162,389.94	531,375,970.43
1. Opening Balance	131,345,400.98	341,061,738.95	8,806,440.56	50,162,389.94	531,375,970.43
2. Increase	9,040,322.97	24,787,137.13	339,270.31	2,578,191.73	36,744,922.14
(1) Accrued	9,040,322.97	24,787,137.13	339,270.31	2,578,191.73	36,744,922.14
3. Decrease	73,881.24	3,175,366.69	911,486.07	1,466,843.25	5,627,577.25
(1) Disposal or scrap	73,881.24	3,175,366.69	911,486.07	1,466,843.25	5,627,577.25
4. Closing Balance	140,311,842.71	362,673,509.39	8,234,224.80	50,494,578.42	561,714,155.32
III. Impairment Reserve					
1. Opening Balance		275,759.54			275,759.54
2. Increase					
(1) Accrued					
3. Decrease					
(1) Disposal or					

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
scrap					
4. Closing Balance		275,759.54			275,759.54
IV. Book Value					
1. Closing book value	556,019,112.82	260,743,681.80	3,642,652.10	11,275,456.03	831,680,902.75
2. Opening book value	563,998,482.16	275,915,813.54	4,107,758.91	11,373,351.24	855,395,405.85

15. Construction-in-progress

Item	Closing book value	Opening book value
Construction-in-progress	50,556,431.55	38,974,478.45
Total	50,556,431.55	38,974,478.45

(1) Construction in progress details

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Renovation of buildings and ancillary facilities	3,067,968.64		3,067,968.64	4,330,904.06		4,330,904.06
Installation and renovation of machine tools and mechanical equipment	38,206,637.12		38,206,637.12	24,409,028.60		24,409,028.60
Smart Manufacturing Software	1,087,160.60		1,087,160.60	1,069,880.60		1,069,880.60
Equipment Financial Leasing Project	9,164,665.19	970,000.00	8,194,665.19	9,164,665.19		9,164,665.19
Total	51,526,431.55	970,000.00	50,556,431.55	38,974,478.45		38,974,478.45

(2) Change in the significant construction in progress

Name	Budget	Opening Balance	Increase	Amount transferred to fixed assets	Other reductions	Closing Balance	Percent of investment against budget	Progress of construction	Accumulated capitalized interest	Including: Accumulated capitalized interest of the year	Interest capitalization rate(%)	Source of funds
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Renovation of buildings and ancillary facilities	15,241,000.00	4,330,904.06	317,367.29	1,580,302.71		3,067,968.64	30.00%	30%				
Installation and renovation of machine tools and mechanical equipment	50,358,032.00	24,409,028.60	13,826,812.06	29,203.54		38,206,637.12	76.00%	76%				
Smart Manufacturing Software	3,330,750.00	1,069,880.60	17,280.00			1,087,160.60	33.00%	33%				
Equipment Financial Leasing Project	15,020,000.00	9,164,665.19				9,164,665.19	61.00%	61%				
Total	83,949,782.00	38,974,478.45	14,161,459.35	1,609,506.25		51,526,431.55						

16. Right of use assets

Item	Buildings	Mechanical equipment	Transportation Equipment	Electronic equipment	Total
I. Initial Cost					
1. Opening Balance	4,827,598.49	28,234,690.39	334,540.86	526,894.11	33,923,723.85
2. Increase					
3. Decrease		9,575,952.95			9,575,952.95
4. Closing Balance	4,827,598.49	18,658,737.44	334,540.86	526,894.11	24,347,770.90
II. Accumulated depreciation					
1. Opening Balance	1,654,921.59	8,078,883.59	111,513.62	143,701.68	9,989,020.48
2. Increase	1,901,829.31	1,311,829.19			3,213,658.50
(1) Accrued	1,901,829.31	1,311,829.19			3,213,658.50
3. Decrease					
(1) Disposal		4,962,499.34			4,962,499.34
4. Closing Balance	3,556,750.90	9,390,712.78	111,513.62	143,701.68	8,240,179.64
III. Impairment Reserve					
1. Opening Balance					
2. Increase					
(1) Accrued					
3. Decrease					
(1) Disposal					

Item	Buildings	Mechanical equipment	Transportation Equipment	Electronic equipment	Total
4. Closing Balance					
IV. Book Value					
1. Closing book value	1,270,847.59	9,268,024.66	223,027.24	383,192.43	16,107,591.26
2. Opening book value	3,172,676.90	20,155,806.80	223,027.24	383,192.43	23,934,703.37

17. Intangible assets

(1) Intangible assets list

Item	Land use right	Patent technology	Non Patent technology	Others	Total
I. Initial Cost					
1. Opening Balance	151,187,270.24	17,630,188.82	5,000,000.00	34,007,344.48	207,824,803.54
2. Increase				674,988.09	674,988.09
(1) Purchase				674,988.09	674,988.09
(2) Internal R&D					
(3) Acquired from business combination					
3. Decrease					
(1) Disposal					
4. Closing Balance	151,187,270.24	17,630,188.82	5,000,000.00	34,682,332.57	208,499,791.63
II. Accumulated amortization					
1. Opening Balance	39,273,017.51	7,611,159.85	3,000,004.00	15,347,884.08	65,232,065.44
2. Increase	1,523,216.67	791,799.14	214,480.34	2,324,010.61	4,663,659.26
(1) Accrued	1,523,216.67	791,799.14		2,324,010.61	4,663,659.26
3. Decrease					
(1) Disposal					
4. Closing Balance	40,820,867.02	8,402,958.99	3,000,004.00	17,671,894.69	69,895,724.70
III. Impairment Reserve					
1. Opening Balance					
2. Increase					
(1) Accrued					
3. Decrease					
4. Closing Balance					
IV. Book Value					
1. Closing book value	110,366,403.22	9,227,229.83	1,999,996.00	17,010,437.88	138,604,066.93
2. Opening book value	111,914,252.73	10,019,028.97	1,999,996.00	18,659,460.40	142,592,738.10

18. 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 Nevis Cooling and Heating 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

19. Long-term unamortized expense

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Employee's dormitory use right	1,735,213.74		69,239.16		1,665,974.58
Renovation and rebuilding	1,020,822.14		53,145.00	701,952.14	265,725.00
Membership fee	407,000.00		8,250.00		398,750.00
Entry fee for the use of hot and cold machine technology	93,356.25		93,356.25		0.00
New plant greening fee	4,832,292.10		490,847.60		4,386,234.34
Accounts Receivable Factoring		598,200.40			598,200.40
Amortization of jigs and molds		195,538.35			150,748.51
Total	8,088,684.23	793,738.75	714,838.01	701,952.14	7,465,632.83

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	385,301,299.99	77,369,493.54	367,572,645.45	77,433,815.32
Unrealized profit from internal transaction	63,838,006.28	10,533,271.04	55,608,764.16	10,412,376.27
Deductible loss	15,173,783.01	2,276,067.45	13,555,883.61	2,033,382.54
Total	464,313,089.28	90,178,832.03	436,737,293.22	89,879,574.13

(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	154,922,113.60	23,238,317.04	237,308,998.02	35,596,349.70

financial assets				
Total	154,922,113.60	23,238,317.04	237,308,998.02	35,596,349.70

(2) Deferred income tax assets or liabilities shown net of offset

Item	Deferred tax assets and liabilities at the end of the balance	The ending balance of a deferred tax asset or liability after offset	The amount of deferred tax assets and liabilities offset at the beginning of the period	The beginning balance of a deferred tax asset or liability after offset
Deferred tax assets		90,178,832.03		89,879,574.13
Deferred tax liabilities		23,238,317.04		35,596,349.70

(4) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	17,516,837.42	7,106,167.83
Deductible loss	118,270,112.74	111,303,027.15
Total	135,786,950.16	118,409,194.98

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

Year	Closing Balance	Opening Balance	Notes
2022		716,158.09	
2023	16,458,262.38	16,458,262.38	
2024	61,554,422.97	61,554,422.97	
2025	21,436,832.18	21,436,832.18	
2026	124,607,476.02	124,607,476.02	
	32,599,505.16		
Total	256,656,498.71	224,773,151.64	

21. Short-term loan

(1) Category of short term loan

Loan category	Closing Balance	Opening Balance
Pledge loan		6,538,425.00
Mortgage loan		9,025,000.00
Credit loan	240,000,000.00	230,373,666.72
Total	240,000,000.00	245,937,091.72

22. Notes payable

Notes category	Closing Balance	Opening Balance
Commercial acceptance notes	310,250,185.76	372,141,300.89
Bank acceptance notes	10,427,400.00	7,891,738.67
Total	320,677,585.76	380,033,039.56

23. Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	591,663,389.64	558,353,834.37
Project payments	437,029,205.69	328,569,617.62
Equipment payments	75,044,432.33	31,092,321.64
Others	53,804,055.62	1,856,153.90
Total	1,157,541,083.28	919,871,927.53

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Shaanxi Changrun Environmental Engineering Co., Ltd.	5,207,759.44	Not due for payment
Haoxing Energy Investment (Beijing) Asset Management Co., Ltd.	4,878,499.00	Not due for payment
Lixingkai (Beijing) Energy System Technology Co., Ltd.	4,772,705.82	Not due for payment
Wuhan Kaixing Economic Development Co., Ltd.	4,386,808.45	Not due for payment
Heilongjiang Longcold Technology Co., Ltd.	3,209,930.00	Not due for payment
Total	22,455,702.71	

24. Contract Liabilities

Item	Closing Balance	Opening Balance
Received in advance due from unrealized revenue	445,660,584.96	499,719,963.40
Total	445,660,584.96	499,719,963.40

Significant change on the book value

Item	Change amount	Change reason
Advance payment	-54,059,378.44	According to the agreement, advance payment for goods
Total	-54,059,378.44	

25. Employee's payable

(1) Category of employee's payable

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	35,148,570.37	141,270,325.52	167,621,861.96	8,797,033.93
Post-employment benefit –defined contribution plan	212.11	16,040,552.59	15,730,920.12	309,844.58
Termination benefits		188,952.39	188,952.39	
Total	35,148,782.48	157,499,830.50	183,541,734.47	9,106,878.51

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	31,199,563.29	111,873,626.70	136,828,539.75	6,244,650.24
Welfare	1,849,331.65	6,663,733.51	7,298,948.77	1,214,116.39
Social insurance	305,854.01	11,001,269.00	11,298,118.34	9,004.67
Include: Medical insurance		7,348,601.30	7,348,601.30	
On-duty injury insurance	661.20	1,107,549.62	1,099,206.15	9,004.67
Maternity insurance		942,078.31	942,078.31	
Housing funds		9,275,257.05	9,312,894.12	-37,637.07
Labor union and training expenses	1,793,821.42	2,115,305.81	2,542,227.53	1,366,899.70
Others		341,133.45	341,133.45	
Total	35,148,570.37	141,270,325.52	167,621,861.96	8,797,033.93

(3) List of setting withdrawal plans

Item	Opening Balance	Increase	Decrease	Closing Balance
Basic retirement insurance		15,696,918.47	15,400,264.71	296,653.76
Unemployment Insurance Premium	212.11	343,634.12	330,655.41	13,190.82
Total	212.11	16,040,552.59	15,730,920.12	309,844.58

26. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	11,307,723.35	8,428,289.41
Enterprise income tax	15,283,505.24	825,185.23
Individual income tax	2,226,166.67	471,053.12
City maintenance and construction tax	1,095,832.62	178,955.65
Real estate tax	468,885.10	1,910,131.37
Land use tax	531,073.94	1,094,769.07
Stamp duty	646,889.47	477,653.78
Education surcharge	461,852.08	127,825.46
Green tax	1,039.65	984.73
Total	32,022,968.12	13,514,847.82

27. Other accounts payable

Item	Closing Balance	Opening Balance
Dividend payable	10,765,281.07	3,008,156.00
Other accounts payable	36,914,318.16	52,275,984.21
Total	47,679,599.23	55,284,140.21

(1). Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	10,765,281.07	3,008,156.00
Total	10,765,281.07	3,008,156.00

(2) Other accounts payable

Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Deposit and security deposit	9,796,962.19	11,879,889.59
Reimbursed but not paid	7,770,141.86	10,784,375.08
Collection	7,288,574.15	2,449,487.90
Others	12,058,639.96	27,162,231.64
Total	36,914,318.16	52,275,984.21

28. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term payables due within one year	13,755,120.00	13,876,415.99
Lease liabilities due within one year	9,144,319.44	10,298,972.13
Total	22,899,439.44	24,175,388.12

29. Other current liabilities

Item	Closing balance	Opening balance
Notes payable endorsed not derecognized	153,147,054.19	143,288,366.08
Output Vat to be carried forward	48,181,226.13	51,924,840.83
Total	201,328,280.32	195,213,206.91

30. Long-term loan

(1) Category of long-term loan

Category	Closing Balance	Opening Balance
Guarantee loan	140,000,000.00	150,000,000.00
Total	140,000,000.00	150,000,000.00

31. Lease liabilities

Item	Closing Balance	Opening Balance
Lease liabilities	15,761,961.12	16,861,280.02
Less: Unrecognized financing charges	-986,540.20	-1,168,286.75
Reclassified to non-current liabilities due within one year	-9,144,319.44	-10,298,972.13
Total	5,631,101.48	5,394,021.14

32. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	23,088,337.61	19,998,913.29
Total	23,088,337.61	19,998,913.29

(1) Category by nature

Item	Closing Balance	Opening Balance
Loans from financial leasing companies	23,088,337.61	19,998,913.29

33. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	106,185,323.82	458,000.00	3,633,486.90	103,009,836.92	
Total	106,185,323.82	458,000.00	3,633,486.90	103,009,836.92	—

(2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Recorded into Non-operating income	Amount included in other income	Offset cost or expense	Other changes	Closing Balance	Relationship with assets/equity
Education pension	38,990,000.00			556,998.00			38,433,002.00	Asset related
Application Using NH3 CO2 to replace the R22 with refrigerator combined compressionensing Unit	22,505,971.44				999,766.56		2,150,620,488.00	Asset related
Refrigeration compressor intelligent manufacturing item Fund	3,538,360.27				184,384.86		3,353,975.41	Asset related

asonic elligent osting nology	3,421,177.42			15,000.00	192,412.20		3,213,765.22	Asse relate
ironmental ection and rgy-saving igeration	19,975,471.49				1,276,925.28		18,698,546.21	Asse relate
onditioning ressor nology ustrialization ect								
0 replaces large ustrial screw	13,006,663.20						13,006,663.20	Asse relate
0 replaces in ustrial 1-stage w unit	4,747,680.00						4,747,680.00	Asse relate
h-tech rprises		458,000.00			408,000.00		50,000.00	Equi relate

34. 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

35. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Capital premium	669,193,413.27			669,193,413.27

(equity premium)				
Other capital reserves	51,022,453.51		336,172.00	50,686,281.51
Total	720,215,866.78		336,172.00	719,879,694.78

6. Other comprehensive income

Items	Opening Balance	2022.1-6						Closing Balance
		Amount before income tax for the current period	Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period	Less: included in other comprehensive income in the previous period and transferred to retained earnings in the current period	Less: income tax expense	After-tax attribute to the company	After-tax attribute to parent minority shareholder	
Other comprehensive income to be reclassified to profit or loss	2,178,681.73						2,178,681.73	
including: other comprehensive income that can be transferred to profit or loss under the equity method	2,178,681.73						2,178,681.73	
Other comprehensive income total	2,178,681.73						2,178,681.73	

37. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	347,216,790.47			347,216,790.47
Discretionary surplus reserve	462,254,409.17			462,254,409.17
Total	809,471,199.64			809,471,199.64

38. Undistributed profits

Item	2022-06-30	2021-06-30
Closing balance of 2021	627,764,582.32	997,601,577.97
Adjustment of the total amount of undistributed profits at the beginning of the period (increase +, decrease -)		-79,559,636.71
Opening balance of 2022	627,764,582.32	918,041,941.26
Add: net profit attributable to shareholders of parent company in the year	29,568,351.52	-269,059,849.96
Provision for any surplus reserves		12,785,383.91
Dividends payable for common shares	8,432,125.07	8,432,125.07
Closing balance of the current period	648,900,808.77	627,764,582.32

39. Operating revenue and cost

Items	2022.01-06		2021.01-06	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	1,246,624,682.46	1,101,097,130.75	1,069,601,775.40	939,531,941.76
Revenue from other operation	45,234,226.25	30,818,078.34	24,683,845.57	10,872,827.50
Total	1,291,858,908.71	1,131,915,209.09	1,094,285,620.97	950,404,769.26

Income related information:

Items	Division 1	Total
Classified at products type	1,246,624,682.46	1,246,624,682.46
Manufacture products	912,396,566.62	912,396,566.62
Installation work	328,784,059.27	328,784,059.27
Other products and service	5,444,056.57	5,444,056.57
Classified at geography location		
domestic	1,169,857,130.73	1,169,857,130.73
	76,767,551.73	76,767,551.73

40. Operating taxes and surcharges

Items	2022.01-06	2021.01-06
City construction tax	1,300,268.55	1,446,546.32
Education surcharge	897,379.28	962,826.14
Resource tax		
Property tax	4,341,262.13	4,035,908.73
Land use tax	2,192,079.15	2,450,307.46
Vehicle and vessel tax	4,923.36	8,942.04
Stamp duty	925,221.28	657,768.65
Others	130,238.28	119,222.81
Total	9,791,372.03	9,681,522.15

41. Selling expenses

Items	2022.01-06	2021.01-06
Employee's salary	36,733,989.97	33,826,230.13
Official business expense	2,682,974.83	4,348,750.49
Travel expense	3,786,682.25	4,114,863.50
Business entertaining expense	2,049,748.87	2,525,127.61
Maintenance and repair expense	6,395,816.83	2,873,319.38
Advertisement and bids expense	351,149.45	1,044,426.89
Depreciation expense	209,483.82	98,213.00
Transportation expense	1,311,116.86	6,509,108.10
Other expense	1,688,445.27	1,370,485.55
Total	55,209,408.15	56,710,524.65

42. Administrative expenses

Items	2022.01-06	2021.01-06
Employee benefit	42,406,947.67	44,697,319.27
Official expense	5,163,653.61	6,540,910.41
Depreciation expense	6,926,148.25	5,684,128.55
Long-term assets amortization	3,734,356.74	3,926,562.28
Maintenance and repair expense	2,564,900.40	2,769,914.26
Design consultant and test service expense	4,264,322.84	3,154,130.36
Safety production cost	864,579.34	1,201,021.67
Travel expense	1,593,342.93	1,783,780.25
Business entertaining expense	599,513.97	814,439.73
Insurance expense	426,810.11	364,092.63
Advertisement expense	57,277.06	66,647.41
Other tax		18,601.23
Other expense	1,472,302.79	704,949.73
Total	70,074,155.71	71,726,497.78

43. R&D expenses

Items	2022.01-06	2021.01-06
Employee benefit	25,441,289.49	28,422,612.24
Depreciation and amortization expense	705,540.38	441,407.58
Raw material	4,384,577.60	1,367,252.76
Entrust external R&D investment		227,644.82
Other expense	1,033,113.44	279,234.20
Total	31,564,520.91	30,738,151.60

44. Financial expenses

Items	2022.01-06	2021.01-06
Interest expenses	7,533,477.17	8,711,437.07
Less: Interest income	2,004,850.77	3,200,439.42
Add: Exchange loss	-2,344,388.03	-471,153.98
Others expenditure	2,286,117.06	1,200,825.06
Total	5,470,355.43	6,240,668.73

45. Other income

Items	2022.01-06	2021.01-06
Government subsidy	741,847.00	907,398.00
Personal income tax handling fee refund	15,928.19	7,056.99
Stable job subsidy	98,244.00	
Others	1,128,151.43	
Total	1,984,170.62	914,454.99

46. Investment income

Items	2022.01-06	2021.01-06
Long-term equity investment income accounted for by the equity method	16,955,402.09	21,085,751.39
Debt Restructuring Proceeds	2,834,620.63	-6,860.60
Investment income from disposal of other non-current financial assets	43,296,525.04	-96,737.66
Investment income of other non-current financial assets during the holding period	20,657,215.39	7,229,604.48
Total	83,743,763.15	28,211,757.61

47. Income from changes in fair value (loss listed as“-“)

Items	2022.01-06	2021.01-06
Other non-current financial assets	-29,425,921.52	-5,034,903.12
Total	-29,425,921.52	-5,034,903.12

48. Credit impairment losses (loss listed as“-“)

Items	2022.01-06	2021.01-06
Bad debt losses of other receivables	-451,293.97	2,435,152.34
Long-term receivables bad debt losses		280,800.00
Bad debt loss on notes receivable	-369,641.88	1,108,930.41
Bad debt loss of accounts receivable	-11,270,943.86	-11,460,308.47
Total	-12,091,879.71	-7,635,425.72

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

Items	2022.01-06	2021.01-06
Inventory depreciation loss and contract performance cost impairment loss	782,759.18	
Impairment loss of construction in progress	-970,000.00	
Impairment loss on contract assets	-588,424.79	-1,016,603.72
Total	-775,665.61	-1,016,603.72

50. Gain on assets disposal

Item	2022.01-06	2021.01-06
Gains on disposal of non-current assets	67,260.20	59,272.29
Including: gains on disposal of non-current assets not classified as held for sale	67,260.20	59,272.29
Including: income from disposal of fixed assets	67,260.20	59,272.29
Total	67,260.20	59,272.29

51. Non-operating income

Item	2022.01-06	2021.01-06	Amounts recognized into non-recurring profit or loss for the year
Debt restructuring gains	369,165.58	531,903.00	369,165.58
Others	1,209,983.77	1,407,195.38	1,209,983.77
Quality compensation	31,535.00		31,535.00
Total	1,610,684.35	1,939,098.38	1,610,684.35

52. Non-operating expenses

Item	2022.01-06	2021.01-06	Amounts recognized into non-recurring profit or loss for the year
Loss of non-current assets damaged and scrapped	23,028.50	395,122.52	23,028.50
Estimated Loss from Pending Litigation	227,145.65		227,145.65
Others	82,470.42	166,566.53	82,470.42
Total	332,644.57	561,689.05	332,644.57

53. Income tax expenses

(1) Income tax expenses

Items	2022.01-06	2021.01-06
Current income tax expenses	15,431,444.55	2,143,118.35
Deferred income tax expenses	-12,657,290.56	371,879.14
Total	2,774,153.99	2,514,997.49

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

Items	2022.01-06
Total profits	32,613,654.30
Income tax expense at statutory/applicable rates	4,892,048.15
The impact of different tax rates applied to subsidiaries	-2,141,757.75
Effects of non-deductible costs, expenses and losses	7,337,225.33
Effect of using deductible losses of deferred tax assets not recognized in prior periods	158,995.77
Effect of deductible temporary differences or deductible losses of deferred tax assets not recognized in the current period	-7,472,357.51
Income tax expenses	2,774,153.99

54. Other comprehensive income(Refer to the note VII.38 other comprehensive income for details)

55. Notes to cash flow statement

(1) Other cash received related to operating activities

Items	2022.01-06	2021.01-06
Government grants	383,420.00	1,367,721.83
Received travel expense refund	128,547.91	449,912.15
Deposit given back	12,691,025.06	27,180,320.58
Interest income	2,363,150.90	1,910,435.81
Others	11,561,311.72	3,356,161.51
Receivable from the related party		9,545,982.11
Total	52,310,721.23	43,810,533.99

(2) Other cash paid in connection with operating activities

Items	2022.01-06	2021.01-06
Business travel borrowing	3,338,694.72	5,217,215.20
Deposit paid	17,291,456.00	18,941,721.30
Expenditure	52,744,549.03	40,969,033.35
Pay related parties		3,074,818.29
Bank handling charges	2,105,772.59	1,155,480.12
Others	1,551,588.83	16,259,439.25
Total	77,032,061.17	85,617,707.51

(3) Other cash received in connection with fundraising activities

Items	2022.01-06	2021.01-06
At the end of the year, the deposit not used as cash is due and recovered	75,003,788.58	58,467,271.18
Sale and leaseback financial lease sales	12,000,000.00	1,876,663.49
Other cash received in connection with fundraising activities	8,774,342.51	
Total	95,778,131.09	60,343,934.67

(4) Other cash paid in connection with fundraising activities

Items	2022.01-06	2021.01-06
At the end of the year, the deposit not used as cash is due and recovered	50,887,086.77	58,425,355.47
Sale and leaseback financial lease sales	5,370,096.27	1,887,289.75
Total	56,257,183.04	60,312,645.22

56. Supplementary Information to the Statement of Cash Flows

(1) Supplementary Information to the Statement of Cash Flows

Items	2022.01-06	2021.01-06
1. Adjusting net profit into cash flows of operating activities:		
Net profit	29,839,500.31	-16,906,427.39
Add: Provision for impairment of assets	12,867,545.32	8,652,029.44
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	36,744,922.14	34,378,919.44
Depreciation of right of use assets	3,213,658.50	1,473,155.41
Amortization of intangible assets	4,663,658.96	3,356,402.92
Amortization of long-term deferred expenses	714,838.01	786,205.59
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	67,260.20	-8,393.93
Losses on write-off of fixed assets (income listed with“-”)	23,028.50	395,122.52

Change of fair value profit or loss	29,425,921.52	5,034,903.12
Financial expense (income listed with"-")	7,533,477.17	8,711,437.07
Investment loss (income listed with"-")	-83,743,763.15	-28,211,757.61
Decrease of deferred tax assets(increase listed with"-")	-299,257.90	-854,627.34
Increase of deferred tax liabilities(decrease listed with"-")	-12,358,032.66	-755,235.46
Decrease of inventories (increase listed with"-")	-39,470,963.36	-125,888,007.53
Decrease of operating receivables (increase listed with"-")	-363,642,152.27	-152,568,485.04
Increase in operating payable items (decreases are listed with "-")	185,105,808.47	233,516,922.51
Others		
Net cash flows arising from operating activities	-189,406,336.85	-28,887,836.28
2. Significant investment and financing activities unrelated to cash income and expenses		
Liabilities transferred to capital		
Convertible bonds within 1 year		25,000,034.00
Financing leased fixed assets		
3. Net increase (decrease) of cash and cash equivalent		
Closing balance of cash	351,712,699.09	254,388,688.02
Less: Opening balance of cash	438,969,337.87	314,978,460.49
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-87,256,638.78	-60,589,772.47

57. The assets with the ownership or use right restricted

Items	2022.6.30	Reasons
Monetary fund	50,887,086.77	Margin, bank account frozen funds
Notes Receivable	4,810,536.65	Pledge
Fixed assets	88,294,179.79	Mortgage
Intangible assets	6,209,834.23	Mortgage
Investment real estate	38,433,002.00	Mortgage
Total	188,634,639.44	

Note: Dalian Bingshan Group Sales Co., Ltd., a subsidiary of the Company, has frozen funds of 5,434,895.32 Yuan in its bank deposit account due to litigation.

Dalian Universe Thermal Technology Co., Ltd., a subsidiary of the Company, pledged the bank acceptance bill receivable to China Merchants Bank Co., Ltd. Dalian Branch as a deposit for issuing bank acceptance bills.

Dalian New Meica Electronic Technology Co., Ltd., a subsidiary of the company, pledged the bank acceptance bill receivable to China Merchants Bank Co., Ltd. Dalian Jinpu New District Sub-branch as a deposit for issuing bank acceptance bills.

Wuhan New World Refrigeration Industry Co., Ltd., a subsidiary of the company, pledged fixed assets, intangible assets and investment real estate to Wuhan Branch of China Everbright Bank Co., Ltd. as a comprehensive credit line for domestic and foreign currency loans, trade financing, discount, acceptance, credit Specific credit business such as certificates, letters of guarantee, factoring, and guarantees.

58. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash			
Including: USD	525,170.11	6.7114	3,524,626.68
Euro			
HKD			
JPY	21,318,402.00	0.049136	1,047,501.00
Accounts receivable			
Including: USD	5,341,761.14	6.7114	35,850,695.71
Euro			
HKD			
JPY	18,727,231.00	0.049136	920,181.22

VIII. Change of Consolidation Scope

1、Disposal of a subsidiary

Whether there is a situation in which the control right is lost after a single disposal of the investment in the subsidiary

RYes **£** No

Company	Equity disposal price	Equity disposal ratio	Equity disposal method	Point of loss of control	Determination basis for the point of loss of control	The difference between the disposal price and the share of the subsidiary's net assets at the consolidated financial statement level corresponding to the disposal investment
Bingshan Technical Service (Dalian) Co., Ltd.	25,888,200.00	100.00%	Transferred	March 1, 2022	Completion of industrial and commercial change registration	3,864,200.00
Ningbo Bingshan Refrigeration and Air Conditioning Engineering Co., Ltd.	0.00	51.00%	Transferred	June 9, 2022	Completion of industrial and commercial change registration	675,154.94

Whether there is a situation in which the investment in the subsidiary is disposed of in stages through multiple transactions and the control is lost in the current period

£ Yes R No

IX. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

Name of subsidiaries	Main business address	Registered address	Business nature	Shareholding (%)		Obtaining method
				Direct	Indirect	
Dalian Bingshan Group Engineering Co., Ltd.	Dalian	Dalian	Installation	100		Establish
Dalian Bingshan Group Sales Co., Ltd.	Dalian	Dalian	Trading	100		Establish
Dalian Bingshan Air-conditioning	Dalian	Dalian	Manufacturing	70		Establish

Name of subsidiaries	Main	Registered	Business nature	Shareholding (%)		Obtaining
Equipment Co., Ltd.						
Dalian Bingshan Guardian Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian New Meica Electronics Technology Co., Ltd	Dalian	Dalian	Electronic	100		Acquisition
Dalian Nevis Cooling and Heating Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55		Acquisition
Dalian Bingshan International Trade Co., Ltd.	Dalian	Dalian	Services	100		Acquisition
Wuhan New World Refrigeration Industry Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Acquisition
Wuhan New World Refrigeration and Air Conditioning Engineering Co., Ltd.	Wuhan	Wuhan	Install		100	Establish
Wuhan Lanning Energy Technology Co., Ltd.	Wuhan	Wuhan	Trading		54.55	Acquisition
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Services		51.00	Establish

- 1) The company's shareholding ratio in subsidiaries is consistent with the voting rights ratio;
- 2) The company holds more than half of the voting rights in its subsidiaries;
- 3) The company holds more than half of the voting rights in its subsidiaries and can control the invested units.

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 Compressor	Dalian	Dalian	Manufacturing	40		Equity method

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Jing Xue Insulation	Changzhou	Changzhou	Manufacturing	21.91		Equity method
Bingshan Metal Technology	Dalian	Dalian	Manufacturing	49		Equity method

The investment income from the investee recognized by the company this year accounted for 10% of the net profit attributable to the owner of the parent company or the company's share of the net assets of the investee calculated according to the shareholding ratio accounted for attributable to the parent company at the end of the year. Associates with more than 10% of shareholders' equity are significant associates.

- 1) The shareholding ratio of the company in the joint venture is the same as the voting rights ratio;
- 2) The company does not have an associated enterprise that holds less than 20% of the voting rights but has significant influence;
- 3) The company has no associates that hold 20% or more of the voting rights but do not have significant influence.

(2) The key financial information of affiliated companies

Items	30-06-2022/2022.01-06		
	Panasonic Compressor	Jing Xue Insulation	Bingshan Metal Technology
Current assets	1,190,712,160.57	1,321,264,561.19	354,531,888.69
Non-current assets	299,425,380.33	266,328,229.90	36,660,268.44
Total assets	1,490,137,540.90	1,587,592,791.09	391,192,157.13
Current liabilities	349,314,421.18	776,901,404.57	57,251,169.54
Non-current liabilities	26,066,950.91	32,963,341.25	
Total liabilities	375,381,372.09	809,864,745.82	57,251,169.54
Minority interests		451,122.19	
Equity to the parent company	1,114,756,168.81	777,276,923.08	333,940,987.59
Proportions of net assets according to the shareholding percentage	445,902,467.52	170,287,246.68	163,631,083.91
Adjusting events			
—Goodwill		29,961,491.06	19,269,770.94
—Unrealized profits of insider trading			
--Others	-1,549,763.76		
Book value of equity investment of affiliated companies	444,352,703.77	200,248,737.74	182,900,854.85
Fair value of equity investment of affiliated companies			
Operating income	586,769,217.28	274,830,181.17	240,379,163.49
Net profit	48,430,117.37	14,233,453.36	29,807,983.52
Net profit from closing			
Other comprehensive income			
Total comprehensive	48,430,117.37	14,233,453.36	29,807,983.52

Items	30-06-2022/2022.01-06		
	Panasonic Compressor	Jing Xue Insulation	Bingshan Metal Technology
income			
The current dividends received from joint ventures	34,122,000.00		

Continued:

Items	31-12-2021/2021.01-06		
	Panasonic Compressor	Jing Xue Insulation	Bingshan Metal Technology
Current assets	1,277,834,286.47	1,288,722,048.45	330,379,711.49
Non-current assets	307,229,051.83	235,300,482.93	39,596,544.29
Total assets	1,585,063,338.30	1,524,022,531.38	369,976,255.78
Current liabilities	396,672,114.65	709,690,258.17	65,843,251.71
Non-current liabilities	29,936,172.21	29,832,096.59	
Total liabilities	426,608,286.86	739,522,354.76	65,843,251.71
Minority interests		484,306.52	
Equity to the parent company	1,156,846,384.28	784,015,870.10	304,133,004.07
Net assets calculated according to the shareholding proportions	462,738,553.71	171,770,036.98	149,025,171.99
Adjusting events			
—Goodwill		29,961,491.06	19,269,770.94
—Unrealized profits of insider trading			
--Others	-2,678,304.22		
Book value of equity investment of affiliated companies	460,060,249.49	201,731,528.04	168,294,942.93
Fair value of equity investment of affiliated companies			
Operating	579,289,602.09	277,028,549.54	231,889,705.55

Items	31-12-2021/2021.01-06		
	Panasonic Compressor	Jing Xue Insulation	Bingshan Metal Technology
income			
Net profit	66,514,772.97	16,637,748.36	23,361,750.71
Net profit from closing			
Other comprehensive income			
Total comprehensive income	66,514,772.97	16,637,748.36	23,361,750.71
The current dividends received from joint ventures	32,773,200.00		28,648,633.78

(3) Summary financial information of insignificant affiliated companies

Items	30-06-2022/2022.01-06	31-12-2021/2021.01-06
Associates:		
Total book value of investments	307,002,623.96	158,059,185.33
The total number of the following items based on shareholding ratio		
Net profit	11,494,152.42	2,067,871.70
Total comprehensive income	11,494,152.42	2,067,871.70

IX. Risk Related to Financial Instruments

一、Risks associated with financial instruments

The main financial instruments of the Company include borrowings, accounts receivable, accounts payable, other non-current financial assets, etc. Please refer to Note VI for the detailed description of each financial instrument. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below. The management of the company manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

1. Various risk management objectives and policies

The company's goal in risk management is to achieve an appropriate balance between risks and benefits, minimize the negative impact of risks on the company's operating performance, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the company's risk management is to identify and analyze the various risks faced by the company, establish an appropriate risk tolerance bottom line and carry out risk management, and monitor various risks in a timely and reliable manner. controlled within a limited range.

(1) Market risk

1. The main business of the company is located in China, and the main business is settled in RMB. However, the foreign currency assets and liabilities recognized by the company and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD, JPY, EUR, HKD and GBP) still have foreign exchange risks. The company's financial department is responsible for monitoring the company's foreign currency transactions and the scale of foreign currency assets and liabilities to minimize foreign exchange risks. The company did not sign any forward foreign exchange contracts or currency swap contracts during the year. As of June 30, 2022, the foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB are listed as follows:

Items	Closing Balance	Opening balance
Monetary fund-USD	3,524,626.68	7,966,454.17
Monetary fund-JPY	1,047,501.00	152,139.56
Monetary fund-EURO		6,048.12
Monetary fund- GBP		62,609.89
Receivable - GBP		1,332,493.86
Receivable- USD	35,850,695.71	35,847,300.59
Receivable - EURO		
Receivable - JPY	920,181.22	
Payables -USD	5,414,277.32	6,120,681.44
Payables -EURO		141,791.17
Payables - JPY	1,938,707.73	705,557.54
Payables -GBP		334,163.44

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

2) Interest rate risk

The company's interest rate risk mainly arises from bank borrowings. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The company determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions. The company borrowed a long-term loan of RMB 140 million from the controlling shareholder Dalian Bingshan Group Co., Ltd. at a fixed interest rate.

The company's finance department continuously monitors the company's interest rate levels. Rising interest rates will increase the cost of new interest-bearing debt and the company's unpaid interest on floating-rate interest-bearing debt, and adversely affect the company's financial performance. The management will make timely adjustments based on the latest market conditions. Adjustments to reduce interest rate risk.

The sensitive analysis:

As of June 30, 2022, if the borrowing rate were to rise or fall by 50 basis points, while other factors remained constant, the company's net profit would decrease or increase by approximately RMB 1.9 million.

3) Price risk

The price risk faced by the Company is mainly commodity price risk. The company sells products at market prices. As the national economy enters the "new normal", the manufacturing industry is under greater economic downward pressure, and the sharp fluctuations in the prices of bulk materials have a certain impact on the company's operations.

(2) Credit risk

The company's credit risk mainly comes from monetary funds, notes receivable, accounts receivable, and

other receivables. Management has established appropriate credit policies and continuously monitors exposure to these credit risks.

The monetary funds held by the company are mainly deposited in financial institutions such as commercial banks. The management believes that these commercial banks have high reputation and asset status and have low credit risk. The company adopts a limit policy to avoid credit risk to any financial institution.

For accounts receivable, other receivables and notes receivable, the company sets relevant policies to control credit risk exposure. The company evaluates the customer's credit qualification and sets the corresponding credit period based on the customer's financial situation, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The company will regularly monitor the credit records of customers. For customers with bad credit records, the company will use written reminders, shorten the credit period or cancel the credit period, etc., to ensure that the company's overall credit risk is within a controllable range.

As of June 30, 2022, the total amount of the top five accounts receivable of the company: 176,316,539.33 yuan.

(3) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations on the due date. The Company's approach to managing liquidity risk is to ensure that there is sufficient liquidity to meet obligations when they fall due without causing unacceptable losses or damage to corporate reputation. The company regularly analyzes the liability structure and term to ensure sufficient funds. The management of the Company monitors the use of bank borrowings and ensures compliance with loan agreements. At the same time, it conducts financing consultations with financial institutions to maintain a certain credit line and reduce liquidity risks.

The Company uses bank borrowings as its main source of funds. As of June 30, 2022, the Company's unused bank borrowings amounted to RMB 700 million, of which the Company's unused short-term bank borrowings amounted to RMB 700 million.

The financial assets and financial liabilities held by the Company are analyzed according to the maturity period of the undiscounted remaining contractual obligations as follows:

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	40,266.20				40,266.20
Notes receivable	18,195.51				18,195.51
Accounts receivable	98,200.87				98,200.87

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Receivables financing	2,473.75				2,473.75
Other receivable	18,293.99				18,293.99
Contract asset	12,616.44				12,616.44
Non-current assets maturing within one year	1,499.10				1,499.10
Other non-current financial assets				16,751.60	16,751.60
Financial Liabilities	0				-
Short-term loan	24,000.00				24,000.00
Notes Payable	32,067.76				32,067.76
Accounts payable	115,754.11				115,754.11
Other payable	4,767.96				4,767.96
Employee's payable	910.69				910.69
Tax payable	910.69				910.69
Non-current liabilities due within one year	2,289.94				2,289.94
Long-term loan	14000				14,000.00
Lease liability	23.71	333.39	169.12	36.89	563.11
Long-term payables	308.94		1,999.89		2,308.83

XI. Disclosure of Fair Value

1. Closing fair value of assets and liabilities measured at fair value

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	--	--	--	--
Receivables Financing		24,737,543.92		24,737,543.92
Other non-current financial assets	165,832,121.60		1,683,852.59	167,515,974.19
Non-continuous fair value measurement	--	--	--	--

2. Determination basis for the market price of continuous and non-continuous first-level fair value measurement items

The company's investment in some equity instruments in other non-current financial assets is the unadjusted closing price on the stock public trading market on June 30, 2022.

3. Continuing and non-continuing Level 2 fair value measurement items, valuation techniques used and qualitative and quantitative information on important parameters

The financial instruments included in the second level of fair value measurement by the company are the bank acceptance bills (accounts receivable financing) held at fair value and whose changes are included in other comprehensive income. They are mainly large commercial banks with high credit ratings. Due to the short remaining maturity period and extremely low credit risk, the book value of bank acceptance bills receivable is close to the fair value on the balance sheet date.

4. Continuing and non-continuing Level 3 fair value measurement items, the valuation techniques used and qualitative and quantitative information on important parameters

Continuous and non-continuous third-level fair value measurement items are mainly equity investments in unlisted companies held by the company. There is no active market for the equity of the investee involved, and there is no market transaction price for reference. The relevant observable input If it is not practical to obtain the value, the company uses the third-level input value, that is, the unobservable input value. The fair value measurement mainly adopts the price-to-book ratio method of comparable companies, and considers the liquidity discount.

5. Continuous third-level fair value measurement items, adjustment information between the opening and closing book values and sensitivity analysis of unobservable parameters

Continued third-level fair value measurement items, reconciliation information between the book value at the beginning of the year and the end of the year, and sensitivity analysis of unobservable parameters

6. Continued fair value measurement items, if there is a transfer between different levels in the current period, the reason for the transfer and the policy for determining the time point of the transfer

None

7. Changes in valuation techniques during the period and reasons for the changes

None

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

None

XII. Related Parties Relationship and Transactions**1. The parent company of the company**

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

The registered address of Dalian Bingshan Group Co., Ltd. is located at No. 106, Liaohe East Road, Dalian Economic and Technological Development Zone. It is a Sino-foreign joint venture limited liability company. Its legal representative is Ji Zhijian. July 2nd. The company's business scope: research, development, manufacturing, sales, service and installation of products in the fields of industrial refrigeration products, refrigeration and refrigeration products, large, medium and small air-conditioning products, petrochemical equipment products, electronic and electronic control products, household appliances products, environmental protection equipment products (involving Administrative licenses must be operated with a license).

I Registered capital of controlling shareholder and its changes

Controlling shareholder	Initial balance	Increase	decrease	end of year balance
Dalian Bingshan Group Co., Ltd.	158,580,000.00	-	-	158,580,000.00

I Controlling shareholders' holdings or interests and their changes

Controlling shareholder	Shareholding amount		Shareholding ratio (%)	
	End of year balance	Initial balance	Year-end ratio	Ratio at the beginning of the year
Dalian Bingshan Group Co., Ltd.	170,916,934.00	170,916,934.00	20.27	20.27

2. Subsidiaries

Please refer to Note IX, 1. (1) Composition of the enterprise group for the details of the subsidiaries of the Company.

3. Affiliated company and joint venture

For the important joint ventures or associates of the company, please refer to Note IX. 3. (1) Important associates.

Other joint ventures or associates that have related party transactions with the company in the current period, or have related party transactions with the company in the previous period and formed a balance are as follows:

Names of the joint ventures or affiliated company	Relationships with the Company
Panasonic Cold Chain (Dalian) Co., Ltd.	Affiliated company of the Company
Panasonic Compressor (Dalian) Co., Ltd.	Affiliated company of the Company
Dalian Benzhuang Chemical Co., Ltd.	Affiliated company of the Company
Songzhi Dayang Cooling and Heating Technology (Dalian) Co., Ltd.	Affiliated company of the Company
Beijing Huashang Bingshan Refrigeration and Air Conditioning Equipment Co., Ltd.	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Affiliated company of the Company
Lingzhong 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 Energy Saving Technology Co., Ltd.	Affiliated company of the Company
Dalian Jingxue Energy Saving Technology Co., Ltd.	Subsidiaries of the Company's Associates
Shanghai Jingxue Energy Saving Technology Co., Ltd.	Subsidiaries of the Company's Associates
Panasonic Refrigeration System (Dalian) Co., Ltd.	Affiliated company of the Company
Dalian Bingshan Metal Technology Co., Ltd.	Affiliated company of the Company
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	Affiliated company of the Company
Wuhan Scaf Power Control Equipment Co., Ltd.	The Company's wholly-owned subsidiary associates

4. Other related parties

Name of related party	Related party relationship
Dalian Spindle Environmental Facilities Co., Ltd.	Affiliated company of Dalian Bingshan Group
BAC Dalian Co., Ltd.	Affiliated company of Dalian Bingshan Group
Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.	Affiliated company of Dalian Bingshan Group
Dalian Bingshan Pat Technology Co., Ltd.	Subsidiary of Dalian Bingshan Group

Bingshan Songyang Biotechnology (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group
Bingshan Technical Service (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Kelvin Technology Co., Ltd.	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Huigu Development Co., Ltd.	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	2022.1-6	Approved Transaction Limit	Whether the transaction limit is exceeded	2021.1-6
Panasonic Refrigeration (Dalian) Co., Ltd.			15,000,000.00	No	14,283,046.33
BAC Dalian Co., Ltd.		21,233,858.40	45,000,000.00	No	14,119,984.98
Panasonic Cold Chain (Dalian) Co., Ltd.		2,058,376.71	15,000,000.00	No	4,418,110.43
Jiangsu Jingxue Energy Saving Technology Co., Ltd.		364,716.81	35,000,000.00	No	15,144,300.86
Bingshan Technical Service (Dalian) Co., Ltd.		1,253,534.59	40,000,000.00	No	
Dalian Bingshan Huigu Development Co., Ltd.		147,219.63	1,000,000.00	No	
Dalian Bingshan Pat Technology Co., Ltd.		2,981,051.00	11,000,000.00	No	1,100,719.55
Dalian Spinde Environmental Equipment Co., Ltd.		815,097.34	8,000,000.00	No	562,428.33
Panasonic Compressor (Dalian) Co., Ltd.		2,352,071.11	3,000,000.00	No	1,913,993.12
Dalian Bingshan Metal Technology Co., Ltd.		28,460.16	500,000.00	No	
Dalian Fuji Bingshan Vending Machine Co., Ltd.		1,003,270.93	5,500,000.00	No	1,351,425.38
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.		16,814.16	500,000.00	No	330,309.73
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.		330.19	50,000,000.00	No	476,917.71
Dalian Bingshan Group Co., Ltd.		4,528.30	500,000.00	No	
Songyang Biotechnology Co., Ltd.		933,799.10	500,000.00	No	
Beijing Huashang Bingshan Refrigeration and Air Conditioning Equipment Co., Ltd.			500,000.00	No	
Dalian Kelvin Technology Co., Ltd.			500,000.00	No	
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.			1,000,000.00	No	
Total		65,488,523.25			85,511,898.87

2) Sales of goods/ labour services provision

Related party	Content	2022.1-6	2021.1-6
Panasonic Cold Chain (Dalian) Co., Ltd.	Sales of goods	66,262,077.88	71,690,961.56
Dalian Fuji Bingshan Vending Machine Co., Ltd.		14,518,618.12	8,397,453.07
Panasonic Refrigeration System (Dalian) Co., Ltd.		11,925,729.23	19,990,779.80
Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.		5,075,605.89	12,830,587.15
Panasonic Compressor (Dalian) Co., Ltd.		26,604,561.52	7,600,809.54
Dalian Bingshan Pat Technology Co., Ltd.		624,768.48	143,269.75
Songzhi Dayang Cooling and Heating Technology (Dalian) Co., Ltd.		0.00	0.00
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.		0.00	31,989.61
Jiangsu Jingxue Energy Saving Technology Co., Ltd.		3,035,091.30	0.00
BAC Dalian Co., Ltd.		21,364,166.08	17,129,169.19
Bingshan Technical Service (Dalian) Co., Ltd.		19,222,103.24	
Dalian Bingshan Huigu Development Co., Ltd.		4,003,216.37	4,281,358.92
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.		8,700,007.96	0.00
Dalian Spinde Environmental Equipment Co., Ltd.		2,315,455.64	3,073,360.72
Wuhan Scaf Power Control Equipment Co., Ltd.		256,431.86	
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		305,206.80	
Dalian Benzhuang Chemical Co., Ltd.		91,981.13	
Songyang Biotechnology (Dalian) Co., Ltd.		7,771,926.75	1,290,650.45
Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.		5,095,635.29	
Dalian Bingshan Group Refrigeration Equipment Co., Ltd.			2,498,729.42
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		285,694.57	
Total		197,172,583.54	184,774,478.17

(2) Assets Lease

Assets rent out

Lessee	Category of assets rent out	2022.1-6 Lease Income	2021.1-6 Lease Income
Dalian Bingshan Group Co., Ltd.	Office	66,055.05	
Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.	Factory	1,904,761.90	1,904,761.90
Dalian Bingshan Huigu Development Co., Ltd.	Land, house	4,095,151.07	4,095,276.18
Panasonic Cold Chain (Dalian) Co., Ltd.	Staff dormitory	18,788.99	
Panasonic Compressor (Dalian) Co., Ltd.	Staff dormitory	45,714.28	22,857.14
Dalian Jingxue Energy Saving	Factory, office	502,555.72	502,555.72

Lessee	Category of assets rent out	2022.1-6 Lease Income	2021.1-6 Lease Income
Technology Co., Ltd.			
Wuhan Skafe Power Equipment Control Co., Ltd.	Factory	330,415.59	97,732.86
Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.	Land, house		1,961,055.05

Description of related leases

Lessor	Category of assets rent in	Current year Lease fees	Last year Lease fees
Dalian Bingshan Group Huahuida Financial Leasing Co.	FA	10,971,589.76	397,771.84

(3) Related guarantees.

CDB Development Fund supports the company's cold chain green intelligent equipment and service industrialization base project, and provides special funds to the company's controlling shareholder, Bingshan Group. For details, see "VII. 33 Long-term Loans".

(4) Funds borrow from /lent to related party

Name of the related party	Amount	Starting date	Ending date	Explanation
Dalian Bingshan Group Co., Ltd.	140,000,000.00	2016.03.14	2026.03.13	Project fund investment
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	1,348.67	2022.04.28	2023.04.27	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	600,000.00	2022.05.20	2023.05.19	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	5,481,000.00	2022.06.20	2024.06.19	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	12,000,000.00	2022.01.07	2025.01.06	

6. Receivables and payables of related parties

(1) Receivables

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Bad debt Provision	Book Balance	Bad debt Provision
Accounts receivable	BAC Dalian Co., Ltd.	13,358,280.43	937,751.29	12,548,585.90	880,910.73
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air Conditioning Equipment Co., Ltd.	8,225,260.53	4,210,824.22	10,125,260.53	6,110,824.22
Accounts receivable	Bingshan Songyang Biotechnology (Dalian) Co., Ltd.	4,389,586.01	308,148.94	1,164,159.66	81,724.01
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	10,805,596.11	839,529.71	5,656,023.33	398,096.17
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd.	1,232,268.00	97,126.06	439,268.00	63,813.46
Accounts receivable	Dalian Spinde Environmental Equipment Co., Ltd.	1,140,050.76	94,473.19	1,942,559.40	136,367.67
Accounts receivable	Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.	2,814,406.81	197,571.36	1,803,184.94	126,583.58
Accounts receivable	Panasonic Refrigeration System (Dalian) Co., Ltd.	7,689,479.92	539,801.49	4,963,341.40	348,426.57
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd.	38,098,054.10	2,674,483.40	37,390,849.92	2,624,837.66
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd.	4,072,906.71	285,918.05	4,021,698.75	282,323.25
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	405,200.00	40,614.48	175,200.00	12,299.04
Accounts receivable	Bingshan Technical Service (Dalian) Co., Ltd.	14,341,077.49	1,032,307.24		
Contract assets	Dalian Dabing Refrigeration Equipment Co., Ltd.			75,000.00	12,555.00
Contract assets	Panasonic Refrigeration System (Dalian) Co., Ltd.			166,000.00	27,788.40

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Prepayment	Panasonic Refrigeration System (Dalian) Co., Ltd.	223,101.70		2,225,656.57	
Prepayment	Dalian Bingshan Group Co., Ltd.	49,600.00			
Prepayment	Dalian Spinde Environmental Equipment Co., Ltd.	36,455.00		341,215.00	
Prepayment	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	618,163.06		951,659.80	
Prepayment	BAC Dalian Co., Ltd.	1,003,142.00		1,607,378.00	
Prepayment	Dalian Bingshan Technical Service Co., Ltd.	183,292.00			
Prepayment	Dalian Dabing Refrigeration Equipment Co., Ltd.			157,531.70	
Receivable financing	Panasonic Refrigeration System (Dalian) Co., Ltd.	148,563.00		4,197,610.38	
Receivable financing	Panasonic Cold Chain (Dalian) Co., Ltd.	659,308.15		18,720,000.00	
Receivable financing	BAC Dalian Co., Ltd.	19,659,614.15		7,341,688.27	
Receivable financing	Dalian Fuji Bingshan Vending Machine Co., Ltd.			2,060,929.41	
Other receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	1,348.67	56.24		
Other receivable	Bingshan Technical Service (Dalian) Co., Ltd.	100,000.00	69,460.00		
Other receivable	Wuhan Scaf Power Control Equipment Co., Ltd.			148,423.28	6,189.25
Other receivable	Panasonic Cold Chain (Dalian) Co., Ltd.			18,079.63	753.92

(2) Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	BAC Dalian Co., Ltd.	24,745,595.67	11,326,144.36
Accounts Payable	Dalian Bingshan Pat Technology Co., Ltd.	2,189,826.04	3,921,294.33
Accounts Payable	Dalian Spinde Environmental Equipment Co., Ltd.	1,507,515.00	1,160,849.00

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Accounts Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	947,328.00	4,512,235.92
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	0.00	145,500.00
Accounts Payable	Panasonic Refrigeration System (Dalian) Co., Ltd.	27,108,641.54	17,401,521.28
Accounts Payable	Panasonic Cold Chain (Dalian) Co., Ltd.	319,317.09	187,071.99
Accounts Payable	Panasonic Compressor (Dalian) Co., Ltd.	151,222.04	1,785,651.94
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd.	32,173.27	70,047.29
Accounts Payable	Dalian Kelvin Technology Co., Ltd.	173,125.00	128,750.00
Accounts Payable	Bingshan Technical Service (Dalian) Co., Ltd.	120,562.40	
Other accounts payable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	576,142.31	
Other accounts payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.		268,500.00
Other accounts payable	Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.		170,000.00
Other accounts payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	70,000.00	70,000.00
Other accounts payable	Bingshan Technical Service (Dalian) Co., Ltd.	1,301.13	
Contract liability	Panasonic Refrigeration System (Dalian) Co., Ltd.		1,410,975.05
Contract liability	Panasonic Refrigeration System (Dalian) Co., Ltd.		1,819,735.06
Contract liability	Wuhan Scaf Power Control Equipment Co., Ltd.		76,228.67
Notes Payable	BAC Dalian Co., Ltd.	7,770,000.00	3,932,858.40
Notes Payable	Dalian Benzhuang Chemical Co., Ltd.		172,800.00
Notes Payable	Dalian Bingshan Pat Technology Co., Ltd.	900,000.00	880,000.00
Notes Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	66,600.00	492,450.00
Notes Payable	Panasonic Cold Chain (Dalian) Co., Ltd.	1,657,321.00	1,657,321.00
Notes Payable	Dalian Spinde Environmental Equipment Co., Ltd.	1,307,900.00	1,517,200.00
Notes Payable	Panasonic Refrigeration System (Dalian) Co., Ltd.	1,594,169.08	
Lease liability	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	6,393,153.42	4,055,686.70
Non-current liabilities due within one year	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	20,278,311.26	25,727,284.78
Long-term payables	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	3,246,400.10	23,543,375.62

(I) Related Party Commitment

None

XIII. Commitments and Contingencies

1. Important Commitments

As of June 30, 2022, the company has no commitments that need to be disclosed.

2. Contingencies

(1) As of June 30, 2022, the guarantee obligations undertaken by the company's financial leasing.

The company sells cold storage equipment to Guizhou Waterfall Cold Chain Food Investment Co., Ltd. ("Waterfall Cold Chain") in the form of financial leasing. The three parties sign a purchase contract and a financial lease contract. The company is the seller and Huahuida is the buyer, and the lessor, Waterfall Cold Chain is the lessee, and the total contract price is RMB 25.705 million. If the lessee delays in paying the rent, the company shall assume the responsibility for advance rent payment and repurchase. The shareholders of Waterfall Cold Chain issued an unconditional and irrevocable counter-guarantee with the company as the beneficiary to the company. The scope of guarantee is based on all the debts guaranteed by the company for the financial lease sales business.

As of June 30, 2022, the balance of the company's financial leasing guarantee obligations was 24,210,316.00 yuan, and there was no situation where the company was required to assume the guarantee responsibility due to the default of waterfall cold chain.

As of June 30, 2022, except for the above-mentioned matters, the Company has no material contingent events that need to be disclosed.

(2) The company has no important contingencies that need to be disclosed, which should also be explained. The company has no material contingencies that need to be disclosed.

XIV. Events after the Balance Sheet Date

(1) Sales return

The company did not have any significant sales returns after the balance sheet date.

(2) Other event

Except for the above-mentioned post-balance sheet events disclosed, the Company has no other significant post-balance sheet events.

XV. Other Significant Events

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 generate revenue and incur expenses.

2).The management personnel can regularly evaluate the operation results of segments and allocate resource, assess its performance.

3).The financial situation, operation results, cash flow and other accounting information of segments

can be acquired.

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

(2) The financial information of reporting segments

Amount unit : Ten thousand yuan

Items	30-06-2021/2021.01-06				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	149,856.46	15,286.12	106.28	-36,062.97	129,185.89
2 Cost	136,260.29	13,135.82	124.33	-35,970.87	113,549.57
Impairment loss on assets	-73.12	-4.45			-77.57
Impairment loss on credit	-1,009.97	-199.21			-1,209.19
Depreciation and amortization	3,401.92	612.34			4,014.26
3 Investment income from associates and joint venture	1,692.66	2.88			1,695.54
4 Operating profits(loss)	4,551.99	-675.04	-96.85	-518.74	3,261.37
5 Income tax	306.66	-29.25			277.42
6 Net profit(loss)	4,245.32	-645.79	-96.85	-518.74	2,983.95
7 Total assets	664,678.45	51,572.32	0.00	-132,120.62	584,130.15
8 Total liabilities	302,169.74	38,613.90	0.00	-63,595.23	277,188.40

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

1. Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	721,590,402.25	100.00	81,023,885.50	11.23	640,566,516.75
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounting age as characters	245,888,703.74	34.08	81,023,885.50	32.95	164,864,818.24
Related party within consolidation scope	475,701,698.51	65.92			475,701,698.51
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	721,590,402.25	100.00	81,023,885.50	11.23	640,566,516.75

(Continued)

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	490,329,366.12	100.00	81,610,090.34	16.64	408,719,275.78
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting age as characters	279,002,384.85	56.90	81,610,090.34	29.25	197,392,294.51
Related party within consolidation scope	211,326,981.27	43.10			211,326,981.27
Accounts receivable with insignificant individual amount and separate bad debt provision					
Total	490,329,366.12	100.00	81,610,090.34	16.64	408,719,275.78

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

Aging	Closing Balance
Within 1 year	597,054,751.12
1 to 2 years	43,853,934.70
2 to 3 years	9,741,450.50
More than 3 years	70,940,265.93
3 to 4 years	22,786,105.52
4 to 5 years	14,535,594.76
More than 5 years	33,618,565.65
Total	721,590,402.25

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

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/ reversed	Written-off	
Bad debt provision	81,610,090.34	1,128,577.16		1,714,782.00	81,023,885.50
Total	81,610,090.34	1,128,577.16		1,714,782.00	81,023,885.50

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

Item	Written off amount
Receivable actually written off	1,714,782.00

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

Company	Closing Balance	% of the total AR	Closing Balance of Provision
Hualu Engineering Technology Co., Ltd.	40,138,250.00	5.56	2,817,705.15
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	4.54	25,281,907.38
Qingcheng Zhongyi Energy Co., Ltd	23,475,000.00	3.25	1,142,271.49
Inner Mongolia Xinyuan silicon material technology Co., Ltd.	13,527,900.00	1.87	949,658.58
Dalian Branch of China Kunlun Engineering Co., Ltd.	11,290,000.00	1.56	792,558.00
Total	121,179,894.00	16.78	

2. Other Receivables

Item	Closing Balance	Opening Balance
Dividend receivable	16,321,464.90	25,100,920.84
Other receivable	137,867,078.28	29,121,904.34
Total	154,188,541.18	54,222,825.18

2.1 Dividend receivable

Item	Closing Balance	Opening Balance
Bingshan Technology Services (Dalian) Co., Ltd.		24,148,920.84
Guotai Junan Securities Co., Ltd.	7,418,805.44	952,000.00
Dalian Universe Thermal Technology Co., Ltd.	2,200,000.00	
Dalian Bingshan Engineering & Trading Co., Ltd.	1,282,615.76	
Jiangsu Jingxue Insulation Technology Co., Ltd.	4,732,344.00	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	687,697.70	
Total	16,321,464.90	25,100,920.84

2.2 Other receivable

(1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Equity transfer fund	102,206,391.05	
Deposits	11,020.70	20,112,243.72
Petty cash	162,264.99	344,848.03
Guarantee deposits	37,600,456.04	10,466,237.65
Total	139,980,132.78	30,923,329.40

(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, 2022	602,860.06		1,198,565.00	1,801,425.06
The balance of January 1, 2022 in the current period	—	—	—	—
Provision for bad debts			311,629.44	311,629.44
Balance on June 30, 2022	1,801,425.06		311,629.44	2,113,054.50

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

Aging	Closing Balance
Within 1 year	630,906.59
1 to 2 years	98,373.13
2 to 3 years	114,293.16
More than 3 years	1,269,481.63
3 to 4 years	70,916.63
More than 5 years	1,198,565.00
Total	2,113,054.51

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

.Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	1,801,425.06	311,629.44			2,113,054.50
Total	1,801,425.06	311,629.44			2,113,054.50

(4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Trane Technology Europe holding company	Share transfer	102,206,391.05	Within 1 year	74.13	
Cangzhou Lingang Renguo Chemical Co., Ltd.	Security deposit	2,000,000.00	Within 1 year	1.45	83,400.00
Dalian Delta HK China gas Co., Ltd.	Security deposit	1,100,000.00	Over 5 years	0.80	1,100,000.00
Xinjiang Oriental Hope New Energy Co., LTD	Security deposit	1,000,000.00	Within 1 year	0.73	41,700.00
Ningxia Crystal New Energy Materials Co., Ltd.	Security deposit	1,000,000.00	Within 1 year	0.73	41,700.00
Total		107,306,391.05		77.84	1,266,800.00

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
Investments of subsidiaries	674,238,267.08		674,238,267.08	696,262,267.08		696,262,267.08
Investments of affiliates and JV	1,202,989,223.45		1,202,989,223.45	1,227,131,957.97		1,227,131,957.97
Total	1,877,227,706.53		1,877,227,706.53	1,923,394,225.05		1,923,394,225.05

(1) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Bingshan Group Construction Co., Ltd	193,749,675.77			193,749,675.77
Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15
Bingshan Air-Conditioning Equipment Co., Ltd	45,272,185.00			45,272,185.00
Bingshan Guardian Automation Co., Ltd.	6,872,117.80			6,872,117.80
Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	59,356,051.19			59,356,051.19
Shanghai Inverse Thermal Technology Co., Ltd.	48,287,589.78			48,287,589.78
Shanghai World Refrigeration Industrial Co., Ltd	184,674,910.81			184,674,910.81
Shanghai Technical Service (Dalian) Co., Ltd.	22,024,000.00		22,024,000.00	
Shanghai New Meica Electronics Co., Ltd.	43,766,243.72			43,766,243.72
Bingshan Engineering & Trading Co., Ltd.	71,537,064.86			71,537,064.86
	696,262,267.08		22,024,000.00	674,238,267.08

(2) Joint ventures & affiliated companies

	Beginning balance	Increase/Decrease								Endi
		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	
nces d	90,330,037.43			-17,939,591.19						72,
nces td Co.,	460,060,249.49			17,822,283.19			34,122,000.00			443,
	8,926,266.52			358,699.51						9,
rmal Ltd	58,799,068.28			1,112,724.55						59,
shan and nery	2,139,942.18			3,596.55						2,
ding	148,656,014.75			-5,230,752.85						143,
tion	14,923,803.87			1,119,014.68						16,
roup Co.	44,789,319.55			511,557.51			687,697.70			44,
tion	201,731,528.04			3,118,549.63			4,732,560.00			200,
tion	28,480,784.93			1,517,604.68			1,527,045.45			28,
ical td.	168,294,942.93			14,532,882.37						182,
	1,227,131,957.97			16,926,568.63			41,069,303.15			1,202,

4. Operating revenue and cost

Item	2022.01-06		2021.01-06	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	435,297,378.67	385,618,374.95	385,929,620.18	336,469,117.09
Revenue from other operation	32,704,249.58	21,958,987.56	20,551,816.12	13,934,076.36
Total	468,001,628.25	407,577,362.51	406,481,436.30	350,403,193.45

5. Investment income

Items	2022.01-06	2021.01-06
Income from long-term equity investments under cost method	3,482,615.76	
Income from long-term equity investments under equity method	16,926,568.63	22,157,178.59
Investment income from disposal of long-term equity investment	3,864,200.00	
Income from holding and disposing of other non-current financial assets	63,953,740.43	7,229,604.48
Total	88,227,124.82	29,386,783.07

XVII. Supplementary Information to the Financial Statements

1. Non-operating profit or loss

item	Amount
Disposal gains and losses of non-current asset	67,260.20
Government subsidies included in current profit or loss	1,984,170.62
Income from the investment cost of the subsidiary acquired by the enterprise is less than the fair value of the identifiable net assets of the investee when the investment is acquired	2,834,620.63
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	13,870,603.52
Other non-operating revenue or expense	1,278,039.78
Influence on income tax	992,883.13
Influence on minority shareholders	178,578.45
Total	18,863,233.17

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	0.98	0.035	0.035
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	0.36	0.013	0.013