



BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

(NOT AUDITED)

**BALANCE SHEET**

Prepared by Bingshan Refrigeration &amp; Heat Transfer Technologies Co., Ltd. June 30, 2023 Unit: RMB Yuan

Items	30-June-2023		1-Jan-2023	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	935,314,724.32	121,338,274.25	1,006,165,899.18	361,446,559.26
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	436,138,232.96	73,504,466.57	505,945,261.18	100,218,283.64
Accounts receivable	1,556,250,566.33	748,681,197.81	1,409,978,442.95	629,954,649.50
Receivables financing	289,036,299.90	46,450,544.61	58,792,792.70	12,451,483.74
Accounts paid in advance	181,132,850.78	86,549,600.31	171,991,468.12	61,446,678.23
Other receivables	56,174,612.60	41,937,269.90	51,394,474.24	36,021,805.53
Interest receivables				
Dividend receivable	4,361,299.55	10,184,798.49	14,495.00	
Inventories	1,564,068,652.36	366,751,018.14	1,395,344,780.24	342,276,945.65
Contract assets	295,009,088.87	108,391,267.34	225,790,875.78	83,739,043.68
Assets held for sale				
Non-current asset due within one year	12,571,309.30	12,571,309.30	15,715,631.52	15,715,631.52
Other current assets	72,026,226.30	234,800.41	33,499,577.60	565,836.48
Total current assets	5,397,722,563.72	1,606,409,748.64	4,874,619,203.51	1,643,836,917.23
Non-current assets:				
Finance asset held available for sales				
Held-to-maturity investment				
Long-term account receivable	5,162,458.90	5,162,458.90	5,162,458.90	5,162,458.90
Long-term equity investment	560,434,511.74	2,861,738,379.20	562,987,771.94	2,720,998,153.80
Other Non-current financial assets	154,314,864.51	152,999,722.01	149,950,861.31	148,635,718.81
Investment property	113,680,574.74	88,683,297.10	115,332,918.20	90,986,890.03
Fixed assets	1,311,960,863.65	624,832,328.27	1,229,029,368.93	646,432,825.98
Construction in progress	120,460,980.49	58,072,120.16	115,577,902.54	48,905,875.93
Right of use assets	17,252,776.14	13,737,818.45	30,941,662.26	14,975,625.90
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	200,766,768.53	70,101,114.73	168,076,720.07	72,158,994.17
Expense on Research and Development				
Goodwill	270,800,976.03	-	248,345,508.41	-
Long-term expenses to be apportioned	6,061,988.51	4,994,056.53	6,486,566.92	5,553,733.11
Deferred income tax asset	100,110,654.25	23,177,703.42	95,424,386.61	21,597,992.46
Other non-current asset				
Total non-current asset	2,861,007,417.49	3,903,498,998.77	2,727,316,126.09	3,775,408,269.09
Total assets	8,258,729,981.21	5,509,908,747.41	7,601,935,329.60	5,419,245,186.32
Current liabilities:				
Short-term loans	285,525,821.90	229,000,000.00	274,052,990.15	234,980,000.00

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

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	702,812,950.62	299,694,457.74	618,944,384.85	259,002,815.07
Accounts payable	1,772,786,424.04	417,924,008.98	1,586,098,060.59	406,794,291.57
Accounts received in advance				
Contract liabilities	778,394,477.23	148,129,305.72	647,645,820.57	139,622,706.08
Wage payable	99,905,376.28	97,305.73	118,216,683.23	14,557,783.63
Taxes payable	27,175,496.50	6,213,244.20	33,691,523.62	9,430,543.11
Other accounts payable	81,615,830.24	24,066,504.88	67,054,250.25	21,061,597.80
Interest payable				
Dividend payable	8,965,281.07	8,965,281.07	533,156.00	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	103,835,713.78	85,205,472.33	63,105,954.56	42,972,752.44
Other current liabilities	321,182,483.03	76,380,653.81	204,650,003.24	106,146,986.20
Total current liabilities	4,173,234,573.62	1,286,710,953.39	3,613,459,671.06	1,234,569,475.90
Non-current liabilities:				
Long-term loans	739,400,000.00	739,400,000.00	715,100,000.00	715,100,000.00
Bonds payable				
Preferred stock				
Perpetual bond				
Lease liability	18,816,652.85	11,714,291.84	11,230,532.05	12,613,986.87
Long-term account payable	27,261,665.26	8,079,947.11	31,009,644.16	12,908,810.87
Long-term wage payable				
Special Payable				
Anticipation liabilities	15,266,933.73		18,805,967.43	
Deferred income	98,148,550.01	59,553,048.01	99,754,346.39	61,685,846.39
Deferred income tax liabilities	66,823,727.27	22,705,866.88	52,306,365.68	20,603,550.11
Other non-current liabilities				
Total non-current liabilities	965,717,529.12	841,453,153.84	928,206,855.71	822,912,194.24
Total liabilities	5,138,952,102.74	2,128,164,107.23	4,541,666,526.77	2,057,481,670.14
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	717,097,098.38	755,146,592.54	717,097,098.38	755,146,592.54
Less: Treasury stock				
Other comprehensive income	2,208,669.73	1,246,569.06	2,208,669.73	1,246,569.06
Special preparation				
Surplus public reserve	825,226,634.15	825,226,634.15	825,226,634.15	825,226,634.15
Generic risk reserve				
Retained profit	675,860,321.80	956,912,337.43	618,445,922.58	936,931,213.43
Total owner's equity attributable to parent company	3,063,605,231.06	3,381,744,640.18	3,006,190,831.84	3,361,763,516.18
Minority interests	56,172,647.41	-	54,077,970.99	-
Total owner's equity	3,119,777,878.47	3,381,744,640.18	3,060,268,802.83	3,361,763,516.18

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

Total liabilities and shareholder's equity	8,258,729,981.21	5,509,908,747.41	7,601,935,329.60	5,419,245,186.32
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Legal Representative: Ji Zhijian    Chief Financial Official: Wang Jinxiu    Person in Charge of Accounting Organization: Li Sheng

## INCOME STATEMENT

Prepared by Bingshan Refrigeration &amp; Heat Transfer Technologies Co., Ltd. January-June, 2023 Unit: RMB Yuan

Items	January-June, 2023		January-June, 2022	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	2,327,536,713.05	561,507,191.57	1,291,858,908.71	468,001,628.25
II. Total operating cost	2,244,978,370.92	561,507,191.57	1,304,025,021.32	486,496,189.37
Including: Operating cost	1,941,335,530.42	462,573,454.21	1,131,915,209.09	407,577,362.51
Taxes and associate charges	17,209,585.63	6,734,597.24	9,791,372.03	5,558,409.19
Selling and distribution expenses	98,211,645.02	24,951,968.65	55,209,408.15	20,533,128.73
Administrative expenses	103,515,309.49	31,968,790.92	70,074,155.71	34,892,044.21
R&D expenses	68,628,817.97	15,845,215.75	31,564,520.91	14,040,048.85
Financial expense	16,077,482.38	14,942,066.91	5,470,355.43	3,863,954.55
Including: interest expense	19,165,466.43	14,246,006.33	7,533,477.17	4,561,734.35
interest income	5,451,984.39	735,367.41	2,004,850.77	1,542,821.77
Add: Other income	1,814,789.04	100,000.00	1,984,170.62	31,241.33
Gain/(loss) from investment	6,848,068.69	29,661,828.13	83,743,763.15	88,227,124.82
Including: income from investment on affiliated enterprise and jointly enterprise	90,409.95	-183,975.05	16,955,402.09	16,926,568.63
Gain/(loss) from change in fair value (loss as “-“)	4,364,003.20	4,364,003.20	-29,425,921.52	-29,425,921.52
Credit impairment loss (loss as “-“)	-19,302,777.86	-5,984,187.92	-12,091,879.71	-1,460,424.20
Assets impairment loss (loss as “-“)	-4,905,134.78	-1,472,892.79	-775,665.61	-632,818.79
Gain/(loss) from asset disposal (loss as “-“)	51,209.01	0.00	67,260.20	1,451.76
III. Operating profit	71,428,499.43	31,159,848.51	31,335,614.52	38,277,333.61
Add: non-business income	4,268,645.77	9,639.35	1,610,684.35	20,000.08
Less: non-business expense	2,257,797.99	70,000.00	332,644.57	
IV. Total profit	73,439,347.21	31,099,487.86	32,613,654.30	38,297,333.69
Less: Income tax	13,930,271.56	2,686,238.79	2,774,153.99	1,234,987.29
V. Net profit	59,509,075.65	28,413,249.07	29,839,500.31	37,062,346.40
(I) Net profit from continuous operation	59,509,075.65	28,413,249.07	29,839,500.31	37,062,346.40
(II) Net profit from discontinuing operation				
Net profit attributable to parent company	57,414,399.22	28,413,249.07	29,568,351.52	37,062,346.40
Minority shareholders' gains and losses	2,094,676.43		271,148.79	
VI. After-tax net amount of other comprehensive incomes				
After-tax net amount of other comprehensive incomes attributable to owners of the Company				
(I) Other comprehensive incomes that will not be reclassified into gains and losses				
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement				
2. Enjoyable shares in other comprehensive incomes in invests that cannot be reclassified into gains and losses under the equity method				
(II) Other comprehensive incomes that will be reclassified into gains and losses				
1. Enjoyable shares in other comprehensive incomes in invests that will be reclassified into gains and losses under the equity method				
2. Gains and losses on fair value changes of available-for-sale financial assets				
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets				

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

4. Effective hedging gains and losses on cash flows				
5. Foreign-currency financial statement translation difference				
6. Others				
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After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	59,509,075.65	28,413,249.07	29,839,500.31	37,062,346.40
Total comprehensive income attributable to parent company	57,414,399.22		29,568,351.52	37,062,346.40
Total comprehensive income attributable to minority shareholders	2,094,676.43		271,148.79	
VIII. Earnings per share				
(I) basic earnings per share	0.07		0.04	
(II) diluted earnings per share	0.07		0.04	

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

**CASH FLOW STATEMENT**

Prepared by Bingshan Refrigeration &amp; Heat Transfer Technologies Co., Ltd. January -June, 2023 Unit: RMB Yuan

Items	January -June, 2023		January -June, 2022	
	Consolidation	Parent Company	Consolidation	Parent Company
<b>I. Cash flows arising from operating activities:</b>				
Cash received from selling commodities and providing labor services	1,897,060,493.23	416,876,256.09	1,261,666,720.62	352,345,258.81
Write-back of tax received	9,988,890.50		11,560,593.20	4,006,659.69
Other cash received concerning operating activities	52,698,239.72	7,689,232.01	27,127,455.59	5,384,314.18
Subtotal of cash inflow arising from operating activities	1,959,747,623.45	424,565,488.10	1,300,354,769.41	361,736,232.68
Cash paid for purchasing commodities and receiving labor service	1,457,105,820.91	474,452,446.24	1,193,219,986.59	496,371,451.85
Cash paid to/for staff and workers	369,826,569.78	62,530,285.96	188,402,543.12	62,633,591.91
Taxes paid	107,685,392.77	28,543,318.27	31,106,515.38	11,139,042.04
Other cash paid concerning operating activities	151,924,036.97	26,003,055.24	77,032,061.17	32,464,131.37
Subtotal of cash outflow arising from operating activities	2,086,541,820.43	591,529,105.71	1,489,761,106.26	602,608,217.17
Net cash flows arising from operating activities	-126,794,196.98	-166,963,617.61	-189,406,336.85	-240,871,984.49
<b>II. Cash flows arising from investing activities:</b>				
Cash received from recovering investment			300,000.00	300,000.00
Cash received from investment income	5,796,799.24	24,022,304.24	76,499,887.00	76,474,242.00
Net cash received from disposal of fixed, intangible and other long-term assets	434,242.64	30,000.00	361,191.28	5,000.00
Net cash received from disposal of subsidiaries and other units		0.00	5,605,792.62	25,888,200.00
Other cash received concerning investing activities		0.00		
Subtotal of cash inflow from investing activities	6,231,041.88	24,052,304.24	82,766,870.90	102,667,442.00
Cash paid for purchasing fixed, intangible and other long-term assets	22,081,215.68	6,203,763.76	12,416,614.10	9,320,136.74
Cash paid for investment		145,285,500.00		
Net cash paid for achievement of subsidiaries and other business units	12,056,951.02			
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	34,138,166.70	151,489,263.76	12,416,614.10	9,320,136.74
Net cash flows arising from investing activities	-27,907,124.82	-127,436,959.52	70,350,256.80	93,347,305.26
<b>III. Cash flows arising from financing activities</b>				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries				
Cash received from loans	345,525,821.90	316,000,000.00	240,850,000.00	229,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	6,600,000.00		95,778,131.09	21,144,709.02
Subtotal of cash inflow from financing activities	352,125,821.90	316,000,000.00	336,628,131.09	250,144,709.02
Cash paid for settling debts	252,466,250.00	246,450,000.00	237,845,000.00	237,845,000.00
Cash paid for dividend and profit distributing or interest paying	15,175,950.51	13,745,417.12	12,340,724.16	8,186,734.35
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash paid concerning financing activities	22,250,574.21	1,267,500.00	56,257,183.04	612,000.00
Subtotal of cash outflow from financing activities	289,892,774.72	261,462,917.12	306,442,907.20	246,643,734.35
Net cash flows arising from financing activities	62,233,047.18	54,537,082.88	30,185,223.89	3,500,974.67
<b>IV. Influence on cash due to fluctuation in exchange rate</b>	-526,981.97		1,614,217.38	-15.49

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

V. Net increase of cash and cash equivalents	-92,995,256.59	-239,863,494.25	-87,256,638.78	-144,023,720.05
Add: Balance of cash and cash equivalents at the period -begin	921,663,803.17	361,032,768.50	438,969,337.87	369,932,989.19
VI. Balance of cash and cash equivalents at the period-end	828,668,546.58	121,169,274.25	351,712,699.09	225,909,269.14

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 &amp; Heat Transfer Technologies Co., Ltd 2023.01-06 Unit: RMB Yuan

Items	2023.01-06								
	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	717,097,098.38		2,208,669.73		825,226,634.15	618,445,922.58	54,077,970.99	3,060,268,802.83
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00	717,097,098.38		2,208,669.73		825,226,634.15	618,445,922.58	54,077,970.99	3,060,268,802.83
III. Increase/ decrease of amount in this year ("-" means decrease)							57,414,399.22	2,094,676.42	59,509,075.64
(I) Total comprehensive incomes							57,414,399.22	2,094,676.42	59,509,075.64
(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									
1. Withdrawing surplus public reserve									
2. Distribution to all owners (shareholders)									
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									
IV. Balance at the end of this period	843,212,507.00	717,097,098.38		2,208,669.73		825,226,634.15	675,860,321.80	56,172,647.41	3,119,777,878.47

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

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

## STATEMENT OF CHANGES IN OWNERS' EQUITY

Items	2023.01-06								
	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		1,246,569.06		825,226,634.15	936,931,213.43	3,361,763,516.18
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		1,246,569.06		825,226,634.15	936,931,213.43	3,361,763,516.18
III. Increase/ decrease of amount in this year ("-" means decrease)								19,981,124.00	19,981,124.00
(I) Total comprehensive incomes								28,413,249.07	28,413,249.07
(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						1,403,878.98			1,403,878.98
2. Used in the period						-1,403,878.98			-1,403,878.98
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		755,146,592.54		1,246,569.06		825,226,634.15	956,912,337.43	3,381,744,640.18

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd 2022.01-06

Unit: RMB Yuan

Items	2022.01-06								Total of owners' equity
	Owners' equity attributable to parent company								
	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 Officer: Wang Jinxiu Person in Charge of Accounting Organization: Li Sheng

### 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 13<sup>th</sup> meeting of the 6<sup>th</sup> generation of board, extraordinary general meeting for 2015 fiscal year and 'Restricted share incentive plan (draft)', the Company planned to introduce A ordinary shares to incentive objectives, which was 10,150,000 number of shares would be granted to 41 share incentive objectives at granted price of RMB5.56Yuan per share. Up to March 12<sup>th</sup>, 2015, the Company received new added share capital of RMB10,150,000Yuan and the share capital had been verified by DaHua Certified Public Accountants, and had been issued the capital verification report Dahuayanzi [2015]000086 on March 12<sup>th</sup>, 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 17<sup>th</sup> meeting of the 6<sup>th</sup> generation of board was held on 4<sup>th</sup> June 2015 and the 2<sup>nd</sup> 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 30<sup>th</sup> December, 2015, approving that new non-public offering cannot exceed 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 3<sup>rd</sup> provisional general meeting held on 13th September 2016, the 9<sup>th</sup> meeting of the 7<sup>th</sup> generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20<sup>th</sup>, 2016 and set 20<sup>th</sup> 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 22<sup>nd</sup> November, 2016, the company has actually received the newly subscribed registered share capital of

12,884,000Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23<sup>rd</sup>November, 2016.

On May 20<sup>th</sup>, 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 21<sup>st</sup> meeting of the seventh board of directors which reviewed and approved the Proposal on Repurchasing and Cancelling Party Restricted Stocks of the 2015 Restricted Stock Incentive Plan. On June 29, 2018, after the completion of repurchase and cancellation, the Company implemented the corresponding capital reduction procedures according to law, and the registered capital of the Company was changed from 855,908,981 Yuan to 855,434,087 Yuan.

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

On December 20<sup>th</sup>, 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 1 entities (Sonyo Refrigeration (Dalian) 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 1<sup>st</sup> day of the month when the transactions incurred. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the balance sheet day. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses.

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

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

the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

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

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

### (1) Financial assets

#### 1) Classification, recognition and measurement

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

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

The company recognized interest revenue based on effective interest method. Interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for: purchased or originated credit-impaired financial assets. For those financial assets, the company shall apply the credit-adjusted effective interest rate to the amortized cost of the financial

asset from initial recognition. □ financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

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

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

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

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

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value in respect of the amount of 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:  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  financial assets transfers that do not qualify for derecognition or financial liability is formed from continuing involvement in transferred assets  financial guarantee contract not in the above category of  or  and loan commitment which is not in the category  at the below the market loan rate.

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

### 2) Financial liability derecognition

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

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

The company uses the price in the primary market for financial assets and liability fair value measurement, if no primary market exists, the price in the most advantageous market shall be used for fair value measurement and applicable valuation techniques which enough data is available for

and supported by other information shall be adopted. Input for fair value measurement has 3 levels: level 1 input is the unadjusted quoted price for identical asset or liability available at the active market on the measurement date; level 2 input is the directly or indirectly observable input for relevant asset or liability apart from level 1 input; level 3 input is the unobservable input for relevant asset or liability.

(4) Financial asset and financial liability offset

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

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

financial liability and equity instrument shall be distinguished in accordance with the following standards: ① if the company cannot unconditionally avoid paying cash or financial asset to fulfil a contractual obligation, the contractual obligation is qualified or financial liability. For certain financial instrument, although there are no clear terms and conditions to include obligation of paying cash or other financial liability, contractual obligation may indirectly be formed through other terms and conditions. ② the company's own equity instrument shall also be considered whether it is the substitute of cash, financial asset or it is the remaining equity, after the issuer deducts liability, enjoyed by the equity holder, if it must or can be used to settle a financial asset. If the former, the instrument is a financial liability of the issuer, otherwise it is an equity instrument of the issuer. In certain circumstances, financial instrument contract is classified as financial liability, if financial instrument contract specifies the company must or can use its own equity to settle the financial instrument, the contractual amount of right or obligation equals to that of the numbers of own equity instrument available or to be paid multiplied by fair value when settling, nevertheless the amount is fixed, or varied partially or fully based on the its own equity's market price(such as interest rate, certain commodity's or financial instrument's price variance).

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

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

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

(6) Financial asset impairment

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

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

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

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

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

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

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

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

## **11. Notes receivable**

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

On the basis of expected credit loss, the company always measures the loss allowance at an amount equal to lifetime expected credit losses for notes receivables which do not contain a significant financing component and are generated in accordance with Revenue Standard- No 14 of Accounting Standard for Business Enterprise.

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

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

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

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

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

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.

<b>Portfolio category</b>	<b>Expected credit loss accounting estimate policy</b>
Related parties portfolio within the consolidation	Lower credit risk assessed by the management
Other related parties and non-related parties portfolio	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.

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

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 30years; 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 achieved, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

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 or directly offsetting the book value of the asset, and Assets-related government grants recognized as deferred income shall

be evenly amortized to profit or loss over the useful life of the related asset.

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

<b>Tax</b>	<b>Tax base</b>	<b>Tax rate</b>
Value-added tax (VAT)	Sales revenue or Purchase	5%、6%、9%、13%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%
Enterprise income tax(EIT)	Current period taxable profit	15% or 25%
Real estate tax	70% of cost of own property or 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

<b>Tax entities</b>	<b>EIT rate</b>
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%

<b>Tax entities</b>	<b>EIT rate</b>
Dalian Bingshan Guardian Automation Co., Ltd.	15%
Dalian Bingshan-RYOSETSU Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%
Dalian Bingshan Engineering & Trading Co., Ltd	25%
Dalian Universe Thermal Technology Co.,Ltd.	15%
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	25%
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	25%
Wuhan Lanning Energy Technology Co., Ltd	25%
Sonyo Compressor(Dalian)Co.,Ltd.	15%
Sonyo Refrigeration System (Dalian) Co., Ltd.	15%
Sonyo Refrigeration (Dalian) 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, Sonyo Compressor(Dalian)Co.,Ltd.(hereinafter referred to as“ Sonyo Compressor” obtained the qualification of high and new technology enterprises on 22nd October, 2021 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202121200268, 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, Sonyo Refrigeration System (Dalian) Co., Ltd.(hereinafter referred to as“ Sonyo Refrigeration System” obtained the qualification of high and new technology enterprises on 9th October, 2020 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202021200465, 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, Sonyo Refrigeration (Dalian) Co., Ltd.(hereinafter referred to as“ Sonyo Refrigeration System” obtained the qualification of high and new technology enterprises on 22th October, 2021 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202121200368, 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.

(2) According to the Announcement of Ministry of Science and Technology, the Ministry of Finance and Tax Administration on supporting Scientific and Technological Innovation by the accelerate Pre-tax Deduction (Announcement No. 28, 2022), equipment and appliances newly purchased by high and new technology entity within the period from October 1st, 2022 to December 31st, 2022 are allowed for taxable income deduction in full amount and also can be 100% accelerated deduction before income tax. Any entity qualifying for high and new technology during the Q4 in 2022 is subject to this tax preference. If deduction is not enough for this year, it can be carried forward to the following year. Equipment and appliances refer to fixed assets beyond house and buildings. High and new technology criteria is in line with “Notice of the Ministry of Science and Technology and the Ministry of Finance and the State Administration of Taxation on Revising and Printing the Administrative Measures for the Identification of New and High Technology Enterprises” (Guokefahuo[2016]No.32). The Company and its subsidiaries, Dalian Universe Thermal Technology Co.,Ltd, Sonyo Compressor , Sonyo Refrigeration System and Sonyo Refrigeration enjoy the tax preference.

## **VII. Notes to Consolidated Financial Statements**

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

Item	Closing Balance	Opening Balance
Cash on hand	48,506.18	80,702.47
Cash in bank	828,620,040.40	922,122,608.84
Other cash and cash equivalents	106,646,177.74	83,962,587.87
<b>Total</b>	<b>935,314,724.32</b>	<b>1,006,165,899.18</b>

Note: The total amount of restricted monetary funds at the end of the period was 106,646,177.74 Yuan, including 66,218,472.37 Yuan for bank acceptance, 37,235,734.79 Yuan for letter of credit, 3,191,970.58 for migrant workers.

## 2. Notes receivable

### (1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	416,436,839.49	493,019,785.95
Commercial acceptance notes	19,701,393.47	12,925,475.23
<b>Total</b>	<b>436,138,232.96</b>	<b>505,945,261.18</b>

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	436,599,273.18	100.00%	461,040.22	0.00%	436,138,232.96	506,921,135.95	100.00%	975,874.77	0.19%	505,945,261.18
Including:										
Bank acceptance bill	416,436,839.49	95.12%			416,436,839.49	416,436,839.49	97.26%			493,019,785.95
trade acceptance draft	20,162,433.69	4.88%	461,040.22	2.29%	19,701,393.47	13,901,350.00	2.74%	975,874.77	7.02%	12,925,475.23
<b>Total</b>	<b>436,599,273.18</b>	<b>100.00%</b>	<b>461,040.22</b>	<b>0.00%</b>	<b>436,138,232.96</b>	<b>506,921,135.95</b>	<b>100.00%</b>	<b>975,874.77</b>	<b>0.00%</b>	<b>505,945,261.18</b>

Provision for bad debts by combination:

Items	Closing Balance		
	Booking balance	Bad debt provision	Provision ratio
Trade acceptance draft	20,162,433.69	461,040.22	2.29%

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 Not 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	975,874.77	512,380.99	1,027,215.54			461,040.22
<b>Total</b>	975,874.77	512,380.99	1,027,215.54			461,040.22

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

Applicable Not applicable

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

Items	Closing pledged amount
Bank acceptance notes	142,360,499.62
<b>Total</b>	142,360,499.62

(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		176,802,827.00
Trade acceptance draft		290,000.00
<b>Total</b>		177,092,827.00

### 3. Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual basis	23,257,124.30	1.12%	20,424,690.50	87.82%	2,832,433.80
Bad debt provision on group	2,061,553,690.08	98.88%	508,135,557.55	23.92%	1,553,418,132.53
Including: aging as characteristics of credit risk	2,061,553,690.08	98.88%	508,135,557.55	23.92%	1,553,418,132.53
<b>Total</b>	2,084,810,814.38	100.00%	528,560,248.05	24.63%	1,556,250,566.33

(Continued)

Items	Opening balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Bad debt provision on individual basis	13,181,314.30	0.69%	10,348,880.50	78.51%	2,832,433.80
Bad debt provision on group	1,888,715,925.40	99.31%	481,569,916.25	25.50%	1,407,146,009.15
Including: aging as characteristics of credit risk	1,888,715,925.40	99.31%	481,569,916.25	25.50%	1,407,146,009.15
<b>Total</b>	1,901,897,239.70	100.00%	491,918,796.75	25.86%	1,409,978,442.95

## 1) Bad debt provisions on individual basis

Name	Closing Balance			Reason
	Accounts receivable	Provision for bad debts	Proportion (%)	
Wuxi Jinshang Hongyang electromechanical Equipment Co., LTD	10,403,258.00	10,403,258.00	100.00%	not expected to be recovered
YIDU(SY)Cold Chain Logistics Evolution Co.,Ltd.	635,135.70	635,135.70	100.00%	
Mudanjiang Zhongnong Batch Cold Chain Logistics Co. LTD	914,911.20	914,911.20	100.00%	not expected to be recovered
Qingyang Haiyue Agriculture Co Ltd	585,000.00	585,000.00	100.00%	not expected to be recovered
Chishui Nong Shang LV	4,686,819.40	3,106,289.40	66.00%	Enforcement has been applied for and not expected to be recovered
Guizhou rural commercial tourism development Co., LTD	6,032,000.00	4,780,096.20	79.00%	Enforcement has been applied for and not expected to be recovered
<b>Total</b>	23,257,124.30	20,424,690.50	—	

Provision for bad debts by combination:

Items	Closing Balance
-------	-----------------

	<b>Booking balance</b>	<b>Provision</b>	<b>%</b>
within 1 year	1, 218, 732, 907. 83	69, 377, 372. 05	4. 85%
1-2 years	298, 717, 763. 13	49, 331, 536. 60	15. 60%
2-3 years	123, 975, 715. 30	30, 826, 384. 10	26. 65%
3-4 years	71, 384, 457. 40	44, 847, 889. 63	56. 34%
4-5 years	125, 639, 035. 01	90, 648, 563. 76	72. 75%
more than 5 years	223, 103, 811. 42	223, 103, 811. 42	100. 00%
<b>Total</b>	2, 061, 553, 690. 08	508, 135, 557. 55	

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

<b>Aging</b>	<b>Closing Balance</b>
Within1 year	1, 220, 476, 722. 69
1to 2 years	313, 284, 161. 36
2 to 3 years	130, 922, 626. 50
More than 3 years	420, 127, 303. 83
3 to 4 years	71, 384, 457. 40
4 to 5 years	125, 639, 035. 01
More than 5 years	223, 103, 811. 42
<b>Total</b>	2, 084, 810, 814. 38

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

Provision for bad debts in the current period:

<b>Category</b>	<b>Opening balance</b>	<b>Change during the period</b>				<b>Closing Balance</b>
		<b>Accrued</b>	<b>Collected/reversed</b>	<b>Written-off</b>	<b>Others</b>	
Bad debt provision for accounts receivable	491, 918, 796. 75	24, 630, 411. 14	4, 635, 130. 33	3, 983, 646. 00	20, 629, 816. 49	528, 560, 248. 05

3) Accounts receivable written off in current period

<b>Item</b>	<b>Written off amount</b>
Receivable actually written off	3,983,646.00

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

<b>Company</b>	<b>The nature of accounts receivable</b>	<b>Written off amount</b>	<b>Reason for written off</b>	<b>Written off procedures performed</b>	<b>Whether the payment is caused by a related transaction</b>
Chongqing Zhongji refrigeration equipment Co., LTD	Trade receivable	1,113,700.00	Non-asset payment	Board Resolution	No
Wudi Keyi Chemical Co., LTD	Trade receivable	786,000.00	Non-asset payment	Board Resolution	No
Yulin Huaneng coal technology Co., LTD	Trade receivable	585,000.00	Non-asset payment	General manager approval	No
Shanghai Hantest experimental Equipment Co., LTD	Construction	430,470.00	Non-asset payment	Board Resolution	No
Shandong Yucheng Dayu Fine chemical Co., LTD	Trade receivable	352,550.00	Non-asset payment	Board Resolution	No
Shenyang Chunhui Engineering Co., LTD	Trade receivable	217,640.00	Non-asset payment	Board Resolution	No
<b>Total</b>		3,485,360.00			

## 4. Receivables financing

<b>Items</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Notes receivable	289,036,299.90	58,792,792.70
<b>Total</b>	289,036,299.90	58,792,792.70

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

Applicable Not 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	148,999,178.28	82.26%	143,894,431.33	83.66%
1 to 2 years	22,598,148.49	12.48%	18,707,868.78	10.88%
2 to 3 years	4,175,311.50	2.31%	4,457,439.74	2.59%
Over 3 years	5,360,212.51	2.96%	4,931,728.27	2.87%
<b>Total</b>	<b>181,132,850.78</b>		<b>171,991,468.12</b>	

#### 6. Other receivables

Items	Closing Balance	Opening Balance
Dividends receivable	4,361,299.55	14,495.00
Other receivable	51,813,313.05	51,379,979.24
<b>Total</b>	<b>56,174,612.60</b>	<b>51,394,474.24</b>

##### (1) Dividends receivable

##### 1) Classification of Dividends Receivable

Items(or Investee)	Closing Balance	Opening Balance
Keibin Ocean Cooling and Heating Industry (Dalian) Co., LTD	2,000,000.00	0.00
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	1,610,172.00	0.00
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	751,127.55	0.00
Wuhan Iron and Steel Co., Ltd.		14,495.00
<b>Total</b>	<b>4,361,299.55</b>	<b>14,495.00</b>

##### 2)Provision for bad debts

Applicable Not applicable

##### (2). Other receivables

##### 1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Receivables and Payables	37,307,092.39	38,051,147.58
Guarantee deposits	36,418,813.60	37,147,665.19
Petty cash	5,587,886.14	5,099,052.90
Others	7,562,233.95	6,088,641.82
<b>Total</b>	<b>86,876,026.08</b>	<b>86,386,507.49</b>

## 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, 2023	2,334,895.21		32,671,633.04	35,006,528.25
The balance of January 1, 2023 in the current period				
Provision for current period	553,801.19		271,665.35	825,466.54
Reversal for current period	326,938.81		465,596.13	792,534.94
Others	23,253.18			23,253.18
Balance on June 30, 2023	2,585,010.77		32,477,702.26	35,062,713.03

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

Applicable Not applicable

Disclosure by age

Aging	Closing Balance
Within 1 year	27,603,905.60
1-2 years	15,557,531.41
2-3 years	8,066,097.57
Over 3 years	35,648,491.50
3-4 years	6,588,361.07
4-5 years	22,533,240.11
Over 5 years	6,526,890.32
<b>Total</b>	<b>86,876,026.08</b>

## 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	35,006,528.25	825,466.54	792,534.94		23,253.18	35,062,713.03
<b>Total</b>	35,006,528.25	825,466.54	792,534.94		23,253.18	35,062,713.03

## 4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Hangzhou Zhonghong New Energy Technology Co., Ltd.		5,145,000.00	2-3 years	5.92%	815,482.50
State Tax Bureau Dalian Shahekou District tax Bureau		1,708,353.65	Within 1 year	1.97%	62,695.68
Dalian Economic and Technological Development Zone State Taxation Bureau	Stock transfer	1,431,475.60	Within 2 year	1.65%	
Wuyuan county Furun meat processing Co., LTD	Return payment	1,331,766.93	Within 3 year	1.53%	48,742.67
Dalian Detai Ganghua Gas Co., LTD	Compensation payments	1,100,000.00	Over 5 years	1.27%	40,260.00
<b>Total</b>		10,716,596.18		12.34%	967,180.85

## 7. Inventories

## (1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	310,344,042.33	40,065,358.65	270,278,683.68
Working in progress	233,127,786.61	7,400,079.86	225,727,706.75
Finished goods	405,631,893.62	41,675,934.58	363,955,959.04
Contract performance cost	585,394,191.95	27,781,458.66	557,612,733.29
goods shipped in transit	96,153,672.86	732,047.12	95,421,625.74
Low-value consumable	7,541,035.21	333,360.41	7,207,674.80
Self-manufactured semi-finished products	39,116,568.17		39,116,568.17
Commissioned processing materials	3,728,530.43		3,728,530.43
House acquired as payment for a debt	2,708,646.00	1,149,186.00	1,559,460.00
<b>Total</b>	1,683,746,367.18	119,677,714.82	1,564,068,652.36

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	257,330,026.33	17,594,044.66	239,735,981.67
Working in progress	219,325,436.31	7,091,948.88	212,233,487.43
Finished goods	358,865,793.97	20,733,013.07	338,132,780.90
Contract performance cost	518,190,428.65	24,029,331.96	494,161,096.69
goods shipped in transit	64,331,292.17	463,920.35	63,867,371.82

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Low-value consumable	161,125.34		161,125.34
Self-manufactured semi-finished products	30,898,915.81		30,898,915.81
Commissioned processing materials	15,134,850.12	540,289.54	14,594,560.58
House acquired as payment for a debt	2,708,646.00	1,149,186.00	1,559,460.00
<b>Total</b>	<b>1,466,946,514.70</b>	<b>71,601,734.46</b>	<b>1,395,344,780.24</b>

(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	17,594,044.66	31,757.02	22,790,431.86		350,874.89	40,065,358.65
Working in progress	7,091,948.88	153,551.73	154,579.25			7,400,079.86
Finished goods	20,733,013.07	1,602,365.00	20,167,060.39	826,503.88		41,675,934.58
Contract performance cost	24,029,331.96		11,574,524.36	7,822,397.66		27,781,458.66
goods shipped in transit	463,920.35		268,126.77			732,047.12
Low-value consumable		333,360.41				333,360.41
Self-manufactured semi-finished products						
Commissioned processing materials	540,289.54					540,289.54
House acquired as payment for a debt	1,149,186.00					1,149,186.00
<b>Total</b>	<b>71,601,734.46</b>	<b>2,121,034.16</b>	<b>54,954,722.63</b>	<b>8,648,901.54</b>	<b>350,874.89</b>	<b>119,677,714.82</b>

#### 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	259,311,583.05	34,795,601.71	224,515,981.34	210,149,278.14	31,927,565.84	178,221,712.30
The time period method recognizes receipts pending settlement	87,378,823.36	16,885,715.83	70,493,107.53	61,997,091.19	14,427,927.71	47,569,163.48
<b>Total</b>	<b>346,690,406.41</b>	<b>51,681,317.54</b>	<b>295,009,088.87</b>	<b>272,146,369.33</b>	<b>46,355,493.55</b>	<b>225,790,875.78</b>

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 Not applicable

Provision for bad debt

Item	Accrued	Collected/reversed	Written-off	reason
Unexpired warranty money	326,312.49			
The time period method recognizes receipts pending settlement	2,457,788.13			
<b>Total</b>	2,784,100.62			--

## 9. Non-current assets maturing within one year

Item	Closing Balance	Opening Balance
Long-term receivables due within one year	12,571,309.30	15,715,631.52
<b>Total</b>	12,571,309.30	15,715,631.52

## 10. Other current assets

Item	Closing Balance	Opening Balance
Contract acquisition cost	3,592,142.31	
Prepaid income tax presented at net amount after offsetting	13,546,207.88	9,010,312.91
Input VAT to be deducted	24,101,491.07	12,825,675.49
Prepaid expenses	234,800.41	16,919.61
Prepaid turnover tax	30,551,584.63	11,646,669.59
<b>Total</b>	72,026,226.30	33,499,577.60

## 11. Long term receivable

## (1) Details

Item	Closing Balance			Discounted rate
	Carrying amount	Provision	Book value	
Lease premium	-	-	-	
---Unrealized financing income	-	-	-	
Goods sold by installments	5,591,380.90	428,922.00	5,162,458.90	4.75%
<b>Total</b>	5,591,380.90	428,922.00	5,162,458.90	

(Continued)

Item	Opening Balance			Discounted rate
	Carrying amount	Provision	Book value	
Lease premium	-	-	-	
---Unrealized financing income	-	-	-	
Goods sold by installments	5,162,458.90	5,162,458.90	5,162,458.90	4.75%
<b>Total</b>	5,162,458.90	5,162,458.90	5,162,458.90	

## (2) Provision for bad debt

Bad debt provision	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within 12 months	Expected credit loss within the whole period (no impairment)	Expected credit loss within the whole period (impairment incurred)	
Opening balance				
Opening balance during the year				
--transfer to the 2 <sup>nd</sup> stage				
--transfer to the 3 <sup>rd</sup> stage				
--reverse to the 2 <sup>nd</sup> stage				
----reverse to the 1 <sup>st</sup> stage				
Accrued	501,389.82	-	-	501,389.82
Reverse				
Cancelation				
Written off				
Other	-72,467.82	-	-	-72,467.82
Closing balance	428,922.00	-	-	428,922.00

## 12. 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		
Dalian Benzhuang Chemical Co., Ltd.	9,819,096.80	1,717,629.40		-1,645,994.10						9,890,732.10	
Songzhi Dayang Cooling and Heating Technology (Dalian) Co., Ltd.	60,089,313.51			-532,555.89			2,000,000.00			57,556,757.62	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	111,101,339.93			-15,573,573.93						95,527,766.00	
Lingzhong Bingshan Refrigeration (Dalian) Co., Ltd.	15,401,109.10			867,056.87						16,268,165.97	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.											
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	140,124,248.76			2,326,132.50			1,610,172.00			140,840,209.26	
Dalian Bingshan Metal Technology Co., Ltd.	175,313,807.46			13,760,359.73						189,074,167.19	
Dalian Bingshan Group Huahuida Financial Leasing	45,603,876.95			639,868.03			751,127.55			45,492,617.43	
Wuhan Scaf Power Control Equipment Co., Ltd.	5,534,979.43			249,116.74						5,784,096.17	
<b>Total</b>	562,987,771.94	1,717,629.40		90,409.95			4,361,299.55			560,434,511.74	

## 13. Other non-current financial assets

Item	Closing Balance	Opening Balance
Financial assets classified as fair value through profit or loss	154,314,864.51	149,950,861.31
<b>Total</b>	154,314,864.51	149,950,861.31

## 14. Investment property

Item	Property & Building	Land-use-rights	Construction in progress	Total
<b>I. Initial Cost</b>				
1. Opening Balance	230,594,490.07	26,094,438.38		256,688,928.45
2. Increase	2,277,713.41			2,277,713.41
(1) Outsourcing				
(2) Inventory\fixed assets\construction-in-progress transfer	2,277,713.41			2,277,713.41
(3) Business combination increase				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	232,872,203.48	26,094,438.38		258,966,641.86
<b>II. Accumulated Depreciation and Accumulated Amortization</b>				
1. Opening Balance	128,527,417.44	12,828,592.81		141,356,010.25
2. Increase	3,669,112.49	260,944.38		3,930,056.87
(1) Provision or amortization	3,669,112.49	260,944.38		3,930,056.87
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance	132,196,529.93	13,089,537.19		145,286,067.12
<b>III. Impairment Reserve</b>				
1. Opening Balance				
2. Increase				
(1) Provision				
3. Decrease				
(1) Disposal				
(2) Transferred to other				
4. Closing Balance				
<b>IV. Book Value</b>				
<b>1. Closing book value</b>	100,675,673.55	13,004,901.19		113,680,574.74
<b>2. Opening book value</b>	102,067,072.63	13,265,845.57		115,332,918.20



## 15. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	1,311,960,863.65	1,229,029,368.93
<b>Total</b>	<b>1,311,960,863.65</b>	<b>1,229,029,368.93</b>

## (1) Fixed assets detail

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<b>I. Initial Cost</b>					
1. Opening Balance	833,131,692.61	1,700,788,050.58	21,850,467.55	215,907,705.08	2,771,677,915.82
2. Increase	109,068,746.24	152,968,003.64	5,364,988.69	91,658,755.48	359,060,494.05
(1) Purchase	875,468.89	19,702,524.38	57,079.65	53,572,787.06	74,207,859.98
(2) Transferred from construction-in-progress	1,228,239.34	18,756,742.27	413,539.84	7,657,262.63	28,055,784.08
(3) Acquired from business combination	106,965,038.01	114,508,736.99	4,894,369.20	30,428,705.79	256,796,849.99
3. Decrease	3,541,375.62	11,924,145.77	651,635.20	5,414,786.57	21,531,943.16
(1) Dispose or scrap	3,541,375.62	11,924,145.77	651,635.20	5,414,786.57	21,531,943.16
4. Closing Balance	938,659,063.23	1,841,831,908.45	26,563,821.04	302,151,673.99	3,109,206,466.71
<b>II. Accumulated Depreciation</b>					
1. Opening Balance	244,228,011.91	1,120,019,881.71	15,419,223.76	149,998,682.42	1,529,665,799.80
2. Increase	88,750,448.09	133,322,894.49	3,933,017.59	42,519,513.37	268,525,873.54
(1) Accrued	11,713,758.60	34,260,692.30	572,045.72	16,125,980.92	62,672,477.54
Business consolidation increase	77,036,689.49	99,062,202.19	3,360,971.87	26,393,532.45	205,853,396
3. Decrease	1,482,386.08	11,201,214.18	607,645.00	5,284,846.90	18,576,092.16
(1) Disposal or scrap	403,387.15	11,201,214.18	607,645.00	5,284,846.90	17,497,093.23
Business consolidation increase	1,078,998.93				1,078,998.93
4. Closing Balance	331,496,073.92	1,242,141,562.02	18,744,596.35	187,233,348.89	1,779,615,581.18
<b>III. Impairment Reserve</b>					
1. Opening Balance	201,250.96	8,839,885.62	286,519.26	3,655,091.25	12,982,747.09
2. Increase	1,960,721.36	2,231,844.13	125,347.83	1,315,706.46	5,633,619.78

Item	Property & buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
(1)Accrued					
Business consolidation increase	1,960,721.36	2,231,844.13	125,347.83	1,315,706.46	5,633,619.78
3. Decrease	816,020.05	115,136.79	125,347.83	55,188.15	986,344.99
(1) Disposal or scrap	816,020.05	115,136.79		55,188.15	986,344.99
4. Closing Balance	1,345,952.27	10,956,592.96	411,867.09	4,915,609.56	17,630,021.88
<b>IV. Book Value</b>					
<b>1. Closing book value</b>	605,817,037.04	588,733,753.47	7,407,357.60	110,002,715.54	1,311,960,863.65
<b>2. Opening book value</b>	588,702,429.74	571,928,283.25	6,144,724.53	62,253,931.41	1,229,029,368.93

16. Construction-in-progress

Item	Closing book value	Opening book value
Construction-in-progress	120,460,980.49	115,577,902.54
<b>Total</b>	120,460,980.49	115,577,902.54

(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	26,912,256.65		26,912,256.65	24,796,146.56		24,796,146.56
Installation and renovation of machine tools and mechanical equipment	87,088,739.77		87,088,739.77	82,341,565.62		82,341,565.62
Smart Manufacturing Software	6,459,984.07		6,459,984.07	3,575,525.17		3,575,525.17
Dusty gas water waste heat power generation project				9,164,665.19	4,300,000.00	4,864,665.19
<b>Total</b>	120,460,980.49		120,460,980.49	119,877,902.54	4,300,000.00	115,577,902.54

(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
Renovation of buildings and ancillary facilities	27,271,836.00	24,796,146.56	2,116,110.09			26,912,256.65	99%	99%				self-raised
Installation and renovation of machine tools and mechanical equipment	101,691,814.04	82,341,565.62	14,292,106.90	25,421.59	9,519,511.16	87,088,739.77	86%	86%				self-raised
Smart Manufacturing Software	7,535,456.22	3,575,525.17	3,925,456.22	1,040,997.32		6,459,984.07	86%	86%				self-raised
Dusty gas water waste heat power generation project		9,164,665.19			9,164,665.19							
<b>Total</b>	136,499,106.26	119,877,902.54	20,333,673.21	1,066,418.91	18,684,176.35	120,460,980.49	136,499,106.26	119,877,902.54				

17.Right of use assets

Item	Buildings	Mechanical equipment	Transportation Equipment	Electronic equipment	Land use right	Total
<b>I. Initial Cost</b>						
1. Opening Balance	12,258,253.25	22,042,380.89	334,540.86	194,322.58	7,945,762.91	42,775,260.49
2. Increase		344,683.94			7,579,035.02	7,923,718.96
Rent		344,683.94				344,683.94
Business consolidation increase					7,579,035.02	7,579,035.02
3. Decrease	2,109,328.37	19,391,531.33				21,500,859.7
Disposal or scrapping		116,777.78				116,777.78
Allocation of fixed assets	2,109,328.37	19,274,753.55				21,384,081.92
4. Closing Balance	10,493,608.82	2,650,849.56	334,540.86	194,322.58	15,524,797.93	29,198,119.75

Item	Buildings	Mechanical equipment	Transportation Equipment	Electronic equipment	Land use right	Total
<b>II. Accumulated depreciation</b>						
1. Opening Balance	2,561,983.47	7,244,798.14	223,027.24	99,228.48	1,704,560.90	11,833,598.23
2. Increase	3,328,309.38	2,794,264.34	55,756.80	24,807.12	1,426,820.64	7,629,958.28
(1)Accrued	3,328,309.38	2,794,264.34	55,756.80	24,807.12	1,426,820.64	7,629,958.28
3. Decrease		7,518,212.90				7,518,212.90
(1) Disposal		38,394.98				38,394.98
Allocation of fixed assets		7,479,817.92				7,479,817.92
4. Closing Balance	5,890,292.85	2,520,849.58	278,784.04	124,035.60	3,131,381.54	11,945,343.61
<b>III. Impairment Reserve</b>						
1. Opening Balance						
2. Increase						
(1)Accrued						
3. Decrease						
(1) Disposal						
4. Closing Balance						
<b>IV. Book Value</b>						
<b>1. Closing book value</b>	4,603,315.97	129,999.98	55,756.82	70,286.98	12,393,416.39	17,252,776.14
<b>2. Opening book value</b>	9,696,269.78	14,797,582.75	111,513.62	95,094.10	6,241,202.01	30,941,662.26

## 18. Intangible assets

## (1) Intangible assets list

Item	Land use right	Patent technology	Non Patent technology	Others	Total
<b>I. Initial Cost</b>					
1. Opening Balance	173,151,420.72	17,630,188.82	5,773,680.00	59,376,795.82	255,932,085.36
2. Increase	52,671,539.71			13,741,642.20	66,413,181.91
(1) Purchase				663,716.79	663,716.79
(2) Internal R&D					
(3)Acquired from business combination	52,671,539.71			13,000,642.22	65,672,181.93
(4) Transfer of construction in progress				77,283.19	77,283.19
3. Decrease					
(1) Disposal					
4. Closing Balance	225,822,960.43	17,630,188.82	5,773,680.00	73,118,438.02	322,345,267.27

Item	Land use right	Patent technology	Non Patent technology	Others	Total
<b>II. Accumulated amortization</b>					
1. Opening Balance	47,596,987.88	9,040,676.05	4,273,700.00	26,944,001.36	87,855,365.29
2. Increase	19,014,519.47	714,758.11	250,002.00	13,692,873.52	33,672,153.10
(1) Accrued	1,159,122.03	714,758.11	250,002.00	2,995,322.57	5,119,204.71
Acquired from business combination	17,855,397.44			10,697,550.95	28,552,948.39
3. Decrease					
(1) Disposal					
4. Closing Balance	66,611,507.35	9,755,434.16	4,523,702.00	40,636,874.88	121,527,518.39
<b>III. Impairment Reserve</b>					
1. Opening Balance					
2. Increase				50,980.35	50,980.35
(1) Accrued				50,980.35	50,980.35
3. Decrease					
4. Closing Balance					
<b>IV. Book Value</b>					
<b>1. Closing book value</b>	159,211,453.08	7,874,754.66	1,249,978.00	32,430,582.79	200,766,768.53
<b>2. Opening book value</b>	125,554,432.84	8,589,512.77	1,499,980.00	32,432,794.46	168,076,720.07

## 19. 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
Sonyo Compressor(Dalian)Co.,Ltd	240,922,872.80					240,922,872.80
Sonyo Refrigeration System (Dalian) Co., Ltd.	5,671,836.12					5,671,836.12
Sonyo Refrigeration (Dalian) Co., Ltd.		22,455,467.62				22,455,467.62
<b>Total</b>	248,345,508.41	22,455,467.62				270,800,976.03

## 20. Long-term unamortized expense

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Employee's dormitory use right	1, 596, 735. 42		69, 239. 16		1, 527, 496. 26
Renovation and rebuilding	339, 641. 30		53, 145. 00		286, 496. 30
Membership fee	390, 500. 00		8, 250. 00		382, 250. 00
New plant greening fee	3, 940, 176. 58		446, 057. 76		3, 494, 118. 82
Amortization of jigs and molds	219, 513. 62	365, 504. 04	213, 390. 53		371, 627. 13
<b>Total</b>	6, 486, 566. 92	365, 504. 04	790, 082. 45		6, 061, 988. 51

## 21. 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	104, 845, 345. 79	16, 661, 111. 30	110, 205, 587. 05	18, 013, 430. 31
Unrealized profit from internal transaction	0. 00	-	13, 034, 503. 47	1, 955, 175. 52
Deductible loss	9, 991, 507. 80	1, 498, 726. 17	9, 991, 507. 80	1, 498, 726. 17
Provision for credit impairment	424, 347, 503. 53	77, 627, 388. 67	383, 685, 092. 04	70, 892, 192. 53
Projected liabilities	13, 247, 933. 73	2, 518, 045. 11	16, 786, 967. 43	2, 518, 045. 11
Withholding sales rebates	13, 744, 913. 65	2, 061, 737. 05	13, 744, 913. 65	2, 061, 737. 05
Depreciation of fixed assets	35, 600, 567. 62	5, 340, 085. 14	35, 600, 567. 62	5, 340, 085. 14
Others	41, 655. 78	6, 248. 37	845, 210. 65	126, 781. 60
<b>Total</b>	601, 819, 427. 90	105, 713, 341. 81	583, 894, 349. 71	102, 406, 173. 43

## (2) Deferred tax liabilities without offsetting

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Revaluation increase in business combination asset not under same control	294, 119, 069. 25	44, 117, 860. 39	211, 352, 103. 77	31, 702, 815. 57
Changes in the fair value of other non-current financial assets	151, 372, 445. 87	22, 705, 866. 88	137, 357, 000. 73	20, 603, 550. 11
Depreciation of fixed assets	37, 351, 250. 43	5, 602, 687. 56	46, 545, 245. 48	6, 981, 786. 82
<b>Total</b>	482, 842, 765. 55	72, 426, 414. 83	395, 254, 349. 98	59, 288, 152. 50

## (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 beginning balance of a deferred tax asset or liability after offset
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			the period	
Deferred tax assets	5,602,687.56	100,110,654.25	6,981,786.82	95,424,386.61
Deferred tax liabilities	5,602,687.56	66,823,727.27	6,981,786.82	52,306,365.68

## (4) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	345,264,828.47	173,990,137.06
Deductible loss	366,151,435.82	310,513,803.17
<b>Total</b>	<b>711,416,264.29</b>	<b>484,503,940.23</b>

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

Year	Closing Balance	Opening Balance	Notes
2024		7,735,166.14	
2025	53,739,512.57	8,950,922.50	
2026	42,225,527.83	54,629,003.37	
2027	117,035,151.46	67,240,033.97	
2028	15,202,545.05	13,111,421.07	
2029	36,755,850.06	45,365,135.77	
<b>Total</b>	<b>11,875,266.71</b>	<b>10,574,799.57</b>	

## 22. Short-term loan

## (1) Category of short term loan

Loan category	Closing Balance	Opening Balance
Pledge loan		12,036,276.28
Mortgage loan		
Credit loan	285,525,821.90	262,016,713.87
<b>Total</b>	<b>285,525,821.90</b>	<b>274,052,990.15</b>

## 23. Notes payable

Notes category	Closing Balance	Opening Balance
Commercial acceptance notes	4,746,000.00	2,520,000.00
Bank acceptance notes	698,066,950.62	616,424,384.85
<b>Total</b>	<b>702,812,950.62</b>	<b>618,944,384.85</b>

## 24. Accounts payable

## (1) Accounts payable

Item	Closing Balance	Opening Balance
Material payments	1,063,543,472.06	956,122,327.00
Project payments	614,366,140.16	567,873,401.74
Equipment payments	79,744,568.59	55,406,593.91
Others	15,132,243.23	6,695,737.94

Item	Closing Balance	Opening Balance
<b>Total</b>	1, 772, 786, 424. 04	1, 586, 098, 060. 59

## 25. Contract Liabilities

Item	Closing Balance	Opening Balance
Received in advance due from unrealized revenue	778, 394, 477. 23	647, 645, 820. 57
<b>Total</b>	778, 394, 477. 23	647, 645, 820. 57

## 26. Employee's payable

## (1) Category of employee's payable

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	118, 200, 459. 60	312, 421, 926. 55	339, 070, 529. 12	91, 551, 857. 03
Post-employment benefit – defined contribution plan	16, 223. 63	30, 781, 549. 79	30, 784, 540. 48	13, 232. 94
Termination benefits		8, 924, 648. 35	584, 362. 04	8, 340, 286. 31
<b>Total</b>	118, 216, 683. 23	352, 128, 124. 69	370, 439, 431. 64	99, 905, 376. 28

## (2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	103, 351, 245. 84	251, 426, 101. 28	276, 798, 503. 66	77, 978, 843. 46
Welfare		10, 816, 934. 54	10, 816, 934. 54	
Social insurance	9, 001. 71	21, 778, 536. 32	20, 318, 662. 08	1, 468, 875. 95
Include: Medical insurance	7, 733. 56	16, 379, 028. 85	15, 135, 669. 79	1, 251, 092. 62
On-duty injury insurance	1, 268. 15	2, 124, 705. 49	2, 002, 293. 15	123, 680. 49
Maternity insurance		1, 872, 000. 96	1, 777, 898. 12	94, 102. 84
Supplementary medical premium		276, 479. 77	276, 479. 77	
Housing funds		22, 251, 200. 65	21, 434, 119. 69	817, 080. 96
Labor union and training expenses	3, 426, 187. 27	4, 625, 127. 60	5, 710, 154. 03	2, 341, 160. 84



Item	Opening Balance	Increase	Decrease	Closing Balance
Reward bonus and welfare fund	11,414,024.78	111,357.50	2,579,486.46	8,945,895.82
Non-monetary benefits		643,393.55	643,393.55	
Others		769,275.11	769,275.11	
<b>Total</b>	118,200,459.60	312,421,926.55	339,070,529.12	91,551,857.03

## (3) List of setting withdrawal plans

Item	Opening Balance	Increase	Decrease	Closing Balance
Basic retirement insurance	12,626.24	29,818,176.80	29,818,176.80	12,626.24
Unemployment Insurance Premium	3,597.39	963,372.99	966,363.68	606.70
<b>Total</b>	16,223.63	30,781,549.79	30,784,540.48	13,232.94

## 27. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	9,102,274.89	23,058,922.64
Enterprise income tax	11,580,908.73	3,541,171.62
Individual income tax	355,195.94	818,322.16
City maintenance and construction tax	911,473.39	1,253,818.83
Real estate tax	2,548,359.19	2,212,510.37
Land use tax	1,281,345.85	1,122,457.62
Education surcharge	643,516.54	895,584.93
Stamp duty	743,420.17	787,688.77
Green tax	1,466.27	1,046.68
Others	7,535.53	
<b>Total</b>	27,175,496.50	33,691,523.62

## 28. Other accounts payable

Item	Closing Balance	Opening Balance
Dividend payable	8,965,281.07	533,156.00
Other accounts payable	72,650,549.17	66,521,094.25
<b>Total</b>	81,615,830.24	67,054,250.25

## (1). Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	8,965,281.07	533,156.00
<b>Total</b>	8,965,281.07	533,156.00

## (2) Other accounts payable

## Other payables categorized by payments nature

<b>Payments nature</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Deposit and security deposit	15,134,037.54	11,393,395.62
Reimbursed but not paid	20,694,347.64	21,409,586.91
Trade mark and royalty	3,505,028.04	3,505,028.04
Collection	599,732.03	700,531.82
Others	32,717,403.92	29,512,551.86
<b>Total</b>	<b>72,650,549.17</b>	<b>66,521,094.25</b>

## 29. Non-current liabilities due within one year

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Long-term payable due within one year	70,150,000.00	24,900,000.00
Lease obligation due within one year	23,641,977.37	29,809,686.93
Lease liabilities due within one year	10,043,736.41	8,396,267.63
<b>Total</b>	<b>103,835,713.78</b>	<b>63,105,954.56</b>

## 30. Other current liabilities

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Notes payable endorsed not derecognized	223,251,532.54	127,165,397.88
Output Vat to be carried forward	97,273,890.68	77,484,605.36
Others	657,059.81	
<b>Total</b>	<b>321,182,483.03</b>	<b>204,650,003.24</b>

## 31. Long-term loan

## (1) Category of long-term loan

<b>Category</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Pledged loan	639,400,000.00	585,100,000.00
Guarantee loan	100,000,000.00	130,000,000.00
<b>Total</b>	<b>739,400,000.00</b>	<b>715,100,000.00</b>

## 32. Lease liabilities

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Lease liabilities	60,542,859.17	23,357,885.20
Less: Unrecognized financing charges	35,847,471.46	3,731,085.52
Reclassified to non-current liabilities due within one year	5,878,734.86	8,396,267.63
<b>Total</b>	<b>18,816,652.85</b>	<b>11,230,532.05</b>

## 33. Long term accounts payable

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Long term accounts payable	27,261,665.26	31,009,644.16
<b>Total</b>	<b>27,261,665.26</b>	<b>31,009,644.16</b>

(1) Category by nature

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Loans from financial leasing companies	27,261,665.26	31,009,644.16

34. Provision

<b>Nature</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Reason</b>
Open litigation	12,420,424.48	15,710,985.28	litigation
Warranty	2,846,509.25	3,094,982.15	Service after sales
<b>Total</b>	15,266,933.73	18,805,967.43	

35. Deferred income

(1) Category of deferred income

<b>Item</b>	<b>Opening Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing Balance</b>	<b>Formation Basis</b>
Government subsidy	99,754,346.39	1,144,402.00	2,750,198.38	98,148,550.01	
<b>Total</b>	99,754,346.39	1,144,402.00	2,750,198.38	98,148,550.01	—

## (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	Related with asset/equity
The Application of Using NH3 and CO2 to Replace the R22 Screw Refrigerator Combined Compression Condensing Unit	20,506,438.28				966,476.04		19,539,962.24	Asset related
Refrigeration Compressor Intelligent Manufacturing System Fund	3,169,590.55						3,169,590.55	Asset related
Ultrasonic intelligent defrosting technology	3,006,353.02				222,412.20		2,783,940.82	Asset related
Refrigeration testing APP	20,000.00				184,384.86		164,384.86	Asset related
Environmental protection and energy-saving refrigeration and air-conditioning compressor technology industrialization project	17,421,621.34				1,276,925.28		16,144,696.06	Asset related
R290 replaces R22 large industrial screw unit	13,006,663.20						13,006,663.20	Asset related
R290 replaces R22 in industrial twin-stage screw unit	4,747,680.00						4,747,680.00	Asset related
Relocation compensation	37,876,000.00	557,002.00					38,433,002.00	Asset related
Meat storage technology and equipment		487,400.00					487,400.00	Asset

								related
Dalian Science and Technology Progress Award		50,000.00		50,000.00				Asset related
State subsidies for enterprises with intellectual property advantages		50,000.00		50,000.00				Asset related
<b>Total</b>	99,754,346.39	1,144,402.00		100,000.00	2,650,198.38		98,148,550.01	

36. Share capital

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

37. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Capital premium (equity premium)	659,622,044.20			659,622,044.20
Other capital reserves	57,475,054.18			57,475,054.18
<b>Total</b>	717,097,098.38			717,097,098.38

## 38. Other comprehensive income

Items	Opening Balance	2023.1-6						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 parent company	After-tax attribute to minority shareholder	
<b>II. Other comprehensive income to be reclassified to profit or loss</b>	2,208,669.73							2,208,669.73
Including: other comprehensive income that can be transferred to profit or loss under the equity method	2,208,669.73							2,208,669.73
<b>Other comprehensive income total</b>	2,208,669.73							2,208,669.73

## 39. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	362,972,224.98			362,972,224.98
Discretionary surplus reserve	462,254,409.17			462,254,409.17
<b>Total</b>	825,226,634.15			825,226,634.15

## 40. Undistributed profits

Item	2023-06-30	2022-06-30
<b>Closing balance of last year</b>	<b>618,445,922.58</b>	<b>627,764,582.32</b>
Add: Adjustments to the opening balance of undistributed profits	-	-
Including: additional retrospective adjustments according to the new accounting standards	-	-
Change on accounting policy	-	-
Correction of prior period significant errors	-	-
Change on combination scope under same control	-	-
Other factors	-	-
<b>Opening balance of current year</b>	<b>618,445,922.58</b>	<b>627,764,582.32</b>
Add: net profit attributable to shareholders of parent company in the year	57,414,399.22	18,255,330.45
Less: Provision for statutory surplus reserves		15,755,434.51-
Provision for any surplus reserves	-	-
Provision of general risk	-	-
Dividends payable for common shares		8,432,125.07
Common stock dividends converted to equity	-	-
Others		3,386,430.61
<b>Closing balance of current year</b>	<b>675,860,321.80</b>	<b>618,445,922.58</b>

## 41. Operating revenue and cost

Items	2023.01-06		2022.01-06	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	2,270,473,198.19	1,911,835,081.08	1,246,624,682.46	1,101,097,130.75
Revenue from other operation	57,063,514.86	29,500,449.34	45,234,226.25	30,818,078.34
<b>Total</b>	2,327,536,713.05	1,941,335,530.42	1,291,858,908.71	1,131,915,209.09

Income related information:



Items	Division 1	Total
Classified at products type	2,270,473,198.19	2,270,473,198.19
Manufacture products	1,585,107,993.25	1,585,107,993.25
Installation work	671,524,488.91	671,524,488.91
Other products and service	13,840,716.03	13,840,716.03
Classified at geography location		
domestic	2,032,648,206.34	2,032,648,206.34
overseas	237,824,991.85	237,824,991.85

## 42. Operating taxes and surcharges

Items	2023.01-06	2022.01-06
City construction tax	5,012,891.14	1,300,268.55
Education surcharge	3,301,354.09	897,379.28
Property tax	4,723,080.56	4,341,262.13
Land use tax	2,298,123.17	2,192,079.15
Vehicle and vessel tax	25,563.36	4,923.36
Stamp duty	1,468,333.41	925,221.28
Others	380,239.90	130,238.28
<b>Total</b>	<b>17,209,585.63</b>	<b>9,791,372.03</b>

## 43. Selling expenses

Items	2023.01-06	2022.01-06
Employee's salary	59,354,505.34	36,733,989.97
Official business expense	8,819,360.04	2,682,974.83
Maintenance and repair expense	7,646,873.54	6,395,816.83
Travel expense	9,530,742.36	3,786,682.25
Business entertaining expense	5,902,755.80	2,049,748.87
Advertisement and bids expense	2,876,171.77	351,149.45
Depreciation expense	459,564.35	209,483.82
Transportation expense	1,630,180.10	1,311,116.86
Other expense	1,991,491.72	1,688,445.27
<b>Total</b>	<b>98,211,645.02</b>	<b>55,209,408.15</b>

## 44. Administrative expenses

Items	2023.01-06	2022.01-06
Employee benefit	53,003,618.73	42,406,947.67
Official expense	15,910,410.28	5,163,653.61
Depreciation expense	8,217,650.71	6,926,148.25
Maintenance and repair expense	6,583,200.78	2,564,900.40
Long-term assets amortization	4,936,405.08	3,734,356.74
Travel expense	2,422,233.31	1,593,342.93
Design consultant and test service expense	2,380,415.42	4,264,322.84

Items	2023.01-06	2022.01-06
Safety production cost	1,623,788.07	864,579.34
Business entertaining expense	867,329.66	599,513.97
Insurance expense	530,569.43	426,810.11
Advertisement expense	189,697.37	57,277.06
Transportation expense	6,098.57	
Other tax	1,067,493.02	
Technology development expense	25,630.70	
Patent and trademark royalties	4,282,306.43	
Other expense	1,468,461.93	1,472,302.79
<b>Total</b>	<b>103,515,309.49</b>	<b>70,074,155.71</b>

## 45. R&amp;D expenses

Items	2023.01-06	2022.01-06
Employee benefit	47,345,348.39	25,441,289.49
Raw material	6,471,854.49	4,384,577.60
Depreciation and amortization expense	3,474,989.41	705,540.38
Expenses for intermediate tests and product trial production	4,825,843.30	
Patent application maintenance expenses	2,277,613.96	
Consulting expenses	1,428,004.16	
Other expense	2,805,164.26	1,033,113.44
<b>Total</b>	<b>68,628,817.97</b>	<b>31,564,520.91</b>

## 46. Financial expenses

Items	2023.01-06	2022.01-06
Interest expenses	19,165,466.43	7,533,477.17
Less: Interest income	5,451,984.39	2,004,850.77
Add: Exchange loss	-1,094,669.21	-2,344,388.03
Others expenditure	3,458,669.55	2,286,117.06
<b>Total</b>	<b>16,077,482.38</b>	<b>5,470,355.43</b>

## 47. Other income

Items	2023.01-06	2022.01-06
Government subsidy	1,615,317.51	741,847.00
Personal income tax handling fee refund	180,238.52	15,928.19
Stable job subsidy	19,233.01	98,244.00
Others		1,128,151.43
<b>Total</b>	<b>1,814,789.04</b>	<b>1,984,170.62</b>

## 48. Investment income

Items	2023.01-06	2022.01-06
Long-term equity investment income accounted for by the equity method	90,409.95	16,955,402.09
Debt Restructuring Proceeds	975,354.50	2,834,620.63
Investment income of other non-current financial assets during the holding period	5,782,304.24	20,927,118.28
Investment income from disposal of other non-current financial assets		43,026,622.15
<b>Total</b>	<b>6,848,068.69</b>	<b>83,743,763.15</b>

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

Items	2023.01-06	2022.01-06
Other non-current financial assets	4,364,003.20	-29,425,921.52
<b>Total</b>	<b>4,364,003.20</b>	<b>-29,425,921.52</b>

## 50. Credit impairment losses (loss listed as“-“)

Items	2023.01-06	2022.01-06
Bad debt loss on notes receivable	514,834.55	-369,641.88
Bad debt loss of accounts receivable	-19,995,280.81	-11,270,943.86
Bad debt losses of other receivables	-32,931.60	-451,293.97
Long-term receivables bad debt losses	210,600.00	
<b>Total</b>	<b>-19,302,777.86</b>	<b>-12,091,879.71</b>

## 51 Assets impairment losses (loss listed as“-“)

Items	2023.01-06	2022.01-06
Inventory depreciation loss and contract performance cost impairment loss	-2,121,034.16	782,759.18
Impairment loss of construction in progress		-970,000.00
Impairment loss on contract assets	-2,784,100.62	-588,424.79
<b>Total</b>	<b>-4,905,134.78</b>	<b>-775,665.61</b>

## 52. Gain on assets disposal

Item	2023.01-06	2022.01-06
Gains on disposal of non-current assets	51,209.01	67,260.20
Including: gains on disposal of non-current assets not	51,209.01	67,260.20

classified as held for sale		
Including: income from disposal of fixed assets	51,209.01	67,260.20
<b>Total</b>	51,209.01	67,260.20

## 53. Non-operating income

Item	2023.01-06	2022.01-06	Amounts recognized into non-recurring profit or loss for the year
Accept donations	17,838.20		17,838.20
Government subsidy	18,820.00		18,820.00
Debt restructuring gains		369,165.58	
Quality compensation		31,535.00	
Gain on disposal of non-current asset	48,523.49		48,523.49
Penalty	1,042,969.59		1,042,969.59
Others	3,159,314.49	1,209,983.77	3,140,494.49
<b>Total</b>	4,268,645.77	1,610,684.35	4,268,645.77

## 54. Non-operating expenses

Item	2023.01-06	2022.01-06	Amounts recognized into non-recurring profit or loss for the year
Outward donation	250,000.00		
Loss of non-current assets damaged and scrapped	1,941,578.53	23,028.50	
Estimated Loss from Pending Litigation		227,145.65	
Others	66,219.46	82,470.42	
<b>Total</b>	2,257,797.99	332,644.57	

## 55. Income tax expenses

## (1) Income tax expenses

Items	2023.01-06	2022.01-06
Current income tax expenses	16,860,971.82	1,929,837.77
Deferred income tax expenses	-2,930,700.26	844,316.22
<b>Total</b>	13,930,271.56	2,774,153.99

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

Items	2023.01-06
Consolidated total profit this year	73,439,347.21
Income tax expenses at applicable tax rate	11,011,590.76

Items	2023.01-06
Effect on subsidiary applied to different tax rate	-362, 870. 22
Effect on prior period income tax	653, 856. 36
Effect on non-deductible cost, expense and loss	812, 029. 61
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	-578, 552. 43
Effect on temporary difference or deductible loss from unrecognized deferred tax assets this year	5, 360, 076. 27
R&D expenditure accelerated deduction	-310, 915. 84
FA accelerated deduction	-2, 914, 469. 51
<b>Income tax expenses</b>	<b>13, 930, 271. 56</b>

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

57. Notes to cash flow statement

(1) Other cash received related to operating activities

Items	2023.01-06	2022.01-06
Deposit given back	24, 770, 821. 75	12, 691, 025. 06
Receivable from the related party	6, 570, 520. 22	
Government grants	2, 325, 523. 26	383, 420. 00
Interest income	1, 634, 285. 14	2, 363, 150. 90
Received travel expense refund	241, 258. 21	128, 547. 91
Others	17, 155, 831. 14	11, 561, 311. 72
<b>Total</b>	<b>52, 698, 239. 72</b>	<b>27, 127, 455. 59</b>

(2) Other cash paid in connection with operating activities

Items	2023.01-06	2022.01-06
Expenditure	86, 955, 990. 40	52, 744, 549. 03
Deposit paid	50, 746, 582. 86	17, 291, 456. 00
Business travel borrowing	5, 417, 669. 78	3, 338, 694. 72
Bank handling charges	1, 876, 929. 71	2, 105, 772. 59
Pay related parties	1, 796, 642. 94	
Others	5, 130, 221. 28	1, 551, 588. 83
<b>Total</b>	<b>151, 924, 036. 97</b>	<b>77, 032, 061. 17</b>

(3) Other cash received in connection with fundraising activities

Items	2023.01-06	2022.01-06
Sale and leaseback financial lease sales	6, 600, 000. 00	12, 000, 000. 00
At the end of the year, the deposit not used as cash is due and recovered		75, 003, 788. 58
Other cash received in connection with fundraising activities		8, 774, 342. 51
<b>Total</b>	<b>6, 600, 000. 00</b>	<b>95, 778, 131. 09</b>

## (4) Other cash paid in connection with fundraising activities

<b>Items</b>	2023.01-06	2022.01-06
Sale and leaseback financial lease sales	200,000.00	5,370,096.27
Rent payable	343,314.14	
Finance lease deposit and handling fee	21,707,260.07	
At the end of the year, the deposit not used as cash is due and recovered		50,887,086.77
<b>Total</b>	22,250,574.21	56,257,183.04

## 58. Supplementary Information to the Statement of Cash Flows

## (1)Supplementary Information to the Statement of Cash Flows

Items	2023.01-06	2022.01-06
<b>1. Adjusting net profit into cash flows of operating activities:</b>		
Net profit	59,509,075.65	29,839,500.31
Add: Provision for impairment of assets	24,207,912.64	12,867,545.32
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	66,602,534.41	36,744,922.14
Depreciation of right of use assets	7,629,958.28	3,213,658.50
Amortization of intangible assets	5,119,204.71	4,663,658.96
Amortization of long-term deferred expenses	790,082.45	714,838.01
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	-51,209.01	-67,260.20
Losses on write-off of fixed assets (income listed with"-")	1,893,055.04	23,028.50
Change of fair value profit or loss	-4,364,003.20	29,425,921.52
Financial expense (income listed with"-")	19,165,466.43	7,533,477.17
Investment loss (income listed with"-")	-6,848,068.69	-83,743,763.15
Decrease of deferred tax assets(increase listed with"-")	12,273,911.09	-299,257.90
Increase of deferred tax liabilities(decrease listed with"-")	-1,393,689.97	-12,358,032.66
Decrease of inventories (increase listed with"-")	-169,798,737.23	-39,470,963.36
Decrease of operating receivables (increase listed with"-")	-373,658,442.52	-363,642,152.27
Increase in operating payable items (decreases are listed with "-")	232,128,752.94	185,148,542.26
Others		
Net cash flows arising from operating activities	-126,794,196.98	-189,406,336.85
<b>2. Significant investment and financing activities unrelated to cash income and expenses</b>		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
<b>3. Net increase (decrease) of cash and cash equivalent</b>		
Closing balance of cash	828,668,546.58	351,712,699.09
Less: Opening balance of cash	921,663,803.17	438,969,337.87
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-92,995,256.59	-87,256,638.78

(2) Net cash paid to acquisition of subsidiary

Items	Current year
Cash & cash equivalent paid for acquisition	145,285,500.00
-Sonyo Refrigeration (Dalian)Co.,Ltd.	145,285,500.00
Less: Cash & cash equivalent held by acquirees on acquisition date	133,228,548.98
-Sonyo Refrigeration (Dalian) Co., Ltd.	133,228,548.98
Net cash paid to acquisition of subsidiary	12,056,951.02

## (3) Cash and cash equivalents

Items	Current year	Last year
Cash	828,668,546.58	921,663,803.17
Including: Cash on hand	48,506.18	80,702.47
Bank deposit used for paying at any moment	828,620,040.40	921,581,100.70
Other monetary fund for paying at any moment	-	-
Deposit fund in central bank available for payment	-	-
Cash equivalent	-	-
Including: bonds investment with maturity in 3 months	-	-
Closing balance of cash and cash equivalents	828,668,546.58	921,663,803.17
Cash and cash equivalents restricted in the parent company or subsidiary	-	-

## 59.The assets with the ownership or use right restricted

Items	2023.6.30	Reasons
Monetary fund	106,646,177.74	Margin, bank account frozen funds
Notes Receivable	142,360,499.62	Pledge
Fixed assets	62,207,555.51	Mortgage
Intangible assets	5,587,198.75	Mortgage
Financing of receivables	1,080,000.00	Pledge
Investment real estate	32,981,247.79	Mortgage
<b>Total</b>	350,862,679.41	

## 60. Monetary category of foreign currency

## (1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash			
Including: USD	915,330.70	7.2258	6,613,996.57
Euro	112,722.27	7.8771	887,924.59
HKD			
JPY	97,577,865.09	0.0501	4,888,065.57



Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Accounts receivable			
Including: USD	7,011,133.35	7.2258	50,661,047.36
Euro	2,024,138.60	7.8771	15,944,342.17
HKD			
GBP	177,717.86	9.1432	1,624,909.94
JPY	102,853,780.00	0.0501	5,152,357.26
Accounts payable			
Including: USD	414,829.23	7.2258	2,997,473.05
GBP	675,184.06	9.1432	6,173,342.91
JPY	47,038,712.02	0.0501	2,356,357.24
Euro	12,119,854.67	7.8771	95,469,307.25
Other payables			
JPY	9,393,609.00	0.0501	470,563.45

## 61. Government Grants

## (1) Basic information

Category	Amount	Disclosure	Amount recognized in current profit and loss
Relocation compensation	42,332,000.00	Deferred income/other income	1,114,000.00
Environmental protection and energy saving refrigeration and air conditioning compressor technology industrialization project	31,000,000.00	Deferred income/cost of sales/expense	1,276,925.28
Application of combined compression NH3&Co2 replace R22	29,409,622.81	Deferred income/cost of sales/expense	966,476.04
R290 replace R22	13,006,663.20	Deferred income	-
Ultrasonic defrosting technology	9,841,800.00	Deferred income/cost of sales/expense/other income	222,412.20
Refrigeration Compressor Intelligent Manufacturing System Fund	5,000,000.00	Deferred income/cost of sales/expense	184,384.86
R290 replace R22 twin stage screw sets	4,747,680.00	Deferred income	-
Meat storage technology and	487,400.00	Deferred income	

Category	Amount	Disclosure	Amount recognized in current profit and loss
equipment			
Dalian Science and Technology Bureau energy conservation and environmental protection subsidy	418,500.00	Other Income	418,500.00
Export credit insurance premium support fund	367,800.00	Other Income	367,800.00
Dalian enterprise transformation of scientific and technological achievements project subsidy	180,000.0	Other Income	180,000.0
Shi Yan ran the science and Technology Bureau for 2023	100,000.00	Other Income	100,000.00
Dalian Science and Technology Progress Award	50,000.00	Other Income	50,000.00
State subsidies for enterprises with intellectual property advantages	50,000.00	Other Income	50,000.00
Refrigeration machinery development and testing platform	20,000.00	Other Income	15,000.00
Subsidies for the identification of new and high-tech enterprises	20,000.00	Other Income	20,000.00
Job stabilization subsidy	19,233.01	Other Income	19,233.01
Shi Yan ran the science and Technology Bureau for 2022	15,500.00	Other Income	15,500.00
Hongxin labor service stable post subsidy	4,159.51	Other Income	4,159.51
Pay for training on behalf of workers	3,180.00	Other Income	3,180.00
Research and development grants for key projects	18,802	Non-operating income	18,802
<b>Total</b>	<b>137,092,358.53</b>	Other Income	<b>4,487,370.90</b>

### 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

Yes  No

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  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
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Service	-	51.00	Establish
Dalian Bingshan Group Sales Co., Ltd.	Dalian	Dalian	Trading	100		Establish
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan Guardian Automation Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Dalian Bingshan-RYOSETSU Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100		Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100		Acquisition
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	Wuhan	Wuhan	Installation		100	Establish
Wuhan Lanning Energy Technology Co., Ltd.	Wuhan	Wuhan	Trading		100	Acquisition
Dalian Universe Thermal Technology Co.,Ltd.	Dalian	Dalian	Manufacturing	55		Acquisition
Dalian Bingshan Engineering & Trading Co., Ltd	Dalian	Dalian	Service	100		Acquisition
Sonyo Compressor(Dalian)Co.,Ltd.	Dalian	Dalian	Manufacturing	100		Acquisition
Sonyo Refrigeration System (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	100		Acquisition
Sonyo Refrigeration (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	100		Acquisition

- 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	
Fuji Bingshan	Dalian	Dalian	Manufacturing	49		Equity method
Jing Xue Insulation	Changzhou	Changzhou	Manufacturing	14.91		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	30-06-2023/2023.01-06		
	Dalian Fuji Bingshan Vending Machine Co., Ltd	Jing Xue Insulation	Bingshan Metal Technology
Current assets	392,953,074.08	1,412,248,730.10	371,483,253.15
Non-current assets	197,158,934.76	302,148,077.97	41,816,984.14
Total assets	590,112,008.84	1,714,396,808.07	413,300,237.29
Current liabilities	345,312,560.80	867,213,016.64	66,769,535.67
Non-current liabilities	50,307,454.75	38,312,160.00	0.00
Total liabilities	395,620,015.55	905,525,176.64	66,769,535.67
Minority interests		251,106.06	
Equity to the parent company	194,491,993.29	808,620,525.37	346,530,701.62
Proportions of net assets according to the shareholding percentage	95,301,076.71	120,450,148.93	169,800,043.79
Adjusting events			
—Goodwill	226,689.29	20,390,060.33	19,269,770.94
—Unrealized profits of insider trading			
--Others			
Book value of equity investment of affiliated companies	95,527,766.00	140,840,209.26	189,069,814.73
Fair value of equity investment of affiliated companies			
Operating income	95,101,008.52	326,567,962.40	233,048,775.05
Net profit	2,717,196.06	15,601,156.92	28,223,484.22
Net profit from closing			
Other comprehensive income			
Total comprehensive income	2,717,196.06	15,601,156.92	28,223,484.22
The current dividends received from joint ventures			

Continued:

Items	31-12-2022/2022.01-06		
	Dalian Fuji Bingshan Vending Machine Co., Ltd	Jing Xue Insulation	Bingshan Metal Technology
Current assets	447,012,221.67	1,357,769,579.89	331,577,731.99
Non-current assets	220,481,862.47	302,638,265.60	36,680,264.69
Total assets	667,494,084.14	1,660,407,845.49	368,257,996.68
Current liabilities	391,692,836.48	827,081,128.54	49,800,779.28
Non-current liabilities	49,526,450.43	29,830,925.61	0.00

Items	31-12-2022/2022.01-06		
	Dalian Fuji Bingshan Vending Machine Co., Ltd	Jing Xue Insulation	Bingshan Metal Technology
Total liabilities	441,219,286.91	856,912,054.15	49,800,779.28
Minority interests		449,591.20	
Equity to the parent company	226,274,797.23	803,046,200.14	318,457,217.40
Net assets calculated according to the shareholding proportions	110,874,650.64	119,734,188.43	156,044,036.52
Adjusting events			
—Goodwill	226,689.29	20,390,060.33	19,269,770.94
—Unrealized profits of insider trading			
--Others			
Book value of equity investment of affiliated companies	111,101,339.93	140,124,248.76	175,313,807.46
Fair value of equity investment of affiliated companies			
Operating income	83,225,183.80	274,830,181.17	240,379,163.49
Net profit	-4,861,637.51	14,233,453.36	29,807,983.52
Net profit from closing			
Other comprehensive income			
Total comprehensive income	-4,861,637.51	14,233,453.36	29,807,983.52
The current dividends received from joint ventures			

## (3) Summary financial information of insignificant affiliated companies

Items	30-06-2023/2023.01-06	31-12-2022/2022.01-06
Associates:		
Total book value of investments	77,435,611.67	307,002,623.96
The total number of the following items based on shareholding ratio		
Net profit	247,249.62	11,494,152.42
Total comprehensive income	247,249.62	11,494,152.42

**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, 2023, the foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB are listed as follows:

Items	30-06-2023	30-06-2022
Monetary fund-USD	6,613,996.57	3,524,626.68

Monetary fund-JPY	4,888,065.57	1,047,501.00
Monetary fund-EURO	887,924.59	-
Monetary fund- GBP	1,624,909.94	-
Receivable - GBP	1,624,909.94	-
Receivable- USD	50,661,047.36	35,850,695.71
Receivable - JPY	5,152,357.26	920,181.22
Receivable - EURO	15,944,342.17	
Payables -USD	2,997,473.05	5,414,277.32
Payables -EURO	95,469,307.25	
Payables - JPY	1,873,402.54	1,938,707.73

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. As at June 30, 2023, the Company's interest-bearing debt consisted primarily of RMB denominated fixed-rate borrowing contracts in the amount of \$809.55 million (\$74,000 million as at December 31, 2022).

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, 2023, 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 RMB5.909 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, 2023, the total amount of the top five accounts receivable of the company: 219,819,023.26 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, 2023 the Company's unused bank borrowings amounted to RMB 686.33 million, of which the Company's unused short-term bank borrowings amounted to RMB 686.33 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:

Unit: ten thousand yuan

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
<b>Financial Assets</b>					
Cash and cash in bank	93,531.47	-	-	-	93,531.47
Notes receivable	43,613.82	-	-	-	43,613.82
Accounts receivable	155,625.06	-	-	-	155,625.06
Receivables financing	28,903.63	-	-	-	28,903.63
Other receivable	5,181.33	-	-	-	5,181.33

Items	Closing balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Contract asset	29,500.91	-	-	-	29,500.91
Non-current assets maturing within one year	1,257.13	-	-	-	1,257.13
Long-term receivable	-	516.25	-	-	516.25
Other non-current financial assets	15,431.49	-	-	-	15,431.49
<b>Financial Liabilities</b>	<b>0</b>				<b>-</b>
Short-term loan	28,552.58	-	-	-	27,405.30
Notes Payable	70,281.30	-	-	-	61,894.44
Accounts payable	177,278.64	-	-	-	158,609.81
Other payable	7,265.05	-	-	-	6,705.43
Employee's payable	9,990.54	-	-	-	11,821.67
Tax payable	2,717.55	-	-	-	3,369.15
Non-current liabilities due within one year	10,383.57	-	-	-	6,310.60
Long-term loan		14,420.00	47,150.00	12,370.00	73,940.00
Lease liability	758.62	321.88	391.62	409.55	1,881.67
Long-term payables		1,786.87	939.30	-	2,726.17

## 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
<b>Financial assets Continuously measured at FV available for sale</b>	--	--	--	--
Receivables Financing		289,036,299.90		289,036,299.90
Other non-current financial assets	152,631,011.92		1,683,852.59	154,314,864.51
<b>Non-continuous fair value measurement</b>	--	--	--	--

### 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, 2023.

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
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				(%)	(%)
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).

● 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

● 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:

<b>Names of the joint ventures or affiliated company</b>	<b>Relationships with the Company</b>
Songzhi Dayang Cooling and Heating Technology (Dalian) Co., Ltd.	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd.	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	Affiliated company of the Company
Jiangsu Jingxue Insulation Technology Co.,Ltd.	Affiliated company of the Company
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Affiliated company of the Company
Dalian Honjo Chemical 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
Dalian Jingxue Freezing Equipment Co., Ltd.	Subsidiary of its affiliated company
Shanghai Jingxue Freezing Equipment Co., Ltd.	Subsidiary of its affiliated company
Jiangsu Jingxue Insulation Environmental Engineering Co.,Ltd.	Subsidiary of its affiliated company
Wuhan Sikafu Power Control Equipment Co., Ltd.	Affiliated company of its subsidiary

#### 4. Other related parties

<b>Name of related party</b>	<b>Related party relationship</b>
Company under direct/indirect Control of Panasonic Co.,Ltd	Both parties are under the control of or significant influence by the same party
Sanyo Corporation	Both parties are under the control of or significant influence by the same party
Panasonic Corporation of China Co., Ltd	Directors of the Company also serve as directors
Dalian Spindle Environmental Facilities Co., Ltd.	Affiliated company of Dalian Bingshan Group
LINDE HYDROGEN FUELTECH (DALIAN) CO., LTD.	Affiliated company of Dalian Bingshan Group
Dalian Shentong Electric Co., Ltd.	Affiliated company of Dalian Bingshan Group
Dalian Fuji Bingshan Control System Co., Ltd.	Affiliated company of Dalian Bingshan Group
BAC Dalian Co., Ltd.	Affiliated company of Dalian Bingshan Group
Dalian Bingshan Huigu Development Co., Ltd.	Joint Venture of Dalian Bingshan Group

Name of related party	Related party relationship
Dalian Bingshan Part Technology Co.,LTD.	Subsidiary of Dalian Bingshan Group
Alphavita Bio-scientific (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group
Bingshan Technology Service (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group
SonyoCold Chain (Dalian) Co., Ltd.	Subsidiary of Dalian Bingshan Group's Subsidiary(deregistered)
Dalian Zhonghuida Refrigeration Technology Co., Ltd	Directors and senior officers of the Company serve as directors and senior officers in Dalian Zhonghuida Refrigeration Technology Co., Ltd Company

## 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	2023.1-6	Approved Transaction Limit	Whether the transaction limit is exceeded	2022.1-6
Company under direct/indirect Control of Panasonic Co.,Ltd	Purchase of goods	16,061,957.06	25,000,000.00	No	
Panasonic Cold Chain (Dalian) Co., Ltd.		5,702,273.24	15,000,000.00	No	2,058,376.71
Dalian Bingshan Group Co., Ltd.			500,000.00	No	4,528.30
Dalian Bingshan Pat Technology Co., Ltd		17,854,202.15	30,000,000.00	No	2,981,051.00
Dalian BingshanGroup Huahuida Financial leasing Co., LTD			1,000,000.00	No	330.19
Bingshan Technology Service (Dalian) Co., Ltd.		1,028,124.44	3,000,000.00	No	1,253,534.59
Dalian Fuji Bingshan Vending Machine Co., Ltd.		206,432.86	3,000,000.00	No	1,003,270.93
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.			500,000.00	No	16,814.16
Dalian Fuji Bingshan Control System Co., Ltd.		8,276.00	3,000,000.00	No	0.00
Dalian Bingshan Metal Technology Co., Ltd.		30,587,674.23	65,000,000.00	No	28,460.16
Jiangsu Jingxue Energy Saving Technology Co., Ltd.		20,046,515.95	65,000,000.00	No	364,716.81
Dalian Spinde Environmental Equipment Co., Ltd.		816,701.77	2,000,000.00	No	815,097.34
BAC Dalian Co., Ltd.		9,666,650.44	35,000,000.00	No	21,233,858.40
Dalian Shentong Electric Co., Ltd.		3,224,632.53	8,000,000.00	No	
Dalian Bingshan Huigu Development Co., Ltd.		5,896.23	1,500,000.00	No	147,219.63
Dalian Honjo Chemical Co., Ltd		3,063,274.33		No	
Alphavita Bio-scientific (Dalian) Co., Ltd.		1,254,598.22		No	933,799.10
Sonyo Refrigeration System (Dalian) Co., Ltd.					32,295,394.82
Sonyo Compressor(Dalian)Co.,Ltd.					2,352,071.11

## 2) Sales of goods/ labour services provision

Related party	Content	2023.1-6	2022.1-6
Company under direct/indirect Control of Panasonic Co.,Ltd	Sales of goods	131,295,821.04	
Sonyo Cold Chain (Dalian) Co., Ltd.		39,240,301.87	66,262,077.88
Dalian Bingshan Pat Technology Co., Ltd.		750,927.00	624,768.48
Alphavita Bio-scientific (Dalian) Co., Ltd.		2,791,630.38	7,771,926.75
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.		26,645,039.63	8,700,007.96
Bingshan Technical Service (Dalian) Co., Ltd.		18,019,442.13	19,222,103.24
Dalian Fuji Bingshan Vending Machine Co., Ltd.		10,541,125.91	14,518,618.12
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.			
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.		25,708.47	305,206.80
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.		5,233,706.75	5,075,605.89

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

Jiangsu Jingxue Energy Saving Technology Co., Ltd.		3,035,091.30
Wuhan Scaf Power Control Equipment Co., Ltd.	1,946.90	256,431.86
Dalian Spindle Environmental Facilities Co., Ltd	3,277,492.69	2,315,455.64
BAC Dalian Co., Ltd.	24,322,577.92	21,364,166.08
Dalian Shentong Electric Co., Ltd	194,881.40	
Dalian Bingshan Huigu Development Co., Ltd	6,689,927.98	4,003,216.37
Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.	536,171.21	5,095,635.29
Dalian Honjo Chemical Co., Ltd	54,351.13	91,981.13
Sonyo Refrigeration System (Dalian) Co., Ltd.		11,925,729.23
Sonyo Compressor(Dalian)Co.,Ltd.		26,604,561.52

(2) Assets Lease

Assets rent out

Lessee	Category of assets rent out	2023.1-6 Lease Income	2022.1-6 Lease Income
Dalian Jingxue Energy Saving Technology Co., Ltd.	Land, Office	445,487.81	502,555.72
Dalian Bingshan Huigu Development Co., Ltd.	Land ;house	4,009,659.86	4,095,151.07
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Land	1,904,761.90	1,904,761.90
Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.	Land	398,985.66	5,033,480.00
Bingshan Technology Service (Dalian) Co., Ltd.	Land	147,436.30	
Wuhan Skafe Power Equipment Control Co., Ltd.	Land	540,784.41	330,415.59
Sonyo Cold Chain (Dalian) Co., Ltd.	Land	505,565.14	

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	15,428,358.65	11,510,637.33

(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.	160,000,000.00	2016-03-14	2026-03-13	Project fund investment
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	5,060,000.00	2022-10-15	2024-09-15	Factoring
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	13,805,309.73	2021-11-15	2026-11-15	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	32,833,000	2022-10-15	2024-09-15	Factoring
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	12,000,000.00	2022-01-07	2025-01-06	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	10,000,000.00	2021-11-15	2026-11-15	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	20,000,000.00	2021-06-01	2024-05-01	Factoring
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	5,481,000.00	2022-06-20	2024-06-10	Factoring
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	5,063,480.54	2021-08-15	2023-07-15	Factoring
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	2,145,251.09	2021-06-15	2024-05-15	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	6,600,000.00	2023-02-24	2025-02-23	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	499,200.00	2023-05-22	2024-05-21	Factoring

## 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	Sonyo Cold Chain (Dalian) Co., Ltd.	93,953,936.92	5,497,926.62		
Accounts receivable	Company under direct/indirect Control of Panasonic Co., Ltd	17,554,541.91	150,068.26	145,605,125.57	11,219,927.46
Accounts receivable	BAC Dalian Co., Ltd.	18,256,893.20	1,281,633.90	17,739,655.64	1,245,323.82
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	10,718,224.88	771,285.99	7,292,421.55	548,862.49
Accounts receivable	Bingshan Technical Service (Dalian) Co., Ltd.	7,659,432.52	537,692.16	5,804,599.87	426,864.25
Accounts receivable	Dalian Bingshan Pat Technology Co., Ltd.	5,429,976.47	244,600.49	2,426,739.72	250,341.12
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd	3,605,323.61	291,170.65	1,139,243.27	255,895.91

## Bingshan Refrigeration &amp; Heat Transfer Technologies Co., Ltd.

Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	3,699,628.26	259,713.90	3,981,739.22	279,518.10
Accounts receivable	Bingshan Songyang Biotechnology (Dalian) Co., Ltd.	3,079,666.97	216,192.62	1,224,109.36	85,932.48
Accounts receivable	Dalian Spinde Environmental Equipment Co., Ltd.	2,253,035.56	188,463.68	750,121.11	52,658.50
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	1,025,000.00	71,955.00	2,411,867.26	169,313.08
Accounts receivable	Linde Hydrogen Refueling Station Equipment (Dalian) Co., Ltd.	842,611.29	59,151.31	841,284.21	59,058.15
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	556,176.16	83,015.56	550,800.00	49,630.32
Accounts receivable	Dalian Shentong Electric Co., Ltd.	89,277.33	6,267.27	94,897.33	6,661.79
Contract assets	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	138,450.00	9,719.19		
Contract assets	Sonyo Cold Chain (Dalian) Co., Ltd.	131,130.00	22,790.42		
Contract assets	Dalian Bingshan Huigu Development Co., Ltd.	109,569.10	15,329.13	109,569.10	19,340.79
Prepayment	Dalian Shentong Electric Co., Ltd.	9,722,818.40		8,402,006.53	
Prepayment	Bingshan Technical Service (Dalian) Co., Ltd.	521,589.05		825,789.25	
Prepayment	BAC Dalian Co., Ltd.	215,707.40		58,513.00	
Prepayment	Dalian Spinde Environmental Equipment Co., Ltd.	82,355.00		36,455.00	
Prepayment	Dalian Bingshan Pat Technology Co., Ltd.	40,160.00			
Other receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	186,000.00	6,807.60	278,020.00	10,175.53
Other receivable	Bingshan Technology Service (Dalian) Co., Ltd.	100,000.00	7,020.00	100,000.00	69,410.00

Other receivable	Dalian Bingshan Huigu Development Co., Ltd.	100,000.00	7,020.00		
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## (2) Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	79,672,340.17	68,660,038.43
Accounts Payable	BAC Dalian Co., Ltd.	16,404,849.00	20,678,948.10
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd.	12,607,932.65	14,347,841.71
Accounts Payable	Sonyo Cold Chain (Dalian) Co., Ltd.	11,062,464.73	
Accounts Payable	Dalian Bingshan Pat Technology Co., Ltd.	6,639,432.57	7,264,112.80
Accounts Payable	Dalian Honjo Chemical Co., Ltd	5,374,200.49	
Accounts Payable	Dalian Spinde Environmental Equipment Co., Ltd.	1,962,638.00	1,247,400.00
Accounts Payable	Company under direct/indirect Control of Panasonic Co.,Ltd	1,746,276.66	11,517,452.19
Accounts Payable	Dalian Shentong Electric Co., Ltd	1,651,102.97	1,396,176.88
Accounts Payable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	868,928.95	1,942,256.73
Accounts Payable	Bingshan Technical Service (Dalian) Co., Ltd.	356,861.39	282,405.30
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	337,766.32	
Other accounts payable	Company under direct/indirect Control of Panasonic Co.,Ltd	2,991,025.17	4,502,046.38
Other accounts payable	Sonyo Cold Chain (Dalian) Co., Ltd.	74,770.64	
Other accounts payable	Dalian Jingxue Energy Saving Technology Co., Ltd.	70,000.00	666,864.48
Other accounts payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	666,864.50	
Contract liability	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	12,334,181.42	4,206,191.86
Contract liability	Linde Hydrogen Fueltech (Dalian) Co., Ltd	2,303,585.62	2,274,454.09
Contract liability	Company under direct/indirect Control of Panasonic Co.,Ltd	309,517.97	1,299,686.95
Contract liability	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	77,383.17	
Contract liability	Dalian Spinde Environmental Equipment Co., Ltd.	3,097.35	
Non-current liabilities due within one year	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	30,824,259.03	34,388,781.83
Long-term payables	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	22,022,390.82	31,009,644.16

## (I) Related Party Commitment

None

**XIII. Commitments and Contingencies****1. Important Commitments**

As of June 30, 2023, the company has no commitments that need to be disclosed.

**2. Contingencies**

(1) As of June 30, 2023, the Company's guarantee obligations under financing leases

The Company sold refrigerating house equipment to Guizhou Pubu Cold Chain Food Investment Co.,Ltd (“Pubu Cold Chain”) in the form of financial leasing. The Company as a seller signed finance lease contract with Huahuida as a buyer as well as a lessor and Pubu Cold Chain as a lessee. The contract price is 25.705million Yuan. In case the lease premium is delayed by the lessee, the Company needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Pubu Cold Chain issued an unconditional, irrevocable and joint liability counter guarantee, and the Company is the beneficiary. Guarantee scope covers the full liability because of the sales in the form of finance lease. As at 30 June 2023, the balance of the guarantee obligation of the financial lease is RMB 10.993 million yuan.

The Company sold water chiller and heat pump to Shandong Jiechuang Energy Technology Co.,Ltd (“Shandong Jiechuang”) in the form of financial lease. The Company as a seller signed finance lease contract with Huahuida as a buyer as well as a lessor and Shandong Jiechuang as a lessee. The contract price is 6.998million Yuan. Shandong Jiechuang had made 10% down payment, and remaining 6.2982million Yuan is underlined the leasing contract amount. In case the lease premium is delayed by the lessee, the Company needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Shandong Jiechuang issued an unconditional, irrevocable and joint liability counter guarantee, and the Company is the beneficiary. Guarantee scope covers the full liability because of the sales in the form of financial lease. As at 30 June 2023, the balance of the guarantee obligation of the financial lease is RMB5.6334 million Yuan.

The Company sold refrigerating house equipment to Liuyang Zhongjie Technology Investment Co.,Ltd (“Liuyang Zhongjie”) in the form of financial lease. The Company as a seller signed finance lease contract with Huahuida as a buyer as well as a lessor and Liuyang Zhongjie as a lessee. The contract price is 9.831million Yuan. In case the lease premium is delayed by the lessee, the Company needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Liuyang Zhongjie issued an unconditional, irrevocable and joint liability counter guarantee, and the Company is the beneficiary. Guarantee scope covers the full liability because of the sales in the form of financial lease. As at 30 June, 2023, the balance of the guarantee obligation of the financial lease is RMB6.3871 million Yuan.

The Company sold refrigerating house equipment to Shaanxi Yiming Food Co., LTD (“Shaanxi Yiming”) in the form of financial lease. The Company as a seller signed finance lease contract with Huahuida as a buyer as well as a lessor and Shaanxi Yiming as a lessee. The contract price is 12.70million Yuan. In case the lease premium is delayed by the lessee, the Company needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Shaanxi Yiming issued an unconditional, irrevocable and joint liability counter guarantee, and the Company is the beneficiary. Guarantee scope covers the full liability

because of the sales in the form of financial lease. As at 30 June, 2023, the balance of the guarantee obligation of the financial lease is RMB 11.8364 million Yuan.

The Company sold refrigerating house equipment to Jilin Fuyu Agricultural Technology Co., LTD (“Jilin Fuyu”) in the form of financial lease. The Company as a seller signed finance lease contract with Huahuida as a buyer as well as a lessor and Jilin Fuyu as a lessee. The contract price is 20.50 million Yuan. In case the lease premium is delayed by the lessee, the Company needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Jilin Fuyu issued an unconditional, irrevocable and joint liability counter guarantee, and the Company is the beneficiary. Guarantee scope covers the full liability because of the sales in the form of financial lease. As at 30 June, 2023, The Company has not assumed any guarantee obligation for this financial lease for this project

Until 30 June, 2023, the balance of all guarantee obligation of the financial lease is RMB 34.8499 million Yuan. There is no situation where the Company needs to undertake the liability as the lessees’ default.

(2) In April, 2020, Dalian Ruixing Iron Core Manufacturing Co.,Ltd (“Dalian Ruixing”) sued the Company’s subsidiary, Sonyo Compressor(Dalian)Co.,Ltd for not fulfilling the purchase contract signed. Sonyo Compressor(Dalian)Co.,Ltd made a provision of 18,263,806.71 Yuan based on the legal advice. In March 2021, Dalian Ruixing formally filed a lawsuit, the amount of litigation is 13,691,985.28 yuan.

As of Until 30 June, 2023, no final judgment has been issued, and Sonyo Compressor made a provision of 10,401,424.48 yuan

Until 30 June, 2023, the Company does not have any other contingencies for disclosure apart from the above matters.

#### **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 generates revenue and incur expenses.
- 2).The management personnel can regularly evaluate the operation results of segments and allocate resource ,assess its performance .
- 3).The financial situation, operation results, cash flow and other accounting information of segments can be acquired.

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

## (2)The financial information of reporting segments

Amount unit : yuan

Items	30-06-2023/2023.01-06			
	Northeast China	Central China	Offset	Total
1 Operating income	2, 492, 707, 283. 43	175, 644, 850. 57	-340, 815, 420. 95	2, 327, 536, 713. 05
2 Cost	2, 117, 690, 269. 02	148, 126, 513. 90	-324, 481, 252. 50	1, 941, 335, 530. 42
Impairment loss on assets	-3, 843, 013. 26	-723, 096. 58	-339, 024. 94	-4, 905, 134. 78
Impairment loss on credit	-19, 451, 906. 83	-1, 292, 044. 43	1, 441, 173. 40	-19, 302, 777. 86
Depreciation and amortization	50, 657, 005. 42	3, 916, 133. 49		54, 573, 138. 91
3 Investment income from associates and joint venture	3, 387. 24	249, 116. 74	2, 814. 27	255, 318. 25
4 Operating profits(loss)	114, 118, 423. 43	1, 716, 059. 57	-42, 395, 135. 79	73, 439, 347. 21
5 Income tax	17, 006, 179. 87	-282, 285. 57	-2, 793, 622. 74	13, 930, 271. 56
6 Net profit(loss)	97, 112, 243. 56	1, 998, 345. 14	-39, 601, 513. 05	59, 509, 075. 65
7 Total assets	10, 389, 500, 497. 05	520, 010, 772. 47	2, 650, 781, 288. 31	8, 258, 729, 981. 21
8 Total liabilities	5, 521, 189, 617. 76	422, 235, 213. 73	-804, 472, 728. 75	5, 138, 952, 102. 74

**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		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	861,673,723.29	1.00%	112,992,525.48	0.13%	748,681,197.81
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting age as characters	465,931,163.61	0.54%	112,992,525.48	0.24%	352,938,638.13
Related party within consolidation scope	395,742,559.68	0.46%			395,742,559.68
Accounts receivable with insignificant individual amount and separate bad debt provision					
<b>Total</b>	861,673,723.29	1.00%	112,992,525.48	0.13%	748,681,197.81

(Continued)

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	737,611,736.89	100.00%	107,657,087.39	0.15%	629,954,649.50
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting age as characters	388,615,076.25	52.69%	107,657,087.39	0.28%	280,957,988.86
Related party within consolidation scope	348,996,660.64	47.31%			348,996,660.64
Accounts receivable with insignificant individual amount and separate bad debt provision					
<b>Total</b>	737,611,736.89	100.00%	107,657,087.39	0.15%	629,954,649.50

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

Aging	Closing Balance
Within 1 year	677,048,404.74
1 to 2 years	56,613,460.14
2 to 3 years	58,375,681.75
More than 3 years	69,636,176.66
3 to 4 years	1,733,408.83
4 to 5 years	21,498,453.03
More than 5 years	46,404,314.80
<b>Total</b>	<b>861,673,723.28</b>

(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	107,657,087.39	6,094,358.09		758,920.00	112,992,525.48
<b>Total</b>	<b>107,657,087.39</b>	<b>6,094,358.09</b>		<b>758,920.00</b>	<b>112,992,525.48</b>

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

Item	Written off amount
Receivable actually written off	758,920.00

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

Key debtors written off

Company name	Nature	Amount	Reason	Procedures	Related party
Oben Food (Shanghai) Co., LTD	Trade receivable	5,600.00	Field expense	CEO approval	N
Fujian Binhai Chemical Co., LTD	Trade receivable	94,540.00	Customer money problem	CEO approval	N
Yulin Huaneng coal technology Co., LTD	Trade receivable	585,000.00	Court decision	CEO approval	N
Yichang Three Gorges Logistics Park Co. LTD	Trade receivable	73,780.00	Court decision	CEO approval	N
<b>Total</b>	—	<b>758,920.00</b>	—	—	—

2. Other Receivables

Item	Closing Balance	Opening Balance
Interest receivable	0.00	0.00



Dividend receivable	10,184,798.49	
Other receivable	31,752,471.41	36,021,805.53
<b>Total</b>	<b>41,937,269.90</b>	<b>36,021,805.53</b>

## 2.1 Dividend receivable

Item	Closing Balance	Opening Balance
Songzhi Dayang Cold and Heat Technology (Dalian) Co., LTD	2,000,000.00	
Dalian Bingshan Engineering & Trading Co., Ltd.	2,986,802.05	
Jiangsu Jingxue Insulation Technology Co., Ltd.	1,610,172.00	
Sonyo Refrigeration System (Dalian) Co., Ltd.	2,836,696.89	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	751,127.55	
<b>Total</b>	<b>10,184,798.49</b>	

## 2.2 Other receivable

## (1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Receivables and payables	22,163,566.42	22,444,622.16
Deposits	9,776,414.85	13,733,003.58
Petty cash	658,142.66	589,402.48
<b>Total</b>	<b>32,598,123.93</b>	<b>36,767,028.22</b>

## (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, 2023	596,484.59		148,738.10	745,222.69
The balance of January 1, 2023 in the current period	—	—	—	—
Provision for bad debts	100,429.83			100,429.83
Balance on June 30, 2023	696,914.42		148,738.10	845,652.52

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

Aging	Closing Balance
Within 1 year	1,498,945.92
1 to 2 years	5,561,329.35
2 to 3 years	23,447,703.00
More than 3 years	2,090,145.66
3 to 4 years	310,000.00
4 to 5 years	279,835.11
More than 5 years	1,500,310.55
<b>Total</b>	<b>32,598,123.93</b>

(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	745, 222. 69	100, 429. 83			845, 652. 52
<b>Total</b>	745, 222. 69	100, 429. 83			845, 652. 52

(4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Wuyuan county Furun meat processing Co., LTD	Receivable	1, 331, 766. 93	1 to 2 years	4. 09%	48, 742. 67
Dalian Delta HK China gas Co., Ltd.	Deposit	1, 100, 000. 00	Over 5 years	3. 37%	40, 260. 00
Xinjiang Oriental Hope New Energy Co., LTD	Bid bond	1, 000, 000. 00	2 to 3 years	3. 07%	36, 600. 00
Ningxia Crystal New Energy Materials Co., Ltd.	Bid bond	1, 000, 000. 00	1 to 2 years	3. 07%	36, 600. 00
Hebei Veyong Bio-Chemical Co.,Ltd	Security deposit for fulfil the contract	865, 980. 00	2 to 3 years	2. 66%	31, 694. 87
<b>Total</b>		5, 297, 746. 93		16. 26%	193, 897. 54

## 3. Long-term equity investments

## Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment of subsidiaries	2,308,830,861.29		2,308,830,861.29	2,163,545,361.29		2,163,545,361.29
Investment of affiliates and JV	552,907,517.91		552,907,517.91	557,452,792.51		557,452,792.51
<b>Total</b>	<b>2,861,738,379.20</b>		<b>2,861,738,379.20</b>	<b>2,720,998,153.80</b>		<b>2,720,998,153.80</b>

## (1) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance
Dalian Bingshan Group Construction Co., Ltd	193,749,675.77			193,749,675.77
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	45,272,185.00			45,272,185.00
Dalian Bingshan Guardian Automation Co., Ltd.	50,638,361.52			50,638,361.52
Dalian Bingshan Ryosetsu Quick Freezing Equipment Co., Ltd.	59,356,051.19			59,356,051.19
Dalian Universe Thermal Technology Co., Ltd.	48,287,589.78			48,287,589.78
Wuhan New World Refrigeration Industrial Co., Ltd	184,674,910.81			184,674,910.81
Dalian Bingshan Engineering & Trading Co., Ltd	71,537,064.86			71,537,064.86
Sonyo Compressor(Dalian)Co.,Ltd	1,380,455,603.23			1,380,455,603.23
Sonyo Refrigeration System (Dalian) Co., Ltd	108,851,490.98			108,851,490.98
Sonyo Refrigeration (Dalian) Co., Ltd		145,285,500.00		145,285,500.00
<b>Total</b>	<b>2,163,545,361.29</b>	<b>145,285,500.00</b>		<b>2,308,830,861.29</b>

## (2) Joint ventures&amp; affiliated companies

Investee	Beginning balance	Increase/Decrease								Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period	Others		
1. Affiliated companies											
Dalian Honjo Chemical Co., Ltd	9,819,096.80			-1,671,262.36			0.00			8,147,834.44	
Songzhi Ocean Thermal Technology (Dalian) Co., Ltd	60,089,313.51			-532,555.89			2,000,000.00			57,556,757.62	
Dalian Fuji Bingshan Vending Machine Co., Ltd	111,101,339.93			-15,573,573.93			0.00			95,527,766.00	
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	15,401,109.10			867,056.87			0.00			16,268,165.97	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	0.00						0.00			0.00	
Jiangsu JingXue Insulation Technology Co.,Ltd	140,124,248.76			2,326,132.50			1,610,172.00			140,840,209.26	
Bingshan Metal Technical Service (Dalian) Co.,Ltd.	175,313,807.46			13,760,359.73						189,074,167.19	
Dalian Bingshan Group Huahuida Finance Leasing Co. LTD	45,603,876.95			639,868.03			751,127.55			45,492,617.43	
Total	557,452,792.51	0.00	0.00	-183,975.05	0.00	0.00	4,361,299.55	0.00		552,907,517.91	

## 4. Operating revenue and cost

Item	2023.01-06		2022.01-06	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	533,710,281.94	442,877,817.72	385,929,620.18	336,469,117.09
Revenue from other operation	27,796,909.63	19,695,636.49	20,551,816.12	13,934,076.36
<b>Total</b>	561,507,191.57	462,573,454.21	406,481,436.30	350,403,193.45

## 5. Investment income

Items	2023.01-06	2022.01-06
Income from long-term equity investments under cost method	24,063,498.94	3,482,615.76
Income from long-term equity investments under equity method	-183,975.05	16,926,568.63
Investment income from disposal of long-term equity investment		3,864,200.00
Income from holding and disposing of other non-current financial assets	5,782,304.24	63,953,740.43
<b>Total</b>	29,661,828.13	88,227,124.82

## XVII. Supplementary Information to the Financial Statements

## 1. Non-operating profit or loss

item	Amount
Disposal gains and losses of non-current asset	-493,693.67
Government subsidies included in current profit or loss	4,263,277.78
Gains and losses on debt restructuring	975,354.50
Profit or loss arising from contingencies unrelated to the normal operation of the company	3,290,560.80
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	4,364,003.20
Allowance for impairment reversal of receivables tested separately for impairment	1,037,705.78
Other non-operating revenue or expense	646,683.82
Influence on income tax	2,020,903.93
Influence on minority shareholders	106,759.58
<b>Total</b>	11,956,228.70

## 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	1.93%	0.07	0.07
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	1.54%	0.05	0.05