



Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd.

2026 Semiannual Report

August, 2026

Section 1 Important Notice, Table of Contents, and Definitions

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

All directors have attended this Board meeting of the Company.

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

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

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

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

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Reference Documents

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

Liaison persons: Mr. Song Wenbao, Ms Du Yu

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Definitions

Defined item	Stands for	Meaning
Reporting period	Stands for	From Jan. 1, 2026 to Jun. 30, 2026
The Company, this Company	Stands for	Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd.
Bingshan Engineering	Stands for	Dalian Bingshan Group Engineering Co., Ltd.,one of the subsidiaries of the Company where the Company holds 100% of its shares.
Bingshan Guardian	Stands for	Dalian Bingshan Guardian Automation Co., Ltd. one of the subsidiaries of the Company where the Company holds 100% of its shares.
Sonyo Compressor	Stands for	Sonyo Compressor (Dalian) Co., Ltd. Formerly Panasonic Appliances Compressor (Dalian) Co., Ltd. one of the subsidiaries of the Company, where the Company holds100% of its shares.
Sonyo Refrigeration	Stands for	Sonyo Refrigeration (Dalian) Co., Ltd. Formerly Panasonic Refrigeration (Dalian) Co., Ltd., one of the subsidiary of the Company, where the Company holds 100% of its shares.
Sonyo Refrigeration System	Stands for	Sonyo Refrigeration System (Dalian) Co., Ltd. Formerly Panasonic Appliances Refrigeration System (Dalian) Co., Ltd., one of the subsidiary of the Company, where the Company holds 100% of its shares.

Section 2 About the Company and Main Financial Indicators

I. Company information

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

II. Contact persons and information

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

III. Other situations

1. Contact of company

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

☐ Applicable ☒ Not applicable

2. Information disclosure and place of preparation

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

☐ Applicable ☒ Not applicable

The name of newspaper for information disclosure selected by the Company, the address of the website designated by China Securities Regulatory Commission for carrying semi-annual report, the place where the semi-annual report of the Company is prepared had no change in the report period. Refer to the Annual Report for 2025 for details.

IV. Main accounting data and financial indicators

Did the Company retroactively adjust or restate the accounting data of previous years ?

☒ Applicable ☐ Not applicable

The reason for the retroactive adjustment is the same control enterprise merger.

Unit: RMB Yuan

	2026.1-6	2025.1-6		Increase/decrease compared with previous 2025.1-6
		Before adjustment	After adjustment	After adjustment
Operating revenue	2, 179, 670, 345. 56	2, 380, 320, 781. 91	2, 385, 274, 786. 05	-8. 62%
Net profit attributable to shareholders of listed companies	47, 142, 616. 07	78, 290, 437. 78	78, 543, 776. 29	-39. 98%
Net profit belonging to the shareholders of listed companies after the deduction of non-recurring profit and loss	30, 733, 552. 15	72, 911, 982. 78	72, 911, 982. 78	-57. 85%
Net cash flow from operating activities	-97, 657, 176. 10	-1, 032, 514. 46	-968, 304. 83	-
Basic earning per share	0. 06	0. 09	0. 09	-33. 33%
Diluted earnings per share	0. 06	0. 09	0. 09	-33. 33%
Weighted average return on net asset yield	1. 49%	2. 49%	2. 50%	Decrease 1.01 percentage points
	2026.6..30	2025.12.31		Increase/decrease compared with previous year
		Before adjustment	After adjustment	After adjustment
Total assets	7, 441, 700, 389. 64	7, 596, 536, 378. 75	7, 607, 143, 933. 63	-2. 17%
Owner's equity attributable to shareholders of listed companies	3, 159, 322, 787. 79	3, 153, 969, 751. 79	3, 154, 703, 294. 56	0. 15%

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

☐ Applicable ☒ Not applicable

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

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

VI. Non-recurring profits and losses and their amounts

item	Amount
Disposal gains and losses of non-current asset	-133, 199. 26
Government subsidies included in current profit or loss	11, 718, 151. 12
Allowance for impairment reversal of receivables tested separately for impairment	2, 512, 140. 03
The net profit and loss of the subsidiary period from the beginning to the consolidation date of the company under the same control.	34, 179. 37
Gains and losses on debt restructuring	2, 573, 327. 11
The one-time expenses incurred by the enterprise due to the discontinuation of related business activities	-688, 062. 75
Other non-operating revenue or expense	2, 154, 776. 76
Influence on income tax	1, 576, 781. 10
Influence on minority shareholders	185, 467. 36
Total	16, 409, 063. 92

Section 3 Management discussion and analysis

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

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

The Company's main products include piston type, screw type, vortex type, lithium bromide absorption refrigeration machines/units, as well as pressure vessels, combination warehouses, controlled atmosphere fresh-keeping warehouses, refrigeration stations, quick freezer, etc. The company provides product sales and comprehensive solutions for both domestic and international markets, with self-operated sales as the main focus and channel sales as a supplement.

In the first half of 2026, rigid demands such as food safety, energy security, consumption upgrading, energy conservation and carbon reduction, and domestic substitution will benefit the refrigeration and air conditioning industry; At the same time, the refrigeration and air conditioning industry is also facing challenges such as intensified market competition, difficulties in improving efficiency, and difficulties in recovering payments. In the face of opportunities and challenges, the Company focuses on the hot and cold business, continuously cultivating advantageous segmented markets such as petrochemicals, cold chain logistics, beer and dairy products, ship refrigeration, ice and snow venues, and environmental simulation. It vigorously expands new businesses such as energy storage thermal management and CCUS, actively seizes the domestic market, and strengthens the development of international markets.

1. Industrial refrigeration and heating business

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

During the reporting period, the Company actively served high-end customers and won multiple high standard projects such as Three Barrel Oil and Chengxin Chemical.

2. Commercial refrigeration business

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

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

During the reporting period, the Company signed multiple key projects, including the Taizhou Jiaojiang Yudu Town project, Zhengzhou Dahe Huiji project, Guangzhou Jiangnan Fruit and Vegetable project, and Shandong Linqing Agricultural Products project.

3. Air conditioning and environment business

In recent years, relying on the complete industrial chain, the Company has continuously carried out

transformation and upgrading in the field of air conditioning and environment, developed more energy-saving and environmental protection products around the blue sky project, and accelerated the transformation and upgrading from air treatment to environmental governance.

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

4. Engineering and service business

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

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

5. New business

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

During the reporting period, the Company continued to sign orders for energy storage thermal management projects and CCUS projects.

II. Analysis of core competence

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

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

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

Following the technical route of cold and heat balance, the Company has independently developed a series of energy-saving, environment-friendly, efficient and intelligent cold and heat technologies and products, and

actively fulfilled the dual carbon responsibility.

While promoting the transformation and upgrading of its inherent business in an orderly manner, the Company actively cultivates new momentum for development, and the path of sustainable growth is increasingly clear.

During the reporting period, the Company focused on the hot and cold business, deeply cultivated the market segment, and steadily improved its sales force, product force, technical force, engineering force and service force, so as to further enhance its core competitiveness.

III. Analysis of main business

In the first half of 2026, the Company focused on the hot and cold business, deeply cultivated segmented markets, and continuously strengthened its main business. In the first half of 2026, the Company achieved an operating revenue of 2,179.67 million yuan, a decrease of 8.62% year-on-year; The net profit attributable to the shareholders of the listed company was 47.14 million yuan, a decrease of 39.98% year-on-year, mainly due to the rising prices of raw materials and intensified market competition.

During the reporting period, the Company's subsidiary, Bingshan Engineering, continued to deepen its focus in niche markets. In the product sector, it actively served high-end clients, securing contracts for several high-standard projects such as those for the Three Major Oil Companies and Chengxin Chemical. In the engineering sector, it undertook key projects including the Taizhou Jiaojiang Fish Town, Zhengzhou Dahan Huiji, Guangzhou Jiangnan Fruit and Vegetable, and Shandong Linqing Agricultural Product projects. In the energy sector, orders for energy storage thermal management and CCUS continued to be signed.

During the reporting period, the Company's subsidiary, Bingshan Guardian's Cold & Heat System, achieved new milestones in intelligent energy-saving control. The next-generation Model Predictive Control (MPC) algorithm was successfully implemented in Bingshan's cold and heat equipment applications, progressing steadily. The development of MPC energy-saving algorithms embedded in edge controllers has reached phased results. The Hardware-in-the-Loop testing platform for energy storage temperature control systems was pragmatically established, significantly enhancing development efficiency.

During the reporting period, the Company's subsidiary, Sonyo Compressor, achieved independent innovation and high-quality growth. The series development of high-horsepower scroll compressors progressed steadily, while DC inverter scroll compressors suitable for data center temperature control systems were actively promoted. Focusing on the heat pump sector, it continued to deepen its expansion in the European market. Through cost reduction and efficiency improvement, it sought to mitigate the impact of rising bulk material prices. It was recognized as one of the 100 National 5G Factory Model Application Practice Projects and selected as a 2026 Liaoning Provincial Intelligent and Digital Transformation Benchmark Enterprise.

During the reporting period, the subsidiary of the Company, Sonyo Refrigeration, focused on industrial energy conservation and innovative green growth. Signed a contract for the absorption type Class II heat pump project with the largest steam production capacity in a single domestic project, achieving efficient coupling of waste heat recovery and steam production. The specialized lithium bromide unit for offshore platforms has been successfully developed. Awarded as a national level green factory.

During the reporting period, the subsidiary of the Company, Sonyo Refrigeration System, made new progress in product development. The prototype development of the transcritical CO₂ air-cooled integrated unit has been completed, assisting in the expansion of overseas markets. Optimization and upgrade of marine

OCCS compression module and liquefaction module. Launching a new generation of vanadium liquid flow energy storage temperature control system, actively promoting the development of new customers.

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

Monetary unit: RMB Yuan

	Report period	Same period of last year	Increase or decrease from the same period of last year
Operating revenue	2, 179, 670, 345. 56	2, 385, 274, 786. 05	-8. 62%
Operating cost	1, 830, 321, 338. 64	1, 993, 539, 200. 73	-8. 19%
Selling and distribution expenses	94, 846, 927. 33	106, 758, 706. 39	-11. 16%
Administrative expenses	122, 206, 345. 73	123, 348, 672. 93	-0. 93%
Financial expenses	15, 247, 914. 85	5, 500, 121. 52	177. 23%
Income tax	8, 162, 939. 58	11, 443, 201. 02	-28. 67%
R&D expenses	67, 347, 702. 62	69, 166, 325. 91	-2. 63%
Net cash flow coming from operating activities	-97, 657, 176. 10	-968, 304. 83	-
Net cash flow coming from investment activities	-41, 473, 545. 06	-58, 197, 181. 93	28. 74%
Net cash flow coming from fund-raising activities	-106, 708, 896. 83	-117, 191, 683. 16	8. 94%
Net increase in cash and cash equivalents	-249, 538, 870. 96	-172, 604, 530. 42	-39. 35%

Note 1: Financial expenses increased significantly, primarily due to foreign exchange losses incurred during the current period.

Note 2: The decrease in income tax expense was primarily due to the reduction in total profit for the current period.

Note 3: The net cash flow generated from operating activities has significantly decreased year-on-year, mainly due to a decrease in current period payments.

Sales income and costs

	Report period		Same period of last year		Increase or decrease from the same period of last year
	Amount	Proportion to the Sales costs	Amount	Proportion to the Sales costs	
Total sales income	2, 179, 670, 345. 56	100%	2, 385, 274, 786. 05	100%	-8. 62%
By industry					
Refrigeration and air-conditioning equipment	2, 128, 242, 559. 30	97. 64%	2, 346, 491, 455. 81	98. 37%	-9. 30%
Others	51, 427, 786. 26	2. 36%	38, 783, 330. 24	1. 63%	32. 60%
By product					
Industrial products	1, 563, 458, 060. 44	71. 73%	1, 608, 983, 274. 72	67. 45%	-2. 83%
Installation project	564, 784, 498. 86	25. 91%	715, 302, 366. 12	29. 99%	-21. 04%
Other products and services	51, 427, 786. 26	2. 36%	60, 989, 145. 21	2. 56%	-15. 68%
Domestic sales	1, 900, 015, 946. 83	87. 17%	2, 029, 028, 362. 80	85. 06%	-6. 36%
Foreign sales	279, 654, 398. 73	12. 83%	356, 246, 423. 25	14. 94%	-21. 50%

Main business structure

Monetary unit: RMB yuan

	Operating revenue	Operating costs	Gross profit	Increase/decrease of operating revenues from the same period of last year	Increase/decrease of operating costs from the same period of last year	Increase/decrease of gross profit from the same period of last year
By industry						
Refrigeration and air-conditioning	2, 128, 242, 559. 30	1, 805, 895, 464. 58	15. 15%	-9. 30%	-8. 71%	decrease 0.55 percentage points
By product						
Industrial products	1, 563, 458, 060. 44	1, 277, 617, 577. 52	18. 28%	-2. 83%	-1. 12%	decrease 1.41 percentage points
Installation project	564, 784, 498. 86	528, 277, 887. 06	6. 46%	-21. 04%	-20. 95%	decrease 0.10 percentage points
By region						
Domestic sales	1, 848, 588, 160. 57	1, 579, 153, 916. 73	14. 58%	-8. 89%	-7. 79%	decrease 0.05 percentage points
Foreign sales	279, 654, 398. 73	226, 741, 547. 85	18. 92%	-21. 50%	-19. 28%	decrease 2.23 percentage points

IV. Analysis of the non-main business

☐ Applicable ☒ Not applicable

V. Analysis of assets & liabilities

1. Remarkable change in assets

Monetary unit: RMB yuan

	30-6-2026		31-12-2025		Proportion increase/decrease.
	Amount	Proportion to the total assets	Amount	Proportion to the total assets	
Monetary funds	621, 705, 465. 37	8. 35%	881, 961, 122. 28	11. 59%	Decrease 3.24 percentage points
Accounts receivable	1, 826, 609, 128. 67	24. 55%	1, 635, 556, 614. 58	21. 50%	Increase 3.05 percentage points
Contract assets	164, 032, 341. 04	2. 20%	161, 816, 928. 39	2. 13%	Increase 0.07 percentage points
Inventories	1, 401, 211, 017. 51	18. 83%	1, 439, 914, 414. 18	18. 93%	Decrease 0.10 percentage points
Investment property	133, 159, 366. 12	1. 79%	121, 350, 188. 47	2. 00%	Decrease 0.21 percentage points
Long-term equity investment	494, 479, 222. 61	6. 64%	483, 028, 918. 31	6. 35%	Increase 0.29 percentage points
Fixed assets	1, 210, 192, 835. 36	16. 26%	1, 261, 222, 376. 24	16. 58%	Decrease 0.32 percentage points
Construction in progress	18, 185, 186. 15	0. 24%	15, 669, 392. 61	0. 21%	Increase 0.03 percentage points
Right of use assets	15, 911, 036. 97	0. 21%	18, 009, 137. 49	0. 24%	Decrease 0.03 percentage points
Short-term loans	204, 665, 086. 56	2. 75%	201, 836, 464. 89	2. 65%	Increase 0.10 percentage points
Contract liabilities	477, 122, 097. 44	6. 41%	525, 086, 822. 72	6. 90%	Decrease 0.49 percentage point
Long-term loans	304, 100, 000. 00	4. 09%	368, 328, 245. 18	4. 84%	Decrease 0.75 percentage points
Lease liabilities	12, 393, 294. 67	0. 17%	16, 563, 173. 78	0. 22%	Decrease 0.05 percentage points

2. The main overseas assets

☐ Applicable ☒ Not applicable

3. Assets & liabilities which are measured by fair value

☒ Applicable ☐ Not applicable

The beginning number is 1,683,852.59 yuan for other non-current financial assets measured by fair value. There was no change during the reporting period, and the final number is 1,683,852.59 yuan.

3. Restrictions on asset rights at the end of reporting period

☒ Applicable ☐ Not applicable

Items	2026.6.30	Reasons
Monetary fund	38, 536, 737. 16	Guarantee money; Frozen funds in bank accounts
Notes Receivable	850, 000. 00	Pledge
Financing of receivables	587, 572. 14	Pledge

Items	2026.6.30	Reasons
Fixed assets	59,480,216.27	Pledge
Intangible assets	5,008,531.57	Pledge
investment property	29,889,269.11	Pledge
Total	134,352,326.25	

VI. Analysis of investments

1. The overall situation

√ Applicable □ Not applicable

Investment in the report period (yuan)	Investment in the same period of last year (yuan)	Amount of variation
30,623,238.59	58,438,274.61	-47.60%

Note: The investment amount during the reporting period decreased by 47.60%, mainly due to the purchase of a high-power production line by its subsidiary Sonyo Compressor in the same period last year.

2. The significant equity investment during the reporting period

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

4. The financial asset investment

(1) The securities investment

□ Applicable √ Not applicable

(2) Derivative investment

□ Applicable √ Not applicable

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

VII. The material assets and equity sale

1. The material assets sale

□ Applicable √ Not applicable

2. The material equity sale

□ Applicable √ Not applicable

VIII. Analysis of major subsidiary companies and mutual shareholding companies

√ Applicable □ Not applicable

Unit: ten thousand yuan (except for registered capital)

Company name	Type	The main business	registered capital	total assets	net assets	operating income	Net profit
Sonyo Compressor	mutual shareholding company	Scroll Compressor	442,396,700 yuan	164,700.78	119,308.12	66,146.11	4,675.27
Bingshan Metal Technology	mutual shareholding company	Pipe system connectors, high-speed rail connectors, hydraulic valve bodies, automotive engine parts, etc.	USD 18.0645 million	34,106.92	26,840.80	22,816.41	2,459.09

Subsidiary companies obtained or disposed in the reporting period

√ Applicable □ Not applicable

The scope of consolidation at the end of the reporting period increased by one compared to the beginning of the year, which is Dalian Bingshan Part Technology Co., Ltd., and decreased by one compared to the beginning of the year, which is Wuhan Lan Ning Energy Technology Co., Ltd.

IX. The structured corporate bodies which the Company controlled

☐Applicable ☒Not applicable

X. Main risks the company faces and response measures

(1)Increasing market competition risk

Countermeasures: focus on hot and cold industries, deeply cultivate segmented markets; quickly enhance product and engineering capabilities; orderly improving the level of intelligent manufacturing and service-oriented manufacturing; accelerate the transformation and upgrading of inherent undertakings, improve quality and efficiency; accelerate the cultivation of new driving forces and increase differentiated competitive advantages.

(2)Risk of high level of trade receivables

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

XI. Implementation of Market Value Management System and Valuation Enhancement Plan

Has the Company established a market value management system.

☐Applicable ☒Not applicable

Has the Company disclosed a plan to increase its valuation.

☒Applicable ☐Not applicable

Due to the fact that the B-share prices have been consistently lower than the net asset value, the Company has formulated the "Valuation Enhancement Plan", aiming to increase the Company's valuation from several dimensions such as business improvement, mergers and acquisitions, cash dividends, information disclosure, investor relations management, and social responsibility. For detailed information, please refer to the relevant announcement disclosed by the Company on April 24, 2026.

XII. Implementation of the Action Plan for "Double Improvement of Quality and Return"

Has the Company disclosed the announcement of the "Double Improvement of Quality and Return" action plan.

☐Applicable ☒Not applicable

Section 4 Corporate governance Environmental and Social Responsibility

I. Changes of directors and senior managers of the Company

☒ Applicable ☐ Not applicable

II. Profit distribution and dividend payment

Name	Position held	Type	Date	Reason
Nakamichi Tetsuya	Director	Resignation	Apr.7,2026	Job transfer
Nishimoto Shigeyuki	Director	Elected	May 21,2026	Job transfer

III. The implementation and effect of equity incentive

☐ Applicable ☒ Not applicable

IV. Major environmental issues

Whether the Company and its major subsidiaries are included in the list of enterprises that are required to disclose environmental information in accordance with the law

☒ Yes ☐ No

Company Name	Query index
Wuhan New World Refrigeration Industry Co., Ltd	http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/index
Sonyo Compressor (Dalian) Co., Ltd.	https://qyxxpl.ywzh.lnsthj.cn:8802/home/index

V. Social responsibilities

In the first half of 2026, based on the solid progress of the rural revitalization assistance work, the Company further expanded its public welfare scope and actively carried out charity education assistance and social volunteer services. The specific work is as follows:

1. Continue to do a good job in the paired assistance work with Songlin Village, Guangmingshan Town, Zhuanghe City. Provide maintenance for the air conditioning equipment of the cultural activity venue for the villagers.
2. Actively organize employees to participate in voluntary blood donation activities, and encourage all employees to actively participate.
3. Organize volunteers to enter the Bingshan Hope School, carry out charity education assistance at the same time, set up public welfare lecture halls to popularize refrigeration knowledge, in order to help with talent cultivation through love-based education assistance, and protect the growth of students with love.

Section 5 Important items

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

III. Foreign guarantee in violation of regulations

☐ Applicable ☒ Not applicable

IV. Engagement and dismissal of the accounting firm

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VII. Bankruptcy restructuring related matters

☐ Applicable ☒ Not applicable

VIII. Major lawsuit issues

☐ Applicable ☒ Not applicable

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

IX. Punishment and rectification

☒ Applicable ☐ Not applicable

The Company and related personnel received the Regulatory Rectification Measures Decision (Administrative Regulatory Measures [2026] No. 7) issued by the Dalian Regulatory Bureau of the China Securities Regulatory Commission on March 2, 2026, which required the Company to rectify issues related to related-party transactions, corporate governance, revenue recognition, and other matters. Upon receiving the regulatory measures decision, the Company promptly assigned responsibilities and implemented corrective actions diligently. As of the end of the reporting period, the aforementioned issues had been fully rectified. For details, refer to the "Rectification Report on the Regulatory Rectification Measures Taken by the Dalian CSRC Against the Company and Related Personnel" disclosed by the Company on March 26, 2026, on the Cninfo website.

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

☒ Applicable ☐ Not applicable

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

XI. Important associated transactions

1. Important associated transactions

In the reporting period, the total amount of normal associated transactions between the Company and associated parties was 456,500 thousand yuan, accounting for 41.61% of the budgeted amount for the year 2026. This included 125,420 thousand yuan, accounting for 36.23% of the budgeted amount for the year 2026, for purchasing supporting products for package projects from associated parties, and 331,080 thousand yuan, accounting for 44.08% of the budgeted amount for the year 2026, from selling supporting parts and components to associated parties.

2. Associated transactions related to purchases or sales of assets

☐ Applicable ☒ Not applicable

3. Important associated transactions with joint external investments

☐ Applicable ☒ Not applicable

4. Current associated rights of credit and liabilities

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

6. Other associated transactions

☐ Applicable ☒ Not applicable

XII. Major contract and its performance

1. Hosting, contracting and leasing status

(1) the hosting status

☐ Applicable ☒ Not applicable

(2) the contracting status

☐ Applicable ☒ Not applicable

(3) the leasing status

☒ Applicable ☐ Not applicable

The Company signed rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent # 6 workshop building located on No. 106 Liaohe East Rd, Dalian Economic and Technology Development Zone to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square meters, and the rental term till 16th July, 2029. The annual rent fee for the current reporting period is RMB 1.9139 million Yuan.

The Company signed rental contract with Dalian Bingshan Wisdom Park Co., Ltd., and rent out the whole land and house of the Company's old plant locating at No. 888, Southwest Road, Shahekou District, Dalian to Dalian Bingshan Wisdom Park Co., Ltd., with rental land area of 167,165.61 square meters and housing area of 105,652.43 square meters. The lease term is from April 1, 2017 to December 31, 2036. The annual rent fee for the current reporting period is RMB 6.1403 million Yuan.

2. Guaranteeing status

☒ Applicable ☐ Not applicable

The Company provided guarantees for its client Shandong Jiechuang Energy Technology Co., Ltd., and Jilin Fuyu Agricultural Technology Co., Ltd. based on financing leasing business, which lasted until the reporting period.

As of the date of this report, all guaranteed debts of Shandong Jiechuang Energy Technology Co., Ltd. have been fully settled, and the Company has not assumed any guarantee liability.

Due to its own operational issues, Jilin Province Fuyu Agricultural Technology Co., Ltd. delayed repayment. Its subsidiary, Dalian Bingshan RYOSSETSU Quick Freezing Equipment Co., Ltd. ("Bingshan RYOSSETSU"), will advance rental payments monthly starting from August 2026, with a total advance amount of 9.1385 million yuan. Based on these advances, Bingshan RYOSSETSU has accrued a provision of 1.3016 million yuan in its interim financial statements for the first half of 2026. For details, please refer to the Company's announcement titled "Announcement on Subsidiary's Partial Guarantee Liability Performance" disclosed on August 5, 2026.

3. Entrusted Financial Management

☐ Applicable ☒ Not applicable

4. Major contract of daily operation

☐ Applicable ☒ Not applicable

5. Other important contracts

☐ Applicable ☒ Not applicable

XIII. Description of other important matters

☐ Applicable ☒ Not applicable

XV. Major matters of the company's subsidiaries

☐ Applicable ☒ Not applicable

Section 6 Change in Share Capital and Shareholders' Information

I. Change in share capital

1. Change in share capital

items	Shares (before change)		Changes	Shares (after change)	
	number	proportion		number	proportion
I. Non-circulating share capital with restricted trade conditions	1, 595, 782	0. 19%	0	1, 595, 782	0. 19%
Other domestic shares	1, 595, 782	0. 19%	0	1, 595, 782	0. 19%
II. Circulating share capital	841, 616, 725	99. 81%	0	841, 616, 725	99. 81%
1. Domestically listed ordinary shares	600, 116, 725	71. 17%	0	600, 116, 725	71. 17%
2. Domestically listed foreign shares	241, 500, 000	28. 64%	0	241, 500, 000	28. 64%
III. Total shares	843, 212, 507	100. 00%	0	843, 212, 507	100. 00%

The reason for the Change in share capital

☐ Applicable ☒ Not applicable

Approval of changes in shares

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. The restricted shares changes

☐ Applicable ☒ Not applicable

II. Securities issuance and listing

1. Securities issuance in the report period

☐ Applicable ☒ Not applicable

III. Shareholders and actual controller

1.Number of shareholders and their shareholding

Total number of shareholders in the reporting period	61,890	Total number of shareholders as of the last month before disclosure of the annual report		0	
Shareholding of top ten shareholders					
Name	Nature	Proportion	Total number	Number of shares with sale restriction	Number of pledged shares or shares frozen
Dalian Bingshan Group Co., Ltd.	Domestic non-state-owned legal person	20. 27%	170, 916, 934	0	0
Sanyo Electric Co., Ltd.	Overseas legal person	8. 72%	73, 503, 150	0	0
Lin Zhenming	Foreign natural person	0. 80%	6, 710, 000	0	0
Wu xiaodong	Domestic natural person	0. 53%	4, 445, 400	0	0
Xue Hong	Domestic natural person	0. 43%	3, 660, 000	0	0
Han Wentao	Domestic natural person	0. 38%	3, 181, 300	0	0
Chen Naisheng	Domestic natural person	0. 27%	2, 311, 330	0	0
Gao wenbin	Domestic natural person	0. 25%	2, 071, 600	0	0
Zhao Guoqing	Domestic natural person	0. 24%	2, 050, 600	0	0
Chao huang Investment Co., Ltd.	Overseas legal person	0. 24%	2, 037, 000	0	0
Shareholding of top ten shareholders without sale restriction					

Name	Number of shares without sale restriction	Type of shares
Dalian Bingshan Group Co., Ltd.	170,916,934	RMB denominated ordinary shares
Sanyo Electric Co., Ltd.	73,503,150	Domestically listed foreign shares
Lin Zhenming	6,710,000	Domestically listed foreign shares
Wu xiaodong	4,445,400	Domestically listed foreign shares
Xue Hong	3,660,000	Domestically listed foreign shares
Han Wentao	3,181,300	RMB denominated ordinary shares
Chen Naisheng	2,311,330	RMB denominated ordinary shares
Gao wenbin	2,071,600	RMB denominated ordinary shares
Zhao Guoqing	2,050,600	RMB denominated ordinary shares
Chao huang Investment Co., Ltd.	2,037,000	Domestically listed foreign shares
Notes to the associated relationship and uniform actions of the above shareholders	Dalian Bingshan Group Co., Ltd. had the association relationship with Sanyo Electric Co., Ltd. among the above shareholders. Sanyo Electric Co., Ltd. holds 26.6% of Dalian Bingshan Group Co., Ltd.'s equity.	

At the end of the report period, the total number of shareholders of the Company was 61,890, including 55,153 A-share shareholders and 6,737 B-share shareholders.

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

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

V. Variation in controlling shareholders or actual controllers

Variation in controlling shareholders in the report period

☐ Applicable ☒ Not applicable

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

Variation in actual controllers in the report period

☐ Applicable ☒ Not applicable

VI. Information on Preferred Stock

☐ Applicable ☒ Not applicable

Section 7 Bond Related Information

☐ Applicable ☒ Not applicable

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

Section 8 Financial Report

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

II. Accounting statement

BALANCE SHEET

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. June 30, 2026 Unit: RMB Yuan

Items	30-June-2026		1-Jan-2026	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	621, 705, 465. 37	113, 515, 135. 42	881, 961, 122. 28	168, 256, 281. 11
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	267, 365, 854. 50	47, 305, 528. 08	327, 073, 361. 42	68, 484, 896. 13
Accounts receivable	1, 826, 609, 128. 67	554, 007, 883. 87	1, 635, 556, 614. 58	463, 332, 443. 22
Receivables financing	359, 361, 883. 76	6, 979, 764. 00	335, 509, 461. 15	13, 757, 310. 58
Accounts paid in advance	174, 821, 372. 60	53, 625, 122. 62	155, 949, 650. 91	65, 122, 891. 32
Other receivables	39, 566, 910. 35	41, 659, 004. 14	43, 092, 575. 59	191, 936, 403. 02
Interest receivables				
Dividend receivable	10, 542, 431. 14	3, 767, 645. 29		160, 000, 000. 00
Inventories	1, 401, 211, 017. 51	343, 200, 107. 59	1, 439, 914, 414. 18	332, 344, 633. 33
Contract assets	164, 032, 341. 04	85, 654, 431. 14	161, 816, 928. 39	81, 471, 465. 36
Assets held for sale				
Non-current asset due within one year	388, 297. 01		359, 632. 86	
Other current assets	25, 920, 339. 90	781, 103. 82	34, 899, 376. 92	4, 225, 339. 08
Total current assets	4, 880, 982, 610. 71	1, 246, 728, 080. 68	5, 016, 133, 138. 28	1, 388, 931, 663. 15
Non-current assets:				
Finance asset held available for sales				
Held-to-maturity investment				
Long-term account receivable	1, 215, 310. 60		1, 215, 818. 17	
Long-term equity investment	494, 479, 222. 61	2, 907, 311, 253. 08	483, 028, 918. 31	2, 894, 643, 627. 80
Other Non-current financial assets	1, 683, 852. 59	368, 710. 09	1, 683, 852. 59	368, 710. 09
Investment property	133, 159, 366. 12	131, 432, 747. 11	121, 350, 188. 47	119, 792, 927. 12
Fixed assets	1, 210, 192, 835. 36	547, 827, 097. 74	1, 261, 222, 376. 24	582, 725, 753. 84
Construction in progress	18, 185, 186. 15	902, 769. 43	15, 669, 392. 61	
Right of use assets	15, 911, 036. 97	24, 193, 146. 66	18, 009, 137. 49	25, 719, 058. 05
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	245, 247, 816. 89	60, 308, 441. 86	252, 007, 735. 29	65, 079, 359. 37

Expense on Research and Development				
Goodwill	286,402,171.93		286,402,171.93	
Long-term expenses to be apportioned	5,741,453.87	1,795,432.05	6,036,271.48	2,301,963.63
Deferred income tax asset	126,541,496.49	37,976,519.09	125,344,507.42	38,320,227.77
Other non-current asset	21,958,029.35	3,985,197.86	19,040,425.35	731,843.86
Total non-current asset	2,560,717,778.93	3,716,101,314.97	2,591,010,795.35	3,729,683,471.53
Total assets	7,441,700,389.64	4,962,829,395.65	7,607,143,933.63	5,118,615,134.68
Current liabilities:				
Short-term loans	204,665,086.56	120,000,000.00	201,836,464.89	138,089,585.21
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	638,705,442.61	99,390,540.81	665,364,289.18	113,282,771.39
Accounts payable	1,764,645,833.58	383,636,727.71	1,664,582,164.08	387,588,325.46
Accounts received in advance				
Contract liabilities	477,122,097.44	67,208,810.94	525,086,822.72	63,052,699.58
Wage payable	44,765,823.85	123,043.61	125,177,034.62	8,535,633.24
Taxes payable	21,106,180.53	3,623,326.96	19,752,816.57	3,070,077.04
Other accounts payable	282,454,141.82	201,743,771.31	242,101,014.95	150,943,100.70
Interest payable				
Dividend payable	42,693,781.35	42,693,781.35	533,156.00	533,156.00
Liabilities held for sale				
Non-current liabilities due within one year	197,567,039.79	177,980,481.56	237,446,970.64	215,298,994.11
Other current liabilities	146,876,468.46	44,815,474.29	184,739,239.53	64,935,733.49
Total current liabilities	3,777,908,114.64	1,098,522,177.19	3,866,086,817.18	1,144,796,920.22
Non-current liabilities:				
Long-term loans	304,100,000.00	304,100,000.00	368,328,245.18	368,328,245.18
Bonds payable				
Preferred stock				
Perpetual bond				
Lease liability	12,393,294.67	18,425,192.21	16,563,173.78	19,917,432.95
Long-term account payable	16,350,240.32		18,845,786.63	
Long-term wage payable				
Special Payable				
Anticipation liabilities	3,036,070.48		2,300,208.22	
Deferred income	81,589,929.36	45,469,741.11	92,793,132.73	55,223,748.78
Deferred income tax liabilities	26,903,219.27		28,734,303.46	
Other non-current liabilities				
Total non-current liabilities	444,372,754.10	367,994,933.32	527,564,850.00	443,469,426.91
Total liabilities	4,222,280,868.74	1,466,517,110.51	4,393,651,667.18	1,588,266,347.13
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	695,623,539.31	717,830,641.15	695,623,539.31
Less: Treasury stock				
Other comprehensive income	2,208,669.73	1,246,569.06	2,208,669.73	1,246,569.06
Special preparation	3,046,119.31		1,988,616.80	
Surplus public reserve	947,945,927.76	947,945,927.76	923,202,335.01	923,202,335.01
Generic risk reserve				
Retained profit	645,812,465.61	1,008,283,742.01	666,260,524.87	1,067,063,837.17
Total owner's equity attributable to parent company	3,159,322,787.79		3,154,703,294.56	
Minority interests	60,096,733.11		58,788,971.89	
Total owner's equity	3,219,419,520.90	3,496,312,285.14	3,213,492,266.45	3,530,348,787.55
Total liabilities and shareholder's equity	7,441,700,389.64	4,962,829,395.65	7,607,143,933.63	5,118,615,134.68

Legal Representative: Ji Zhijian

Chief Financial Official: Wang Jinxiu

Person in Charge of Accounting Organization: Wu Bin

INCOME STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. January-June, 2026 Unit: RMB Yuan

Items	January-June, 2026		January-June, 2025	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total sales	2, 179, 670, 345. 56	346, 561, 321. 87	2, 385, 274, 786. 05	443, 470, 670. 15
II. Total operating cost	2, 146, 041, 230. 74	363, 321, 390. 89	2, 314, 570, 743. 85	460, 673, 078. 78
Including: Operating cost	1, 830, 321, 338. 64	292, 026, 055. 49	1, 993, 539, 200. 73	382, 684, 101. 95
Taxes and associate charges	16, 071, 001. 57	5, 814, 451. 28	16, 257, 716. 37	5, 477, 205. 69
Selling and distribution expenses	94, 846, 927. 33	7, 316, 787. 36	106, 758, 706. 39	14, 581, 396. 27
Administrative expenses	122, 206, 345. 73	38, 567, 001. 16	123, 348, 672. 93	39, 402, 674. 11
R&D expenses	67, 347, 702. 62	12, 268, 147. 45	69, 166, 325. 91	9, 834, 164. 03
Financial expense	15, 247, 914. 85	7, 328, 948. 15	5, 500, 121. 52	8, 693, 536. 73
Including: interest expense	9, 944, 756. 95	7, 300, 079. 89	12, 504, 559. 82	8, 398, 665. 12
interest income	2, 255, 910. 41	65, 474. 93	3, 358, 417. 93	292, 579. 75
Add: Other income	12, 714, 406. 39	7, 215, 540. 26	8, 794, 590. 75	2, 425, 847. 98
Gain/(loss) from investment	14, 172, 398. 96	20, 233, 457. 88	23, 176, 138. 30	22, 713, 836. 61
Including: income from investment on affiliated enterprise and jointly enterprise	12, 042, 631. 59	10, 259, 952. 57	24, 534, 336. 83	22, 713, 836. 61
Gain/(loss) from change in fair value (loss as “-“)				
Credit impairment loss (loss as “-“)	-4, 728, 515. 12	-1, 587, 585. 55	-9, 867, 633. 85	-2, 896, 832. 18
Assets impairment loss (loss as “-“)	-1, 195, 665. 68	-382, 692. 15	-3, 673, 034. 11	-4, 487, 134. 99
Gain/(loss) from asset disposal (loss as “-“)	-77, 707. 59	-49, 988. 53	-55, 842. 88	0. 00
III. Operating profit	54, 514, 031. 78	8, 668, 662. 89	89, 078, 260. 41	553, 308. 79
Add: non-business income	2, 680, 136. 04	0. 00	5, 555, 600. 15	308, 508. 80
Less: non-business expense	580, 850. 95	200, 831. 27	1, 650, 514. 85	116, 697. 85
IV. Total profit	56, 613, 316. 87	8, 467, 831. 62	92, 983, 345. 71	745, 119. 74
Less: Income tax	8, 162, 939. 58	343, 708. 68	11, 443, 201. 02	-750, 091. 66
V. Net profit	48, 450, 377. 29	8, 124, 122. 94	81, 540, 144. 69	1, 495, 211. 40
(I) Net profit from continuous operation	48, 450, 377. 29	8, 124, 122. 94	81, 540, 144. 69	1, 495, 211. 40
(II) Net profit from discontinuing operation				
Net profit attributable to parent company	47, 142, 616. 07		78, 543, 776. 29	
Minority shareholders’ gains and losses	1, 307, 761. 22		2, 996, 368. 40	
VI. After-tax net amount of other comprehensive incomes				
After-tax net amount of other comprehensive incomes attributable to owners of the Company				
(I) Other comprehensive incomes that will not be reclassified into gains and losses				
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement				
2. Enjoyable shares in other comprehensive incomes in invests that cannot be reclassified into gains and losses under the equity method				
(II) Other comprehensive incomes that will be reclassified into gains and losses				
1. Enjoyable shares in other comprehensive incomes in invests that will be reclassified into gains and losses under the equity method				

2. Gains and losses on fair value changes of available-for-sale financial assets				
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets				
4. Effective hedging gains and losses on cash flows				
5. Foreign-currency financial statement translation difference				
6. Others				
.....				
After-tax net amount of other comprehensive incomes attributable to minority shareholders				
VII Total comprehensive income	48,450,377.29	8,124,122.94	81,540,144.69	1,495,211.40
Total comprehensive income attributable to parent company	47,142,616.07		78,543,776.29	
Total comprehensive income attributable to minority shareholders	1,307,761.22		2,996,368.40	
VIII. Earnings per share				
(I) basic earnings per share	0.06		0.09	
(II) diluted earnings per share	0.06		0.09	

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

CASH FLOW STATEMENT

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd. January -June, 2026 Unit: RMB Yuan

Items	January -June, 2026		January -June, 2025	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1, 914, 634, 361. 48	303, 341, 666. 00	2, 056, 386, 028. 88	301, 942, 216. 64
Write-back of tax received	22, 385, 580. 77	89, 516. 28	30, 136, 813. 41	7, 773, 364. 19
Other cash received concerning operating activities	41, 678, 584. 27	5, 431, 070. 37	52, 687, 039. 90	15, 930, 701. 50
Subtotal of cash inflow arising from operating activities	1, 978, 698, 526. 52	308, 862, 252. 65	2, 139, 209, 882. 19	325, 646, 282. 33
Cash paid for purchasing commodities and receiving labor service	1, 480, 933, 219. 32	291, 128, 142. 53	1, 495, 668, 849. 55	248, 289, 092. 96
Cash paid to/for staff and workers	420, 007, 507. 12	62, 897, 103. 90	430, 434, 443. 85	58, 113, 306. 87
Taxes paid	60, 869, 392. 00	9, 104, 389. 04	90, 036, 455. 03	23, 062, 915. 04
Other cash paid concerning operating activities	114, 545, 584. 18	26, 820, 392. 49	124, 038, 438. 59	24, 732, 332. 92
Subtotal of cash outflow arising from operating activities	2, 076, 355, 702. 62	389, 950, 027. 96	2, 140, 178, 187. 02	354, 197, 647. 79
Net cash flows arising from operating activities	-97, 657, 176. 10	-81, 087, 775. 31	-968, 304. 83	-28, 551, 365. 46
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income		160, 000, 000. 00	11, 150. 00	100, 000, 000. 00
Net cash received from disposal of fixed, intangible and other long-term assets	791, 693. 53		229, 942. 68	
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities	50, 000, 000. 00		50, 000, 000. 00	
Subtotal of cash inflow from investing activities	50, 791, 693. 53	160, 000, 000. 00	50, 241, 092. 68	100, 000, 000. 00
Cash paid for purchasing fixed, intangible and other long-term assets	30, 623, 238. 59	7, 511, 727. 01	58, 438, 274. 61	9, 354, 241. 46
Cash paid for investment	1, 420, 000. 00	3, 000, 000. 00		3, 000, 000. 00
Net cash paid for achievement of subsidiaries and other business units				
Other cash paid concerning investing activities	60, 222, 000. 00		50, 000, 000. 00	
Subtotal of cash outflow from investing activities	92, 265, 238. 59	10, 511, 727. 01	108, 438, 274. 61	12, 354, 241. 46
Net cash flows arising from investing activities	-41, 473, 545. 06	149, 488, 272. 99	-58, 197, 181. 93	87, 645, 758. 54
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries				
Cash received from loans	151, 681, 236. 67	70, 000, 000. 00	132, 102, 821. 74	90, 000, 000. 00
Cash received from issuing bonds				
Other cash received concerning financing activities	5, 559, 746. 47		5, 943, 611. 11	
Subtotal of cash inflow from financing activities	157, 240, 983. 14	70, 000, 000. 00	138, 046, 432. 85	90, 000, 000. 00
Cash paid for settling debts	243, 876, 930. 69	188, 500, 000. 00	223, 984, 656. 45	204, 729, 166. 67
Cash paid for dividend and profit distributing or interest paying	9, 043, 102. 97	7, 002, 303. 78	9, 837, 390. 66	8, 160, 879. 18
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash paid concerning financing activities	11, 029, 846. 31	3, 037, 500. 00	21, 416, 068. 90	2, 952, 500. 00

Subtotal of cash outflow from financing activities	263,949,879.97	198,539,803.78	255,238,116.01	215,842,545.85
Net cash flows arising from financing activities	-106,708,896.83	-128,539,803.78	-117,191,683.16	-125,842,545.85
IV. Influence on cash due to fluctuation in exchange rate	-3,699,252.97		3,752,639.50	
V. Net increase of cash and cash equivalents	-249,538,870.96	-60,139,306.10	-172,604,530.42	-66,748,152.77
Add: Balance of cash and cash equivalents at the period-begin	722,021,877.01	166,413,226.11	951,579,683.60	253,995,179.54
VI. Balance of cash and cash equivalents at the period-end	472,483,006.05	106,273,920.01	778,975,153.18	187,247,026.77

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd 2026.01-06 Unit: RMB Yuan

Items	2026.01-06								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	share capital	Capital suplus	Lessen: treasury stock	Other comprehens ive 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	1, 988, 616. 80	923, 202, 335. 01	666, 260, 524. 87	58, 788, 971. 89	3, 212, 758, 723. 68
1. Change of accounting policy									
2. Correction of errors in previous period									
2. Others		733, 542. 77							733, 542. 77
II. Balance at the beginning of this year	843, 212, 507. 00	717, 830, 641. 15		2, 208, 669. 73	1, 988, 616. 80	923, 202, 335. 01	666, 260, 524. 87	58, 788, 971. 89	3, 213, 492, 266. 45
III. Increase/ decrease of amount in this year (“-” means decrease)		-733, 542. 77			1, 057, 502. 51	24, 743, 592. 75	-20, 448, 059. 26	1, 307, 761. 22	5, 927, 254. 45
(I) Total comprehensive incomes							47, 142, 616. 07	1, 307, 761. 22	48, 450, 377. 29
(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		-733, 542. 77				24, 743, 592. 75	-67, 590, 675. 33		-43, 580, 625. 35
1. Withdrawing surplus public reserve		-733, 542. 77				24, 743, 592. 75	-24, 743, 592. 75		-43, 580, 625. 35
2. Distribution to all owners (shareholders)							-42, 160, 625. 35		-42, 160, 625. 35
3. Others		-733, 542. 77					-686, 457. 23		-1, 420, 000. 00
(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, 057, 502. 51				1, 057, 502. 51
1. Withdrawn for the period					6, 638, 471. 74				6, 638, 471. 74
2. Used in the period					5, 580, 969. 23				5, 580, 969. 23
(VI) Other									
IV. Balance at the end of this period	843, 212, 507. 00	717, 097, 098. 38		2, 208, 669. 73	3, 046, 119. 31	947, 945, 927. 76	645, 812, 465. 61	60, 096, 733. 11	3, 219, 419, 520. 90

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

Items	2025.01-06								
	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		895,618,513.69	673,966,177.84	57,006,488.80	3,189,109,455.44
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		895,618,513.69	673,966,177.84	57,006,488.80	3,189,109,455.44
III. Increase/ decrease of amount in this year ("-" means decrease)					1,531,905.35	15,212,024.95	21,358,170.60	2,996,368.40	41,098,469.30
(I) Total comprehensive incomes							78,543,776.29	2,996,368.40	81,540,144.69
(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						15,212,024.95	-57,185,605.69		-41,973,580.74
1. Withdrawing surplus public reserve						15,212,024.95	-15,212,024.95		
2. Distribution to all owners (shareholders)							-42,160,625.35		-42,160,625.35
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve					1,531,905.35				1,531,905.35
1. Withdrawn for the period					6,326,404.28				6,326,404.28
2. Used in the period					4,794,498.93				4,794,498.93
(VI) Other									
IV. Balance at the end of this period	843,212,507.00	717,097,098.38		2,208,669.73	1,531,905.35	910,830,538.64	695,324,348.44	60,002,857.20	3,230,207,924.74

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd 2026.01-06 Unit: RMB Yuan

Items	2026.01-06								
	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		695,623,539.31		1,246,569.06		923,202,335.01	1,067,063,837.17	3,530,348,787.55
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00		695,623,539.31		1,246,569.06		923,202,335.01	1,067,063,837.17	3,530,348,787.55
III. Increase/ decrease of amount in this year ("-" means decrease)							24,743,592.75	-58,780,095.16	-34,036,502.41
(I) Total comprehensive incomes								8,124,122.94	8,124,122.94
(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							24,743,592.75	-66,904,218.10	-42,160,625.35
1. Withdrawing surplus public reserve							24,743,592.75	-24,743,592.75	
2. Distribution to all owners (shareholders)								-42,160,625.35	-42,160,625.35
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,615,616.06			2,615,616.06
2. Used in the period						2,615,616.06			2,615,616.06
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		695,623,539.31		1,246,569.06		947,945,927.76	1,008,283,742.01	3,496,312,285.14

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

Items	2025.01-06								
	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		895,618,513.69	1,013,090,320.10	3,508,314,502.39
1. Change of accounting policy									
2. Correction of errors in previous period									
II. Balance at the beginning of this year	843,212,507.00		755,146,592.54		1,246,569.06		895,618,513.69	1,013,090,320.10	3,508,314,502.39
III. Increase/ decrease of amount in this year ("-" means decrease)							15,212,024.95	-55,877,438.90	-40,665,413.95
(I) Total comprehensive incomes								1,495,211.40	1,495,211.40
(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							15,212,024.95	-57,372,650.30	-42,160,625.35
1. Withdrawing surplus public reserve							15,212,024.95	-15,212,024.95	
2. Distribution to all owners (shareholders)								-42,160,625.35	-42,160,625.35
3. Others									
(IV) Internal carrying forward of owners' equity									
1. New increase of share capital from capital reserves									
2. Convert surplus reserves to share capital									
3. Surplus reserves make up losses									
4. Others									
(V) Specific reserve									
1. Withdrawn for the period						2,345,553.55			2,345,553.55
2. Used in the period						2,345,553.55			2,345,553.55
(VI) Other									
IV. Balance at the end of this period	843,212,507.00		755,146,592.54		1,246,569.06		910,830,538.64	957,212,881.20	3,467,649,088.44

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

III. General Information

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

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

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

The 17th meeting of the 6th generation of board was held on 4th June 2015 and the 2nd interim shareholders' meeting was held on 24th June 2015, meeting deliberated and passed the proposal of non-public offering of ‘A shares’. China’s Securities Regulatory Commission issued SFC license [2015]3137 on 30th December, 2015, approving that new non-public offering cannot 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 3rd provisional general meeting held on 13th September 2016, the 9th meeting of the 7th generation of board deliberated and passed the 'Proposal about granting the restricted shares to incentive targets' on September 20th, 2016 and set 20th September 2016 as share granted date, and granted 12,884,000 number of restricted shares to 188 incentive targets at granted price of 5.62Yuan per share. By 22nd November, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000Yuan subscribed by incentive targets. The share capital stated above has been verified by DaHua Certified Public Accountants, and has been issued the capital verification report Dahuayanzi [2016]001138 on 23rd November, 2016.

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

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

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

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

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

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

This financial report was approved and issued by the Board of Directors of the Company on August 12, 2026.

IV. Financial Statements Preparation Basis

(1) Preparing basis

The group's financial statements are prepared according to the actual occurred transactions and events, and in accordance with 'Accounting Standards for Business Enterprises', its application guidelines, interpretations and other relevant provisions promulgated by the Ministry of Finance (collectively referred to as "Accounting Standards for Business Enterprises") and "No. 15 of Information Disclosure and Reporting Rules for Publicly Listed Companies - General Provisions for Financial Reports" (revised in 2023) promulgated by the China Securities Regulatory Commission (hereinafter referred to as the "CSRC").

(2) Going concern

The group has assessed the capacity to continually operate within 12 months since June 30, 2025, and hasn't found the major issues impacting on the sustainable operation ability. The Company's financial statements are prepared on the basis of going concern assumption.

V. Significant Accounting Policies and Accounting Estimates

1. Declaration for compliance with accounting standards for business enterprises

The financial statements are prepared in line with the requirements of Accounting Standard for Business Enterprise, and reflect the relative information of the financial position for the reporting period ended as of June 30, 2026, operating performance, cash flow of the Company and the group for the reporting period then ended 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

The group sets twelve months for one operating cycle.

4. Functional currency

The group adopts RMB as functional currency.

5. Materiality criteria set up method and basis

The financial statements preparation and disclosure are in line with materiality. For those matters to be disclosed and need judgement for materiality, materiality criteria set up method and basis are as follows:

Disclosures involved by materiality judgement	In the notes to the financial statements	Materiality criteria set up method and basis
Significant receivables with individual provision for bad debts	Note VI.3	Single provision is over 10 million Yuan and represents more than 10% of the total provision
Collection or reverse of significant receivables	Note VI.3	Single provision is over 10 million Yuan and represents more than 10% of the total provision
Significant receivables written off	Note VI.3	Single provision is over 10 million Yuan and represents more than 10% of the total provision
Significant construction in progress	Note XVI.16	Single project budget over 30 million Yuan
Significant JV or associates	Note VIII.3	The book value of long-term equity investment in a single investee accounts for more than 10% of the group's net assets and the amount is greater than 100 million Yuan, or the gain or loss on investment under the long-term equity investment equity method accounts for more than 10% of the group's consolidated net profit
Significant subsidiary		Subsidiary's net assets are more than 10% of the group assets and its net profit is more than 10% of consolidated profit

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

(1) Business combination under the same control

Business combination under the same control is the situation where entities participating the merger are controlled by the same party or controlled by parties under same ultimate control before and after merger and the control is not temporary.

The group, 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 of the acquiree in the ultimate control party's 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.

(2) Business combination not under same control

Business combination not under the same control is the situation where entities participating the merger are not controlled by the same party or not controlled by parties under same ultimate control before and after merger.

When the group is an acquirer, for a business combination not under same control, the asset, liability and contingent liability obtained, shall be measured at the fair value on the acquisition date. 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.

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 fair value on acquisition date and recognize the 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.

7. Criteria of control judgment and method of preparation of consolidated financial statements

Consolidation scope is determined on the control basis including the Company and all subsidiaries controlled by the Company. Control criteria is that the group has the power over the investees, enjoy the variable return by involving the relative activities of the investees and also has the impact on the return amount through the power over the investees.

If subsidiaries adopt different accounting policy or have different accounting period from the parent company, appropriated adjustments shall be made in accordance with the Company 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 existing since the point when the ultimate controlling party starts to have the control.

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.

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. If the equity investment in the subsidiary is disposed of by stages through multiple transactions until the control is lost, and it is not a bundled transaction, each transaction shall be accounted for separately according to whether the control is lost.

8. Cash and cash equivalent

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

9. Translation of foreign currency

(1) Foreign currency transaction

Foreign currency transactions are translated at the spot exchange rate issued by People’s Bank of China (“PBOC”) on the 1st day of the month when the transactions are accounted initially.

At the balance sheet date, foreign currency monetary items should be converted into reporting currency at the balance sheet date’s spot exchange rate. Exchange differences should be taken into the current profits and losses except special foreign currency borrowings for construction and producing assets which are qualifying for assets capitalization, should be capitalized. Foreign currency non-monetary items, which are recorded in historical cost, should be still recorded at the spot exchange rate when the transaction occurred and no change on reporting currency amount. Foreign currency non-monetary items, which are measured at fair value, should be recorded in the spot exchange rate at the date measuring the fair value and the differences should be recognized as profit and loss from fair value changes and included in

the current profits and losses. Invested capital in foreign currency shall be converted into reporting currency at FX rate at when the investment is received, and no foreign exchange difference arises between capital received and monetary items.

10. Financial instruments

(1) Recognition and derecognition of financial instruments

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

An entity shall derecognize a financial asset (or a part of it or a group of similar financial asset) when, and only when: 1) the contractual rights to the cash flows from the financial asset expire, or 2) the entity transfers contractual rights to receive the cash flows of a financial asset, or assumes a contractual obligation to pay those cash flows received to the 3rd party in full amount in time according to the ‘passing-through’ agreement and the entity substantially transfers all the risks and rewards of ownership of the financial asset in nature, or the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the entity has not retained control.

Financial liabilities shall be derecognized if the obligation of the liability is fulfilled, cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting.

(2) Classification and measurement of financial assets

At initial recognition, the group 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 group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only when the business model for managing the financial assets is changed, the affected financial assets shall be reclassified.

In determining the business model, the group considers, among others, the way in which the company evaluates and reports the performance of financial assets to key management

personnel, the risks affecting the performance of financial assets and the way in which they are managed, and the way in which the relevant business managers are remunerated. In assessing whether the objective is to collect contract cash flows, the group needs to make an analytical judgment on the reasons, timing, frequency and value of the sale of the financial assets before the maturity date.

In determining the contract cash flow characteristics, the group is required to determine whether the contract cash flow is only the payment of principal and interest based on the outstanding principal, (including the assessment of the time value of money correction, judging any significant difference between it and the baseline cash flow/ for financial assets containing early repayment characteristics, is required to determine whether the fair value of early repayment features is very small).

Financial assets are measured at fair value at the initial recognition, but accounts receivable or notes receivable arising from the sale of goods or provision of services, etc., do not contain a significant financing component or do not consider the financing component of less than one year, the initial measurement is based on the transaction price.

For financial assets that are measured at fair value, the related transaction costs are directly included in current profit or loss, and those costs of other categories of financial assets are included in their initial recognized amounts.

Financial assets subsequent measurement based on the classification

1) A financial asset measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met: ①the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets of this category include: monetary fund, receivable, notes receivable and other receivables.

2) Debt instruments measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: ①the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The effective interest rate is applied to interest income. A gain or loss arising from a financial asset measured at fair value through other comprehensive income, which is not part of hedging relationship shall be recognized in other comprehensive income apart from interest

income, impairment loss and foreign exchange difference. When this type of financial assets is derecognized, accumulated gain or loss previously in the other comprehensive income shall be out of it and accounted into retained earnings when the financial asset is derecognized. The financial assets of this category include: receivable financing.

3) Equity instruments measured at fair value through other comprehensive income

The group may make an irrevocable election for particular investments in equity instruments that it would be measured at fair value through other comprehensive income, but once the election is made, it is irrevocable. The group only recognizes the dividend (apart from the dividend as investment cost pay back) into profit and loss and fair value movement subsequently will be recognized into comprehensive income and no need for impairment provision. When this type of financial assets is derecognized, accumulated gain or loss previously in the other comprehensive income shall be out of it and accounted into retained earnings when the financial asset is derecognized. The financial asset of this category is equity instruments.

4) A financial asset measured as fair value through profit or loss

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. The group shall subsequently measure this financial asset at its fair value, except for hedging accounting, any gain or loss on FVTPL shall be accounted into profit and loss. The financial assets of this category include: tradable financial asset other non-current financial asset.

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.

(3) Classification, basis for recognition and measurement of financial liability

Except for the financial guarantee contract, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, the group shall initially classify all financial liabilities as it measured at amortized cost or financial liabilities at fair value through profit or loss. For financial liabilities that are measured at fair value, the related transaction costs are directly included in current profit or loss, and those costs of other categories of financial assets are included in their initial recognized amounts.

Financial liabilities subsequent measurement based on the classification

1) Financial liabilities as it subsequently measured at amortized cost

Effective interest method is applied to financial liabilities as subsequently measured at amortized cost

2) Financial liability as it measured at fair value through profit or loss

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. Tradeable financial liability (including derivate instrument of financial liability) are subsequently measured at fair value. The net gain or loss arising from changes in fair value are recorded in profit or loss for the period in which they are incurred. Financial liability designated as it measured at fair value through profit or loss shall be subsequently measured at fair value, except for changes in fair value caused by changes in the group's own credit risk, which are recognized in other comprehensive income, other changes in fair value are recognized in profit or loss for the current period; The group recognizes all fair value changes (including the amount affected by changes in its own credit risk) in profit or loss if the inclusion of changes in fair value caused by changes in its own credit risk in other comprehensive income would cause or widen the accounting mismatch in profit or loss for the current period.

(4) Financial instrument impairment

Based on expected credit loss, the group shall apply the impairment requirements for the followings: ① a financial asset measured at amortized cost; ② debt investment measured at fair value and changes in fair value is through other comprehensive income; ③ lease receivable; ④ a contractual asset and financial guarantee contract.

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 group under the contract; and the cash flows that the Company expects to receive, that's the present value of the total cash shortage. The group shall measure expected credit losses of a financial instrument in a way that reflects: ①an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; ② the time value of money; and ③reasonable 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.

Expected credit loss of financial instrument is assessed individually and portfolio. The group assesses the expected credit loss based on the portfolio in accordance with the common characteristics of credit risk which involves type of financial instrument, credit risk grade, and age of trade receivables.

When assessing expected credit losses, the group considers all reasonable and supportable information, including that which is forward-looking. In making these judgments and estimates, the group extrapolates the expected changes in the debtor's credit risk based on historical repayment data combined with factors such as economic policies, macroeconomic indicators and industry risks. Different estimates may affect the provision for impairment, and the provision already made may not equal the actual amount of impairment losses in the future.

1) Impairment testing method of receivable and contract asset

For receivable, notes receivable and contract asset etc., which don't contain significant financing component and arise from sales of products and service provision, the group adopts simplified method to account expected credit loss provision at an amount equal to the whole lifetime expected credit losses.

For lease premium receivable, trade receivable containing significant financing component, and contract asset, the group adopts simplified method to account expected credit loss provision at an amount equal to the whole lifetime expected credit losses.

The group determines the expected credit loss of trade receivable on the basis of portfolios with common characteristics of credit risk, which are considered by expected credit loss measurement reflection, by reference to historical experience of credit loss and by comparison of receivable past due days/ receivable age with default risk rate, unless the single credit loss is separately recognized for contractual payments that is significant in amount and credit impaired. If certain client is significant different from others in terms of credit risk characteristics, or the client's credit risk has significantly increased, such as experiencing severe finance difficulty, its expected credit loss is obviously higher than it to be at accounting age, the group will make separate credit loss provision for this client's receivable.

① Portfolio category and recognition basis of receivable (contract asset)

The group classifies accounts receivable (and contract assets) according to the similarity and relevance of credit risk characteristics based on information such as age, nature of payments, credit risk exposure, historical debt collection, etc. For accounts receivable (and contract assets), the group determines that aging is the primary factor affecting its credit risk and therefore, the group assesses its expected credit losses on the basis of aging portfolios. The group calculates the overdue age based on the payment date agreed in the contract.

No expected credit loss is recognized for receivables from related party within consolidated scope as the group assesses its credit risk is relatively low.

② Portfolio category and recognition basis of notes receivable

Portfolio category	Expected credit loss accounting estimate policy
Bank acceptance note portfolio	Lower credit risk assessed by the management, no expected credit loss recognition
Commercial acceptance note portfolio	Same as receivables portfolio and provided for excepted credit loss allowance based on expected credit loss rate

2) Impairment testing method of debt investment, other debt investment, loan commitments and financial guarantee contracts

With the exception of financial assets (such as debt investments, other debt investments), loan commitments and financial guarantee contracts for which the simplified measurement method is adopted above, the group adopts the general method (three-stage method) for the provision of expected credit losses. At each balance sheet date, the group assesses whether its credit risk has increased significantly since the initial recognition, and if the credit risk has not increased significantly since the initial recognition, in the first stage, the group measures the loss provision at an amount equivalent to the expected credit loss over the next 12 months and calculates interest income based on the carrying balance and effective interest rate; If the credit risk has increased significantly since the initial recognition but no credit impairment has occurred, in the second stage, the group measures the loss provision at an amount equivalent to the expected credit loss over the entire duration and calculates interest income based on the carrying balance and effective interest rate; If credit impairment occurs after initial recognition, in the third stage, the group measures the loss provision at an amount equivalent to the expected credit loss over the entire duration and calculates interest income at amortized costs and effective interest rates. For financial instruments with only low credit risk at the balance sheet date, the group assumes that their credit risk has not increased significantly since initial recognition

The whole life expected credit loss refers to the expected credit loss caused by all possible default events during the whole expected life of the financial instrument. Expected credit losses over the next 12 months are expected credit losses resulting from defaults on financial instruments that may occur within 12 months after the balance sheet date (or if the expected duration of the financial instrument is less than 12 months) and are part of the overall expected credit losses over the life of the financial instrument.

Criteria of significant increase in credit risk and definition of credit impaired assets are disclosed on Note X.1

(5) Recognition and measurement of transfer of financial assets

A financial asset is derecognized when the financial asset has been transferred together with substantial all risks and rewards to the transferee. A financial asset can not be derecognized

when the substantial all risks and rewards to the financial asset has been retained. When the all risks and rewards of the financial asset are neither transferred nor retained, but the group has given up its control of the financial asset, the financial asset shall be derecognized and recognize the asset and liability originated. Where control of the financial asset is not relinquished, the relevant financial asset shall be recognized according to the extent to which it continues to be involved in the transferred financial asset, and the relevant liability shall be recognized accordingly.

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 at the derecognition date 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 (financial assets involved in transfer must qualify the following conditions: ① the financial asset is held within a business model whose objective is not only for collecting contractual cash flows but also for sale; ②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest based 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 derecognized and the portion that continued to be recognized 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 (financial assets involved in transfer must qualify the following conditions: ① the financial asset is held within a business model whose objective is not only for collecting contractual cash flows but also for sale; ; ②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest based on the principal amount outstanding) and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

Where the assets continue to be involved by providing financial guarantees for the transferred financial assets, the assets that continue to be involved in the same form are recognized at the lower of the carrying value of the financial assets and the amount of the financial guarantees. Financial guarantee amount means the maximum amount of consideration received that will be required to be repaid.

(6) Distinguish 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 group 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 group'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 group takes all terms and conditions agreed by the its member and instrument holder into consideration. If the group because of 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.

(7) Derivative financial instrument

The group uses derivative financial instruments such as foreign exchange forward contracts, commodity forward contracts and interest rate swaps to hedge exchange rate risk, commodity price risk and interest rate risk respectively. Derivative financial instruments are initially measured at their fair value on the date the derivative transaction contract is signed, and are subsequently measured at their fair value. A derivative instrument with a positive fair value is recognized as an asset and a negative fair value is recognized as a liability.

Except hedging accounting, all gain or loss from the FV movement of derivative instrument shall be recognized in the income statement.

(8) Financial asset and financial liability offset

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

11. Inventories

Inventories are raw material, low-valuable consumable, goods on transit, working-in-progress, finished goods, and cost to fulfil the contract etc.

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

At the balance sheet date, inventory is measured at the lower of cost and net realizable value. If the cost of the inventory is higher than its net realizable value, a provision is made for the decline in the price of the inventory and it is accounted in the current profit or loss. Net realizable value is the amount of the estimated selling price of inventory in daily activities less the estimated costs to be incurred at completion, estimated selling expenses and related taxes.

Impairment provision for the group's raw materials/goods in stock/WIP/ cost to fulfil the contract is made on an individual inventory item, and when determining its net realizable value, the inventory of goods in stock and materials used for sale are determined at the estimated selling price of the inventory less estimated selling expenses and related taxes; Inventory of materials held for use in production is determined at the estimated selling price of the finished goods produced less the estimated costs to be incurred up to completion, estimated selling expenses.

12. Contract asset and contract liability

(1) Contract asset

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

Expected credit loss recognition of contract asset is referred to the Note III、10 Provision for impairment of financial assets.

(2) Contract liability

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

contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

13. Assets relevant to contract cost

(1) Assets recognition methods in relation to contract cost

Assets relevant to contract cost in the group include cost to fulfill the contract and cost to obtain a contract. Cost to fulfill the contract is presented under inventory and other non-current assets. Cost to obtain a contract is presented under other current assets and other non-current assets.

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

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

(2) Amortization of asset relevant to contract cost

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

(3) Impairment of asset relevant to contract cost

If the carrying value of the group's assets related to the contract cost is higher than the following two differences, the group will make the impairment provision for the excessive part and recognize the asset impairment loss: ① The remaining consideration that the group

is expected to obtain due to the transfer of the commodities related to the asset; ② Estimate the costs to be incurred for the transfer of the relevant goods

14. Long-term equity investment

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

(1) Judgement on control, joint control and significant influence

Equity investments in which the group has a significant impact on the investee are investments in associates.

Significant influence refers to having the power to participate in the decision-making of the financial and operational policies of the investee, but not being able to control or jointly control the formulation of these policies with other parties. Significant influence exists when the entity directly or indirectly owned 20% or more but less than 50% voting shares in the investee, unless there is explicit evidence that the company cannot participate in the production and operation decisions of the investee or have control over the investee.

When having less than 20% voting shares, the group's significant influence still exists if the followings are taken into accounts: 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 etc.

The group's joint venture investment is an equity investment whereby the parties have jointly control over it and have rights to the net assets of the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The group's judgement on joint control is based on the joint arrangement that all participants or combinations of participants collectively control the arrangement and that decisions relating to the activities of the arrangement must be made with the unanimous consent of those participants who collectively control the arrangement.

(2) Accounting

The group initially measures the long-term investment in line with the initial cost for acquiring the investment.

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

Apart from the long-term equity investments acquired through business combination, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid, relevant direct expense, tax and other necessary expenses for the investment. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued.

The Company adopts cost model for investment in subsidiary on separate financial statement. Under cost model, the long-term equity investment is measured at initial investment cost. When more investment is added, it 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.

The Company adopts equity method for investment in joint venture and affiliate. Under equity method, if the initial investment cost is greater than the share of fair value of the identifiable net assets in the investee, the initial investment cost of long-term equity investment is no need to be adjusted; If the initial investment cost is less than the share of fair value of the identifiable net assets in the investee, the difference shall be recorded into the current profit and loss, and the cost of long-term equity investment shall be adjusted at the same time.

Long-term equity investment subsequently, under equity method, shall be adjusted for its carrying amount according to the share of equity increase or decrease in the investee. The Company shall recognize its share of the investee's net gain or losses after the investee's net profit adjustment, 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 the inter-group transactions, not constituting the business, between the entity and its associates and joint ventures according to the shareholding attributable to the group (full amount of loss shall be recognized if the inter-group transaction is impairment loss). The group recognizes net losses incurred by investee to the extent that the carrying value of long-term equity investments and other long-term interests substantially constituting net

investments in investee are written down to zero, except where the group is obliged to bear additional losses.

The difference between the book value of long-term equity investment and actual acquisition cost shall be recognized in the gain or loss of investment when the long-term equity investment is disposed of.

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

If the remaining equity after the partially disposal is still accounted for under the equity method, the relevant other comprehensive income previously recognized under the equity method, is treated on the same basis as the direct disposal of the relevant assets or liabilities by the investee and is carried forward on a proportional basis, and the owner's equity, which is apart from net profit and loss, other comprehensive income and profit distribution of the investee, shall be recognized and proportionally transfers to current investment income.

Where the entity has no longer joint control or significant influence in the investee company as a result of partially disposal of the investment, the remaining investment will be accounted for in line with the Recognition and Measurement of Financial Instruments Standard -No 22 of Accounting Standards for Business Enterprises(No7 Caikuai [2017]), 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.

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 as investment gain or loss for the period, 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 accounted for in accordance with the Recognition and Measurement of Financial Instruments Standard -No 22 of Accounting Standards for Business Enterprises(No7 Caikuai [2017]), and difference between the carrying amount and disposal consideration shall be recognized as investment gain or 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.

15. Investment property

Investment property is held to earn rentals or for capital appreciation or both and includes property, building and use right of land. They are measured at cost model.

Investment property is depreciated or amortized on straight line basis and its expected useful life, net residual value rate and annual depreciation rate is as follows:

Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Use right of land	50	0	2
Property and Buildings	40	3/10	2.25-2.43

16. 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	Property and Buildings	20-40	3、5、10	2.25-4.85
2	Machinery equipment	5-22	0.5-1、3、5、10	4.09-19.90
3	Transportation equipment	5-12	1、3、5、10	7-33.33
4	Electronic equipment & others	3-15	0-1、3、5、10	6-33.33

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.

17. Construction in progress

The cost of construction in progress is determined according to the actual construction expenditure, including the necessary construction expenditure incurred during the

construction period, the capitalized borrowing cost and other related expenses before the construction reaches the condition expected for use.

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

The construction in progress shall be transferred to fixed assets when it reaches the expected usable state, and the criteria are as follows:

Items	Criteria of transferring to FA
Property and Buildings	Earlier of actual starting of use and completion of inspection
Machinery equipment	Earlier of actual starting of use and completion of installation / inspection

18. Intangible asset

The group's intangible assets include use right of land, patents, non-patented technologies and others. They are measured at actual cost at acquisition day. For acquired assets, the actual cost is measured at actual price paid and relevant other expenses. Invested intangible asset shall be measured at actual cost as contracted or agreed value, however fair value will be taken if the contracted or agreed value is not fair.

(1) Useful life and the basis for recognition, estimation, amortization method or review procedure

Use right of land shall be amortized evenly within the amortization period since the remised date. Patents, technologies 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.

(2) The scope and accounting of research and development

The group separates the expenditure on internal research and development projects into research phase expenditure and development phase expenditure. At research phase, expenditure are expenses directly relevant to research activity, including R&D employee's salary, materials, depreciation, technology cooperation cost and assessment testing fees. At development phase, expenses can be capitalized only when meeting the following conditions: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b)its intention to complete the intangible asset and use or sell it.

(c)how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

(d)the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(e)its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Any expenditure not qualifying for the above conditions shall be accounted into profit and loss account.

The projects expenditure will go to the development stage and start to be capitalized after meeting the above conditions, and passing the technical feasibility and economic feasibility studies, and being approved after evaluation.

19. Impairment of long-term assets

The group assesses whether there is any indication that long-term equity investment, investment property under cost model, fixed assets, construction in progress, right-of-use asset and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. Goodwill and intangible asset with infinite useful life and development cost not reaching available for use status, are tested for impairment annually no matter there is any indication of impairment or not.

(1) Non-current asset impairment excluding financial asset (except goodwill)

When testing the impairment, the group recognized the recoverable amount of an asset, which 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. After impairment test, any difference of carrying amount over its recoverable amount shall be recognized as impairment loss.

The group estimates recoverable amount based on an individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined on the basis of the asset groups or asset portfolio to which the asset belongs. Asset portfolio is determined based on whether the major cash inflow generated by the asset group is independent from the cash inflow of other assets or the asset portfolio.

Net amount which FV less disposal cost is reference to the agreed sale price or observable market price for similar asset within the arm length transaction. When estimating the present

value of future cash flows, management must estimate the expected future cash flows of the asset or group of assets and select an appropriate discount rate to determine the present value of future cash flows.

(2) Goodwill impairment

The group allocates the carrying value of the goodwill generated from the business combination to the relevant asset group or to the relevant asset group combination which is difficult to allocate to the relevant asset group, in a reasonable way from the date of purchase. When conducting impairment tests on goodwill contained within the related asset group or asset group combination, if there are signs of impairment in the asset group or asset group combination related to goodwill, the impairment test shall firstly be conducted on the asset group or asset group combination excluding goodwill, and the recoverable amount shall be calculated and compared with the relevant carrying value so to recognize the corresponding impairment loss; Then, an impairment test is conducted on the asset group or asset group combination containing goodwill to compare the carrying value with the recoverable amount. If the recoverable amount is lower than the carrying value, the impairment loss amount is first offset against the carrying value of goodwill allocated to the asset group or asset group combination, and then offset the carrying value of the asset group and asset group combination based on the proportion of the carrying value of other assets in the asset group or asset group combination without goodwill.

The methodology, parameters and assumptions of the goodwill impairment test are referred in Notes VI.19.

Once the impairment loss on the assets is recognized, it can not be reversed in a subsequent period.

20. Long-term prepaid expense

The group's long-term prepaid expense refers to landscape fees, renovation & decoration expenses and other expenses paid and should be allocated over 1 year. It will be amortized evenly within its beneficial period. The remaining unamortized expense should be charged into income statement if long-term prepaid expense can not bring the beneficial inflows. Landscape fees will be amortized for 10 years and renovation & decoration fees will be amortized for 5-10 years.

21. Employee benefits

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

Short-term benefit includes salary, bonus, allowance, welfare, social insurance, housing funds,

labor union expense, staff training expense, during the period in which the service rendered by the employees, the actually incurred short term employee benefits shall be recognized as liability and shall be recognized in P&L or related cost of assets based on benefit objective allocated from the service rendered by employees.

Post-employment benefits include the basic pension scheme and unemployment insurance etc. Based on the risk and obligation borne by the Company, 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 Company 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.

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

22. Provision

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

Provision is originally measured on the best estimate of outflow for paying off the present obligations. When determining the best estimate, need to consider the risk, uncertainty, time value of monetary relevant to contingent items. The group needs to review the present best estimate and accordingly adjust the carrying value of the provision account.

23. Revenue recognition and measurement

The group recognizes revenue when it has fulfilled its contractual performance obligations, i.e. when the customer has obtained control of the relevant goods or services. Control right of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

If the contract between the group and the customer meets the following five conditions at the same time, the group has fulfilled the performance obligation when the customer obtains the control of the relevant goods or services, and the revenue is recognized:

- 1) the parties to the contract have approved the contract and promised to fulfill their own obligations;
- 2) the contract specifies the rights and obligations of parties related to the transferred

commodities;

- 3) the contract has explicit payment terms related to the transferred goods;
- 4) the contract has commercial substance, where the performance of the contract will change the company's future cash flow risk, time distribution or amount;
- 5) the consideration to which the company is entitled as a result of the transfer of goods to the customer is likely to be recovered.

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

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

(1) Revenue policy from sales

The group's revenue mainly includes income from sale of goods and installation of the whole set of refrigeration engineering project.

Based on the actual situation, the group recognizes the revenue as the followings;

- 1) Domestic sales: the sales contract with customers generally includes the performance of obligation of transferring goods. The group recognizes the revenue at the time when the arrival acceptance is completed by customers, having taken all followings into consideration: present debt collection right entitled to the sales of goods, the transfer of the main risks and rewards in the ownership of the goods, the transfer of the legal ownership entitled to the goods, the transfer of physical assets, the acceptance of goods by customers.
- 2) Export sales: the group will recognize the sales revenue after completing the customs declaration and export procedures.

Revenue from installation of the whole set of refrigeration engineering project. In the refrigeration installation contract between the group and the customer, since the equipment sales and installation services cannot be distinguished separately, the entire project contract is regarded as a single performance obligation, and the revenue of the single performance obligation is recognized at the completion of the customer acceptance. when a performance obligation over time is satisfied, revenue shall be recognized within the contract term

according to the performance progress, which is determined by the percentage of the cumulative actual cost to expected total contract cost. When the performance progress can not be estimated reasonably, the group recognizes the revenue to the extent where the already incurred cost can be compensated until the performance progress can be decided.

(2) Determining and allocating the transaction price

If the contract includes two or more performance obligations, at the inception date of contract, the group shall allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price ratio basis and measure the revenue at the allocated transaction price to each performance. If any solid evidence indicates that contract discount is only relevant to one or some (not all) performance obligations, the discount shall be allocated into the one or these performance obligations.

An amount of consideration can vary because of cash discounts, price guarantee. The group determines the best estimate of the variable consideration in line with the expectation or the amount that most probably incurred, but includes, in the transaction price, the variable consideration not exceeding the amount that is highly unlikely to result in a material reversal of cumulative revenue recognized when the relevant uncertainty is eliminated.

The group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. Accordingly, the revenue shall be recognized at the later of the revenue recognition and the consideration paid to a customer.

For sales with a right of return, the group recognizes the revenue for the consideration expected to have the right to receive arising from transferring the goods to customers when the customer receives the control right over the relevant goods, and recognizes the expected refund amount as provision. At the same time, receivable of return cost, as an asset, shall be recognized for the carrying value of the returned goods when it is expected to be transferred less expected cost for getting it back (including decline in value) and net amount of the above asset cost shall be carried over to the cost. At every balance sheet date, the group will reassess the future sales returns and remeasure the above assets and liabilities.

Where a significant financing component exists in the contract, the transaction price shall be measured at the assumed price that the payment is made by cash when the client receives the control right of goods or services. The difference between the promised consideration and the determined transaction price shall be amortized within the contract period using effective interest rate, and it is the discounting rate at which the dominated price of the contract consideration is discounted to the cash price.

According to the agreement or the regulation etc., the group provide warranty for the goods

sold and it is the quality assurance for promising the goods are in commodity with the agreed standards and shall be accounted for as Note III、22 provision.

24. Government grants

Government grant shall be recognized only when all attached conditions are met and the grant is possibly received. 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 grant is the government fund obtained by the group 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 group shall judge it according to the principle mentioned above. If the grant is difficult to be separated, it shall be considered as income-related grant as a whole.

Assets-related government grants are recognized as deferred income, which shall be evenly amortized to profit or loss over the useful life of the related asset. Any assets are sold, transferred, disposed of 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 of.

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

25. 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 and the difference between the carrying amount of tax base item and its tax base.

Deferred tax liability shall be recognized for all taxable temporary difference apart from the

followings : (1) temporary differences arise from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from non-business combinations that do not affect accounting profits or taxable income (or deductible losses); (2) The group is able to control the timing of the reversal of taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, and such temporary differences are likely not to be reversed in the foreseeable future.

The group recognizes deferred income tax assets for deductible temporary differences, deductible losses, and tax deductions that are likely to be obtained to offset future taxable income, except for the following situations: (1) the initial recognition of assets or liabilities arising from non-business combination transactions where temporary differences do not affect accounting profits or taxable income (or deductible losses); (2) Deductible temporary differences related to investments in subsidiaries, associates, and joint ventures that cannot simultaneously meet the following conditions: temporary differences are likely to be reversed in the foreseeable future, and taxable income is likely to be obtained in the future to offset deductible temporary differences.

The group recognizes deferred income tax assets for all unused deductible losses to the extent that there is likely to be sufficient taxable income to offset the deductible losses. The management uses plenty of judgment to estimate the timing and amount of future taxable income, combined with tax planning strategies, to determine the amount of deferred income tax assets, which results in uncertainty.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement.

When the following conditions are met simultaneously, the group shall present the deferred income tax assets and deferred income tax liabilities at the net amount after offsetting: The group has the legal right to settle the current income tax assets and deferred income tax liabilities at the net amount; Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management authority on the same taxpayer or on different taxpayers. However, in the future, within the term when each significant deferred income tax asset and deferred income tax liability to be reversed, the involved taxpayers intend to settle the current income tax assets and liabilities on a net basis or acquire assets and settle debts simultaneously.

26. Lease

(1) Lease identification

Lease: A contract, or part of a contract, that conveys the right to use an asset (the underlying

asset) for a period of time in exchange for consideration.

At inception of a contract, the group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an or many identified assets for a period of time in exchange for consideration.

For a contract that is, or contains several leases, the group shall separate the contract and account each lease separately. The group shall account for each lease component separately from non-lease components of the contract if the contract contains lease and non-lease components. Each leasing part is accounted for according to the leasing standards, while the non-leasing part is accounted for according to other applicable accounting standards. If the contract includes both leasing and non-leasing parts, the group, as the lessor, will split the leasing and non-leasing parts and conduct accounting treatment separately. Each leasing part will be accounted for according to the leasing standards, while the non-leasing part will be accounted for according to other applicable accounting standards. As the lessee, the group chooses not to separate the lease and non-lease, and joins each leased part and its non-leased parts separately into a lease, accounting treatment shall be carried out in accordance with leasing standards; However, if the contract includes embedded derivative instruments that should be split, the group will not merge them with the leasing portion for accounting treatment.

(2) As a lessee

1) Recognition

At the commencement date, the group as a lessee shall recognize a right-of-use asset and a lease obligation except short-term lease and low value asset lease.

Right-of-use assets represents a lessee's right to use an underlying asset for the lease term, and is initially measured at cost.

The cost of the right-of-use asset shall comprise:

- ① the amount of the initial measurement of the lease liability,
- ② any lease payments made at or before the commencement date, less any lease incentives received, which is the incremental cost for the lease
- ③ any initial direct costs incurred by the lessee which is the incremental cost
- ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Where the group remeasures the lease liability in accordance with the relevant provisions of the leasing standard, the carrying value of right-of-use asset is adjusted

accordingly.

The group shall follow the following principles when determining the depreciation life of the right-of-use asset: if the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be calculated and deducted during the remaining service life of the leased asset; Where it is not certain that the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be calculated at the shorter of the lease term and the remaining service life of the leased asset. The depreciation amount shall be accounted into cost of assets or profit and loss account.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; ③ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; ④ payments of penalties for terminating the lease, if the lessee will certainly exercise an option to terminate the lease during the lease term; ⑤ amounts expected to be payable by the lessee under residual value guarantees.

When calculating the present value of the lease payments, interest rate implicit in the lease shall be used. If the rate cannot be readily determined, the group shall use the lessee's incremental borrowing rate. Interest on the lease liability in each period during the lease term shall be calculated based on a constant periodic rate of interest, and be recognized as in profit or loss unless its capitalization.

After the lease commencement date, the group increases the carrying amount of lease liability when recognizing the interest on lease liability and; decreases the carrying amount of lease liability when making lease payment. The group remeasures the lease liability in accordance with the present value of revised lease payment, when the followings incur: ① change of in-substance fixed payments (subject to original discounting rate) ② change of amounts expected to be payable under residual value guarantees(subject to original discounting rate) ③ change of an index or a rate used for future lease payments(subject to revised discounting rate) ④ change in assessment of a buy option(subject to revised discounting rate) ⑤ change in assessment of a renew option or termination option or actual situation(subject to revised discounting rate).

2) Short-term lease and low value asset lease

The group has chosen not to recognize the right-of-use asset and lease liability for short-term lease (lease term less than 12 months) and low value asset (30,000 Yuan) when it is single leased new asset. In this case, lease payment will be accounted directly in profit or loss or on the straight-line basis in profit or loss.

3) Sales and lease back

The group, as a seller and a lease within the sales and lease back transaction, assesses whether the transfer of the asset is a sale. If the transfer of assets is not a sale, the group shall continue to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer income (Note VI. 34 lease). If the transfer of assets is a sale, the group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the group. Accordingly, the group shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(3) As a lessor

The group, as a lessor, classified it as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset unless an operating lease.

1) Financing lease

At the commencement date, the group shall recognize the lease payment receivable and derecognize of finance lease asset. When initially measuring the lease payment receivable, net lease investment value shall be used for the lease payment receivable.

Net lease investment value equals to the any residual value guarantees plus the PV of undue lease receivable discounted at the interest rate implicit in the lease. The group shall recognize interest income over the lease term based on a constant periodic rate. The variable lease payment obtained by the group related to operating leases, which are not included in the net lease investment, shall be accounted for in the current profit and loss when actually incurred

2) Operating lease

Lease payment received shall be recognized as lease income on a straight-line basis within the period.

The initial direct expenses incurred by the group in relation to operating leases are capitalized to the cost of leasing the underlying asset and are recognized in profit or loss by instalments over the lease period on the same basis as rental income. Variable lease payments made by the group in relation to operating leases that are not included in lease collections are recognized in profit or loss for the period when they are actually incurred.

The group shall account for a modification to an operating lease as a new lease from the

effective date of the modification, considering any received in advance or lease payments receivable relating to the original lease as part of the lease payments receivable for the new lease

27. Fair value measurement

The group measures investment property, derivative financial instruments and equity instruments at fair value at each balance sheet date. Fair value refers to the price that market participants can receive by selling an asset or can pay for transferring a liability in an orderly transaction that takes place on the measurement date.

Assets and liabilities measured or disclosed at fair value in the financial statements are determined to belong to the different fair value level based on the lowest level of input values that are significant to the fair value measurement as a whole: 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.

(For levels 1 and 2) For financial instruments traded in an active market, the group determines their fair value by their active market quotes; For financial instruments that are not traded in an active market, the group uses valuation techniques to determine their fair value, and the valuation model used is mainly the discounted cash flow model. The input of valuation techniques mainly includes: risk-free interest rate of debt, credit premium and liquidity premium; estimator coefficient. and liquidity discount of equity.

(For level 3) The fair value of level 3 is determined on the basis of the group's valuation models, such as the discounted cash flow model. The group also considers the initial transaction price, recent transactions of the same or similar financial instruments, or full third-party transactions of comparable financial instruments. As at 31 December 2023, level 3 financial assets measured at fair value are valued by using significant unobserved inputs such as discount rates, but their fair value is not materially sensitive to reasonable changes in these significant unobserved inputs.

The group uses the market approach to determine the fair value of unlisted equity investments. This requires the group to determine comparable listed companies, select market coefficient, estimate liquidity discounts, etc., and is therefore subject to uncertainty.

28. Significant changes in accounting policies and estimates

(1) On December 5, 2025, the Ministry of Finance issued the "Interpretation No. 19 of the Enterprise Accounting Standards" (Finance and Accounting [2025] No. 32) to regulate non same control

The recognition and measurement of compensatory assets in business combinations, the treatment of capital reserves when disposing of subsidiaries acquired through business combinations under the same control, the termination of recognition of financial liabilities settled through electronic payment systems, the refinement of cash flow characteristics (SPPI) evaluation of financial asset contracts, and the classification disclosure of fair value changes in FVOCI equity instrument investments will be implemented from January 1, 2026.

(2) On June 4, 2026, the Ministry of Finance issued the "Interpretation of Enterprise Accounting Standards No. 20" (Finance and Accounting [2026] No. 7), which further refines the evaluation of cash flow characteristics of financial asset contracts (non recourse financial assets and contract linked instruments), and the foreign currency conversion and disclosure when the currency lacks convertibility. It will be implemented from the date of issuance.

After evaluation, the Group is currently not involved in the relevant matters stipulated in this interpretation, and all provisions of Interpretation No. 19 and No. 20 have no impact on the Group's financial statements.

VI. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	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

Tax entities	EIT rate
Bingshan Refrigeration & Heat Transfer Technologies Co. ,Ltd	15%
Dalian Bingshan Group Engineering Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	15%
Dalian Bingshan Guardian Automation Co., Ltd.	15%
Dalian Bingshan-RYOSETSU Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%
Dalian Bingshan Engineering & Trading Co., Ltd	25%
Dalian Universe Thermal Technology Co., Ltd.	25%
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	25%
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	25%
Sonyo Compressor(Dalian)Co., Ltd.	15%
Sonyo Refrigeration System (Dalian) Co., Ltd.	15%
Sonyo Refrigeration (Dalian) Co., Ltd.	15%
Bingshan International Trade (Hong Kong) Limited	HKD profit $\leq$ 2 million, 8.25%; HKD profit > 2 million, 16.5%
Dalian Bingshan Part Technology Co., Ltd.	5%

2. Tax preference

The Company obtained the qualification of high and new technology enterprises on December, 2023 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State

Tax Bureau and Local tax Bureau. The Certificate No. is GR202321201041, 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 December, 2023 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202321201161, 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 December, 2024 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202421200978, 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 November, 2024 approved by Hubei Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau. The Certificate No. is GR202442000336, 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, Sonyo Compressor(Dalian)Co., Ltd.(hereinafter referred to as“ Sonyo Compressor” obtained the qualification of high and new technology enterprises on December, 2024 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202421200617, 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 December, 2023 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202321201152, 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 December, 2024 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR202421200850, 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.

VII. Notes to Consolidated Financial Statements

The financial statement data disclosed below, unless otherwise specified, "beginning" refers to January 1, 2026, "end of period" refers to June 30, 2026, "current period" refers to the period from January 1 to June 30, 2026, and "previous period" refers to the period from January 1 to June 30, 2025, with the currency unit being RMB yuan.

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	9, 678. 51	11, 965. 04
Cash in bank	593, 956, 472. 54	825, 008, 807. 79
Other cash and cash equivalents	27, 739, 314. 32	56, 940, 349. 45
Total	621, 705, 465. 37	881, 961, 122. 28

Note1: within the bank deposits, 110,685,722.16 Yuan was time deposits and interest income; frozen fund of 10,578,125.84 Yuan, and guarantee deposit for migrant worker of 219,297.00Yuan.

Note2: Other monetary funds are bank acceptance deposit 8,410,882.68Yuan, deposit for letter of guarantee is 19,328,431.64 Yuan.

2. Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	252, 177, 833. 63	315, 005, 979. 40
Commercial acceptance notes	15, 188, 020. 87	12, 067, 382. 02
Total	267, 365, 854. 50	327, 073, 361. 42

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	268,217,374.58	100.00%	851,520.08	0.32%	267,365,854.50	328,384,177.79	100.00%	1,310,817.37	0.40%	327,073,360.42
Including:										
Bank acceptance bill	252,177,833.63	94.02%			252,177,833.63	315,005,979.40	95.93%			315,005,979.40
trade acceptance draft	16,039,540.95	5.98%	851,520.08	5.31%	15,188,020.87	13,378,198.39	4.07%	1,310,817.37	9.80%	12,067,381.02
Total	268,217,374.58	100.00%	851,520.08	0.32%	267,365,854.50	328,384,177.79	100.00%	1,310,817.37	0.40%	327,073,360.42

Provision for bad debts by combination:

Items	Closing Balance		
	Booking balance	Bad debt provision	Provision ratio
Banker's acceptance draft	252,177,833.63		
Trade acceptance draft	16,039,540.95	851,520.08	5.31%
Total	268,217,374.58	851,520.08	

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	1,310,816.37	352,740.37	812,036.66			851,520.08
Total	1,310,816.37	352,740.37	812,036.66			851,520.08

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	850,000.00
Total	850,000.00

(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		108,166,431.13
Trade acceptance draft		2,069,044.00
Total		110,235,475.13

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual basis	13, 037, 034. 36	0. 53%	10, 229, 483. 90	78. 46%	2, 807, 550. 46
Bad debt provision on group	2, 439, 962, 224. 42	99. 47%	616, 160, 646. 21	25. 25%	1, 823, 801, 578. 21
Including: aging as characteristics of credit risk	2, 439, 962, 224. 42	99. 47%	616, 160, 646. 21	25. 25%	1, 823, 801, 578. 21
Total	2, 452, 999, 258. 78	100. 00%	626, 390, 130. 11	25. 54%	1, 826, 609, 128. 67

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual basis	13, 037, 034. 36	0. 58%	10, 229, 483. 90	78. 46%	2, 807, 550. 46
Bad debt provision on group	2, 249, 684, 720. 05	99. 42%	616, 935, 655. 93	27. 42%	1, 632, 749, 064. 12
Including: aging as characteristics of credit risk	2, 249, 684, 720. 05	99. 42%	616, 935, 655. 93	27. 42%	1, 632, 749, 064. 12
Total	2, 262, 721, 754. 41	100. 00%	627, 165, 139. 83	27. 72%	1, 635, 556, 614. 58

Aging	Closing Balance
Within 1 year	1,276,004,089.43

1 to 2 years	400,904,978.52
2 to 3 years	228,567,724.18
More than 3 years	547,522,466.65
3 to 4 years	156,643,898.93
4 to 5 years	128,842,669.64
More than 5 years	262,035,898.08
Total	2,452,999,258.78

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

Items	Closing Balance		
	Booking balance	Provision	%
within 1 year	1,276,004,089.43	61,012,443.01	4.78%
1-2 years	400,904,978.52	65,473,950.74	16.33%
2-3 years	228,567,724.18	68,586,779.36	30.01%
3-4 years	155,535,219.76	76,425,287.43	49.14%
4-5 years	123,369,225.65	89,081,198.81	72.21%
more than 5 years	255,580,986.88	255,580,986.88	100.00%
Total	2,439,962,224.42	616,160,646.21	

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

Provision for bad debts in the current period:

Category	Opening balance	Change during the period				Closing Balance
		Accrued	Collected/reversed	Written-off	Others	
Bad debt provision for accounts receivable	627,165,139.83	9,021,624.31	5,125,657.82	6,863,711.02	2,192,734.81	626,390,130.11

3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	6,863,711.02

4. Contract asset

(1) contract asset

Items	Closing Balance		
	Booking balance	Provision	Carrying amount
Undue warranty	183,850,261.71	24,475,993.01	159,374,268.70
Unsettled receivable of revenue recognized over time	9,858,623.29	5,200,550.95	4,658,072.34
Total	193,708,885.00	29,676,543.96	164,032,341.04

(continued)

Items	Opening balance		
	Booking balance	Provision	Carrying amount
Undue warranty	178,324,350.44	22,629,454.12	155,694,896.32
Unsettled receivable of revenue recognized over time	12,453,644.06	6,331,611.99	6,122,032.07
Total	190,777,994.50	28,961,066.11	161,816,928.39

(2) Category of contract asset based on bad debt provision method

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual basis	1,709,948.80	0.88%	1,709,948.80	100.00%	
Bad debt provision on group	191,998,936.20	99.12%	27,966,595.16	14.57%	164,032,341.04
Including: aging as characteristics of credit risk	191,998,936.20	99.12%	27,966,595.16	14.57%	164,032,341.04
Total	193,708,885.00	100.00%	29,676,543.96	15.32%	164,032,341.04

(continued)

Items	Opening Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual basis	1,709,948.80	0.90%	1,709,948.80	100.00%	
Bad debt provision on group	189,068,045.70	99.10%	27,251,117.31	14.41%	161,816,928.39
Including: aging as	189,068,045.70	99.10%	27,251,117.31	14.41%	161,816,928.39

Items	Opening Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
characteristics of credit risk					
Total	190,777,994.50	100.00%	28,961,066.11	15.18%	161,816,928.39

1) Bad debt provisions on individual basis

Name	Opening balance		Closing Balance			
	Accounts receivable	Provision for bad debts	Accounts receivable	Provision for bad debts	Proportion (%)	Reason
Company 2	1,709,948.80	1,709,948.80	1,709,948.80	1,709,948.80	100.00%	Recovery is not expected
Total	1,709,948.80	1,709,948.80	1,709,948.80	1,709,948.80		—

2) Bad debt provisions on group basis

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion
Within 1 year	98,253,066.73	5,588,730.02	5.69%
1 to 2 years	65,624,623.67	10,247,750.62	15.62%
2 to 3 years	15,627,626.53	4,550,754.06	29.12%
3 to 4 years	9,289,438.01	4,582,479.77	49.33%
4 to 5 years	744,346.72	537,046.15	72.15%
Over 5 years	2,459,834.54	2,459,834.54	100.00%
Total	191,998,936.20	27,966,595.15	

(3) Bad debt provision of current period

Category	Accrued	Collected/reversed	Written-off	Others	Reason
Undue warranty	2,052,651.39	989,102.00			-
Unsettled receivable of revenue recognized over time	-348,071.54				-
Total	1,704,579.85	989,102.00			-

5. Receivables financing

Items	Closing Balance	Opening Balance
Bank acceptance notes	359,361,883.76	335,509,461.15
Total	359,361,883.76	335,509,461.15

(2) Category of accounts receivable based on bad debt provision method

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on group	359,361,883.76	100.00%			359,361,883.76
Including: bank acceptance notes	359,361,883.76	100.00%			359,361,883.76
Total	359,361,883.76	100.00%			359,361,883.76

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on group	335,509,461.15	100.00%			335,509,461.15
Including: aging as characteristics of credit risk	335,509,461.15	100.00%			335,509,461.15
Total	335,509,461.15	100.00%			335,509,461.15

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

Items	Closing pledged amount
Bank acceptance notes	587,572.14
Total	587,572.14

6. Other receivables

Items	Closing Balance	Opening Balance
Dividends receivable	592,327.29	
Other receivable	38,974,583.06	43,092,575.59
Total	39,566,910.35	43,092,575.59

(1) Dividends receivable

1) Classification of Dividends Receivable

Items(or Investee)	Closing Balance	Opening Balance
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	592,327.29	
Total	592,327.29	

(2). Other receivables

1) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Receivables and Payables	30,897,088.95	31,017,128.68
Guarantee deposits	35,105,173.36	2,363,019.14
Petty cash	6,174,651.80	31,012,852.10
Others	4,573,536.57	16,337,618.12
Total	76,750,450.68	80,730,618.04

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, 2026	1,605,096.85		36,182,621.68	37,787,718.53
The balance of January 1, 2026 in the current period				
Provision for current period			5,420.43	5,420.43
Reversal for current period	-48,955.35		147,059.82	98,104.47
Written-off	107,882.86		2,072.52	109,955.38
Balance on June 30, 2026	1,448,258.64		36,333,029.41	37,775,867.62

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	21,591,772.37
1-2 years	8,441,313.27
2-3 years	3,090,349.74
Over 3 years	43,627,015.30
3-4 years	1,857,474.58
4-5 years	5,928,081.39
Over 5 years	35,841,459.33
Total	76,750,450.68

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	37,787,718.53	98,104.47	109,955.38			37,775,867.62
Total	37,787,718.53	98,104.47	109,955.38			37,775,867.62

4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Top 1	Export Tax Rebate	2,809,523.12	Within 1 year	3.66%	102,828.55
Top 2	Deposit	2,476,894.20	4-5 years	3.23%	1,719,212.26
Top 3	Rent	2,329,229.79	Within 1 year	3.03%	85,249.81
Top 4	Deposit	2,049,000.00	over 5 years	2.67%	2,049,000.00
Top 5	Deposit	1,317,572.92	over 5 years	1.72%	45,324.51
Total		10,982,220.03		14.31%	4,001,615.13

7. Prepayments

(1) Aging of prepayments

Items	Closing Balance		Opening Balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	152,054,125.00	86.98%	130,253,296.15	83.53%
1 to 2 years	16,916,626.71	9.68%	17,677,825.17	11.34%
2 to 3 years	1,355,386.05	0.78%	3,468,541.58	2.22%
Over 3 years	4,495,234.84	2.57%	4,549,988.01	2.91%
Total	174,821,372.60		155,949,650.91	

(2) Prepayments from the top 5 debtors based on closing balance

The sum of top 5 of prepayment is 52,008,117.20 Yuan, represents 29.75% of closing balance of prepayment.

8. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Cost to fulfill the contract	433,989,598.35	9,393,149.14	424,596,449.21
Finished goods	541,614,439.30	23,883,238.93	517,731,200.37
Raw materials	259,087,349.18	25,179,253.61	233,908,095.57
Working in progress	203,606,340.11	32,068,406.53	171,537,933.58
Self-manufactured semi-finished products	47,733,831.27		47,733,831.27
Goods on transit	3,437,245.40		3,437,245.40
Materials on consignment for further processing	2,119,205.40		2,119,205.40
Low-value consumable	147,056.71		147,056.71
Total	1,491,735,065.72	90,524,048.21	1,401,211,017.51

(Continued)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Cost to fulfill the contract	521,572,675.61	9,498,861.27	512,073,814.34
Finished goods	503,904,845.74	32,267,732.46	471,637,113.28
Raw materials	250,506,901.06	31,927,475.12	218,579,425.94
Working in progress	197,085,943.16	33,444,367.83	163,641,575.33
Self-manufactured semi-finished products	48,763,726.74		48,763,726.74
Goods on transit	23,330,604.92	351,397.26	22,979,207.66
Materials on consignment for further processing	2,055,950.08		2,055,950.08
Low-value consumable	183,600.81		183,600.81
Total	1,547,404,248.12	107,489,833.94	1,439,914,414.18

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Others transferred	Reverse/ Written-off	Others transferred	
Raw materials	31,927,475.12	20,037.95		6,768,259.46		25,179,253.61
Working in progress	33,444,367.83			1,375,961.30		32,067,598.34
Finished goods	32,267,732.46	460,149.88		8,844,643.41		23,884,047.12
Cost to fulfill the contract	9,498,861.27			105,712.13		9,393,149.14
Goods on	351,397.26			351,397.26		

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Others transferred	Reverse/ Written- off	Others transferred	
transit						
Total	107,489,833.94	480,187.83		17,445,973.56		90,524,048.21

Accrual for provision for decline in the value of inventories

Item	Basis for net realizable value recognition	Reasons for reverse/write-off
Raw materials	The amount deducting the expected cost to product completion, selling expense and relative tax from the estimated selling price.	Sold
Working in progress		Sold
Finished goods		Sold
Cost to fulfill the contract		Sold

9. Non-current assets due within one year

Items	Closing Balance	Opening Balance
Long-term receivables due within one year	388,297.01	359,632.86
Total	388,297.01	359,632.86

10. Other current assets

Item	Closing Balance	Opening Balance
Input VAT to be deducted	22,468,593.17	29,743,674.42
Prepaid VAT	806,676.67	3,213,956.72
The amount of income tax prepaid	970,258.02	1,898,839.02
Contract acquisition cost	1,245,928.91	28,301.88
Prepaid expenses	428,883.13	14,604.88
Total	25,920,339.90	34,899,376.92

11. Long term receivable

(1) Details

Item	Closing Balance			Discounted rate
	Carrying amount	Provision	Book value	
Installment payment for selling	1,886,800.00	121,072.55	1,765,727.45	

goods				
Unrealized financing income	-162, 119. 84		-162, 119. 84	3. 5%-4. 35%
Transfer of long-term receivables due within one year	417, 613. 48	29, 316. 47	388, 297. 01	
Total	1, 307, 066. 68	91, 756. 08	1, 215, 310. 60	

(2) Category of long-term receivable based on bad debt provision method

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on group	1, 307, 066. 68	100. 00%	91, 756. 08	7. 02%	1, 215, 310. 60
Including: using aging as a combination of credit risk characteristics	1, 724, 680. 16	100. 00%	121, 072. 55	7. 02%	1, 603, 607. 61
Transfer of long-term receivables due within one year	417, 613. 48		29, 316. 47	7. 02%	388, 297. 01
Total	1, 307, 066. 68	100. 00%	91, 756. 08	7. 02%	1, 215, 310. 60

1) The bad debt provision based on group of long-term receivables

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
Within 1 year	1, 307, 066. 68	91, 756. 08	7. 02%
Total	1, 307, 066. 68	91, 756. 08	

2) The bad debt provision under expected credit loss model

Bad debt provision	1 st stage	2 nd stage	3 rd 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	91, 794. 40			91, 794. 40
Opening balance during the year	—	—	—	—
--transfer to the 2 nd stage	-	-	-	-
--transfer to the 3 rd	-	-	-	-

stage				
--reverse to the 2 nd stage	-	-	-	-
---reverse to the 1 st stage	-	-	-	-
Accrued	-38.32			-38.32
Reverse	-	-	-	-
Cancelation	-	-	-	-
Written off	-	-	-	-
Other movement	-	-	-	-
Closing balance	91,756.08			91,756.08

(3) Bad debt provision of long-term receivable for the year

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Collected/ reversed	Written-off	Others	
Bad debt provision	91,794.40	-38.32				91,756.08
Total	91,794.40	-38.32				91,756.08

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		
Associates	—	—	—	—	—	—	—	—	—	—	—
Dalian Honjo Chemical Co., Ltd	10,709,370.90				236,269.52						10,945,640.42
Keihin-Grand Ocean Thermal Technology (Dalian)Co.,Ltd.	49,614,057.86				-1,538,958.16						48,075,099.70
Dalian Fuji Bingshan Vending Machine Co., Ltd.	67,119,564.34				-596,912.66						66,522,651.68
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	17,053,051.54				-1,456,899.31						15,596,152.23
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd											
Jiangsu Jingxue Insulation Technology Co.,Ltd (N4)	143,558,044.80				*. **						*. **
Dalian Bingshan Metal Technology Co.,Ltd.	138,895,377.85				12,049,558.21						150,944,936.06
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	47,438,452.34				*. **			592,327.29			*. **
Wuhan Sikafu Power Control Equipment Co., Ltd	6,809,145.00				1,671,353.48						8,480,498.48
PT BINGSHAN MAKMUR INDONESIA	1,831,853.68				77,572.75						1,909,426.43
Total	483,028,918.31				12,042,631.59			592,327.29			494,479,222.61

13. Other non-current financial assets

Item	Closing Balance	Opening Balance
Financial assets classified as FVTPL	1,683,852.59	1,683,852.59
Including: equity instruments	1,683,852.59	1,683,852.59
Total	1,683,852.59	1,683,852.59

14. Investment property

(1) Investment property measured as cost model

Item	Property & building	Land-use-rights	Total
I. Initial cost	—	—	—
1. opening balance	254,728,632.83	26,094,438.38	280,823,071.21
2. addition	12,337,300.00	2,949,800.00	15,287,100.00
(1) FA\transferred from CIP	12,337,300.00	2,949,800.00	15,287,100.00
3. decrease			
4. closing balance	267,065,932.83	29,044,238.38	296,110,171.21
II. Accumulated depreciation	—	—	—
1. opening balance	145,078,623.65	14,394,259.09	159,472,882.74
2. addition	3,105,243.16	372,679.19	3,477,922.35
(1) accrued/amortization	2,905,790.12	260,944.38	3,166,734.50
(2) FA\transferred from CIP	199,453.04	111,734.81	311,187.85
3. decrease			
4. closing balance	148,183,866.81	14,766,938.28	162,950,805.09
III. Impairment reserve	—	—	—
1. opening balance	-	-	-
2. addition			
3. decrease			
4. closing balance			
IV. Book value	—	—	—
1. Closing book value	118,882,066.02	14,277,300.10	133,159,366.12
2. Opening book value	109,650,009.18	11,700,179.29	121,350,188.47

(3) Investment property without ownership certificate

There are no investment properties with incomplete property ownership certificates this year.

15. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	1, 210, 192, 835. 36	1, 261, 222, 376. 24
Total	1, 210, 192, 835. 36	1, 261, 222, 376. 24

(1) Fixed assets detail

Item	Property& buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Initial cost	—	—	—	—	—
1.Opening balance	1, 105, 295, 981. 5 0	1, 810, 219, 662. 82	22, 852, 217. 83	241, 035, 515. 65	3, 179, 403, 377. 80
2. Increase	4, 943, 793. 58	11, 595, 714. 04	2, 322, 076. 13	2, 494, 278. 37	21, 355, 862. 12
(1) Purchase		1, 306, 272. 22	1, 421, 238. 94	1, 621, 687. 80	4, 349, 198. 96
(2) Transferred from construction-in-progress	4, 943, 793. 58	9, 776, 293. 96	900, 837. 19	872, 590. 57	16, 493, 515. 30
(3) Acquired from business combination					
(4) financial lease		513, 147. 86			513, 147. 86
3. Decrease	12, 467, 895. 56	5, 841, 696. 73	2, 337, 055. 24	234, 877. 96	20, 881, 525. 49
(1) Disposal	130, 595. 56	5, 841, 696. 73	2, 337, 055. 24	234, 877. 96	8, 544, 225. 49
(2) transferred into investment property	12, 337, 300. 00				12, 337, 300. 00
4.Closing balance	1, 097, 771, 879. 5 2	1, 815, 973, 680. 13	22, 837, 238. 72	243, 294, 916. 06	3, 179, 877, 714. 43
II. Accumulated depreciation	—	—	—	—	—
1.Opening balance	403, 059, 216. 58	1, 320, 306, 591. 30	16, 694, 318. 28	168, 008, 078. 22	1, 908, 068, 204. 38
2. Increase	15, 814, 548. 44	36, 266, 232. 88	693, 278. 58	6, 180, 513. 79	58, 954, 573. 69
(1) Accrued	15, 814, 548. 44	36, 248, 822. 50	693, 278. 58	6, 180, 513. 79	58, 937, 163. 31
(2) Acquired from business combination					
(3) financial lease		17, 410. 38			17, 410. 38
3. Decrease	209, 509. 37	4, 926, 203. 90	1, 968, 988. 95	224, 595. 86	7, 329, 298. 08
(1) Disposal	10, 056. 33	4, 926, 203. 90	1, 968, 988. 95	224, 595. 86	7, 129, 845. 04
(2) transferred into investment property	199, 453. 04				199, 453. 04
4.Closing balance	418, 664, 255. 65	1, 351, 646, 620. 28	15, 418, 607. 91	173, 963, 996. 15	1, 959, 693, 479. 99
III. Impairment reserve	—	—	—	—	—
1.Opening balance	1, 113, 828. 33	6, 211, 608. 15	286, 519. 26	2, 500, 841. 44	10, 112, 797. 18

Item	Property& buildings	Machinery equipment	Transportation equipment	Other equipment	Total
2. Increase					
(1)Acquired from business combination					
3. Decrease		121, 398. 10			121, 398. 10
(1) Disposal		121, 398. 10			121, 398. 10
4.Closing balance	1, 113, 828. 33	6, 090, 210. 05	286, 519. 26	2, 500, 841. 44	9, 991, 399. 08
IV.Book value	—	—	—	—	—
1.Closing book value	677, 993, 795. 54	458, 236, 849. 80	7, 132, 111. 55	66, 830, 078. 47	1, 210, 192, 835. 36
2.Opening book value	701, 122, 936. 59	483, 701, 463. 37	5, 871, 380. 29	70, 526, 595. 99	1, 261, 222, 376. 24

16. Construction-in-progress

Item	Closing book value	Opening book value
Construction-in-progress	18, 185, 186. 15	15, 669, 392. 61
Total	18, 185, 186. 15	15, 669, 392. 61

(1) Construction-in-progress details

Item	Closing balance			Opening balance		
	Book balance	Provision	Book Value	Book balance	Provision	Book value
Installation and renovation of machine tools and mechanical equipment	14, 398, 228. 32		14, 398, 228. 32	11, 030, 187. 67		11, 030, 187. 67
Software of intelligent manufacture	3, 556, 795. 41		3, 556, 795. 41	4, 639, 204. 94		4, 639, 204. 94
Buildings & reconstruction	230, 162. 42		230, 162. 42			
Total	18, 185, 186. 15		18, 185, 186. 15	15, 669, 392. 61		15, 669, 392. 61

(2) Change in the significant construction in progress

Name	Opening balance	Increase	Decrease		Closing balance
			Transfer to FA/ Intangible assets	Other decrease	

Name	Opening balance	Increase	Decrease		Closing balance
			Transfer to FA/ Intangible assets	Other decrease	
Installation and renovation of machine tools and mechanical equipment	10,805,702.49	19,883,984.41	15,628,331.54	663,127.04	14,398,228.32
Total	10,805,702.49	19,883,984.41	15,628,331.54	663,127.04	14,398,228.32

(Continued)

Name	Budget	Percent of investment against budget	Progress of construction	Accumulated capitalized interest	Including: accumulated capitalized interest of the year	Interest capitalization Rate	Source of funds
Installation and renovation of machine tools and mechanical equipment	16,804,182.27	85.68%	85.68%	—	—	—	Self-financing
Total	16,804,182.27	—	—	—	—	—	—

17. Right-of-use assets

Item	Property/ buildings	Machinery	Transportation equipment	Electronic equipment	Land use right	Software	Total
I. Initial cost	—	—	—	—	—		—
1.Opening balance	4,948,117.80	708,849.56	138,314.79	802,669.27	17,862,985.32	350,368.74	24,811,305.48
2. Increase	87,392.07						87,392.07
(1) lease in	87,392.07						87,392.07
(2) business combination							
3. Decrease		708,849.56					708,849.56
(1) Disposal							
(2) transferred into FA		708,849.56					708,849.56
4.Closing balance	5,035,509.87		138,314.79	802,669.27	17,862,985.32	350,368.74	24,189,847.99
II. Accumulated amortization							
1.Opening balance	3,138,925.92	179,575.36	5,532.55	334,445.50	3,024,813.64	6,802,167.99	118,875.02
2. Increase	969,273.78	16,835.19	33,195.59	80,266.92	535,942.62	1,673,053.58	37,539.48
(1) Accrued	969,273.78	16,835.19	33,195.59	80,266.92	535,942.62	1,673,053.58	37,539.48
(2) business combination							
3. Decrease		196,410.55					196,410.55
(1) Disposal							
(2) transferred into FA		196,410.55					196,410.55
4.Closing balance	4,108,199.70		38,728.14	414,712.42	3,560,756.26	156,414.50	8,278,811.02

Item	Property/ buildings	Machinery	Transportation equipment	Electronic equipment	Land use right	Software	Total
III. Impairment reserve	—	—	—	—	—		—
1. Opening balance	-	-	-	-	-		-
2. Increase	-	-	-	-	-		-
3. Decrease	-	-	-	-	-		-
4. Closing balance	-	-	-	-	-		-
IV. Book value	—	—	—	—	—		—
1. Closing book value	927,310.17		99,586.65	387,956.85	14,302,229.06	193,954.24	15,911,036.97
2. Opening book value	1,809,191.88	529,274.20	132,782.24	468,223.77	14,838,171.68	231,493.72	18,009,137.49

18. Intangible assets

Item	Land use right	Patent	Non-Patent	Others	Total
I. Initial cost	—	—	—	—	—
1. Opening balance	303,943,754.23	26,921,167.30	5,773,680.00	61,910,331.37	398,548,932.90
2. Increase		603,427.54		4,174,721.49	4,778,149.03
(1) Purchase				311,320.75	311,320.75
(2) Transferred from construction-in-progress				4,466,828.28	4,466,828.28
(3) increase via merge					
3. Decrease	2,949,800.00				2,949,800.00
(1) Transfer to investment real estate	2,949,800.00				2,949,800.00
4. Closing balance	300,993,954.23	27,524,594.84	5,773,680.00	66,085,052.86	400,377,281.93
II. Accumulated amortization	—	—	—	—	—
1. Opening balance	84,162,553.69	16,638,357.45	5,773,680.00	39,954,625.30	146,529,216.44
2. Increase	4,525,401.33	1,454,085.71		2,720,515.20	8,700,002.24
(1) Accrued	4,525,401.33	1,454,085.71		2,720,515.20	8,700,002.24
(2) Increase from merger					
3. Decrease	111,734.81				111,734.81
(1) Transfer to investment real estate	111,734.81				111,734.81
4. Closing balance	88,576,220.21	18,092,443.16	5,773,680.00	42,675,140.50	155,117,483.87
III. Impairment provision	—	—	—	—	—
1. Opening balance				11,981.17	11,981.17
2. Increase					
(1) Increase from merger					
3. Decrease					
(1) Disposal					
4. Closing balance				11,981.17	11,981.17
IV. Book value	—	—	—	—	—
1. Closing book value	212,417,734.02	9,432,151.68		23,397,931.19	245,247,816.89
2. Opening book value	219,781,200.54	10,282,809.85		21,943,724.90	252,007,735.29

19. Goodwill

(1) Original cost of goodwill

Name	Opening Balance	Increased during current year		Decreased during current year		Closing Balance
		Enterprises merger increase	Other	Disposal	Other	
Sonyo Compressor (Dalian)Co., Ltd	240,922,872.80	-	-	-	-	240,922,872.80
Sonyo Refrigeration (Dalian) Co., Ltd.	38,056,663.52		-	-	-	38,056,663.52
Sonyo Refrigeration System (Dalian) Co., Ltd.	5,671,836.12		-	-	-	5,671,836.12
Dalian Universe Thermal Technology Co., Ltd.	1,440,347.92		-	-	-	1,440,347.92
Dalian Bingshan Group Engineering Co., Ltd	310,451.57		-	-	-	310,451.57
Total	286,402,171.93		-	-	-	286,402,171.93

(2) Goodwill impairment provision

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

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

In 2022, the Company purchased 60% of the shareholdings of Sonyo Compressor (Dalian)Co., Ltd from Sanyo Electric (China)Co., Ltd, and negotiated with Sanyo Electric (China)Co., Ltd to determine the share transfer consideration of 929,148,000.00 Yuan. After the transaction, Sonyo Compressor (Dalian)Co., Ltd became a subsidiary. This transaction is a business combination not under same control, cost of combination is the FV of previous shareholdings on acquisition date plus 60% shareholdings acquisition consideration, which is 1,548,580,000Yuan in total. Goodwill of 240,922,872.80 Yuan is recognized for the difference between the share of FV of net identifiable

asset of acquiree, 1,307,657,127.20Yuan and cost of combination on acquisition date.

In 2022, the Company purchased 30% of the shareholdings of Sonyo Refrigeration System (Dalian) Co., Ltd. from Panasonic Corporation of china Co., LTD and 25% shareholdings of Sonyo Refrigeration System (Dalian) Co., Ltd from Panasonic Appliances cold Chain (Dalian)Co.Ltd. The negotiated share transfer consideration of 81,735,060.00 Yuan. After the transaction, Sonyo Compressor (Dalian)Co., Ltd became a subsidiary. This transaction is a business combination not under same control, cost of combination is the FV of previous shareholdings on acquisition date plus 55% shareholdings acquisition consideration, which is 111,456,900.00Yuan in total. Goodwill of 5,671,836.12 Yuan is recognized for the difference between the share of FV of net identifiable asset of acquire, 105,785,063.87Yuan and cost of combination on acquisition date.

In 2023, the Company purchased 40% of the shareholdings of Sonyo Refrigeration (Dalian) Co., Ltd. from Panasonic Corporation of China Co., LTD and 60% shareholdings of Sonyo Refrigeration (Dalian) Co., Ltd from Sanyo Electric (China)Co., Ltd. This transaction is a business combination not under same control, cost of combination is the consideration of 145,285,500.00 Yuan for share transfer. Goodwill of 38,056,663.52Yuan is recognized for the difference between the share of FV of net identifiable asset of acquire. 107,228,836.48Yuan and cost of combination on acquisition date.

The book value of goodwill from business combination shall be allocated into the relevant asset group using the reasonable method since acquisition date, and be tested for impairment on related asset groups containing goodwill by professional appraisal companies or use evaluation models to predict the recoverable amount of related asset groups containing goodwill in accordance with the present value of future cash flows including gross profit rate, sales growth rate (2.81%-7.05%), discount rate(10.51%-12.64%) and other parameters in the next 5 years. No goodwill impairment has been found when the recoverable amount of asset group for testing is higher than its book value.

20. Long-term unamortized expense

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing balance
Greenland of new factory	1,263,830.02		446,057.76		817,772.26
Employee's dormitory use right	1,181,300.40		69,239.16		1,112,061.24
Membership fee for golf	341,000.00		8,250.00		332,750.00
Renovation and rebuilding	1,306,463.02	678,899.08	236,639.94		1,748,722.16
Amortization of instruments	46,194.67		17,286.25		28,908.42
Software maintenance fee	254,951.67		58,684.68		196,266.99
Technology entrance fee of cold and heat machinery	1,642,531.70	59,699.50	197,258.40		1,504,972.80
Total	6,036,271.48	738,598.58	1,033,416.19		5,741,453.87

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 credit impairment	497,235,687.66	88,405,153.91	482,046,079.42	85,510,657.91
Asset impairment provision	111,214,834.46	16,806,749.53	125,545,107.70	18,940,837.38
Depreciation of fixed assets	67,744,518.27	10,161,677.74	67,744,518.27	10,161,677.74
Unrealized income	15,884,175.46	3,971,043.86	15,884,175.46	3,971,043.86
Advance sales rebate	24,531,204.35	3,679,680.65	24,531,204.35	3,679,680.65
government grants	20,001,854.62	3,000,278.19	22,104,227.00	3,315,634.05
Unrealized profits from internal transactions	13,034,503.47	1,955,175.52	13,034,503.47	1,955,175.52
Lease liability	11,203,019.79	1,803,414.42	8,577,510.50	1,409,588.02
Accrued expenses	6,622,174.17	993,326.13	6,622,174.17	993,326.13
Provisions	2,300,208.22	378,141.28	2,300,208.22	378,141.28
Safety production cost	1,988,616.80	298,292.52	1,988,616.80	298,292.52
Other	8,809,354.66	1,321,403.20	8,809,354.66	1,321,403.20
Total	780,570,151.93	132,774,336.95	779,187,680.02	131,935,458.26

(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 asst not under same control	180,537,796.27	26,903,219.27	191,185,027.14	28,677,754.07
FA depreciation	36,063,279.93	5,432,111.76	36,122,663.18	5,418,399.49
Use right of asset	4,361,837.69	800,728.70	7,014,886.01	1,172,551.35
Total	220,962,913.89	33,136,059.73	234,322,576.33	35,268,704.91

(3) Net deferred tax asset or liability

Item	Offset amount at the year-end	Closing balance of net of DTA/DTL	Offset amount at the beginning of the year	Opening balance of net of DTA/DTL
Deferred tax assets	6,232,840.46	126,541,496.49	6,590,950.84	125,344,507.42
Deferred tax liabilities	6,232,840.46	26,903,219.27	6,590,950.84	28,734,303.46

(4) Unrecognized deferred tax assets details

Item	Closing balance	Opening balance
Deductible temporary difference	151, 888, 392. 95	172, 621, 148. 01
Deductible loss	568, 188, 633. 71	558, 446, 860. 19
Total	720, 077, 026. 66	731, 068, 008. 20

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

Year	Closing balance	Opening balance	Notes
2026		53, 191, 704. 76	—
2027	54, 808, 491. 45	59, 632, 432. 63	—
2028	76, 743, 902. 54	45, 912, 286. 80	—
2029	44, 176, 121. 06	19, 343, 941. 93	—
2030	8, 961, 796. 89	45, 422, 360. 64	—
2031	58, 634, 944. 47	72, 081, 580. 29	—
2032	51, 128, 402. 79	20, 027, 310. 15	—
2033	33, 367, 800. 85	117, 597, 741. 11	—
2034	197, 361, 964. 22	9, 895, 002. 62	—
2035	43, 005, 209. 44	115, 342, 499. 26	—
Total	568, 188, 633. 71	558, 446, 860. 19	—

22. Other non-current asset

Category	Closing Balance			Opening balance		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Debt offset housing	19, 428, 587. 00	1, 455, 755. 51	17, 972, 831. 49	19, 428, 587. 00	1, 455, 755. 51	17, 972, 831. 49
Prepaid equipment payment	3, 985, 197. 86		3, 985, 197. 86	1, 067, 593. 86		1, 067, 593. 86
Total	23, 413, 784. 86	1, 455, 755. 51	21, 958, 029. 35	20, 496, 180. 86	1, 455, 755. 51	19, 040, 425. 35

23. Assets with restricted ownership or use rights

Item	At the period end			
	Book value	Carrying amount	Type	Restriction
Monetary fund	38, 536, 737. 16	38, 536, 737. 16	Frozen	Guarantee deposit/ frozen bank account
Notes receivable	850, 000. 00	850, 000. 00	Pledged	Pledged
Financing of receivable	587, 572. 14	587, 572. 14	Pledged	Pledged
FA	94, 117, 633. 35	59, 480, 216. 27	Pledged	Pledged
Intangible asset	8, 266, 573. 44	5, 008, 531. 57	Pledged	Pledged
Investment property	38, 955, 728. 90	29, 889, 269. 11	Pledged	Pledged

Total	181,314,244.99	134,352,326.25	—	—
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(continued)

Item	At the beginning of the period			
	Book value	Carrying amount	Type	Restriction
Monetary fund	59,004,453.72	59,004,453.72	Frozen	Guarantee deposit/ frozen bank account
Notes receivable			Pledged	Pledged
Financing of receivable	2,720,000.00	2,720,000.00	Pledged	Pledged
FA	89,706,820.32	56,697,340.72	Pledged	Pledged
Intangible asset	8,266,573.44	5,091,198.31	Pledged	Pledged
Investment property	38,955,728.90	30,395,181.55	Pledged	Pledged
Total	198,653,576.38	153,908,174.30	—	—

24. Short-term borrowing

(1) Category of short-term borrowing

Loan category	Closing balance	Opening balance
Credit loan	177,191,600.00	176,711,185.21
Factoring loan	22,875,802.82	19,276,014.68
Mortgage loan	2,000,000.00	3,000,000.00
Pledged loan	2,597,683.74	2,849,265.00
Total	204,665,086.56	201,836,464.89

25. Notes payable

Notes Category	Closing balance	Opening balance
Bank acceptance notes	638,705,442.61	665,364,289.18
Total	638,705,442.61	665,364,289.18

26. Accounts payable

Item	Closing balance	Opening balance
Material payments	1,026,656,839.07	963,708,735.52
Project payments	679,194,091.37	659,245,594.97
Equipment payments	52,429,277.10	36,132,610.35
Others	6,365,626.04	5,495,223.24
Total	1,764,645,833.58	1,664,582,164.08

27. Other accounts payable

Item	Closing balance	Opening balance
Interest payable	-	-
Dividend payable	42,693,781.35	533,156.00
Other accounts payable	239,760,360.47	241,567,858.95
Total	282,454,141.82	242,101,014.95

27.1 Dividend payable

Item	Closing balance	Opening balance
Ordinary share dividend	42,693,781.35	533,156.00
Total	42,693,781.35	533,156.00

27.2 Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing balance	Opening balance
Supplier platform	189,426,283.69	176,455,533.29
Apply for reimbursement and unpaid	14,687,008.76	17,916,678.89
Cash pledge and security deposit	15,162,526.30	15,586,100.96
Agency fees		2,959,421.97
Repair fees	268,539.61	1,684,332.73
Receivables and payables	315,650.70	737,505.99
Trade mark and royalty	229,728.24	162,319.48
Others	19,670,623.17	26,065,965.64
Total	239,760,360.47	241,567,858.95

28. Contract liability

(1) Contract liability

Item	Closing balance	Opening balance
Received in advance due from unrealized revenue	477,122,097.44	525,086,822.72
Total	477,122,097.44	525,086,822.72

29. Employee's payable

(1) Category of employee's payable

Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee's payable	125,045,129.28	303,700,425.89	383,994,879.16	44,750,676.01

Item	Opening balance	Increase	Decrease	Closing balance
Post-employment benefit –defined contribution plan	16,880.34	36,496,140.17	36,497,872.67	15,147.84
Termination benefits	115,025.00	688,062.75	803,087.75	
Total	125,177,034.62	340,884,628.81	421,295,839.58	44,765,823.85

(2) Short-term employee's payables

Item	Opening balance	Increase	Decrease	Closing balance
Salaries, bonus, allowance, and subsidy	113,305,752.31	236,227,948.08	307,602,260.63	41,931,439.76
Welfare	138,867.90	10,513,446.47	10,607,906.87	44,407.50
Social insurance	10,435.11	22,396,329.05	22,397,427.64	9,336.52
Include: Medical insurance	10,025.89	20,075,783.15	20,076,787.24	9,021.80
On-duty injury insurance	409.22	1,795,794.04	1,795,888.54	314.72
Maternity insurance		484,157.63	484,157.63	
Housing funds	944.76	26,663,049.62	26,662,977.62	1,016.76
Labor union and training expenses	3,544,367.44	5,312,804.76	6,668,354.45	2,188,817.75
Reward bonus and welfare fund	8,044,761.76	1,263,391.20	8,732,495.24	575,657.72
Others		1,323,456.71	1,323,456.71	
Total	125,045,129.28	303,700,425.89	383,994,879.16	44,750,676.01

(3) Defined contribution plan

Item	Opening balance	Increase	Decrease	Closing balance
Pension	16,368.80	35,365,854.34	35,367,534.34	14,688.80
Unemployment insurance	511.54	1,130,285.83	1,130,338.33	459.04
Total	16,880.34	36,496,140.17	36,497,872.67	15,147.84

30. Tax payable

Item	Closing balance	Opening balance
Enterprise income tax	4,761,877.27	9,815,321.28

Value-added tax	9,234,677.72	3,632,033.88
Real estate tax	2,895,102.58	2,987,873.81
Land use tax	1,652,378.23	1,343,645.06
City maintenance and construction tax	902,182.78	361,550.05
Stamp duty	715,429.83	775,147.93
Education surcharge	601,823.55	216,192.20
Individual income tax	300,096.18	577,158.49
Environmental tax	42,612.39	43,893.87
Total	21,106,180.53	19,752,816.57

31. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long term loans due within one year	182,250,000.00	219,320,544.93
Long-term payable due within one year	11,227,411.77	14,883,189.60
Lease obligation due within one year	4,089,628.02	3,243,236.11
Total	197,567,039.79	237,446,970.64

32. Other current liabilities

Item	Closing balance	Opening balance
Notes payable endorsed not derecognized	107,933,791.39	145,365,603.31
Output Vat to be carried forward	38,942,677.07	39,373,636.22
Total	146,876,468.46	184,739,239.53

33. Long-term borrowing

(1) Category of long-term borrowing

Category	Closing Balance	Opening Balance
Pledged loan	272,700,000.00	333,902,223.70
Guarantee loan	31,400,000.00	34,426,021.48
Total	304,100,000.00	368,328,245.18

34. Lease obligation

Category	Closing Balance	Opening Balance
Lease payment	33,229,979.92	37,530,642.51
Less: unrecognized finance expense	16,747,057.23	17,790,446.86
Non-current liability due within 1 year	4,089,628.02	3,177,021.87
Total	12,393,294.67	16,563,173.78

35. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	16,350,240.32	18,845,786.63

Total	16,350,240.32	18,845,786.63
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35.1 Category by nature

Item	Closing Balance	Opening Balance
Financial lease borrowings	16,350,240.32	18,845,786.63
Total	16,350,240.32	18,845,786.63

36. Provision

Nature	Closing Balance	Opening Balance	Reason
Warranty	1,734,500.48	2,300,208.22	
Others	1,301,570.00		
Total	3,036,070.48	2,300,208.22	

37. Deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance
Government subsidy	92,793,132.73	1,296,628.04	12,499,831.41	81,589,929.36
Total	92,793,132.73	1,296,628.04	12,499,831.41	81,589,929.36

38. Share capital

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

39. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	669,193,413.27			669,193,413.27
Other capital reserves	48,637,227.88		733,542.77	47,903,685.11
Total	717,830,641.15		733,542.77	717,097,098.38

40. Other comprehensive income

Items	Opening Balance	2026.1-6					Closing Balance
		Amount for the period before income tax	Less: Previously recognized in profit or loss into other comprehensive income	Less: income tax	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
I. Later can't reclassified into profit and loss of other comprehensive income	-	-	-	-	-	-	-
II. Later reclassified into profit and loss of other comprehensive income	2,208,669.73	-	-	-	-	-	2,208,669.73
Other comprehensive income that can be transferred to profit or loss under the equity method	2,208,669.73	-	-	-	-	-	2,208,669.73
Other comprehensive income total	2,208,669.73	-	-	-	-	-	2,208,669.73

41. Special reserve

Item	Opening Balance	Increase	Decrease	Closing Balance
Manufacturing safety	1,988,616.80	6,638,471.74	5,580,969.23	3,046,119.31
Total	1,988,616.80	6,638,471.74	5,580,969.23	3,046,119.31

42. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	393,376,564.76			393,376,564.76
Discretionary surplus reserve	529,825,770.25	24,743,592.75		554,569,363.00
Total	923,202,335.01	24,743,592.75		947,945,927.76

43. Undistributed profits

Item	2026-06-30	2025-06-30
Closing balance of last year	666,260,524.87	673,966,177.84
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		-
Opening balance of current year	666,260,524.87	673,966,177.84
Add: net profit attributable to shareholders of parent company in the year	47,142,616.07	62,038,793.70
Less: Provision for statutory surplus reserves		12,371,796.37
Provision for any surplus reserves	24,743,592.75	15,212,024.95
Dividends payable for common shares	42,160,625.35	42,160,625.35
Others	686,457.23	
Closing balance of current year	645,812,465.61	666,260,524.87

44. Operating revenue and cost

(1) Details

Items	2026.01-06		2025.01-06	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	2, 128, 242, 559. 30	1, 805, 895, 464. 58	2, 346, 491, 455. 81	1, 978, 257, 633. 93
Revenue from other operation	51, 427, 786. 26	24, 425, 874. 06	38, 783, 330. 24	15, 281, 566. 80
Total	2, 179, 670, 345. 56	1, 830, 321, 338. 64	2, 385, 274, 786. 05	1, 993, 539, 200. 73

(2) Main revenue and COS details

Contract classification	Northeast China		Central China		Total	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Classified by products						
Manufacture products	1, 477, 019, 811. 63	1, 199, 221, 339. 15	86, 438, 248. 81	78, 396, 238. 37	1, 563, 458, 060. 44	1, 277, 617, 577. 52
Project installation	512, 279, 953. 82	479, 070, 761. 30	52, 504, 545. 04	49, 207, 125. 76	564, 784, 498. 86	528, 277, 887. 06
Other products and service	46, 411, 184. 37	22, 216, 425. 84	5, 016, 601. 89	2, 209, 448. 22	51, 427, 786. 26	24, 425, 874. 06
Classified by geography location						
domestic	1, 756, 056, 551. 09	1, 473, 766, 978. 44	143, 959, 395. 74	129, 812, 812. 35	1, 900, 015, 946. 83	1, 603, 579, 790. 79
overseas	279, 654, 398. 73	226, 741, 547. 85	143, 959, 395. 74	129, 812, 812. 35	279, 654, 398. 73	226, 741, 547. 85
Timing of goods transferred						
At a point	2, 035, 710, 949. 82	1, 700, 508, 526. 29	143, 959, 395. 74	129, 812, 812. 35	2, 179, 670, 345. 56	1, 830, 321, 338. 64
Over the time						
Total	2, 035, 710, 949. 82	1, 700, 508, 526. 29	143, 959, 395. 74	129, 812, 812. 35	2, 179, 670, 345. 56	1, 830, 321, 338. 64

45. Taxes and surcharges

Items	2026.01-06	2025.01-06
Property tax	6,082,883.58	5,414,391.06
City construction tax	3,062,701.83	3,905,022.67
Education surcharge	2,160,059.19	2,691,045.12
Land use tax	3,312,866.73	2,712,679.52
Stamp duty	1,382,756.19	1,337,054.70
Vehicle and vessel tax	13,684.08	24,079.08
Others	56,049.97	173,444.22
Total	16,071,001.57	16,257,716.37

46. Administrative expenses

Items	2026.01-06	2025.01-06
Employee benefit	67,141,914.20	69,120,056.85
Official expense	14,631,844.27	16,084,202.44
Depreciation expense	9,986,789.59	12,023,632.08
Maintenance and repair expense	1,560,419.03	1,589,653.02
Long-term assets amortization	7,885,938.56	5,381,646.45
Travel expense	2,562,093.15	4,386,732.64
Design consultant and test service expense	10,627,779.77	3,174,657.30
Safety production cost	1,586,060.83	1,994,019.39
Business entertaining expense	1,299,449.35	1,671,259.39
Insurance expense	924,475.78	967,662.39
Advertisement expense	984,424.94	168,642.18
Transportation expense	900.00	4,238.32
Patent trade mark use	218,200.04	4,696,215.64
Other expense	2,796,056.22	2,086,054.84
Total	122,206,345.73	123,348,672.93

47. Selling expenses

Items	2026.01-06	2025.01-06
Employee benefit	64,984,403.22	68,196,742.22
Official business expense	8,078,131.96	8,567,397.72
Travel expense	6,817,788.21	8,396,214.18
Business entertaining expense	4,774,930.70	3,835,075.56
Advertisement and bids expense	3,187,197.22	4,957,078.21
Maintenance and repair expense	2,852,746.59	8,364,735.06
Depreciation expense	1,057,933.38	1,107,441.98

Other expense	3,093,796.05	3,334,021.46
Total	94,846,927.33	106,758,706.39

48. Technology development expense

Items	2026.01-06	2025.01-06
Employee benefit	45,913,711.45	44,006,837.73
Raw material	9,010,232.35	5,966,648.85
Depreciation and amortization expense	7,635,126.23	7,354,601.96
Other expense	4,788,632.59	11,838,237.37
Total	67,347,702.62	69,166,325.91

49. Financial expenses

Items	2026.01-06	2025.01-06
Interest expenses	9,944,756.95	12,504,559.82
Less: interest income	2,255,910.41	3,358,417.93
Add: exchange loss	6,617,411.80	-4,839,403.93
Add: others expenditure	941,656.51	1,193,383.56
Total	15,247,914.85	5,500,121.52

50. Other income

Items	2026.01-06	2025.01-06
Government subsidy	6,943,766.80	1,812,199.32
Input VAT accelerated deduction	5,345,742.59	6,763,433.99
Personal income tax handling fee refund	274,897.00	215,957.44
Land tax and property tax reduction and exemption	150,000.00	
Total	12,714,406.39	8,794,590.75

51. Investment income

Items	2026.01-06	2025.01-06
Long-term equity investment gain under equity method	12,042,631.59	24,534,336.83
Gain from disposal of long-term equity investment		
Gain from FV remeasurement of the shares on obtaining control		
Gain from holding of other noncurrent financial assets		
Gain from disposal of other no-current financial assets		
Gain on debt restructuring	2,573,327.11	-1,358,198.53
Discounting fees for bank acceptance note	-443,559.74	
Dividend received for other equity instrument held		

Total	14, 172, 398. 96	23, 176, 138. 30
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52.Credit impairment loss (loss listed as “-”)

Items	2026.01-06	2025.01-06
Bad debt loss on notes receivable	459, 296. 29	813, 434. 62
Bad debt loss on receivable	-3, 895, 966. 49	-10, 807, 297. 06
Bad debt loss on other receivable	11, 850. 91	126, 546. 39
Bad debt loss on long term receivable	38. 32	-317. 80
Impairment losses related to financial guarantees	-1, 301, 570. 00	
Bad debt loss on long-term receivables due within one year	-2, 164. 15	
Total	-4, 728, 515. 12	-9, 867, 633. 85

53.Assets impairment losses (loss listed as “-”)

Items	2026.01-06	2025.01-06
Loss on impairment of inventory and cost to fulfill the contract obligation	-480, 187. 83	-1, 670, 601. 42
Loss of contract asset impairment	-715, 477. 85	-2, 002, 432. 69
Total	-1, 195, 665. 68	-3, 673, 034. 11

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

Item	2026.01-06	2025.01-06
Gain on non-current assets disposal	-77, 707. 59	-55, 842. 88
Including: gain on non-current assets disposal not classified as held for sale	-77, 707. 59	-55, 842. 88
Including: gain on fixed assets disposal	-77, 707. 59	-55, 842. 88
gain on intangible assets disposal		
gain on early derecognition of use right asset		
Total	-77, 707. 59	-55, 842. 88

55. Non-operating income

Item	2026.01-06	2025.01-06	Amounts recognized into non-recurring profit or loss for the period
Verified accounts payable	312, 122. 61	1, 708, 642. 64	312, 122. 61
Transfer of advance receipts for contract	764, 464. 00	1, 224, 522. 13	764, 464. 00
Fines, compensation gains	1, 425, 093. 60	2, 378, 322. 71	1, 425, 093. 60

Claim loss reversal	115,446.52	64,190.50	115,446.52
Gains from disposal of non current assets	23,286.26	114,569.27	23,286.26
Other items	39,723.05	65,352.90	39,723.05
Total	2,680,136.04	5,555,600.15	2,680,136.04

56. Non-operating expenses

Item	2026.01-06	2025.01-06	Amounts recognized into non-recurring profit or loss for the period
Non-current assets scrap loss	91,702.63	422,433.35	91,702.63
Compensation	64,777.10	306,937.79	64,777.10
Outward donation	100,000.00		100,000.00
Others			
Total	580,850.95	1,650,514.85	580,850.95

57. Income tax expenses

(1) Income tax expenses

Items	2026.01-06	2025.01-06
Current income tax expenses	11,278,042.30	15,216,378.89
Deferred income tax expenses	-3,115,102.72	-3,773,177.87
Total	8,162,939.58	11,443,201.02

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

Items	Current year
Consolidated total profit this year	56,613,316.87
Income tax expenses at applicable tax rate	8,491,997.53
Effect on subsidiary applied to different tax rate	50,453.09
Effect on prior period income tax adjustment	1,864,499.82
Effect on non-taxable income	-888,946.82
The impact of non deductible costs, expenses, and losses	-265,986.71
The impact of using previously unrecognized deferred tax assets on deductible losses	115,152.19
The impact of deductible temporary differences or deductible losses on unrecognized deferred tax assets in this period	2,007,970.76
Deferred income tax assets recognized for temporary differences in the previous period	716,737.11
Additional deduction for R&D expenses	-3,928,937.39
Income tax expense	8,162,939.58

58. Notes to cash flow statement

(1) Cash relevant to operating activities

1) Cash received relevant to operating activities

Items	2026.01-06	2025.01-06
Deposit returned	14,211,689.12	26,813,637.19
Financial funds	1,637,458.98	12,248,012.99
Lease premium received	12,783,959.98	4,308,103.91
Interest income	2,476,635.55	3,483,794.50
Receivable from the 3 rd party	3,506,690.35	1,369,647.62
Compensation	61,778.62	734,747.32
Received travel expense refund	189,453.65	783,253.97
Others	6,810,918.02	2,945,842.40
Total	41,678,584.27	52,687,039.90

2) Cash paid relevant to operating activities

Items	2026.01-06	2025.01-06
Expenditure	83,992,489.15	91,140,894.61
Deposit paid	21,891,126.60	27,778,877.46
Accounts receivable and payable	1,606,936.34	1,285,840.71
Bank charges	777,961.17	1,103,994.86
Account freeze	5,398,160.38	873,417.33
Others	878,910.54	1,855,413.62
Total	114,545,584.18	124,038,438.59

(2) Cash relevant to investing activities

1) Other cash received relevant to investing activities

Items	2026.01-06	2026.01-06
Fixed-term deposit	50,000,000.00	50,000,000.00
Total	50,000,000.00	50,000,000.00

2) Other cash paid relevant to investing activities

Items	2026.01-06	2025.01-06
Fixed-term deposit	60,222,000.00	50,000,000.00
Total	60,222,000.00	50,000,000.00

3) Significant cash paid relevant to investing activities

Items	2026.01-06	2025.01-06
Purchase and construct long-term assets	30,623,238.59	58,438,274.61

Total	30,623,238.59	58,438,274.61
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(3) Cash relevant to financing activities

1) Other cash received relevant to financing activities

Items	2026.01-06	2025.01-06
Notes payable to supplier	5,559,746.47	3,943,611.11
Sale leaseback and financial lease		2,000,000.00
Total	5,559,746.47	5,943,611.11

2) Others cash paid relevant to financing activities

Items	2026.01-06	2025.01-06
Sale& leaseback and financial lease	9,163,975.98	4,096,677.84
Payment factoring	3,500.00	3,246,537.60
Lease premium payable	1,862,370.33	2,230,749.01
Supply chain bills		11,842,104.45
Total	11,029,846.31	21,416,068.90

59. Supplementary information of consolidated cash flow statement

(1) Information

Items	2026.01-06	2025.01-06
1. Adjusting net profit into cash flows of operating activities:	—	—
Net profit	48,450,377.29	81,540,144.69
Add: Provision for impairment of assets	5,924,180.80	13,551,577.29
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	62,103,897.81	68,106,319.31
Depreciation of right-of-use assets	1,673,053.58	3,939,345.17
Amortization of intangible assets	8,700,002.24	7,851,714.06
Amortization of long-term deferred expenses	1,033,416.19	889,457.01
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	77,707.59	55,842.88
Losses on write-off of fixed assets (income listed with"-")	68,416.37	307,864.08
Change of fair value profit or loss		
Financial expense (income listed with"-")	9,944,756.95	12,504,559.82
Investment loss (income listed with"-")	-14,172,398.96	-23,176,138.30
Decrease of deferred tax assets (increase listed with"-")	8,342,706.65	-716,444.20
Increase of deferred tax liabilities (decrease listed with"-")	-11,314,230.52	-2,042,066.61
Decrease of inventories (increase listed with"-")	55,669,182.40	164,041,830.93
Decrease of operating receivables (increase listed with"-")	-172,835,088.93	-288,449,462.61
Increase of operating payables (decrease listed with"-")	-101,323,155.56	-39,372,848.35
Others		
Net cash flows arising from operating activities	-97,657,176.10	-968,304.83
2. Significant investment and financing activities unrelated to cash income and expenses	—	—
Liabilities transferred to capital	—	—
Convertible bonds within 1 year	—	—
Financing leased fixed assets	—	—
3. Net increase (decrease) of cash and cash equivalent	—	—

Items	2026.01-06	2025.01-06
Closing balance of cash	472,483,006.05	779,698,019.84
Less: Opening balance of cash	722,021,877.01	952,302,550.26
Add: Closing balance of cash equivalent	—	—
Less: Opening balance of cash equivalent	—	—
Net increase of cash and cash equivalent	-249,538,870.96	-172,604,530.42

(2) Cash and cash equivalents

Items	2026.01-06	2025.01-06
Cash	472,483,006.05	722,021,877.01
Including: Cash on hand	9,678.51	11,965.04
Bank deposit used for paying at any moment	472,473,327.54	722,009,911.97
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	472,483,006.05	722,021,877.01
Cash and cash equivalents with restriction within the Company and its subsidiaries of the group	-	-

(3) Monetary fund not belonging to cash and cash equivalent

Items	2026.01-06	2025.01-06	Reasons
Fixed term deposit	110,000,000.00	50,000,000.00	
Guarantee money for bank acceptance note	8,410,882.68	13,545,500.81	
Guarantee money for guarantee letter	19,328,431.64	7,035,512.05	
Frozen	10,578,125.84	6,650,265.95	
Rural workers' salary account restriction	685,722.16	3,191,024.44	
Interest receivable		217,708.30	
Rural workers' Guarantee money	219,297.00	351,057.41	
Total	149,222,459.32	80,991,068.96	—

60.Change of shareholder's equity

None

61.Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash	—	—	—
Including: USD	2,009,214.31	6.8109	13,684,557.74
Euro	11,078.73	7.7671	86,049.60
JPY	439,713,013.00	0.042045	18,487,733.63
HK\$	431,397.24	0.8699	375,255.20
Accounts receivable	—	—	—
Including: USD	8,870,519.68	6.8109	60,416,222.49
Euro	2,287,603.20	7.7671	17,768,042.81
GBP	140,443.58	9.4346	1,325,029.00
JPY	66,461,232.16	0.042045	2,794,362.51
Accounts payable	—	—	—
Including: USD	1,567,922.11	6.8109	10,678,960.70
JPY	59,540,181.30	0.042045	2,503,366.92

62. Lease

As a lessee

Items	2026.01-06	2025.01-06
Interest expense on lease liabilities	43,360.69	836,389.40
Short-term lease expense recognized in income statement	716,486.26	839,203.46
Low-value asset lease expense recognized in income statement (excl short-term lease)	—	—
Income from the sublease of the right-of-use the assets	—	—
Sum of cash outflows related to leases	1,393,699.80	1,729,755.25
Cash inflow from sale and leaseback transactions	—	765,653.09
Cash outflow from sale and leaseback transactions	—	4,426,991.15

As a lessor

Operating lease

Items	Lease income	Include: income related to variable lease payments not included in lease payment receivable
Office and plant	14,171,858.30	—
Total	14,171,858.30	—

VIII .Research and development expense

Items	2026.01-06	2025.01-06
Employee benefit	45,913,711.45	44,006,837.73

Items	2026.01-06	2025.01-06
Raw material	9,010,232.35	5,966,648.85
Depreciation and amortization expense	7,635,126.23	7,354,601.96
Other expense	4,788,632.59	11,838,237.37
Total	67,347,702.62	69,166,325.91
Expensed R&D	67,347,702.62	69,166,325.91

IX. Change of Consolidation Scope

The scope of consolidation at the end of the reporting period increased by one compared to the beginning of the year, which is Dalian Bingshan Part Technology Co., Ltd.

The scope of consolidation at the end of the reporting period decreased by one compared to the beginning of the year, which is Wuhan Lanning Energy Technology Co., Ltd.

X. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

Name of subsidiaries	Registered capital (10K)	Main business address	Registered address	Business nature	Shareholding (%)		Obtaining method
					Direct	Indirect	
Dalian Bingshan Group Engineering Co., Ltd.	30,000.00	Dalian	Dalian	Installation	100	-	Establish
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	1,000.00	Chengdu	Chengdu	Service	-	51	Establish
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	8,254.00	Dalian	Dalian	Manufacturing	100	-	Establish
Dalian Bingshan Guardian Automation Co., Ltd.	5,070.07	Dalian	Dalian	Manufacturing	100	-	Establish
Dalian Bingshan-RYOSETSU Quick Freezing Equipment Co., Ltd.	5,757.87	Dalian	Dalian	Manufacturing	100	-	Establish
Wuhan New World Refrigeration Industrial Co.,	20,000.00	Wuhan	Wuhan	Manufacturing	100	-	Acquisition

Name of subsidiaries	Registered capital	Main business	Registered address	Business nature	Shareholding (%)		Obtaining method
Ltd.							
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	3,500.00	Wuhan	Wuhan	Installation	-	100	Establish
Dalian Universe Thermal Technology Co., Ltd.	8,000.00	Dalian	Dalian	Manufacturing	55	-	Acquisition
Dalian Bingshan Engineering & Trading Co., Ltd	3,000.00	Dalian	Dalian	Service	100	-	Acquisition
Dalian Bingshan Engineering & Trading (Hong Kong) Co., Ltd.	320.00	Hong Kong	Hong Kong	Service	-	100	Acquisition
Sonyo Compressor (Dalian)Co., Ltd.	44,239.67	Dalian	Dalian	Manufacturing	100	-	Acquisition
Sonyo Refrigeration System (Dalian) Co., Ltd.	10,500.00	Dalian	Dalian	Manufacturing	75	25	Acquisition
Sonyo Refrigeration (Dalian) Co., Ltd.	21,208.47	Dalian	Dalian	Manufacturing	100	-	Acquisition
Dalian Bingshan Part Technology Co., Ltd.	1,000.00	Dalian	Dalian	Manufacturing	-	100	Acquisition

1) All the proportion of shareholding in subsidiaries were the same with voting right.

2) The Company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right.

(2) There are no significant non-subsidiaries.

2.Change of equity share in subsidiary which is still under control

(1) Change of equity share in subsidiary

None.

3. Equity in joint venture arrangement or associated enterprise

(1) The important affiliated companies

Name of joint ventures or affiliated companies	Main business address	Registered address	Business nature	Shareholding (%)		Accounting methods
				Direct	Indirect	
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49.00	-	Equity method

1) The Company has the same percentage of shareholding and voting right in joint-venture or affiliated company.

(2) The Company doesn't have joint venture or affiliated companies which have no significant influence although being held 20% or more voting rights. The key financial information of affiliated companies

Items	Closing balance/Current period	Opening balance/Last period
	Dalian Bingshan Metal Technology Co., Ltd.	
Current assets	298,973,530.21	278,789,258.68
Non-current assets	42,095,631.56	40,260,431.18
Total assets	341,069,161.77	319,049,689.86
Current liabilities	72,661,176.36	53,180,522.14
Non-current liabilities		
Total liabilities	72,661,176.36	53,180,522.14
Minority interests		
Equity to the parent company	268,407,985.41	265,869,167.72
Share of net assets according to the shareholding proportions	131,519,912.85	130,275,892.18
Adjusting events		
—Goodwill	19,269,770.94	19,269,770.94
—Unrealized profits of insider trading		
--Others		
Book value of equity investment of affiliated companies	150,944,936.06	149,477,458.42

Items	Closing balance/Current period	Opening balance/Last period
	Dalian Bingshan Metal Technology Co., Ltd.	
Fair value of equity investment with public offer		
Operating income	228, 164, 148. 83	223, 050, 763. 81
Financial expense		
Income tax expense		
Net profit	24, 590, 935. 13	27, 838, 652. 85
Net profit of discontinuing operation		
Other comprehensive income		
Total comprehensive income	24, 590, 935. 13	27, 838, 652. 85
The current dividends received from joint ventures		

(3) Summary financial information of insignificant affiliated companies

Items	2026.01-06	2025.01-06
Affiliated company	—	—
Total book value of investment of affiliated companies	343, 534, 286. 55	353, 262, 648. 48
The total of following items according to the shareholding proportions	—	—
Net profit	2, 895, 438. 89	32, 372, 063. 31
Other comprehensive income	2, 895, 438. 89	32, 372, 063. 31
Total comprehensive income		

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

No.

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

No.

XI. Government Grant

Liability item involved in government grant

Items	Opening Balance	Increase	Into non- operatin g income	Into other income	The value offset cost and expense	Closing Balance	Related to asset/incom e
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Deferred income	80,325,538.53			5,877,138.76	3,675,769.92	70,772,629.85	asset
Deferred income	11,685,913.91				948,614.40	10,737,299.51	asset/income
Deferred income	781,680.29	1,296,628.04		1,216,628.04	781,680.29	80,000.00	income
	92,793,132.73	1,296,628.04		7,093,766.80	5,406,064.61	81,589,929.36	—

1. Recognized in income statement

Items	2026.01-06	2025.01-06
Other income	7,093,766.80	1,812,199.32

XII. Risk Related to Financial Instruments

The main financial instruments held by the group are borrowings, accounts receivable, accounts payable, other non-current financial asset etc. The detailed explanation is referred to the note No.V. The related risks of these financial instruments and the risk management policy conducted to reduce these risks by the group are introduced as below. The group management conducts to manage and monitor these risks exposure and control these risks under certain risk level.

1. Objectives and policies of each risk management

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

(1) Market risk

1) Exchange rate risk

Most of the Company's business is located in China, and settled with RMB. But the Company defined exchange rate risk of assets, liabilities dominated in foreign currency and future transaction dominated in foreign currency (mainly including USD, JPY, EURO, HKD and GBP). The financial department of the Company monitors the Company's foreign currency transaction and the scale of foreign assets and liabilities, and decreases exchange rate risk. During the current year the Company did not agree any forward foreign exchange contract or currency swap contract. As at June 30, 2026, the Company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	June 30, 2026	January 1, 2026
Monetary fund-USD	13,684,557.74	10,539,621.43
Monetary fund-JPY	18,487,733.63	13,409,787.49
Monetary fund- EURO	86,049.60	400,386.29
Monetary fund- HKD	375,255.20	336,511.67
Receivable -USD	60,416,222.49	60,641,684.16
Receivable -GBP	1,325,029.00	1,325,029.00
Receivable -JPY	2,794,362.51	4,945,567.88
Receivable - EURO	17,768,042.81	5,539,903.08
Payables -USD	10,678,960.70	9,830,989.06
Payables -JPY	2,503,366.92	2,478,880.79

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

2) Interest rate risk

The interest risk of the group incurred from bank loan, risk of a floating interest rate of financial liabilities that lead to the group facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the group facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. The group's interest-bearing debt is borrowings of RMB 665,541,600.00 at fixed interest rate as of June 30,2026(borrowings of RMB 766,921,600.00 in December 31 2025).

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

3) Price risk

The price risk of 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 great economic downward pressure, and the drastic fluctuations of bulk material prices have a certain impact on the group 's operations.

(2) Credit risk

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

The group 's monetary fund was in bank with higher credit rating, so there was no significant credit risk,

nor significant losses due to the default of other entity. Upper limit policy is adopted to avoid any credit risk from financial institution.

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

As at June 30, 2026, the top five customers of receivable accounts balance are 308,105,190.47 Yuan, representing 11.64% of sum of receivable and contract assets.

(3) Liquidity risk

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

The fund mainly comes from bank loan. By June 30, 2026, the credit limit still available is 982.34 million Yuan(765.66 million Yuan 2025) and short-term credit limit available is 982.34 million Yuan(765.66 million Yuan 2025).

As at June 30, 2026, the group's financial assets and financial liabilities in line with non-discounted cash flow of the contracts as following:

Currency unity:10kYuan

Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial Assets					
Cash and cash in bank	62, 170. 55				62, 170. 55
Notes receivable	26, 736. 59				26, 736. 59
Accounts receivable	182, 660. 91				182, 660. 91
Financing receivable	35, 936. 19				35, 936. 19
Other Receivable	3, 956. 69				3, 956. 69
Contract asset	18, 805. 35				18, 805. 35
Other current asset	2, 592. 03				2, 592. 03

Other non-current financial asset				168.39	168.39
Long-term receivable			38.61	82.92	121.53
Financial Liabilities					
Short-term loan	20,466.51				20,466.51
Notes Payable	63,870.54				63,870.54
Accounts payable	176,464.58				176,464.58
Other payable	21,988.40				21,988.40
Employee's payable	4,476.58				4,476.58
Tax payable	2,110.62				2,110.62
Non-current liability due within 1 year	19,756.70				19,756.70
Long-term loan		15,550.00	14,910.00		30,410.00
Lease obligation			362.76	876.57	1,239.33
Long-term payable			1,635.02		1,635.02

2. Financial asset transfer

(1) Classified by transfer method

Transfer method	Nature	Amount	Derecognition	Basis for derecognition
Endorsement of a bill	Bank acceptance bill with high credit rating	257,999,105.00	Y	All risk and reward have been transferred
Discounting a bill	Bank acceptance bill with high credit rating	23,033,997.15	Y	All risk and reward have been transferred
Endorsement/discounting of a bill	Bank/trade acceptance bill with non-high credit rating	110,531,475.13	N	Retain mostly risk and reward including default risk
Factoring	Receivable	7,190,000.00	Y	All risk and reward have been transferred
Total	—	398,754,577.28	—	—

(2) Derecognized financial asset due to transfer

Item	Transfer method	Derecognized Amount	Gain/loss from derecognition
Bank acceptance bill with high credit rating	Endorsement of a bill	257,999,105.00	
Bank acceptance bill with high credit rating	Discounting a bill	23,033,997.15	-69,838.86
Receivable	Factoring without recourse	7,190,000.00	-219,456.37
Total	—	288,223,102.15	-289,295.23

XIII. Related Parties Relationship and Transactions

i. Related parties' relationship

1. Controlling shareholder and ultimate controller

(1) Controlling shareholder and ultimate controller

Parent company	Registered address	Business nature	Registered capital (10K)	Shareholding percentage (%)	Voting power percentage (%)
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	11,108.00	20.27	20.27

Note: Dalian Bingshan Group Co., Ltd. is a Sino –foreign joint venture located No.106 Liaohu East Road, DDZ, Dalian, China. The legal representative of Dalian Bingshan Group Co., Ltd. is Mr. Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope includes research, development, manufacture, sales, service and installment of refrigeration equipment, cooling and freezing equipment, different size of air-conditioners, petrochemical equipment, electronic and electronic- control products, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

The Company's ultimate controller is Dalian Bingshan Group Co., Ltd.

2. Subsidiaries

Referrer to the content in the Note “VIII. 1. (1) Organization structure of group company”.

3. Affiliated company and joint venture

The information of the affiliated company and joint venture please refers to the note “VIII. 3.(1)

The significant affiliated company and joint venture’. The Company had transactions with related parties during the current period or last period, including:

Names of the joint ventures or affiliated company	Relationships with the Company
Keinin-Grand Ocean Thermal 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 Bingshan Group Huayida Commercial Factoring Co., LTD	Subsidiary of its affiliated 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
PT BINGSHANMAKMUR INDONESIA	Affiliated company of its subsidiary

4. Other related parties

Name of related party	Related party relationship
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.	Both parties are under the control of or significant influence by the same party(Within the past 12 months)
LINDE HYDROGEN FUELTECH (DALIAN) CO., LTD.	Both parties are under the control of or significant influence by the same party

Name of related party	Related party relationship
Linde Engineering (Dalian) Co., Ltd.	Both parties are under the control of or significant influence by the same party
Dalian Shentong Electric Co., Ltd,	Both parties are under the control of or significant influence by the same party
Dalian Fuji Bingshan Control System Co., Ltd.	Both parties are under the control of or significant influence by the same party
BAC Dalian Co., Ltd.	Both parties are under the control of or significant influence by the same party
Dalian Bingshan Wisdom Park Co., Ltd.	The Company director serves as a director of that company
Dalian Binggu Hotel Management Co., Ltd.	The Company director serves as a director of that company
Dalian Xianggu Intelligent Technology Co., Ltd.	The Company director serves as a director of that company
Alphavita Bio-scientific (Dalian) Co., Ltd.	The Company director serves as a director of that company
Bingshan Technology Service (Dalian) Co., Ltd.	Under control of the same ultimate controlling party
Sonyo Cold Chain (Dalian) Co., Ltd.	The Company director serves as a director of that company
Sonyo Cold Chain (Dalian) Equipment (Wuhan) Co., LTD	The Company director serves as a director of that company
Dalian Kangyang Industry Group Co., LTD	The Company director serves as a director of that company
Dalian State-owned Assets Investment and Management Group Co.,Ltd.	An associated natural person serves as a director of the company

Note: Companies under direct/indirect Control of Panasonic Co., Ltd are:

Panasonic Electric Taiwan Co.,Ltd. , Wanbao(Guangzhou) Compressor Co.,Ltd, , Panasonic Electronic Devices(Jiangmen)Co.,Ltd. , Panasonic R&D Center Suzhou Co.,Ltd Dalian Branch , Panasonic Corporation, Panasonic Industry (China) Co., Ltd. , Shanghai Branch, Appliances Microwave Oven(Shanghai) Co.,Ltd. , Panasonic Motor(Hangzhou)Co.,Ltd. , Panasonic Electric Equipment (China) Co.,Ltd. , Panasonic Appliances Air-Conditioning and Refrigeration Corporation, Panasonic Home Appliances (China) Co.,Ltd. , Panasonic Procurement(CHINA)Co.,Ltd. , Panasonic Industry (China) Co., Ltd. , Panasonic Home Appliances(Hangzhou)Co.,Ltd. , Singapore Panasonic Cold Chain Asia, Panasonic Sales Taiwan Co Ltd..

Panasonic Appliances Air-Conditioning Malaysia Sdn.Bhd., Panasonic Cold Chain Poland Sp. Z O.O. 、 Panasonic Connect Co.,Ltd.Media Entertainment Business Division 、 Panasonic Corporation 、 Panasonic Corporation Appliances Company Heating & Cooling Solutions Bd Commercial Air-Conditionin 、 Panasonic Corporation Appliances Company 、 Panasonic Corporation Heating & Ventilation A/C Company Heating And Cooling Devices Business Division、 Panasonic Corporation Heating & Ventilation Ac Company Commercial Equipment Solutions Business Division、 Panasonic Do Brasil Limitada Miami Branch、 Panasonic Heating And Ventilation Air-Conditioning Czech,S.R.O.、 Panasonic Hong Kong Co.,Ltd.、 Panasonic

India Pvt Ltd (Apin)、Panasonic Industrial Devices Sales Company Of America、Panasonic Industrial Devices Sales Taiwan Co.,Ltd.、Panasonic Industrial Devices Sales(M)Sdn Bhd、Panasonic Industry Europe Gmbh、Panasonic Industry Sales Asia Pacific、Panasonic Life Solutions India Private Limited、Panasonic Operational Excellence Co.,Ltd.、Panasonic Operational Excellence Co.,Ltd. (Pex)、Panasonic Taiwan Co.,Ltd.、Panasonic A.P.Sales (Thailand)Co.Ltd、Panasonic Corporation、Panasonic Corporation Appliances Company.

ii. 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	2026.01-06	2025.01-06
BAC Dalian Co., Ltd.	Purchases of goods	4,879,054.03	12,891,976.50
Bingshan Technology Service (Dalian) Co., Ltd.	Purchases of goods	4,178,879.64	9,238,810.28
Sonyo Cold Chain (Dalian)Co. Ltd	Purchases of goods	59,222,021.14	41,445,471.06
Alphavita Bio-scientific (Dalian) Co., Ltd.	Purchases of goods	186,856.60	93,428.30
Dalian Honjo Chemical Co., Ltd	Purchases of goods	11,409,168.93	1,392,076.63
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Purchases of goods	81,392.27	7,208.11
Dalian Bingshan Metal Technology Co., Ltd.	Purchases of goods	26,299,959.10	28,338,772.07
Dalian Fuji Bingshan Control System Co., Ltd.	Purchases of goods	1,158,277.88	1,999,595.78
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods	1,305.15	18,241.71
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	Purchases of goods		19,469.03
Dalian Jingxue Insulation Technology Co., Ltd.	Purchases of goods	188,197.35	1,999,595.78
Dalian Shentong Electric Co., Ltd.	Purchases of goods	2,851,649.36	4,010,542.09
Jiangsu Jingxue Insulation Technology Co., Ltd.	Purchases of goods	1,160,344.94	7,600,991.19
Shanghai Jingxue Insulation Technology Co., Ltd.	Purchases of goods	870,030.99	
Company under direct/indirect Control of Panasonic Co., Ltd	Purchases of goods	10,139,961.55	21,681,272.45
Dalian Spindle Environmental Facilities Co., Ltd	Purchases of goods	1,830,566.22	4,180,530.98
Dalian Bingshan Wisdom Park Co., Ltd	Receive labor services	898,329.32	1,135,740.74
Dalian Bingshan Group Co., Ltd.	Receive labor services	65,696.01	21,681,272.45
Dalian Binggu Hotel Management Co., Ltd.	Receive labor services	1,188.12	4,180,530.98

(2) Sales of goods/ labour services provision

Related party	Content	2026.01-06	2025.01-06
Company under direct/indirect Control of Panasonic Co., Ltd	Sales of goods	137,983,652.70	163,578,247.40
Sonyo Cold Chain (Dalian) Co., Ltd	Sales of goods	81,293,578.23	68,651,671.06
BAC Dalian Co., Ltd	Sales of goods	89,089,916.14	61,674,033.25
Bingshan Technology Service (Dalian) Co., Ltd.	Sales of goods	9,141,932.95	8,423,665.24
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	1,514,999.69	3,221,321.30
Dalian Bingshan Wisdom Park Co., Ltd	Sales of goods	304,214.17	383,661.03
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Sales of goods	3,078,477.58	4,776,622.01

Related party	Content	2026.01-06	2025.01-06
Alphavita Bio-scientific (Dalian) Co., Ltd.	Sales of goods	761, 706. 90	1, 615, 598. 37
Dalian Honjo Chemical Co., Ltd	Sales of goods	2, 862, 249. 94	2, 173, 330. 51
Dalian Fuji Bingshan Control System Co., Ltd.	Sales of goods		1, 929, 667. 17
Dalian Bingshan Metal Technology Co., Ltd.	Sales of goods	1, 098, 503. 06	296, 199. 40
Dalian Shentong Electric Co., Ltd	Sales of goods	108, 600. 87	249, 203. 55
Dalian Jingxue Freezing Equipment Co., Ltd	Sales of goods	51, 556. 08	0. 00
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Sales of goods		2, 991, 150. 45
Wuhan Sikafu Power Control Equipment Co., Ltd.	Sales of goods	25, 957. 36	70, 027. 60
Sonyo Cold Chain (Dalian) Equipment (Wuhan) Co., Ltd.	Sales of goods	3, 540, 225. 50	1, 517, 802. 35
Linde Engineering (Dalian) Co., Ltd.	Sales of goods		8, 321. 10
Dalian Bingshan Group Co., Ltd.	Sales of goods	84, 905. 66	0. 00
Dalian Spindle Environmental Facilities Co., Ltd	Sales of goods	131, 801. 94	436, 300. 59
Dalian Fuji Bingshan Control System Co., Ltd.	Supply labor services		249, 213. 96
Dalian Bingshan Group Co., Ltd.	Supply labor services	8, 606. 62	4, 391. 14
Dalian Shentong Electric Co., Ltd	Supply labor services	2, 644. 50	7, 002. 84

(3) Assets Lease

Assets rent out

Lessee	Category of assets rent out	Current period Lease Income	Last period Lease Income
Dalian Bingshan Wisdom Park Co., Ltd	Land/property	6, 140, 264. 35	4, 506, 673. 78
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	Plant	1, 913, 862. 82	1, 904, 761. 90
Sonyo Cold Chain (Dalian) Equipment (Wuhan) Co., Ltd.	Plant /Employee dormitory	4, 461, 437. 08	1, 281, 079. 83
Company under direct/indirect Control of Panasonic Co., Ltd	Office/ Plant /Employee dormitory	387, 405. 72	381, 668. 58
Dalian Jingxue Freezing Equipment Co., Ltd	Plant and office	326, 408. 92	381, 454. 77
Wuhan Sikafu Power Control Equipment Co., Ltd	Plant	360, 522. 94	496, 132. 49
Bingshan Technology Service (Dalian) Co., Ltd.	Plant and office	163, 289. 51	147, 436. 30
Dalian Xiangtu Intelligent Technology Co., Ltd.	Equipment	272, 787. 61	
Dalian Spindle Environmental Facilities Co., Ltd.	Office		880. 72

Assets under lease

Lessor	Category of assets rent in	Lease premium paid	
		2026.01-06	2025.01-06
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Fixed asset	3, 113, 463. 00	3, 446, 272. 00
Sonyo Cold Chain (Dalian)Co. Ltd	Plant		1, 700, 966. 97

(Continued)

Lessor	Interests on lease liabilities		Increased right-of-use assets	
	2026.01-06	2025.01-06	2026.01-06	2025.01-06
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	719, 720. 24	793, 607. 86		13, 053, 097. 33
Sonyo Cold Chain (Dalian)Co. Ltd		157, 060. 35		

Funds borrow from /lent to related party

Name of the related party	Amount	Starting date	Ending date	Explanation
Funds in				
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	14, 750, 000. 0 0	2025. 1. 21	2030. 1. 20	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	13, 805, 309. 7 3	2021. 11. 10	2026. 11. 9	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	4, 000, 000. 00	2025. 9. 29	2027. 9. 28	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	2, 000, 000. 00	2025. 10. 9	2027. 10. 8	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	1, 000, 000. 00	2025. 3. 14	2028. 3. 13	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	1, 000, 000. 00	2025. 4. 29	2028. 4. 28	Sale and leaseback
Dalian Bingshan Group Huahuida Financial Leasing Co.,Ltd	8, 600, 000. 00	2024. 7. 26	2026. 7. 25	Sale and leaseback
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	5, 000, 000. 00	2025. 7. 23	2026. 7. 22	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	1, 801, 481. 40	2025. 8. 13	2026. 8. 12	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	830, 733. 36	2025. 8. 22	2026. 8. 21	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	1, 200, 000. 00	2024. 8. 26	2026. 8. 25	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	1, 500, 000. 00	2025. 9. 25	2026. 9. 24	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	2, 500, 000. 00	2025. 10. 9	2026. 10. 8	Factoring
Dalian Bingshan Group Huayida Commercial	1, 800, 000. 00	2024. 10. 31	2026. 10. 30	Factoring

Factoring Co., Ltd				
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	926,252.20	2025.11.19	2026.11.18	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	6,000,000.00	2025.1.15	2027.1.14	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	2,000,000.00	2025.5.21	2027.5.20	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	975,000.00	2025.6.23	2028.6.22	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	3,000,000.00	2026.2.12	2027.2.1	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	6,000,000.00	2026.3.25	2027.3.25	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	2,000,000.00	2026.3.31	2027.3.25	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	2,000,000.00	2026.4.1	2027.4.20	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	2,000,000.00	2026.4.9	2027.4.20	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	3,500,000.00	2026.4.23	2027.4.25	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	4,000,000.00	2026.4.24	2027.4.20	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	1,362,600.00	2026.5.26	2026.9.30	Factoring
Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd	3,000,000.00	2026.6.25	2026.9.24	Factoring

iii. Balances with Related party

1.Accounts receivable due from related parties

Item	Related party	Closing Balance	
		Book Balance	Bad debt Provision
Accounts receivable	Sonyo Cold Chain (Dalian)Co. Ltd.	75,178,026.79	4,245,678.65
Accounts receivable	BAC Dalian Co., Ltd	47,633,756.22	3,343,889.68
Accounts receivable	Company under direct/indirect Control of Panasonic Co., Ltd.	28,979,825.68	611,717.96
Accounts receivable	Bingshan Technology Service (Dalian) Co., Ltd.	16,129,190.14	1,340,826.01
Accounts receivable	Sonyo Cold Chain Equipment (Wuhan) Co., Ltd.	11,364,602.43	797,795.09
Accounts receivable	Dalian Bingshan Wisdom Park Co., Ltd.	13,459,491.87	2,599,142.73
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	2,265,667.82	159,049.88
Accounts receivable	Alphavita Bio-scientific (Dalian) Co., Ltd.	1,987,379.63	150,572.06
Accounts receivable	Linde Hydrogen Fueltech (Dalian) Co., Ltd.	1,539,244.44	136,865.17
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	2,902,070.24	215,035.08
Accounts receivable	Dalian Health and Wellness Industry Group Co., Ltd	984,924.15	303,652.12
Accounts receivable	PT BINGSHAN MAKMUR INDONESIA	704,650.00	85,040.66

Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	432,562.50	72,410.96
Accounts receivable	Linde Engineering (Dalian) Co., Ltd.	22,144.33	3,706.96
Accounts receivable	Dalian Shentong Electric Co., Ltd	16,118.00	927.69
Contract asset	Bingshan Technology Service (Dalian) Co., Ltd.	598,400.65	19,262.80
Contract asset	Sonyo Cold Chain (Dalian)Co. Ltd.	6,200.00	435.24
Other receivable	Bingshan Technology Service (Dalian) Co., Ltd.	417,280.00	15,272.45
Other receivable	Wuhan Sikafu Power Control Equipment Co., Ltd.	10,535.84	385.61
Other receivable	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.	23,573.33	862.78
Prepayment	Dalian Shentong Electric Co., Ltd	5,506,668.65	
Prepayment	BAC Dalian Co., Ltd	474.60	
Prepayment	Shanghai Jingxue Insulation Technology Co., Ltd.	54,431.10	
Prepayment	Company under direct/indirect Control of Panasonic Co., Ltd.	166,529.92	
Prepayment	Jiangsu Jingxue Insulation Technology Co., Ltd.	13,610.00	
Prepayment	Dalian Fuji Bingshan Control System Co., Ltd.	113,072.02	
Prepayment	Sonyo Cold Chain (Dalian)Co. Ltd.	399,893.11	
Prepayment	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	2,408.46	

(Continued)

Item	Related party	Opening Balance	
		Book Balance	Bad debt Provision
Accounts receivable	Sonyo Cold Chain (Dalian)Co. Ltd.	82,215,721.94	5,771,543.68
Accounts receivable	BAC Dalian Co., Ltd	32,884,151.56	2,308,467.44
Accounts receivable	Company under direct/indirect Control of Panasonic Co., Ltd.	24,865,710.98	714,583.39
Accounts receivable	Bingshan Technology Service (Dalian) Co., Ltd.	15,980,737.70	1,284,841.10
Accounts receivable	Sonyo Cold Chain Equipment (Wuhan) Co., Ltd.	6,843,953.97	482,102.58
Accounts receivable	Dalian Bingshan Wisdom Park Co., Ltd	6,779,040.11	2,315,259.55
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd	4,694,192.49	329,532.31
Accounts receivable	Alphavita Bio-scientific (Dalian) Co., Ltd.	2,894,365.08	232,267.21
Accounts receivable	Linde Hydrogen Fueltech (Dalian) Co., Ltd	1,539,244.44	136,865.17
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co., Ltd.	1,381,095.17	101,569.87
Accounts receivable	Dalian Health and Wellness Industry Group Co., Ltd	1,295,691.15	216,898.70
Accounts receivable	PT BINGSHAN MAKMUR INDONESTA	451,337.50	31,683.89
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	432,562.50	30,365.89
Accounts receivable	Linde Engineering (Dalian) Co., LTD	22,144.33	3,706.96

Accounts receivable	Dalian Shentong Electric Co., Ltd	2, 202. 00	154. 58
Contract asset	Bingshan Technology Service (Dalian) Co., Ltd.	598, 400. 65	19, 262. 80
Contract asset	Sonyo Cold Chain (Dalian)Co. Ltd.	6, 200. 00	435. 24
Other receivable	Bingshan Technology Service (Dalian) Co., Ltd.	400, 000. 00	14, 640. 00
Other receivable	Wuhan Skaff Power Control Equipment Co., Ltd.	12, 748. 03	466. 58
Other receivable	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.		
Prepayment	Dalian Shentong Electric Co., Ltd	6, 639, 791. 89	
Prepayment	BAC Dalian Co., Ltd	385, 423. 52	
Prepayment	Shanghai Jingxue Insulation Technology Co., Ltd.	383, 059. 40	
Prepayment	Company under direct/indirect Control of Panasonic Co., Ltd.	336, 456. 94	
Prepayment	Jiangsu Jingxue Insulation Technology Co., Ltd.	125, 062. 72	
Prepayment	Dalian Fuji Bingshan Control System Co., Ltd.	113, 072. 02	
Prepayment	Sonyo Cold Chain (Dalian)Co. Ltd.	58, 800. 00	
Prepayment	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd.	221. 70	

2.Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	Jiangsu Jingxue Insulation Technology Co.,Ltd	22, 675, 429. 27	34, 252, 465. 26
Accounts Payable	Sonyo Cold Chain (Dalian)Co., Ltd.	59, 140, 071. 88	33, 900, 564. 23
Accounts Payable	Bingshan Technology Service (Dalian) Co., Ltd.	6, 515, 036. 53	14, 357, 617. 55
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd,	12, 094, 904. 38	12, 076, 246. 08
Accounts Payable	BAC Dalian Co., Ltd	2, 643, 868. 78	10, 433, 242. 08
Accounts Payable	Dalian Honjo Chemical Co., Ltd.	9, 571, 044. 77	3, 006, 167. 36
Accounts Payable	Dalian Shentong Electric Co., Ltd	1, 965, 060. 47	1, 410, 292. 94
Accounts Payable	Company under direct/indirect Control of Panasonic Co., Ltd	2, 537, 325. 19	1, 322, 559. 18
Accounts Payable	Jiangsu Jingxue Insulation Environmental Engineering Co., Ltd		1, 017, 525. 00
Accounts Payable	Dalian Bingshan Part Technology Co., Ltd.		1, 309, 278. 51
Accounts Payable	Dalian Fuji Bingshan Control System Co., Ltd.	528, 991. 64	528, 991. 64
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd	24, 819. 94	23, 514. 79
Other payable	Dalian State-owned Assets Investment and Management Group Co., Ltd.	239, 013. 54	3, 639, 632. 23
Other payable	Dalian Fuji Bingshan Control System Co., Ltd.	1, 296, 055. 00	1, 340, 000. 00
Other payable	Company under direct/indirect Control of Panasonic Co., Ltd	229, 728. 24	1, 015, 476. 74
Other payable	Dalian Jingxue Freezing Equipment Co., Ltd.	70, 000. 00	70, 000. 00
Other payable	Wuhan Sikafu Power Control Equipment Co., Ltd	65, 495. 00	65, 495. 00
Other payable	Sanyo Corporation		19, 249. 06

Other payable	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.	31, 885. 32	
Long-term payable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	1, 155, 972. 91	18, 175, 681. 99
Long-term payable	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.		670, 104. 64
Non-current liability due within 1 year	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	7, 155, 176. 23	6, 388, 277. 92
Non-current liability due within 1 year	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.	4, 341, 155. 78	6, 103, 062. 21
Short-term borrowing	Dalian Bingshan Group Huayida Commercial Factoring Co., Ltd.	22, 875, 802. 82	11, 383, 996. 49
Contract liability	Dalian Honjo Chemical Co., Ltd.		266, 308. 00
Contract liability	Sonyo Cold Chain (Dalian) Co. Ltd.		190, 455. 04
Contract liability	Company under direct/indirect Control of Panasonic Co., Ltd.	42. 54	14, 845. 32
Contract liability	PT BINGSHAN MAKMUR INDONESTA	7, 200, 940. 00	
Other current liability	Sonyo Cold Chain (Dalian)Co. Ltd.		24, 759. 15
Accounts Payable	Dalian Jingxue Insulation Technology Co., Ltd.	32, 310. 00	
Other payable	Dalian Bingshan Wisdom Park Co., Ltd	3, 559. 80	
Other payable	Jiangsu Jingxue Insulation Technology Co., Ltd.	10, 091, 410. 31	

iv. Related Party Commitment

None

v. Others

None

XIV. Share-Based Payment

None

XV. Contingency & commitment

1. Commitment

None

2. Contingency

Up to June 30, 2026, guarantee obligations undertaken by the Company due to financial leasing.

The Company sold water chiller and heat pump to Shangdong 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 both a buyer and 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 June 30, 2026, the balance of the guarantee obligation of the financial lease is RMB 1.2072 million Yuan.

Dalian Bingshan-RYOSETSU Quick Freezing Equipment Co., Ltd. ('Bingshan-RYOSETSU'), the subsidiary of the Company sold refrigeration equipment to Jilin Fuyu Agricultural Technology Co., Ltd ('Jinlin Fuyu') in the form of financial lease. Bingshan-RYOSETSU as a seller signed finance lease contract with Huahuida as both a buyer and a lessor and Jinlin Fuyu as a lessee. The contract price is 20.50million Yuan. In case the lease premium is delayed by the lessee, Bingshan- RYOSETSU needs to pay lease premium on behalf of the lessee and be obliged to the buy back responsibility. Due to operational issues with Jilin Fuyu, repayment has been delayed. Bingshan- RYOSETSU received a "Notice of Advance Payment Performance for Jilin Fuyu Project" from Huahuida on July 30, 2026, requiring it to fulfill its guarantee responsibilities. Bingshan- RYOSETSU will advance monthly rent starting from August 2026, with a total advance payment of 9.1385 million yuan. In view of the above situation, Bingshan- RYOSETSU has provisioned an estimated liability of 1.3016 million yuan in its 2026 semi-annual financial statements.

Until June, 30, 2026, the balance of all guarantee obligation of the financial lease is RMB 10.3457 million Yuan. There is no situation where the Company needs to undertake the liability as the lessees' default.

There are no other significant or contingent matters to be disclosed until June, 2026.

XVI. Events after the Balance Sheet Date

The Company has no significant subsequent event after the balance sheet date.

XVII. Other Significant Events

1. Error correction and effect in previous period

No.

2. Debt Restructuring

No.

3. Asset exchange

(1) The exchange of non-monetary assets

No.

(2) The exchange of other assets

No.

4. Annuity Plan

No.

5. Operation termination

No.

6. Segment Information

The management of the group divided the business into 2 segments based on the geographic area: Northeast China and Central China. The Northeast is the Company's general headquarters and the subsidiaries registered in Dalian. The Central includes Chengdu Bingshan Refrigeration Engineering Co., Ltd, Wuhan New World Refrigeration Industrial Co., Ltd and its subsidiary, Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd.

(1) The basis and accounting policies of reporting segments

The internal organization structure, management requirements and internal report scheme are the determination basis for the Company to set the operating segments. The segments are those satisfied the following requirements.

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

The group 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	Northeast China	Central China	Offset	Total
1 Operating income	2, 289, 995, 778. 22	147, 006, 355. 80	-257, 331, 788. 46	2, 179, 670, 345. 56

Items	Northeast China	Central China	Offset	Total
2 Cost	1,955,900,255.24	131,487,132.05	-257,066,048.65	1,830,321,338.64
Impairment loss on assets	68,305,329.65	4,209,163.46		72,514,493.11
Impairment loss on credit	-1,277,599.51	-124,148.67	206,082.50	-1,195,665.68
Depreciation and amortization	-5,284,904.35	1,981,336.05	-1,424,946.82	-4,728,515.12
Investment income from associates and joint venture	12,733,981.46	1,671,353.48	-2,362,703.35	12,042,631.59
Operating profits(loss)	72,490,558.56	-3,194,830.98	-12,682,410.71	56,613,316.87
Income tax	8,719,535.32	12,360.29	-568,956.03	8,162,939.58
Net profit(loss)	63,771,023.24	-3,207,191.27	-12,113,454.68	48,450,377.29
Total assets	9,848,438,359.88	485,237,784.49	-2,891,975,754.73	7,441,700,389.64
Total liabilities	4,490,548,653.99	414,616,698.10	-682,884,483.35	4,222,280,868.74

(3) Others

None

7. Other important transactions and matters affect the investor's decision

The group hasn't had other important transactions and matters affect the investor's decision in this period.

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

1. Accounts receivable

(1) Bad debt provisions under accounting aging analysis method:

Aging	Closing Balance	Opening Balance
Within 1 year	396,283,498.87	329,107,924.75
1-2 years	117,603,771.03	96,447,719.64
2-3 years	54,841,024.37	44,816,338.73
Over 3 years	186,990,814.79	193,088,054.03
3-4 years	22,870,349.83	47,569,524.37
4-5 years	69,890,063.76	24,935,003.49
Over 5 years	94,230,401.20	120,583,526.17
Total	755,719,109.06	663,460,037.15

(2) Accounts receivable category

Item	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on group	755,719,109.06	100.00%	201,711,225.19	26.69%	554,007,883.87
(1) Accounting age as characters	490,188,321.50	64.86%	201,711,225.19	41.15%	288,477,096.31
(2) Related party within consolidation scope	265,530,787.56	35.14%	0.00	0.00%	265,530,787.56
Total	755,719,109.06	100.00%	201,711,225.19	26.69%	554,007,883.87

(Continued)

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Bad debt provision on group	663,460,037.15	100.00%	200,127,593.93	30.16%	463,332,443.22
(1) Accounting age as characters	450,095,572.09	67.84%	200,127,593.93	44.46%	249,967,978.16
(2) Related party within consolidation scope	213,364,465.06	32.16%		0.00%	213,364,465.06
Total	663,460,037.15	100.00%	200,127,593.93	30.16%	463,332,443.22

(3) Bad debt provision

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Collected/reversed	Written-off	Other	
Bad debt provision	200,127,593.93	1,583,631.26				201,711,225.19
Total	200,127,593.93	1,583,631.26				201,711,225.19

2. Other Receivables

Item	Closing Balance	Opening Balance
Interest receivable	-	-
Dividend receivable	10,542,431.14	160,000,000.00
Other receivable	31,116,573.00	31,936,403.02
Total	41,659,004.14	191,936,403.02

2.1 Dividend receivable

Item	Closing Balance	Opening Balance
------	-----------------	-----------------

Sonyo Refrigeration System (Dalian)Co., Ltd.	9,950,103.85	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	592,327.29	
Sonyo Compressor (Dalian)Co., Ltd.		160,000,000.00
Total	10,542,431.14	160,000,000.00

2.2 Other receivable

(1) The category of other receivables

Items	Closing Balance	Opening Balance
Receivables and payables	21,935,014.23	21,672,864.74
Petty cash	8,766,312.16	10,098,294.00
Deposits	1,128,186.89	802,756.27
Others	177,051.00	283,625.00
Total	32,006,564.28	32,857,540.01

(2) Other receivable listed by account aging

Aging	Closing Balance	Opening Balance
Within 1 year	3,087,641.25	6,364,219.32
1-2 years	3,223,483.68	2,169,795.06
2-3 years	1,505,759.72	906,004.63
Over 3 years	24,189,679.63	23,417,521.00
3-4 years	906,004.63	1,755,617.00
4-5 years	1,621,771.00	50,000.00
Over 5 years	21,661,904.00	21,611,904.00
Total	32,006,564.28	32,857,540.01

(3) Other receivable classified by provision method

Item	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual	-	-	-	-	-
Bad debt provision on group	32,006,564.28	100.00%	889,991.28	2.78%	31,116,573.00
(1) Accounting age as characters	12,006,564.28	37.51%	889,991.28	7.41%	11,116,573.00
(2) Related party within consolidation	20,000,000.00	62.49%			20,000,000.00

scope					
Total	32,006,564.28	100.00%	889,991.28	2.78%	31,116,573.00

(continued)

Item	Opening Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Bad debt provision on individual	-	-	-	-	-
Bad debt provision on group	32, 857, 540. 01	100. 00%	921, 136. 99	2. 80%	31, 936, 403. 02
(3) Accounting age as characters	12, 857, 540. 01	39. 13%	921, 136. 99	7. 16%	11, 936, 403. 02
(4) Related party within consolidation scope	20, 000, 000. 00	60. 87%			20, 000, 000. 00
Total	32, 857, 540. 01	100. 00%	921, 136. 99	2. 80%	31, 936, 403. 02

1) Bad debt provisions on group basis

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
Within 1 year	3,087,641.25	113,781.67	3.69%
1-2 years	3,223,483.68	117,205.51	3.64%
2-3 years	1,505,759.72	173,509.80	11.52%
3-4 years	906,004.63	33,994.68	3.75%
4-5 years	1,621,771.00	59,356.82	3.66%
Over 5 years	1,661,904.00	392,142.80	23.60%
Total	12,006,564.28	889,991.28	

2) The bad debt provision of other receivable

bad debt provision	1 st stage	2 nd stage	3 rd 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	422,418.52		498,718.47	921,136.99
Opening balance during the year	—	—	—	—

--transfer to the 2 nd stage				
--transfer to the 3 rd stage				
--reverse to the 2 nd stage				
---reverse to the 1 st stage				
Accrued	-31,145.71			-31,145.71
Reverse				
Cancellation				
Written off				
Other movement				
Closing balance	391,272.81		498,718.47	889,991.28

(4) Bad debt provision details

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Collected/reversed	Written-off	Others	
Bad debt provision	921,136.99	-31,145.71				889,991.28
Total	921,136.99	-31,145.71				889,991.28

(5) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total	Closing Balance of Provision
No.1	Receivables and payables	20,000,000.00	Over5 years	62.49%	
No.2	Other deposit	1,100,000.00	Over5 years	3.44%	40,260.00
No.3	Bid deposit	800,000.00	4-5 years	2.50%	29,280.00
No.4	Bid deposit	800,000.00	3-4 years	2.50%	29,280.00
No.5	Bid deposit	800,000.00	1-2 years	2.50%	29,280.00
Total	—	23,500,000.00	—	73.43%	128,100.00

3. Long-term equity investments

(1) Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment of subsidiaries	2,425,108,433.14		2,425,108,433.14	2,422,108,433.14		2,422,108,433.14
Investment of affiliates and JV	482,202,819.94		482,202,819.94	472,535,194.66		472,535,194.66
Total	2,907,311,253.08		2,907,311,253.08	2,894,643,627.80		2,894,643,627.80

(2) Investments of subsidiaries

Investee	Beginning balance	Provision for impairment at beginning of year	Increase/Decrease				Ending balance	Provision for impairment at year end
			Increased	Decreased	Provision for impairment	Others		
Dalian Bingshan Group Engineering Co., Ltd	293,749,675.77						293,749,675.77	
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	75,272,185.00						75,272,185.00	
Dalian Bingshan Guardian Automation Co., Ltd	54,638,361.52		3,000,000.00				57,638,361.52	
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	

Investee	Beginning balance	Provision for impairment at beginning of year	Increase/Decrease				Ending balance	Provision for impairment at year end
			Increased	Decreased	Provision for impairment	Others		
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	
Total	2,422,108,433.14		3,000,000.00				2,425,108,433.14	

(3) Joint ventures& affiliated companies

Investee	Beginning balance	Provision for impairment at beginning of year	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	Others		
1. Affiliated company												
Dalian Honjo Chemical Co., Ltd	8,856,645.93				202,516.73						9,059,162.66	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	49,614,057.86				-1,538,958.16						48,075,099.70	
Dalian Fuji Bingshan Vending Machine Co., Ltd	67,119,564.34				-596,912.66						66,522,651.68	
MHI Bingshan Refrigeration (Dalian) Co., Ltd.	17,053,051.54				-1,456,899.31						15,596,152.23	
Dalian Fuji Bingshan Vending Machine												

Investee	Beginning balance	Provision for impairment at beginning of year	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	Others		
Sales Co., Ltd												
Jiangsu Jingxue Insulation Technology Co., Ltd	143,558,044.80				*, **						*, **	
Bingshan Metal Technical Service (Dalian) Co., Ltd.	138,895,377.85				12,049,558.21						150,944,936.06	
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	47,438,452.34				*, **			592,327.29			*, **	
Total	472,535,194.66				10,259,952.57			592,327.29			482,202,819.94	
	472,535,194.66				10,259,952.57			592,327.29			482,202,819.94	

4. Operating revenue and cost

Item	2026.01-06		2025.01-06	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	322,302,088.59	277,870,383.74	427,380,027.99	373,168,293.00
Revenue from other operation	24,259,233.28	14,155,671.75	16,090,642.16	9,515,808.95
Total	346,561,321.87	292,026,055.49	443,470,670.15	382,684,101.95

5. Investment income

Items	2026.01-06	2025.01-06
Long-term equity investment gain under cost method	9,950,103.85	
Long-term equity investment gain under equity method	10,259,952.57	22,713,836.61
Gain on debt restructuring	58,274.10	
Bank acceptance bill discount fee	-34,872.64	
Total	20,233,457.88	22,713,836.61

6. Others

None

XIX. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Company on August 12, 2026.

XX. Supplementary Information to the Financial Statements

1. 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	1.49%	0.06	0.06
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	0.97%	0.04	0.04

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd
August 12, 2026