

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

**For the year ended December 31, 2019**

**Auditor's Report**

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# **Auditors' Report**

## **(English Translation for Reference Only)**

**To the shareholders of Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd**

### **1. Opinion**

We have audited the financial statements of Bingshan Refrigeration & Heat Transfer Technologies Co., LTD (“Bingshan Company”), which comprise the consolidated as well as Company’s balance sheet as at 31 December 2019, the Company’s and the consolidated income statement, cash flow statement and statement of changes in shareholders’ equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Bingshan Company present fairly, in all material respects, the Company’s and the consolidated financial position as at 31 December 2019, the Company’s and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### **2. Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Bingshan Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

### **3. Key Audit Matters**

Key audit matters are those matters that we consider, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters.

<b>Revenue Recognition</b>	
<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p>Revenue of Bingshan Company and its subsidiaries mainly come from sales of products and installation. The key concern about the sales revenue is due to the large sales quantities and any potential misstatements existing in the revenue recognition within the appropriate accounting period. Key concern about installation income is because the accounting involved by significant accounting estimate and judgment. Having considered these matters, we recognized revenue recognition as key audit matters.</p>	<p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> <li>1. Understand and evaluate effectiveness of design and operation of the management 's internal control over revenue</li> <li>2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin by segmenting the business and sales in conjunction with industry development and actual situation of Bingshan Company.</li> <li>3. Sampling test the sales contracts, identify the clause and terms in respect to the risk and reward transfer of the ownership. Evaluate the recognition timing of revenue whether is in line with the accounting standards.</li> <li>4. Sampling select product sales revenue record, reconcile to sales invoice, contracts, dispatch note, acceptance note; Sampling select installation sales revenue record, reconcile to invoice, installation contracts and completion report and Evaluate the recognition of revenue whether is in line with the accounting standards</li> <li>5. Checking actual installation cost by reviewing the contract, invoice and supportive document with signature for the equipment received to evaluate the cost whether it really incurred.</li> <li>6. Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period.</li> </ol>

#### **4. Other Information**

The management of Bingshan Company (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Bingshan Company *2019 annual report*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## **5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Bingshan Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Bingshan Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing Bingshan Company's financial reporting process.

## **6. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial

statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control (this sentence would be deleted in circumstance when we are also responsible to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements).
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Bingshan Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Bingshan Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and also whether the financial statements represent the underlying transactions and events

in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence with respect to the financial information of the entities or business activities, and issue an audit opinion. We are responsible for guiding, supervising and performing group audits and take full responsibility for audit opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



China, Beijing

CPA:  (Engagement Partner)

CPA: 

April 16, 2020

# Consolidated Balance Sheet

December 31, 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit: RMB

ITEMS	No	AT END of YEAR	AT BEG of YEAR
<b>Current Assets:</b>			
Monetary funds	VI.1	332,119,146.22	343,026,485.11
Settlement fund			
Outgoing call loan			
Tradable financial asset			
Fair value through P&L assets			
Derivative financial assets			
Notes receivable	VI.2	119,947,326.41	171,292,044.56
Accounts receivable	VI.3	1,030,342,541.88	1,107,546,588.30
Financing receivable			
Prepayments	VI.4	142,786,528.57	158,405,300.50
Insurance receivables			
Reinsurance Receivable			
Provision of reinsurance contract reserve receivable			
Other receivables	VI.5	38,731,228.57	48,508,755.15
including: interest receivable	VI.5	583,833.33	318,886.12
dividend receivable	VI.5	33,450.00	33,450.00
Financial assets purchased under agreement to resell			
Inventories	VI.6	539,497,213.39	450,195,300.53
Contractual asset			
Held for sale assets			
Non-current assets due within 1-year			
Other current assets	VI.7	14,172,130.45	18,266,589.12
<b>Total Current Assets</b>		<b>2,217,596,115.49</b>	<b>2,297,241,063.27</b>
<b>Non-Current Assets:</b>			
Loan and payment on other's behalf disbursed			
Debt investment			
Available-for-sale financial assets			382,186,729.99
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	VI.8	1,662,181,009.14	1,619,693,570.97
Other equity instrument investment			
Other non-current financial assets	VI.9	303,469,706.51	
Investments properties	VI.10	96,200,507.24	100,338,241.99
Fixed assets	VI.11	992,435,172.94	953,298,058.11
Construction in process	VI.12	36,285,056.80	19,796,212.82
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets	VI.13	141,540,378.10	147,018,592.71
Development cost			
Goodwill	VI.14	1,750,799.49	1,750,799.49
Long-term unamortized expense	VI.15	11,646,845.47	12,873,428.19
Deferred tax asset	VI.16	62,397,665.08	34,082,754.72
Other non-current assets			
<b>Total Non-current Assets</b>		<b>3,307,907,140.77</b>	<b>3,271,038,388.99</b>
<b>Total Assets</b>		<b>5,525,503,256.26</b>	<b>5,568,279,452.26</b>

legal representative:

head of the accounting work:

the person in charge of the accounting office:



## Consolidated Balance Sheet (continued)

December 31, 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit: RMB

ITEMS	No	AT END of YEAR	AT BEG of YEAR
<b>Current Liabilities:</b>			
Short-term borrowings	VI 17	355,252,000.00	250,000,000.00
Loans from central bank			
Loans from other banks			
Tradable financial liability			
Fair value through P&L liabilities			
Derivative financial liabilities			
Notes payable	VI 18	305,468,505.38	273,401,536.58
Accounts payable	VI 19	814,331,684.02	859,489,558.61
Advance received	VI 20	160,571,622.53	122,151,101.00
Contractual liability			
Financial assets sold under agreements to repurchase			
Deposits received and hold for others			
Entrusted trading of securities			
Entrusted underwriting of securities			
Employee pay payables	VI 21	31,701,317.58	31,856,136.59
Taxes and duties payable	VI 22	8,184,018.69	13,608,212.32
Other payables	VI 23	55,921,060.69	63,313,958.43
including: interest payable	VI 23	6,396,385.83	1,369,527.78
dividend payable	VI 23	533,156.00	533,156.00
Fees and commissions payable			
Amount due to reinsurance			
Held for sale liabilities			
Non-current liabilities due within 1-year	VI 24	14,174,643.42	2,999,574.93
Other current liabilities			
<b>Total Current Liabilities</b>		<b>1,745,604,852.31</b>	<b>1,616,820,078.46</b>
<b>Non-current Liabilities:</b>			
Insurance contract provision			
Long-term borrowings	VI 25	160,000,000.00	160,000,000.00
Bonds Payable	VI 26	25,000,034.00	176,000,000.00
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables	VI 27	397,771.84	1,532,949.94
Long-term employee payables			
Provision			
Deferred income	VI 28	99,157,538.52	103,542,093.79
Deferred Tax liabilities	VI 16	41,215,205.99	51,954,442.22
Other non-current liabilities			
<b>Total Non-current Liabilities</b>		<b>325,770,550.35</b>	<b>493,029,485.95</b>
<b>Total Liabilities</b>		<b>2,071,375,402.66</b>	<b>2,109,849,564.41</b>
<b>Owners Equity(or Shareholders Equity):</b>			
Paid-in capital (Share capital)	VI 29	843,212,507.00	855,434,087.00
Other equity instrument			
Including: preference share			
perpetual capital securities			
Capital reserve	VI 30	726,768,468.00	760,365,342.00
Less: Treasury stock	VI 31		21,026,106.00
Other comprehensive income	VI 32	2,501,459.77	296,909,965.55
Chartered reserve	VI 33		
Surplus reserves	VI 34	768,723,812.53	721,091,040.02
△Provision for general risk			
Undistributed profit	VI 35	1,038,358,782.59	764,859,288.45
Equity attributable to equity holders of the Company		3,379,565,029.89	3,377,633,617.02
*Minority interest		74,562,823.71	80,796,270.83
<b>Total Equity</b>		<b>3,454,127,853.60</b>	<b>3,458,429,887.85</b>
<b>Total Liabilities and Equity</b>		<b>5,525,503,256.26</b>	<b>5,568,279,452.26</b>

legal representative: \_\_\_\_\_ head of the accounting work: \_\_\_\_\_ the person in charge of the accounting office: \_\_\_\_\_





# Balance Sheet of Parent Company

December 31, 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit: RMB

ITEMS	No	AT END of YEAR	AT BEG. of YEAR
<b>Current Assets:</b>			
Monetary funds		175,586,251.46	186,976,185.10
Tradable financial asset			
Fair value through P&L assets			
Derivative financial assets			
Notes receivable		12,692,689.97	63,673,648.65
Accounts receivable	XVII.1	526,554,114.61	418,715,646.60
Financing receivable			
Prepayments		44,560,934.56	69,577,538.44
Other receivables	XVII.2	5,981,993.82	14,003,269.34
including: interest receivable	XVII.2	583,833.33	318,886.12
dividend receivable			
Inventories		212,558,464.52	194,747,632.08
Contractual assets			
Held for sale assets			
Non-current assets due within 1-year			
Other current assets		32,843.40	8,056,055.09
<b>Total Current Assets</b>		<b>977,967,292.34</b>	<b>955,749,975.30</b>
<b>Non-Current Assets:</b>			
Debt investment			
Available-for-sale financial assets			380,771,587.49
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	XVII.3	2,244,411,383.88	2,201,953,842.42
Other equity instrument investment			
Other non-current financial assets		302,054,564.01	
Investments properties		106,536,035.96	111,421,702.70
Fixed assets		776,349,872.24	725,516,578.53
Construction in process		27,212,183.40	18,010,457.61
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets		68,221,989.91	70,049,323.57
Development cost			
Goodwill			
Long-term unamortized expense		9,751,998.84	11,244,777.00
Deferred tax asset		13,858,811.66	4,303,943.48
Other non-current assets			
<b>Total Non-current Assets</b>		<b>3,548,396,839.90</b>	<b>3,523,272,212.80</b>
<b>Total Assets</b>		<b>4,526,364,132.24</b>	<b>4,479,022,188.10</b>

legal representative: head of the accounting work: the person in charge of the accounting office:



## Balance Sheet of Parent Company (continued)

December 31, 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

ITEMS	No	AT END of YEAR	AT BEG. of YEAR
<b>Current Liabilities:</b>			
Short-term borrowings		308,082,000.00	250,000,000.00
Tradable financial liability			
Fair value through P&L liabilities			
Derivative financial liabilities			
Notes payable		189,540,652.01	114,845,621.59
Accounts payable		293,479,043.69	297,954,195.20
Advance received		47,114,426.48	29,579,144.85
Contractual liability			
Employee pay payables		8,702,907.01	7,376,290.42
Taxes and duties payable		5,156,115.24	3,399,150.12
Other payables		18,817,980.14	30,439,931.10
including: interest payable		6,386,700.29	1,369,527.78
dividend payable		533,156.00	533,156.00
Held for sale liabilities			
Non-current liabilities due within 1-year			
Other current liabilities			
<b>Total Current Liabilities</b>		<b>870,893,124.57</b>	<b>733,594,333.28</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings		160,000,000.00	160,000,000.00
Bonds Payable		25,000,034.00	176,000,000.00
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables			
Long-term employee payables			
Provision for liabilities			
Deferred income		55,744,166.29	60,907,828.40
Deferred Tax liabilities		41,215,205.99	51,954,442.22
Other non-current liabilities			
<b>Total Non-current Liabilities</b>		<b>281,959,406.28</b>	<b>448,862,270.62</b>
<b>Total Liabilities</b>		<b>1,152,852,530.85</b>	<b>1,182,456,603.90</b>
<b>Owners Equity(or Shareholders Equity):</b>			
Paid-in capital (Share capital)		843,212,507.00	855,434,087.00
Other equity instrument			
Including:preference share			
perpetual capital securities			
Capital reserve		771,270,562.83	804,867,436.83
Less: Treasury stock			21,026,106.00
Other comprehensive income		1,539,359.10	295,947,864.88
Chartered reserve			
Surplus reserves		768,723,812.53	721,091,040.02
Undistributed profit		988,765,359.93	640,251,261.47
<b>Total Equity</b>		<b>3,373,511,601.39</b>	<b>3,296,565,584.20</b>
<b>Total Liabilities and Equity</b>		<b>4,526,364,132.24</b>	<b>4,479,022,188.10</b>

legal representative: head of the accounting work:  the person in charge of the accounting office: 



## Consolidated Income Statement

For the year of 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Lt.

Amount Unit:RMB

Item	No	This year	Last year
<b>I. Total operating revenue</b>		1,831,851,280.70	1,966,064,612.44
Including: Operating revenue	VI.36	1,831,851,280.70	1,966,064,612.44
Interest income			
Earned premiums			
Fees and commission income			
<b>II. Total cost of operation</b>		1,920,595,965.21	2,042,052,691.09
Including: Cost of operation	VI.36	1,517,561,448.51	1,651,288,375.99
Interest expenses			
Fees and commission expenses			
Payments to surrenders of insurance contracts			
Net amount of insurance claims expenses			
Net charges of provision for insurance contracts			
Dividends policy expenses			
Reinsurance expenses			
Taxes and surcharges	VI.37	16,989,958.58	18,385,555.85
Selling and distribution expenses	VI.38	131,188,733.71	109,791,230.22
Administrative expenses	VI.39	185,737,215.53	195,039,866.99
R&D	VI.40	50,649,518.17	46,904,366.84
Financial expenses	VI.41	18,469,090.71	20,643,295.20
Including: Interest expenses		17,999,780.21	18,805,308.74
Interest income		2,110,293.61	2,487,236.95
add: other income	VI.42	5,122,993.56	5,700,277.26
investment income (Loss listed with "-")	VI.43	168,766,187.22	215,559,030.70
Including: income from investments in associates and joint ventures		140,574,045.58	137,440,422.49
Gain arising from derecognition of financial asset measured at amortized cost			
Exchange gain (Loss listed with "-")			
Gain on hedging of net exposure (Loss listed with "-")			
Gain on FV change (Loss listed with "-")	VI.44	49,800,725.36	
Loss on impairment of credit(Loss listed with "-")	VI.45	-70,642,131.10	
Loss on impairment of assets(Loss listed with "-")	VI.46	-1,200,000.00	-28,928,629.66
Gain on asset disposal(Loss listed with "-")	VI.47	1,194,791.09	374,143.29
<b>III. Operating profit (Loss listed with "-")</b>		64,297,881.62	116,716,742.94
Add: Non-operating income	VI.48	2,689,879.18	2,789,542.50
Less: Non-operating expenses	VI.49	271,747.60	629,617.30
<b>IV. Total profit (Loss listed with "-")</b>		66,716,013.20	118,876,668.14
Less: Income tax expenses	VI.50	-19,408,657.83	6,858,302.64
<b>V. Net profit (Net loss listed with "-")</b>		86,124,671.03	112,018,365.50
(I) Classification by continuity		86,124,671.03	112,018,365.50
1. Net profit from continuing operation		86,124,671.03	112,018,365.50
2. Net profit from discontinuing operation			
(II) Classification by ownership		86,124,671.03	112,018,365.50
1. Net profit attributable to equity holders(shareholders) of the Company		89,112,113.43	110,503,175.90
2. Minority interest		-2,987,442.40	1,515,189.60
<b>VI. Other comprehensive income net off tax</b>		-	-110,359,036.56
Net other comprehensive income net off tax attributable to equity holders(shareholders) of the parent company		-	-110,359,036.56
(I) Items that may not be reclassified subsequently to the income statement		-	-
1.Change in net asset/liability from remeasurement on defined benefit plan			
2.Under equity method, proportionate share of other comprehensive income in invested company that may not be reclassified subsequently to the income statement			
3.FV change of other equity instrument investment			
4.FV change of own credit risk			
5.Others			
(II) Items that may be reclassified subsequently to the income statement		-	-110,359,036.56
1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement			
2.FV change of other debt investment			
3.Available-for-sale financial assets fair value movements			-110,359,036.56
4.Financial assets reclassified into other comprehensive income			
5.Profit/loss on reclassification from held to maturities to available-for-sale financial assets			
6.Credit impairment provision of other debt investment			
7.Cash flow hedges effective portion			
8.Foreign currency translation difference			
9.Others			
Net other comprehensive income net off tax attributable to Minority interest			
<b>VII. Total comprehensive income</b>		86,124,671.03	1,659,328.94
Total comprehensive income attributable to parent Company		89,112,113.43	144,139.34
Total comprehensive income attributable to minority interest		-2,987,442.40	1,515,189.60
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share		0.11	0.13
(II) Diluted earnings per share		0.11	0.13

The business combination under the common control during this year, the net profit achieved by the acquiree is \_\_\_\_\_ Yuan. Net profit achieved by acquiree last year is \_\_\_\_\_ Yuan.

legal representative: \_\_\_\_\_ head of the accounting work:  the person in charge of the accounting office: 

Note 1: the exchange gain or loss associated with financial activities in financial expenses should be listed separately.

Note 2: the company prepared consolidated statements, only need to calculate and list basic EPS and diluted EPS in the way of consolidation, not necessarily to calculate the EPS and diluted EPS in the way of parent company.

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# Income Statement of Parent Company

For the year of 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

Item	No	This year	Last year
<b>I、Operating revenue</b>	XVII.4	677,227,674.90	575,336,492.16
Less: Cost of operation	XVII.4	561,312,386.43	508,226,342.48
Taxes and surcharges		9,386,688.44	9,190,820.60
Selling and distribution expenses		57,280,038.71	774,651.62
Administrative expenses		85,785,825.70	90,172,124.16
R&D		18,651,305.37	21,552,749.89
Financial expenses		14,247,955.97	14,053,888.25
Including: Interest expenses		13,942,332.55	14,770,581.51
Interest income		1,342,801.32	1,921,776.06
Add: Other income		200,000.00	2,056,087.00
Investment income (Loss listed with "-")	XVII.5	174,727,840.51	235,219,734.52
Including: income from investments in associates and joint ventures		140,544,148.87	137,949,633.91
Gain arising from derecognition of financial asset measured at amortized cost			
Gain on hedging of net exposure (Loss listed with "-")			
Gain on FV change (Loss listed with "-")		49,800,725.36	
Loss on impairment of credit(Loss listed with "-")		-15,348,019.44	
Loss on impairment of assets(Loss listed with "-")			-5,390,211.76
Gain on asset disposal(Loss listed with "-")		582,050.16	271,569.52
<b>II、Operating profit (Loss listed with "-")</b>		140,526,070.87	163,523,094.44
Add: Non-operating income		230.14	211,209.29
Less: Non-operating expenses		80,558.30	82,400.85
<b>III、Total profit (Loss listed with "-")</b>		140,445,742.71	163,651,902.88
Less: Income tax expenses		-11,600,611.47	1,511,217.45
<b>IV、Net profit (Net loss listed with "-")</b>		152,046,354.18	162,140,685.43
1、Net profit from continuing operation		152,046,354.18	162,140,685.43
2、Net profit from discontinuing operation			
<b>V、Other comprehensive income net off tax</b>		-	-110,359,036.56
(I)Items that may not be reclassified subsequently to the income statement		-	-
1.Change in net asset/liability from remeasurment on defined benefit plan			
2.Under equity method, proportionate share of other comprehensive income in invested company that may not be reclassified subsequently to the income			
3.FV change of other equity instrument investment			
4.FV change of own credit risk			
5.Others			
(II)Items that may be reclassified subsequently to the income statement		-	-110,359,036.56
1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement			
2.FV change of other debt investment			
3.Available-for-sale financial assets fair value movements			-110,359,036.56
4.Financial assets reclassified into other comprehensive income			
5.Profit/loss on reclassification from held to maturities to available-for-sale financial assets			
6.Credit impairment provision of other debt investment			
7.Cash flow hedges effective portion			
8.Foreign currency translation difference			
9.Others			
<b>VI、Total comprehensive income</b>		152,046,354.18	51,781,648.87

legal representative:

head of the accounting work:

the person in charge of the accounting office :



# Consolidated Cash Flow Statement

For the year of 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

Item	No	This year	Last year
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		1,417,012,800.61	1,406,762,006.49
Net increase in deposits from customers and inter-banks deposits			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash receipts of premium of direct insurance contracts			
Net cash received from reinsurance contracts			
Net increase in deposits from insurance policy holders and investment			
Cash receipts of interest, fees and commission			
Net increase in placement from banks and other financial institution			
Net increase in sales and repurchase operations			
Entrusted trading of securities			
Cash received from taxes refund		29,188,090.73	37,310,011.82
Cash received relating to other operating activities	VI.52	54,087,045.61	57,298,204.14
<b>Sub-total of cash inflows from operating activities</b>		<b>1,500,287,936.95</b>	<b>1,501,370,222.45</b>
Cash paid for goods and services		916,130,720.58	1,033,353,346.60
Net increase in loans and disbursement to customers			
Net increase in deposit with central bank and inter-banks			
Cash paid for claims of direct insurance contracts			
Net increase of financial asset held for trading			
Net increase of loans to other banks			
Cash paid for interest, fee and commission			
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		358,011,091.30	351,958,914.28
Payments of taxes and surcharges		69,484,985.96	88,740,477.26
Cash paid relating to other operating activities	VI.52	143,966,067.30	146,975,369.95
<b>Sub-total of cash outflows from operating activities</b>		<b>1,487,592,865.14</b>	<b>1,621,028,108.09</b>
<b>Net cash flows from operating activities</b>	VI.52	<b>12,695,071.81</b>	<b>-119,657,885.64</b>
<b>2. Cash flows from investment activities:</b>			
Cash received from return of investments			3,000,000.00
Cash received from investments income		112,384,931.89	150,471,312.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,791,731.61	4,564,174.11
Net cash received from disposal of subsidiaries and other business units			-3,087,767.47
Cash received relating to other investing activities	VI.52		76,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>114,176,663.50</b>	<b>230,947,719.04</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		114,061,103.54	154,087,329.20
Cash paid for investments			9,900,000.00
Net increase in pledged deposits			
Net cash paid to acquire subsidiaries and other business units			4,227,733.43
Cash paid relating to other investing activities			
<b>Sub-total of cash outflow from investing activities</b>		<b>114,061,103.54</b>	<b>168,215,062.63</b>
<b>Net cash flows from investing activities</b>		<b>115,559.96</b>	<b>62,732,656.41</b>
<b>3. Cash flows from financing activities</b>			
Cash received from investment absorption			
Including: Cash received by subsidiaries from investment absorption of non-controlling interest			
Cash received from loans granted		461,162,100.00	410,954,000.00
Cash received from issue of bonds			174,504,000.00
Cash received relating to other financing activities	VI.52	38,323,050.64	32,116,287.80
<b>Sub-total of cash inflows from financing activities</b>		<b>499,485,150.64</b>	<b>617,574,287.80</b>
Cash paid for settlement of borrowings		371,623,748.91	510,674,100.00
Cash paid for dividends, profits appropriation or payments of interest		59,750,220.60	63,418,879.42
Including: Dividends and profits paid to non-controlling interest		118,455.63	3,615,000.00
Cash paid relating to other financing activities	VI.52	83,977,335.68	42,962,043.00
<b>Sub-total of cash outflows from financing activities</b>		<b>515,351,305.19</b>	<b>617,055,022.42</b>
<b>Net cash flows from financing activities</b>		<b>-15,866,154.55</b>	<b>519,265.38</b>
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>-120,557.13</b>	<b>-3,584,007.99</b>
<b>5. Net increase in cash and cash equivalents</b>	VI.52	<b>-3,176,079.91</b>	<b>-59,989,971.84</b>
Add: Cash and cash equivalents at beginning of year		304,703,434.47	364,693,406.31
<b>6. Cash and cash equivalents at end of year</b>	VI.52	<b>301,527,354.56</b>	<b>304,703,434.47</b>

legal representative: head of the accounting work:

the person in charge of the accounting office:



# Cash Flow Statement of Parent Company

For the Year of 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

Item	No	This year	Last year
<b>1.Cash flow from operating activities</b>			
Cash receipts from sale of goods or rendering of services		535,357,771.94	478,478,693.07
Refunds of taxes		8,327,328.58	21,407,074.38
Other cash receipts in operating activities		11,312,270.00	22,740,262.64
<b>Sub-total of cash inflows from operating activities</b>		<b>554,997,370.52</b>	<b>522,626,030.09</b>
Cash payments for goods and services acquired		350,757,870.86	489,595,806.59
Cash payments to and on behalf of employees		121,469,816.85	128,932,475.57
Tax and duties payments		20,464,873.54	8,443,980.99
Other cash payments for operating activities		38,098,271.01	25,098,969.48
<b>Sub-total of cash outflows from operating activities</b>		<b>530,790,832.26</b>	<b>652,071,232.63</b>
<b>Net cash flows from operating activities</b>		<b>24,206,538.26</b>	<b>-129,445,202.54</b>
<b>2.Cash flows from investing activities</b>			
Cash receipts from return of investments			3,000,000.00
Cash receipts from investments income		112,621,481.89	150,437,862.40
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		910,000.00	429,000.00
Net cash receipts from disposal of subsidiaries and other businesses			-
Other cash receipts in investing activities			76,000,000.00
<b>Sub-total of cash inflows from investing activities</b>		<b>113,531,481.89</b>	<b>229,866,862.40</b>
Cash payments for acquired fixed assets, intangible assets and other long-term assets		108,473,985.73	142,823,008.41
Cash payments for investment			109,800,000.00
Net cash payments for acquisition of subsidiaries and other businesses			
Other cash payments in investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>108,473,985.73</b>	<b>252,623,008.41</b>
<b>Net cash flows from investment activities</b>		<b>5,057,496.16</b>	<b>-22,756,146.01</b>
<b>3.Cash flows from financing activities</b>			
Cash received from capital injection			
Cash receipts from borrowings		358,082,000.00	400,000,000.00
Cash received from issue of bonds			174,504,000.00
Other cash receipts in financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>358,082,000.00</b>	<b>574,504,000.00</b>
Cash paid for settlement of borrowings		300,000,000.00	410,000,000.00
Cash paid for dividends, profits appropriation or payments of interest		51,085,785.39	56,097,200.94
Other cash payments in financing activities		48,309,544.36	3,446,078.94
<b>Sub-total of cash outflows from financing activities</b>		<b>399,395,329.75</b>	<b>469,543,279.88</b>
<b>Net cash flows from financing activities</b>		<b>-41,313,329.75</b>	<b>104,960,720.12</b>
<b>4.Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>-83,793.31</b>	<b>-438,278.61</b>
<b>5.Net increases in cash and cash equivalents</b>		<b>-12,133,088.64</b>	<b>-47,678,907.04</b>
Add: the beginning balance of cash and cash equivalent		186,976,185.10	234,655,092.14
<b>6.The ending balance of cash and cash equivalent</b>		<b>174,843,096.46</b>	<b>186,976,185.10</b>

legal representative: head of the accounting work:  the person in charge of the accounting office: 



# Consolidated Statement of Changes in Shareholder's Equity

For the Year of 2019

Name of Enterprise: Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

Item	Equity attributable to the equity holders of the Company											Total equity		
	Current year													
	Paid-up capital (share capital)	Other equity instrument		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk provision	Undistributed profits	Others		Sub-total	Minority interests
	preference share	perpetual bond	others											
<b>1. Balance at end of last year</b>	855,434,087.00	-	-	760,365,342.00	21,026,106.00	296,909,965.55	-	721,091,040.02	-	764,859,288.45	-	3,377,633,617.02	80,796,270.83	3,458,429,887.85
Add: Changes in accounting policies						-294,408,505.78				274,180,778.57			-771,004.72	-20,998,731.93
Correction of prior periods errors														
Business combination within the same control														
Others														
<b>2. Balance at beginning of current year</b>	855,434,087.00	-	-	760,365,342.00	21,026,106.00	2,501,459.77	-	721,091,040.02	-	1,039,040,067.02	-	3,357,405,889.81	80,025,266.11	3,437,431,155.92
<b>3. Increase/ Decrease for current year (Decrease listed with "-")</b>	-12,221,580.00	-	-	-33,596,874.00	-21,026,106.00	-	-	47,632,772.51	-	-681,284.43	-	22,159,140.08	-5,462,442.40	16,696,697.68
( I ) Total of comprehensive income														
( II ) Capital contribution and reduction	-12,221,580.00			-33,596,874.00	-21,026,106.00									
1. Ordinary share	-12,221,580.00			-33,596,874.00	-21,026,106.00									
2. Capital contributed by other equity instrument holders														
3. Share-based payments charged to equity														
4. Others														
( III ) Profit appropriations														
1. Appropriation to surplus reserves								47,632,772.51		-89,793,397.86		-42,160,625.35	-2,475,000.00	-44,635,625.35
2. Appropriation to general risks provision								47,632,772.51		-47,632,772.51		-	-	-
3. Appropriation to equity holders (or shareholders)														
4. Others														
( IV ) Transfer within equity														
1. Transfer of capital reserve to capital (share capital)														
2. Transfer of surplus reserves to capital (share capital)														
3. Surplus reserves making up of losses														
4. Carried over the change in net asset/liability from remeasurement on defined benefit plan														
5. Transfer of other comprehensive to retained earnings														
6. Others														
( V ) Special reserves														
1. Provision for special reserve														
2. Utilisation of special reserve														
( VI ) Others														
<b>4. Balance at end of current year</b>	843,212,607.00	-	-	726,768,468.00	-	2,501,459.77	-	768,723,812.53	-	1,038,358,782.59	-	3,379,565,029.89	74,562,823.71	3,454,127,853.60

the person in charge of the accounting office :

head of the accounting work:



# Consolidated Statement of Changes in Shareholder's Equity(continued)

For the Year of 2019

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd

Amount Unit:RMB

Line	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	^General risk provision	Undistributed profits	Others	Sub-total	Minority interests	Total equity
		preference share	perpetual bond	others											
Last year															
1	856,487,181.00				757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30		750,397,795.56		3,416,531,064.91	78,281,832.85	3,494,812,897.76
2															
3															
4															
5															
6	856,487,181.00				757,532,081.34	23,305,370.40	407,269,002.11		668,150,375.30		750,397,795.56		3,416,531,064.91	78,281,832.85	3,494,812,897.76
7	-1,053,094.00				2,833,260.66	-2,279,264.40	-110,359,036.56		52,940,664.72		14,461,492.89		-38,897,447.89	2,514,437.98	-36,383,009.91
8							-110,359,036.56				110,503,175.90		144,139.34	1,515,189.60	1,659,328.94
9	-1,053,094.00				2,833,260.66	-2,279,264.40							4,059,431.06	4,614,248.38	8,673,679.44
10	-1,053,094.00				-2,392,984.94	-2,279,264.40							-1,166,914.54	4,614,248.38	3,447,433.84
11															
12					5,226,245.60										5,226,245.60
13															
14									52,940,664.72		-96,041,683.01		-43,101,018.29	-3,615,000.00	-46,716,018.29
15									52,940,664.72		-52,940,664.72				
16															
17															
18															
19															
20															
21															
22															
23															
24															
25															
26									2,133,519.76						2,133,519.76
27									2,133,519.76						2,133,519.76
28															
29	855,434,087.00				760,365,342.00	21,026,106.00	296,909,965.55		721,091,040.02		764,859,288.45		3,377,633,617.02	80,796,270.83	3,458,429,887.85

legal representative: \_\_\_\_\_ head of the accounting work: \_\_\_\_\_ the person in charge of the accounting office: \_\_\_\_\_





# Statement of Changes in Shareholder's Equity of Parent Company

For the Year of 2019

Name of Enterprise: Bingsha Refrigeration & Heat Transfer Technologies Co., Ltd

	Current year										Total equity	
	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		Others
		preference share	perpetual bond	others								
1. Balance at end of last year	855,434,087.00	-	-	-	804,867,436.83	21,026,106.00	295,947,864.88	-	721,091,040.02	640,251,261.47	-	3,296,565,584.20
Add: Changes in accounting policies							-294,408,505.78			286,261,142.14		-8,147,363.64
Correction of prior periods errors												
Others												
2. Balance at beginning of current year	855,434,087.00	-	-	-	804,867,436.83	21,026,106.00	1,539,359.10	-	721,091,040.02	926,512,403.61	-	3,288,418,220.56
3. Increase/ Decrease for current year (Decrease listed with "-")	-12,221,580.00	-	-	-	-33,596,874.00	-21,026,106.00	-	-	47,632,772.51	62,252,956.32	-	85,093,380.83
(I) Total of comprehensive income										152,046,354.18		152,046,354.18
(II) Capital contribution and reduction	-12,221,580.00				-33,596,874.00	-21,026,106.00	-	-	-	-	-	-24,792,348.00
1. Ordinary share	-12,221,580.00				-33,596,874.00	-21,026,106.00	-	-	-	-	-	-24,792,348.00
2. Capital contributed by other equity instrument holders												
3. Share-based payments charged to equity												
4. Others												
(III) Profit appropriations												
1. Appropriation to surplus reserves									47,632,772.51	-89,793,397.86	-	-42,160,625.35
2. Appropriation to equity holders (or shareholders)									47,632,772.51	-47,632,772.51	-	-
3. Others										-42,160,625.35	-	-42,160,625.35
(IV) Transfer within equity												
1. Transfer of capital reserve to capital (share capital)												
2. Transfer of surplus reserves to capital (share capital)												
3. Surplus reserves making up of losses												
4. Carried over the change in net asset/liability from remeasurement on defined benefit plan												
5. Transfer of other comprehensive to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for special reserve										2,050,672.98	-	2,050,672.98
2. Utilisation of special reserve										2,050,672.98	-	2,050,672.98
(VI) Others												
4. Balance at end of current year	843,212,507.00	-	-	-	771,270,562.83	-	1,539,359.10	-	768,723,812.53	988,765,359.93	-	3,373,511,601.39

Legal representative:  head of the accounting work:

the person in charge of the accounting office: 

## Statement of Changes in Shareholder's Equity of Parent Company(continued)

For the Year of 2019

Name of Enterprise: Bingshan Refrigeration & Meat Transfer Technologies Co., Ltd



Item	Last year				Total equity								
	Paid-up capital (share capital)	Other equity instrument	Capital reserves	Less: Treasury shares		Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others			
	preference share	perpetual bond	others										
<b>1. Balance at end of last year</b>	856,487,181.00				802,034,176.17	23,305,370.40	406,306,901.44	668,150,375.30	573,846,640.63				3,283,519,904.14
Add: Changes in accounting policies													
Correction of prior periods errors													
Others													
<b>2. Balance at beginning of current year</b>	856,487,181.00	-	-	-	802,034,176.17	23,305,370.40	406,306,901.44	668,150,375.30	573,846,640.63	-	-	-	3,283,519,904.14
<b>3. Increase/ Decrease for current year (Decrease listed with "-")</b>	-1,053,094.00	-	-	-	2,833,260.66	-2,279,264.40	-110,359,036.56	52,940,664.72	66,404,620.84	-	-	-	13,045,680.06
(I) Total of comprehensive income					2,833,260.66	-2,279,264.40	-110,359,036.56	52,940,664.72	66,404,620.84				13,045,680.06
(II) Capital contribution and reduction	-1,053,094.00				2,833,260.66	-2,279,264.40							51,781,648.87
1. Ordinary share	-1,053,094.00				-2,392,984.94	-2,279,264.40							4,059,431.06
2. Capital contributed by other equity instrument holders													-1,166,814.54
3. Share-based payments charged to equity					5,226,245.60								5,226,245.60
4. Others													
(III) Profit appropriations													
1. Appropriation to surplus reserves								52,940,664.72	-86,736,064.59				-42,795,399.87
2. Appropriation to equity holders (or shareholders)								52,940,664.72	-52,940,664.72				
3. Others									-42,795,399.87				-42,795,399.87
(IV) Transfer within equity													
1. Transfer of capital reserve to capital (share capital)													
2. Transfer of surplus reserves to capital (share capital)													
3. Surplus reserves making up of losses													
4. Carried over the change in net asset/liability from remeasurement on defined benefit plan													
5. Transfer of other comprehensive to retained earnings													
6. Others													
(V) Special reserves													
1. Provision for special reserve										2,133,519.76			2,133,519.76
2. Utilisation of special reserve										2,133,519.76			2,133,519.76
(VI) Others													
<b>4. Balance at end of current year</b>	855,434,087.00	-	-	-	804,867,436.83	21,026,106.00	295,947,864.88	721,091,040.02	640,251,261.47	-	-	-	3,296,565,584.20

legal representative: \_\_\_\_\_ the person in charge of the accounting office :

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## I. General Information

Bingshan Refrigeration & Heat Transfer Technologies Co., Ltd (the “Company”) previously named as Dalian Refrigeration Company Limited, was reorganized and reformed from main part of former Dalian Refrigeration Factory. On December 8, 1993, the company went to the public as a listed company at Shenzhen Stock Exchange Market. On March 20, 1998, the company successfully went to the public at B share market and listed at Shenzhen Stock Exchange Market with total share capital of RMB350,014,975.00Yuan.

According to the 13<sup>th</sup> meeting of the 6<sup>th</sup> generation of board, extraordinary general meeting for 2015 fiscal year and 'Restricted share incentive plan (draft)', the Company planned to introduce A ordinary shares to incentive objectives, which was 10,150,000 number of shares would be granted to 41 share incentive objectives at granted price of RMB5.56Yuan per share. Up to March 12, 2015, the Company received new added share capital of RMB10,150,000.00Yuan.

The general meeting for 2015 fiscal year held on April 21, 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 May 5, 2016, and the registered capital was altered to 540,247,462.00Yuan.

The 17<sup>th</sup> meeting of the 6<sup>th</sup> generation of board was held on June 4, 2015 and the 2<sup>nd</sup> interim shareholders' meeting was held on June 24, 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 December 30, 2015, approving that new non-public offering cannot exceeded 38,821,954 numbers 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.

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

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

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to incentive targets' on September 20, 2016 and set September 20, 2016 as share granted date, and granted 12,884,000 number of restricted shares to 118 incentive targets at granted price of 5.62Yuan per share. By November 22, 2016, the company has actually received the newly subscribed registered share capital of 12,884,000.00Yuan subscribed by incentive targets.

On May 19, 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 RMB856,487,181.00Yuan.

On December 28, 2017, the company held the 3rd extraordinary shareholders meeting in 2017, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2016 Restricted Stock Incentive Plan". On March 8, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 856,487,181.00Yuan to 855,908,981.00 Yuan.

On May 4, 2018, the company held the 21<sup>st</sup> meeting of the 7<sup>th</sup> Board of Directors, and reviewed and approved the "Proposal on Repurchasing and Retiring Partially Restricted Stocks of the 2015 Restricted Stock Incentive Plan". On June 29, 2018, after the company's repurchase and cancellation, the company implemented the corresponding capital reduction procedures according to law. The registered capital of the company was changed from 855,908,981.00 Yuan to 855,434,087 .00Yuan.

On January 17<sup>th</sup>, 2019, the 1<sup>st</sup> interim shareholders' meeting was held and approved for "Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan". Up to February 25<sup>th</sup>, 2019, the company has completed the repurchasing and retiring stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan.

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

The old address of the Company's registered office as same as head office is No.888 Xinan Road, Shahekou District, Dalian, China. In 2017, the Company relocated to new factory and changed its address to No.16 Liaohe East RD, Dalian Economic&Technology Development Zone('DDZ'), Dalian China as same as HQ's address. The parent company of the Company is Dalian Bingshan Group Co., Ltd., and there is no ultimate controller regulated by the

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relevant law, regulations and rules.

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

## **II. The scope of consolidation**

There are 14 entities included in the current consolidated financial statements. This year, entities within the consolidation scope are changed comparing to last year, because Dalian Bingshan Baoan Leisure Industry Co., Ltd was merged through absorption, for the specific information of entity change in the consolidation scope, see the notes of “VII. The Change of Scope of Consolidation” and “VIII. The Equity in Other Entities”.

## **III. Financial Statements Preparation Basis**

### **(1) Preparing basis**

The Company’s financial statements are prepared on the basis of going concern assumption, according to the actual occurred transactions and events and in accordance with ‘Accounting Standards for Business Enterprises’ and relevant regulations, and also based on the note IV “Significant Accounting Policies and Accounting Estimates”.

### **(2) Going concern**

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

## **IV. Significant Accounting Policies and Accounting Estimates**

### **1. Declaration for compliance with accounting standards for business enterprises**

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

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**2. Accounting period**

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

**3. Operating cycle**

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

**4. Functional currency**

The Group adopts RMB as functional currency.

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

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

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

**6. Method of preparation of consolidated financial statements**

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

If subsidiaries adopt different accounting policy or have different accounting period from the parent company, appropriated adjustments shall be made in accordance with the Group policy

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in preparation of the consolidated financial statements.

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

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

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

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

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

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

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

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

**7. Joint arrangement classification and joint operation accounting**

The Group's joint arrangement includes joint operation and joint venture. For joint operation, the Group as a joint operator shall recognize its own assets and its share of any assets held



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

**8. Cash and cash equivalent**

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

**9. Translation of foreign currency**

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

**10. Financial assets and financial liabilities**

The company shall recognize a financial asset or a financial liability when the company

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becomes party to the contractual provisions of the instrument.

(1) Financial assets

1) Classification, recognition and measurement

The company shall classify financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met: ①the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the company shall measure the financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. After initial recognition, the company shall measure the financial asset at amortized cost. A gain or loss on a financial asset that is measured at amortized cost and is not a hedged item shall be recognized in profit or loss when the financial asset is derecognized, impaired, involved in foreign exchange or amortized for any difference arising between the initial recognized amount and due amount by applying effective interest method.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: ①the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the company shall measure this financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. A gain or loss on a financial asset that is measured at fair value through other comprehensive income and is not a hedged item shall be recognized in other comprehensive income apart from a gain or loss on credit loss, foreign exchange and interest of the financial asset calculated by effective interest method. Accumulated gain or loss previously in the other comprehensive income shall be out of it and accounted in the profit or loss account when the financial asset is derecognized.

The company recognized interest revenue based on effective interest method. Interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for: ①purchased or originated credit-impaired financial assets. For

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those financial assets, the company shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. ②financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

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

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

2) Recognition and measurement of transfer of financial assets

A financial asset is derecognized when any one of the following conditions is satisfied: ①the rights to receive cash flows from the asset is terminated, ②the financial asset has been transferred and the company transfers substantially all risks and rewards relating to the financial assets to the transferee, ③the financial asset has been transferred to the transferee, the company has given up its control of the financial asset although the company neither transfers nor retains all risks and rewards of the financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value in respect of the amount of partial derecognition (the contractual terms of the financial asset give

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rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) , that was previously recorded under other comprehensive income is transferred into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income for the asset partially qualified for derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

(2) Financial liabilities

1) Classification, basis for recognition and measurement

Financial liabilities of the company are classified at initial recognition as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities shall be subsequently measured at amortized cost by applying effective interest method. The company shall classify a financial liability as a liability measured at amortized cost except the followings: ① financial liability measured at fair value through profit or loss including tradable financial liability (derivative instrument of financial liability included) and designated as financial liability measured at fair value through profit or loss ② financial assets transfers that do not qualify for derecognition or financial liability is formed from continuing involvement in transferred assets ③ financial guarantee contract not in the above category of ① or ② and loan commitment which is not in the category ① at the below the market loan rate.

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

2) Financial liability derecognition

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

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

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

(4) Financial asset and financial liability offset

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

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

financial liability and equity instrument shall be distinguished in accordance with the following standards: ① if the company cannot unconditionally avoid paying cash or financial asset to fulfil a contractual obligation, the contractual obligation is qualified or financial liability. For certain financial instrument, although there are no clear terms and conditions to include obligation of paying cash or other financial liability, contractual obligation may indirectly be formed through other terms and conditions. ② the company's own equity instrument shall also be considered whether it is the substitute of cash, financial asset or it is the remaining equity, after the issuer deducts liability, enjoyed by the equity holder, if it must or can be used to settle a financial asset. If the former, the instrument is a financial liability of the issuer, otherwise it is an equity instrument of the issuer. In certain circumstances, financial instrument contract is classified as financial liability, if financial

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instrument contract specifies the company must or can use its own equity to settle the financial instrument, the contractual amount of right or obligation equals to that of the numbers of own equity instrument available or to be paid multiplied by fair value when settling, nevertheless the amount is fixed, or varied partially or fully based on the its own equity's market price(such as interest rate, certain commodity's or financial instrument's price variance).

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

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

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

(6) Financial asset impairment

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

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

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

Impairment requirements is to assess whether credit risk has been significantly increased since initial recognition at each reporting date, if there have been significant increases in credit risk, the company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses, at the reporting date, if the credit risk on a

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financial instrument has not increased significantly since initial recognition, the company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

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

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

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

### **11. Provision for Impairment of Trade receivables**

The company's receivables include notes receivable, receivable, other receivable, and recognition and accounting of receivable expected credit loss as well.

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

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

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

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

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

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## ① Notes receivable

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

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

## ② Trade receivables and other receivables

Apart from the trade receivables and other receivables to be assessed for credit risk separately, based on the counterparty as the common risk characteristics, it is divided into different categories and determined for expected credit loss accounting estimate policy.

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

The company prepares the comparison table between receivables aging and expected credit loss rate within lifetime and work out the expected credit loss by reference to historical credit loss experience in combination with current situation and future forecast of economy condition.

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

The company prepares the comparison table between receivables aging and fixed provision rate and work out the expected credit loss by reference to historical credit loss experience.

On the balance sheet date, expected credit loss of receivable shall be calculated. If the expected credit loss is larger than the book value of the provision of receivable impairment, the difference shall be recognized as receivable impairment loss, debit to “credit impairment loss”, credit to “provision for bad debt”. Alternatively, the difference is recognized as impairment gain and reversed journal entry shall be made.



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Actually incurred credit loss shall be debit to “provision for bad debt”, credit to “notes receivable”, “receivable”, “other receivable” based on the approved amount to be written off as it is assured as uncollectible receivable. If the amount to be written off is bigger than the provision for impairment loss, the difference is debit to “credit impairment loss”

## **12. Inventories**

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

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

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

## **13. Long-term equity investment**

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

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

Significant influence exists when the entity directly or indirectly owned 20% or more but less than 50% shares with voting rights in the investee company. If holding less than 20% voting rights, the entity shall also take other facts or circumstances into accounts when judging any

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significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body of the investee, participation in financial or operating activities policy-making processes, material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

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

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

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

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

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accumulated change on fair value previously recorded in other comprehensive shall be transferred into investment gain/loss for the period.

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

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

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

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

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

Where the entity has no longer joint control or significant influence in the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for as available for sale financial assets, and the difference between the fair value of remaining investment at the date of losing joint control or significant influence and its carrying amount shall be recognized in the profit or loss for the year. Other comprehensive

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income recognized from previous equity investment under equity model shall be accounted for on the same basis as the investee directly disposing of related assets or liability when stopping using under equity model.

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

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

**14. Investment property**

The investment property includes property and building and measured at cost model

Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate
Housing and Buildings	40	3%	2.43%

**15. 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.

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Fixed assets shall be recognized when the economic benefit probably flows into the Group and its cost can be measured reliably. Fixed assets include: building, machinery, transportation equipment, electronic equipment and others.

All fixed assets shall be depreciated unless the fixed assets had been fully depreciated and are still being used and land is separately measured. Straight-line depreciation method is adopted by the Group. Estimated net residual value rate, useful life, depreciation rate as follows:

No	Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate
1	Housing and Buildings	20-40	3%,5%,10%	2.25-4.85%
2	Machinery equipment	10-22	3%,5%,10%	4.09-9.7%
3	Transportation equipment	4-15	3%,5%,10%	6-24.25%
4	Electronic equipment	5	3%,5%,10%	18-19.4%
5	Others equipment	10-15	3%,5%,10%	6-9.7%

The Group should review the estimated useful life, estimated net residual value and depreciation method at the end of each year. If any change has occurred, it shall be regarded as a change in the accounting estimates.

Finance lease shall be recognized when one of the conditions are met, (1) the ownership of the asset belongs to the company when the lease term is due, (2) the company has the option to buy the asset and buy price is far lower than the fair value when exercising the option. (3) lease term is most of the asset life (4) no significant difference between the present value of minimum lease premium and fair value on the lease commencement date.

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

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

**16. Construction in progress**

Constructions in progress are carried down 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 withdrawn depreciation in the next month. Adjustment will be conducted upon confirmation of their actual values after implementing the completion and settlement procedures.

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**17. Borrowing costs**

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

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

**18. Intangible assets**

The intangible assets of the Group refer to land use right and software, and should be measured at actual costs. For acquired intangible assets, the actual cost are measured at actual price paid and relevant other expenses. The cost invested into intangible assets by investors shall be determined according to the stated value in the investment contract or agreement, except for those of unfair value in the contract or agreement, which the actual costs should be determined by the fair value.

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

**19. Impairment of long-term assets**

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment property, fixed assets, construction in progress and intangible

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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 are tested for impairment annually no matter there is any indication of impairment or not.

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

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

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

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

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

## **20. Long-term deferred expenses**

Long-term deferred expenses of the Group refer to leasing expenses, redecoration expense and others. The expenses should be amortized evenly over the beneficial period. If the deferred expense cannot take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss. The amortization period should be determined by the contract. If the contract without the amortization period specification, leasing expenses will be amortized within 10 years and 30 years; redecoration expense and others will be amortized within 3 years.

## **21. Employee benefits**

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

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

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

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

## **22. Contingent liabilities**

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



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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. If the time value of monetary is significant, the best estimate will be determined by discounted cash outflow in the future.

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

### **23. Share based payment**

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

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

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

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

### **24. Principle of recognition of revenue**

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The revenue of the Group is mainly from selling goods, providing labor services and alienating the right of use assets and construction contracts. Recognition standards for revenue are as below:

(1) The revenue from selling goods: Company has transferred all the significant risks and rewards of the ownership of the goods to the buyers, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The relative sale proceeds have been reliably measured, respective economic benefit probably inflow to the company, and the incurred or incurring cost can be reliably measured, and then the revenue can be recognized.

In the reporting period, revenue recognition point and principle: goods is dispatched from warehouse, client has no dispute on the quantity and quality of the goods, client collected or authorized the agent to collect the good and sales amount is confirmed, have collected or expected to collect the payment, cost of goods can be reliably measured, risk and reward is transferred so the revenue is recognized.

Complete sets of engineering projects, if selling products and building installation part can be separated and can be measured separately, selling products will be treated as sales of products. Selling products and building installation will not be able to be distinguished, or can be distinguished but can't be separately measured, selling products and building installation will be all treated as building installation.

(2) The service revenue should be recognized when the outcome of the services can be estimated reliably.

The outcome of the services can be estimated reliably means the following conditions must be satisfied at the same time:

- 1) Amount can be measured reliably
- 2) Relevant economic benefit probably flow into the company
- 3) The stage of completion of the service can be estimated reliably
- 4) Cost incurred or expect to incur in the transaction can be measured reliably

Total service income shall be recognized according to the price agreed in the contract or agreement which has been settled or to be settled unless the price is not fair. Service revenue for the current period shall be recognized based on the figure worked out on the total income multiply by the percentage of completion of the service after deducting the service revenue recognized in the prior period at the balance sheet and accordingly recognized the cost based on the figure worked out on the total cost multiply by the percentage of completion of the service after deducting the service cost recognized in the prior period.

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At the balance sheet date, if outcome of the service cannot be estimated reliably, the treatment shall apply respectively

- 1) Costs incurred may be probably recovered, revenue is recognized only to the extent of costs incurred that are expected to be recoverable, and costs shall be recognized as an expense in the period in which they are incurred
- 2) Costs incurred are not probable of being recovered, then these cost incurred are recognized as an expense immediately, no revenue shall be recognized.

In the case that selling goods and rendering service are both included in the agreements or contracts, when selling products and rendering service part can be separated and can be measured separately, selling products will be treated as sales of products. Selling products and rendering service will not be able to be distinguished, or can be distinguished but can't be separately measured; selling products and rendering service will be all treated as rendering service.

(3) Revenue from construction contract

- 1) When the result of the construction contract is able to be evaluated reliably at the balance sheet date, the income and cost of the contract are recognized on completion percentage basis.

The result of the fixed price of construction contract can be estimated reliably means the following conditions must be satisfied at the same time:

- ① Amount can be measured reliably
- ② Relevant economic benefit probably flow into the company
- ③ Cost actually incurred can be well distinguished and measured reliably
- ④ The stage of completion and the cost expected to incur for the completion of the contract can be estimated reliably

The result of the cost plus of construction contract can be estimated reliably means the following conditions must be satisfied at the same time:

- ① Relevant economic benefit probably flow into the company
- ② Cost actually incurred can be well distinguished and measured reliably

Construction contract income for the current period shall be recognized based on the figure worked out on the total contracted income multiply by the percentage of completion of the construction after deducting the revenue recognized in the prior period at the balance sheet date and accordingly recognized the cost based on the figure worked out on the total

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expected cost multiply by the percentage of completion of the construction after deducting the construction cost recognized in the prior period. Construction contract income is recognized to the extent where the change of the contract, claim for compensation and bonus can bring the income and can be measured reliably.

2) If the result of the construction contract is not able to be evaluated reliably, the treatment shall apply respectively

① If contract cost maybe recovered, the income is recognized at the cost actually recovered, and the cost of the contract is recognized as contract expenses of the current period when it is occurred.

② If contract cost may not be recovered, the cost of the contract shall be recognized as contract expenses when incurred, and no contract revenue shall be recognized.

3) In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period immediately.

**25. Government grants**

A government grant shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms. Income-related grants are the grant given by the government apart from the assets-related grants. If no grant objective indicated clearly in the government documents, the company shall judge it according to the principle mentioned above.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount or conclusive evidence indicates relevant conditions for financial support are met and expect to probably receive the fund, it is measured at the amount receivable. Where a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1 Yuan.

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

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

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

If any government grant already recognized needs to be returned to the government, the accounting shall be differed according to the following circumstances:

- 1) originally recognized as offsetting of related assets' book value, assets book value shall be adjusted,
- 2) if any deferred income, book value of deferred income shall be offset, excessive portion shall be accounted into income statement,
- 3) Other situation, it shall be accounted into income statement directly.

**26. Deferred tax assets and deferred tax liabilities**

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the deductible temporary difference, deductible loss and tax reduction.

**27. Lease**

The Company's leasing business includes operating lease and financing lease.

As an operating lease lessee and lesser, the lease premium shall be recognized in the cost of asset based on straight line method within the period or directly to income statement.

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As a financing lease lessee, the lower of the fair value of leased assets and the present value of the minimum lease payments is recognized as the leased asset, the minimum lease payments are recognized as the long-term payables, and the difference is recognized as unrecognized finance expense at the inception of the lease. The company shall adopt the effective interest method to amortize and record as the financial costs during the assets lease term.

**28. Held for sale**

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

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

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

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

(5) The impairment loss recognized for a disposal group shall reduce the carrying amount of goodwill of disposal group first, and then reduce the carrying amount of the non-current assets based on its proportion on the book.

(6) The Company shall recognize a gain for any subsequent increase in fair value less costs to sell of a disposal group and shall reverse the impairment to the extent that previously recognized when being classified as held for sale, in accordance with applicable measuring standards, the revisable amount is recognized in the income statement for the period. Any impairment from the period when the assets are not classified as held for sale and reduced goodwill cannot be reversed.

(7) For any subsequently reversed amount, after the impairment loss is recognized for held for sale disposal group, the Company shall increase the carrying amount of disposal group based on the proportion of carrying amount of non-current assets excluding goodwill.

(8) Non-current assets classified as held for sale or disposal group shall not be depreciated or amortized, interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

(9) When held for sale assets or disposal group cannot meet the criteria for held for sale classification so that they are not recognized as held for sale or non-current asset will be removed from disposal group, they shall be measured at the lower of the following amounts: (1) carrying amount of assets prior to it classified as held for sale, which is the amount after depreciation, amortization or impairment adjustment as it had not been classified as held for sale ; (2) recoverable amount.

(10) When the Company derecognizes the held for sale assets or disposal group, the remaining unrecognized gain or loss shall be accounted in the income statement.

**29. Discontinued operation**

When meeting any one of the following criteria, the component can be identified separately and the component has already been disposed off or classified as held for sale: (1) the component represents one independent main business or one single main business area; (2) the component plans to be part of the related plan which represents one independent main business or one single main business area; (3) the component was specially acquired for

resale

### 30. Other significant accounting policies, accounting Estimates

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

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

#### (1) Impairment of financial instrument

The company uses expected credit loss model to assess any impairment of financial asset. When applying expected credit loss model, the company shall take all necessary factors into account as requested such as significant judgment, estimate and all reasonable and supportable information including forward looking information. Repayment history in conjunction with economic policy, macro environment ratio, industry and sector risk etc shall also be taken into account when judging expected change of debtor's credit risk.

#### (2) Provision of inventory impairment

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

#### (3) Provision of goodwill impairment

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

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



**Notes to financial statements for the year ended December 31, 2019**

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

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

(4) Provision of fixed asset impairment

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

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

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

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

(5) Recognition of deferred tax assets

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

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

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

**31. Changes in Accounting Policies, Accounting Estimates**

(1) Change in significant accounting policies

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

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<b>Changes on accounting policy and reasons</b>	<b>Approval progress</b>	<b>Memo</b>
<p>On March 31<sup>st</sup>, 2017, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.22-financial instrument recognition and measurement”(No7 Cai kuai [2017]) (hereinafter referred to as “updated financial instrument standard”). Since January 1, 2018, the updated financial instrument standard took effect for either the company both listed in overseas and domestic or IFRS or Accounting Standards for Business Enterprises adoption of the company listed overseas. The rest of domestic listed companies shall adopt the standard since January 1, 2019. When preparing the financial statements for 2019FY, the policy has been adopted and the accounting has been done in accordance with this standard.</p>	<p>The accounting policy change has been approved by the 3<sup>rd</sup> meeting of the 8<sup>th</sup> generation of board.</p>	<p>Note 1</p>
<p>On May 9<sup>th</sup>, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.7-non monetary asset exchange”(No 8 Caikuai[2019], hereinafter referred to as “updated non monetary asset exchange standards”. The company adopted it since June 10<sup>th</sup>, 2019.</p>	<p>The accounting policy change has been approved by the 9<sup>th</sup> meeting of the 8<sup>th</sup> generation of board.</p>	<p>Note 2</p>
<p>On May 16<sup>th</sup>, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.12-debt restructuring”(No 9 Caikuai[2019], hereinafter referred to as “updated debt restructuring standards”. The company adopted it since June 17<sup>th</sup>, 2019.</p>	<p>The accounting policy change has been approved by the 9<sup>th</sup> meeting of the 8<sup>th</sup> generation of board.</p>	<p>Note 3</p>
<p>On April 30, 2019, the Ministry of Finance announced the “Notice of amending and issuing financial statements format” (No.6 Caikuai[2019]). On September 19<sup>th</sup>, 2019, the Ministry of Finance announced the “Notice of amending and issuing consolidated financial statements format” (No.16 Caikuai[2019]) The company has prepared the financial statements for the year ended as of December 31st, 2019 in accordance with the notice mentioned above.</p>	<p>The accounting policy change has been approved by the 5<sup>th</sup> meeting of the 8<sup>th</sup> generation of board.</p>	<p>Note 4</p>

Note1. Updated financial instrument standard

**Notes to financial statements for the year ended December 31, 2019**

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In the aspect of financial asset classification and measurement, updated financial instrument standard requires to classify the financial asset into three categories as it measured at amortized cost, FVTOCI and FVTPL based on the business model of management of the financial assets and the characteristics of contractual cash flow. Previous classification as loan and receivables, held to maturity and available for sale has been withdrawn. Equity instrument is classified as financial asset measured at FVTPL, the company is also allowed to designate the non-tradable equity instrument as financial asset measured at FVTOCI which cannot be withdrawn and accumulated gain on fair value change previously in other comprehensive income can't be transferred into profit or loss for the period. Since January 1<sup>st</sup>, 2019, the company started to adopt the updated financial instrument standard for financial instrument recognition, measurement and presentation.

In the aspect of financial asset impairment, incurred credit loss model is replaced by expected credit loss model according to updated financial instrument standard. Three stages model is applied to new impairment model, on the basis of credit risk significantly increased or not since initial recognition, credit loss provision shall be made for either expected credit loss within 12 months or for entire lifetime. Simplified approach is applied to receivables, which always allows the credit risk loss provision is made for entire lifetime. Since January 1<sup>st</sup>, 2019, the company started to remeasure the expected credit loss provision for notes receivable, receivable and other receivable, and retrospectively adjusted the book value of notes receivable, receivable and other receivable.

Updated accounting policy is referred to the note IV. 10 and 11. On January 1, 2019, new financial instrument adoption and effect on the comparison figure as follows:

## Consolidated balance sheet

Items	Balance on December 31,2018	Effect on amount	Balance on January 1,2019	memo
Notes receivable	171,292,044.56	-16,836,280.14	154,455,764.42	

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Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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Items	Balance on December 31,2018	Effect on amount	Balance on January 1,2019	memo
Accounts receivable	1,107,546,588.30	-18,455,945.61	1,089,090,642.69	
Other receivable	48,508,755.15	252,384.48	48,761,139.63	
Financial asset measured at FVTPL	--		--	
Tradable financial asset	--		--	
Other current asset	--		--	
Available for sale financial asset	382,186,729.99	-382,186,729.99	--	
Other equity instrument investment	--		--	
Other non-current financial asset	--	382,186,729.99	382,186,729.99	
Deferred tax asset	34,082,754.72	14,041,109.34	48,123,864.06	
Other comprehensive income	296,909,965.55	-294,408,505.78	2,501,459.77	
Undistributed profit	764,859,288.45	274,180,778.57	1,039,040,067.02	
Minority interest	80,796,270.83	-771,004.72	80,025,266.11	

Balance sheet of parent company

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Notes to financial statements for the year ended December 31, 2019

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(English translation for reference only)

Items	Balance on December 31,2018	Effect on amount	Balance on January 1,2019	memo
Notes receivable	63,673,648.65	-13,066,434.49	50,607,214.16	
Accounts receivable	418,715,646.60	-2,689,576.43	416,026,070.17	
Other receivable	14,003,269.34	-6,021.56	13,997,247.78	
Financial asset measured at FVTPL	---		---	
Tradable financial asset	---		---	
Other current asset	---		---	
Available for sale financial asset	380,771,587.49	-380,771,587.49	---	
Other equity instrument investment	---		---	
Other non-current financial asset	---	380,771,587.49	380,771,587.49	
Deferred tax asset	4,303,943.48	7,614,668.84	11,918,612.32	
Other comprehensive income	295,947,864.88	-294,408,505.78	1,539,359.10	
Undistributed profit	640,251,261.47	286,261,142.14	926,512,403.61	

Note 2: Updated non-monetary asset exchange standard

On May 9th, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.7-non monetary asset exchange” (No 8 Caikuai[2019], hereinafter referred to as “updated non monetary asset exchange

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

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standards”. The company adopted it since June 10th, 2019. Updated non monetary asset exchange standard has amendment to the definition and clarify the application scope, timing for exchanged in asset recognition and derecognition of exchanged out asset, and also the accounting when the exchange timing is different between asset in and asset out. Specify how to account the non monetary asset exchange and add in disclosure requirement.

The standard requests to adjust the accounting for any non monetary exchange between January 1<sup>st</sup>, 2019 and June 10<sup>th</sup>, 2019 when new stands took effect in according to the new standard, and doesn’t request to retrospectively adjust that incurred prior to January 1<sup>st</sup>, 2019. There is no such transaction, so no significant effect to the current year’s financial statements.

Note 3: Updated debt restructuring standard

On May 16th, 2019, the Ministry of Finance announced amendment to “Accounting Standards for Business Enterprises No.12-debt restructuring” (No 9 Caikuai[2019], hereinafter referred to as “updated debt restructuring standards”. The company adopted it since June 17<sup>th</sup>, 2019. Updated debt restructuring standard has amendment to the definition and clarify the application scope, the accounting and simplified disclosure requirement.

The standard requests retrospective adjustment to be made for the debt restructuring between January 1<sup>st</sup>, 2019 and June 17<sup>th</sup>, 2019, no adjustment is requested for the debt restructuring prior to January 1<sup>st</sup>, 2019. There is no significant effect on the financial statements as the updated debt restructuring standard adoption.

Note 4: Financial statements presentation

On April 30th, 2019, the Ministry of Finance announced the “Notice of amending and issuing financial statements format” (No.6 Caikuai[2019]). On September 19<sup>th</sup>, 2019, the Ministry of Finance announced the “Notice of amending and issuing consolidated financial statements format” (No.16 Caikuai[2019]) The company has prepared the financial statements for the year ended as of December 31st, 2019 in accordance with the notice mentioned above. No.6 Caikuai[2019] and No.16 Caikuai[2019] amended the presentation of balance sheet, profit or loss, cash flow statement and Statement of Changes in Shareholder’s Equity. “right-of-use asset” and “lease liability” items are added into the statements. “Notes receivable and account

**Notes to financial statements for the year ended December 31, 2019**

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receivable” are split into 3 items: “accounts receivable”, “notes receivable” and “receivable financing”. “Notes payable and account payable” are split into 2 items: “accounts payable”, “notes payable”. No.6 Caikuai[2019] also clarified and amended “other receivable”, “noncurrent asset due within a year”, “other payable”, “deferred income”, “other equity instrument”, “development cost”, “interest income”, “other income”, “gain on asset disposal”, “non operating income” and “non operating expense” and “capital invested by other equity instrument holder”. The standard also has requirement for loss provision for loan commitment and finance guarantee. New item, “financial asset measured at amortized cost” is added to be presented under “investment income”. Some of items in income statement are adjusted for location and government grant is clarified how to be filled in the cash flow statement. Restatement of last year’s comparison figure is made for the above change.

## (2) Changes in significant accounting estimates

No.

## (3) Adjustment to the opening figure as the updated financial instrument adoption in 2019

## Consolidated balance sheet

<b>Effected Items</b>	<b>December 31<sup>st</sup>,2018</b>	<b>Effect on new standard adoption</b>	<b>January 1<sup>st</sup>,2019</b>
<b>Current Assets:</b>			
Monetary funds	343,026,485.11		343,026,485.11
Settlement fund			
Outgoing call loan			
Tradable financial asset			
Fair value through P&L assets			
Derivative financial assets			
Notes receivable	171,292,044.56	-16,836,280.14	154,455,764.42
Accounts receivable	1,107,546,588.30	-18,455,945.61	1,089,090,642.69
Financing receivable			
Prepayments	158,405,300.50		158,405,300.50
Insurance receivables			
Reinsurance Receivable			

**Notes to financial statements for the year ended December 31, 2019**

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(English translation for reference only)

<b>Effected Items</b>	<b>December 31<sup>st</sup>,2018</b>	<b>Effect on new standard adoption</b>	<b>January 1<sup>st</sup>,2019</b>
Provision of reinsurance contract reserve receivable			
Other receivables	48,508,755.15	252,384.48	48,761,139.63
including: interest receivable	318,886.12		318,886.12
dividend receivable	33,450.00		33,450.00
Financial assets purchased under agreement to resell			
Inventories	450,195,300.53		450,195,300.53
Contractual asset			
Held for sale assets			
Non-current assets due within 1-year			
Other current assets	18,266,589.12		18,266,589.12
<b>Total Current Assets</b>	<b>2,297,593,399.39</b>	<b>-35,039,841.27</b>	<b>2,262,201,222.00</b>
<b>Non-Current Assets:</b>			
Loan and payment on other's behalf disbursed			
Debt investment			
Available-for-sale financial assets	382,186,729.99	-382,186,729.99	
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	1,619,693,570.97		1,619,693,570.97
Other equity instrument investment			
Other non-current financial assets		382,186,729.99	382,186,729.99
Investments properties	100,338,241.99		100,338,241.99
Fixed assets	953,298,058.11		953,298,058.11
Construction in process	19,796,212.82		19,796,212.82
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets	147,018,592.71		147,018,592.71



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Effected Items	December 31 <sup>st</sup> ,2018	Effect on new standard adoption	January 1 <sup>st</sup> ,2019
Development cost			
Goodwill	1,750,799.49		1,750,799.49
Long-term deferred expenses	12,873,428.19		12,873,428.19
Deferred tax asset	34,082,754.72	14,041,109.34	48,123,864.06
Other non-current assets			
<b>Total Non-current Assets</b>	<b>3,271,038,388.99</b>	<b>14,041,109.34</b>	<b>3,285,079,498.33</b>
<b>Total Assets</b>	<b>5,568,279,452.26</b>	<b>-20,998,731.93</b>	<b>5,547,280,720.33</b>
<b>Current Liabilities:</b>			
Short-term borrowings	250,000,000.00		250,000,000.00
Loans from central bank			
Loans from other banks			
Tradable financial liability			
Fair value through P&L liabilities			
Derivative financial liabilities			
Notes payable	273,401,536.58		273,401,536.58
Accounts payable	859,489,558.61		859,489,558.61
Advance received	122,151,101.00		122,151,101.00
Contractual liability			
Financial assets sold under agreements to repurchase			
Deposits received and hold for others			
Entrusted trading of securities			
Entrusted underwriting of securities			
Employee pay payables	31,856,136.59		31,856,136.59
Taxes and duties payable	13,608,212.32		13,608,212.32
Other payables	63,313,958.43		63,313,958.43
including: interest payable	1,369,527.78		1,369,527.78
dividend payable	533,156.00		533,156.00
Fees and commissions payable			
Amount due to reinsurance			
Held for sale liabilities			
Non-current liabilities due within 1-year	2,999,574.93		2,999,574.93

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Effectuated Items	December 31 <sup>st</sup> ,2018	Effect on new standard adoption	January 1 <sup>st</sup> ,2019
Other current liabilities			
<b>Total Current Liabilities</b>	1,616,820,078.46		1,616,820,078.46
<b>Non-current Liabilities:</b>			
Insurance contract provision			
Long-term borrowings	160,000,000.00		160,000,000.00
Bonds Payable	176,000,000.00		176,000,000.00
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables	1,532,949.94		1,532,949.94
Long-term employee payables			
Provision			
Deferred income	103,542,093.79		103,542,093.79
Deferred Tax liabilities	51,954,442.22		51,954,442.22
Other non-current liabilities			
<b>Total Non-current Liabilities</b>	493,029,485.95		493,029,485.95
<b>Total Liabilities</b>	2,109,849,564.41		2,109,849,564.41
<b>Owners Equity(or Shareholders Equity):</b>			
Paid-in capital (Share capital)	855,434,087.00		855,434,087.00
Other equity instrument			
including: preference share			
perpetual capital securities			
Capital reserve	760,365,342.00		760,365,342.00
Less: treasury stock	21,026,106.00		21,026,106.00
Other comprehensive income	296,909,965.55	-294,408,505.78	2,501,459.77
Chartered reserve			
Surplus reserves	721,091,040.02		721,091,040.02
△Provision for general risk			
Undistributed profit	764,859,288.45	274,180,778.57	1,039,040,067.02
Equity attributable to equity holders of the Company	3,377,633,617.02	-20,227,727.21	3,357,405,889.81
*Minority interest	80,796,270.83	-771,004.72	80,025,266.11
<b>Total Equity</b>	3,458,429,887.85	-20,998,731.93	3,437,431,155.92
<b>Total Liabilities and Equity</b>	5,568,279,452.26	-20,998,731.93	5,547,280,720.33

## Notes to financial statements for the year ended December 31, 2019

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## Balance sheet of parent company

Effected Items	December 31 <sup>st</sup> ,2018	Effect on new standard adoption	January 1 <sup>st</sup> ,2019
<b>Current Assets:</b>			
Monetary funds	186,976,185.10		186,976,185.10
Tradable financial asset			
Fair value through P&L assets			
Derivative financial assets			
Notes receivable	63,673,648.65	-13,066,434.49	50,607,214.16
Accounts receivable	418,715,646.60	-2,689,576.43	416,026,070.17
Financing receivable			
Prepayments	69,577,538.44		69,577,538.44
Other receivables	14,003,269.34	-6,021.56	13,997,247.78
including: interest receivable	318,886.12		318,886.12
dividend receivable			
Inventories	194,747,632.08		194,747,632.08
Contractual assets			
Held for sale assets			
Non-current assets due within 1-year			
Other current assets	8,056,055.09		8,056,055.09
<b>Total Current Assets</b>	<b>955,749,975.30</b>	<b>-15,762,032.48</b>	<b>939,987,942.82</b>
<b>Non-Current Assets:</b>			
Debt investment			
Available-for-sale financial assets	380,771,587.49	-380,771,587.49	
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	2,201,953,842.42		2,201,953,842.42
Other equity instrument investment			
Other non-current financial assets		380,771,587.49	380,771,587.49

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Effected Items	December 31 <sup>st</sup> ,2018	Effect on new standard adoption	January 1 <sup>st</sup> ,2019
Investments properties	111,421,702.70		111,421,702.70
Fixed assets	725,516,578.53		725,516,578.53
Construction in process	18,010,457.61		18,010,457.61
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets	70,049,323.57		70,049,323.57
Development cost			
Goodwill			
Long-term deferred expenses	11,244,777.00		11,244,777.00
Deferred tax asset	4,303,943.48	7,614,668.84	11,918,612.32
Other non-current assets			
<b>Total Non-current Assets</b>	<b>3,523,272,212.80</b>	<b>7,614,668.84</b>	<b>3,530,886,881.64</b>
<b>Total Assets</b>	<b>4,479,022,188.10</b>	<b>-8,147,363.64</b>	<b>4,470,874,824.46</b>
<b>Current Liabilities:</b>			
Short-term borrowings	250,000,000.00		250,000,000.00
Tradable financial liability			
Fair value through P&L liabilities			
Derivative financial liabilities			
Notes payable	114,845,621.59		114,845,621.59
Accounts payable	297,954,195.20		297,954,195.20
Advance received	29,579,144.85		29,579,144.85
Contractual liability			
Employee pay payables	7,376,290.42		7,376,290.42
Taxes and duties payable	3,399,150.12		3,399,150.12
Other payables	30,439,931.10		30,439,931.10
including: interest payable	1,369,527.78		1,369,527.78
dividend payable	533,156.00		533,156.00
Held for sale liabilities			
Non-current liabilities due within 1-year			
Other current liabilities			

## Notes to financial statements for the year ended December 31, 2019

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Effectuated Items	December 31 <sup>st</sup> ,2018	Effect on new standard adoption	January 1 <sup>st</sup> ,2019
<b>Total Current Liabilities</b>	733,594,333.28		733,594,333.28
<b>Non-current Liabilities:</b>			
Long-term borrowings	160,000,000.00		160,000,000.00
Bonds Payable	176,000,000.00		176,000,000.00
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables			
Long-term employee payables			
Provision for liabilities			
Deferred income	60,907,828.40		60,907,828.40
Deferred Tax liabilities	51,954,442.22		51,954,442.22
Other non-current liabilities			
<b>Total Non-current Liabilities</b>	448,862,270.62		448,862,270.62
<b>Total Liabilities</b>	1,182,456,603.90		1,182,456,603.90
<b>Owners Equity(or Shareholders Equity):</b>			
Paid-in capital (Share capital)	855,434,087.00		855,434,087.00
Other equity instrument			
including: preference share			
perpetual capital securities			
Capital reserve	804,867,436.83		804,867,436.83
Less: treasury stock	21,026,106.00		21,026,106.00
Other comprehensive income	295,947,864.88	-294,408,505.78	1,539,359.10
Chartered reserve			
Surplus reserves	721,091,040.02		721,091,040.02
Undistributed profit	640,251,261.47	286,261,142.14	926,512,403.61
<b>Total Equity</b>	3,296,565,584.20	-8,147,363.64	3,288,418,220.56
<b>Total Liabilities and Equity</b>	4,479,022,188.10	-8,147,363.64	4,470,874,824.46

(4) Note to retrospective adjustment of comparison figure as adoption of updated financial instrument standard in 2019

As requested in updated financial instrument standard, the company made adjustment to the opening figure of financial statements for FY 2019 for the accumulated effect since

**Notes to financial statements for the year ended December 31, 2019**

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the first updated standard adoption, and no adjustment to the comparing figure of financial statements for FY2018.

**V. Taxation**

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

<b>Tax</b>	<b>Tax base</b>	<b>Tax rate</b>
Value-added tax (VAT)	Sales revenue or Purchase	6%、9%、10%、13%、16%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%
Enterprise income tax(EIT)	Current period taxable profit	15% or 25%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	Fixed amount per square meter
Other tax		According to the relevant provisions of the state and local

Notes for tax entities with different EIT rate

<b>Tax entities</b>	<b>EIT rate</b>
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	15%
Dalian Bingshan Group Engineering Co., Ltd.	25%
Dalian Bingshan Group Sales Co., Ltd.	25%
Dalian Bingshan Air-conditioning Equipment Co., Ltd.	15%
Dalian Bingshan JiaDe Automation Co., Ltd.	15%
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	25%
Wuhan New World Refrigeration Industrial Co., Ltd.	15%
Bingshan Technical Service (Dalian) Co.,Ltd.	15%
Dalian Bingshan International Trading Co.,Ltd	25%
Dalian Niweisi LengNuan Techonology Co., Ltd.	15%
Dalian Xinminghua Electrical Technology Co., Ltd	15%

2. Tax preference

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

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

The company's subsidiary, Dalian Bingshan Air-conditioning Equipment Co., Ltd. obtained the qualification of high and new technology enterprises on 29th November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200279, and the validity duration is three years. According to the tax law, 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 JiaDe Automation Co., Ltd. obtained the qualification of high and new technology enterprises on 16<sup>th</sup> November, 2018 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR20181200562, and the validity duration is three years. According to the tax law, the company 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 15<sup>th</sup> November, 2018 approved by Hubei Science Technology Bureau, Hubei Finance Bureau, Hubei State Tax Bureau and Hubei Local tax Bureau. The Certificate No. is GR201842000605, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

The company's subsidiary, Bingshan Technical Service (Dalian) Co., Ltd. obtained the qualification of high and new technology enterprises on 29<sup>th</sup> November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200155, 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 Niweisi LengNuan Techonoligy Co., Ltd. obtained the qualification of high and new technology enterprises on 29<sup>th</sup> November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200108, 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.

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

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The company's subsidiary, Dalian Xinminghua Electrical Technology Co., Ltd obtained the qualification of high and new technology enterprises on 29<sup>th</sup> November, 2017 approved by Dalian Science Technology Bureau, Dalian Finance Bureau, Dalian State Tax Bureau and Local tax Bureau. The Certificate No. is GR201721200301, 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.

**VI. Notes to Consolidated Financial Statements**

The following disclosure date on this financial statement without special indication, “opening” refers to January 1, 2019; “closing” refers to December 31, 2019; “current period” refers to the period from January 1, 2019 to December 31, 2019; and “last period” refers to the period from January 1, 2018 to December 31, 2018; with the currency unit RMB.

## 1. Cash and cash in bank

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Cash on hand	92,096.63	74,387.33
Cash in bank	301,435,257.93	304,629,047.14
Other cash and cash equivalents	30,591,791.66	38,323,050.64
<b>Total</b>	<b>332,119,146.22</b>	<b>343,026,485.11</b>
Including: sum of deposits overseas		

Note: Other cash and cash equivalents is restricted, including deposit for bank acceptance notes of 20,876,860.44Yuan, guarantee deposit of 8,714,931.22Yuan, migrant deposit of 1,000,000.00Yuan, total of 30,591,791.66 Yuan.

## 2. Notes receivable

## (1) Category of notes receivable

<b>Items</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Bank acceptance notes	71,184,057.96	50,386,649.84
Trade acceptance notes	48,763,268.45	104,069,114.58
<b>Total</b>	<b>119,947,326.41</b>	<b>154,455,764.42</b>

Note: Since January 1<sup>st</sup>, 2019, financial instrument new standard was adopted. The opening figures of notes receivable shall be remeasured on the first adoption date. Refer to Note IV.31.

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

<b>Items</b>	<b>Closing pledged amount</b>
Bank acceptance notes	26,006,866.04
<b>Total</b>	<b>26,006,866.04</b>



## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

(3) Notes receivable endorsed or discounted but not mature at the end of year

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	373,034,064.57	
Trade acceptance notes	68,545,978.90	
<b>Total</b>	<b>441,580,043.47</b>	

(4) Transfer to receivable as the drawer's default

Items	Amount to be transferred to receivable
Trade acceptance notes	45,000,000.00
<b>Total</b>	<b>45,000,000.00</b>

(5) Categories according to bad debts provision

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Bad debts provision based on group					
Including: bank acceptance notes	71,184,057.96	57.64	-		71,184,057.96
Trade acceptance notes	52,316,066.01	42.36	3,552,797.56	6.79	48,763,268.45
<b>Total</b>	<b>123,500,123.97</b>	<b>100.00</b>	<b>3,552,797.56</b>	<b>2.88</b>	<b>119,947,326.41</b>

(Continued)

Items	Opening balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Bad debts provision based on group					
Including: bank acceptance notes	50,386,649.84	29.42			50,386,649.84
Trade acceptance notes	120,905,394.72	70.58	16,836,280.14	13.93	104,069,114.58
<b>Total</b>	<b>171,292,044.56</b>	<b>100.00</b>	<b>16,836,280.14</b>	<b>9.83</b>	<b>154,455,764.42</b>

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Categories based on group

Items	Closing Balance		
	Booking balance	Provision	Provision (%)
Trade acceptance notes	52,316,066.01	3,552,797.56	6.79
<b>Total</b>	<b>52,316,066.01</b>	<b>3,552,797.56</b>	<b>6.79</b>

(6) Bad debt provision is reversed of 13,283,482.58Yuan due to the notes receivable of 45million Yuan at opening transferred into account receivable.

(7) Notes receivable written off: none

## 3. Accounts receivable

## (1) Category of accounts receivable

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	51,480,562.10	3.90	12,628,091.85	24.53	38,852,470.25
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,268,187,352.67	96.10	276,697,281.04	21.82	991,490,071.63
Including: aging as characteristics of credit risk	1,268,187,352.67	96.10	276,697,281.04	21.82	991,490,071.63
<b>Total</b>	<b>1,319,667,914.77</b>	<b>100.00</b>	<b>289,325,372.89</b>	<b>21.92</b>	<b>1,030,342,541.88</b>

Note: since January 1st, 2019, financial instrument new standard was adopted. The opening figures of receivable shall be remeasured on the first adoption date. Refer to Note IV.31.

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

(Continued)

Items	Opening balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	6,569,055.28	0.50	1,776,966.99	27.05	4,792,088.29
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,294,604,951.29	99.50	210,306,396.89	16.24	1,084,298,554.40
Including: aging as characteristics of credit risk	1,294,604,951.29	99.50	210,306,396.89	16.24	1,084,298,554.40
<b>Total</b>	<b>1,301,174,006.57</b>	<b>100.00</b>	<b>212,083,363.88</b>	<b>16.30</b>	<b>1,089,090,642.69</b>

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing proportion (%)
Within 1 year	491,370,202.74	33,369,090.17	6.79
1 to 2 years	375,133,570.90	57,548,765.99	15.34
2 to 3 years	247,489,997.95	71,936,764.12	29.07
3 to 4 years	52,161,735.26	24,416,266.30	46.81
4 to 5 years	46,545,194.26	33,939,742.90	72.92
Over 5 years	55,486,651.56	55,486,651.56	100.00
<b>Total</b>	<b>1,268,187,352.67</b>	<b>276,697,281.04</b>	<b>-</b>

## (2) Bad debt provision of current period

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	212,083,363.88	83,869,016.33	554,176.99	7,181,184.31	289,325,372.89
<b>Total</b>	<b>212,083,363.88</b>	<b>83,869,016.33</b>	<b>554,176.99</b>	<b>7,181,184.31</b>	<b>289,325,372.89</b>

(3) Accounts receivable written off in current period

Item	Written off amount
Receivable actually written off	7,181,184.31

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Zhejiang Wankai New Materials Co.,Ltd	50,985,562.10	3-4years	3.86	12,133,091.84
Wuhan Lianhe Liben Energy Technology Co.,Ltd	42,218,096.00	Within 1 year 1-2years 2-3years	3.20	4,484,128.57
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	1-2 years 2-3 years 3-4 years	2.48	10,636,787.06
Ningxia Wangwa Coal Industry Co.,Ltd	29,002,800.00	Within 1 year 1-2 years	2.20	4,159,982.41
Shenzhen Zhaofude Tourism Development Co.,Ltd	24,749,430.13	1-2 years	1.88	3,796,562.58
<b>Total</b>	<b>179,704,632.23</b>	<b>-</b>	<b>13.62</b>	<b>35,210,552.46</b>

## 4. Prepayments

(1) Aging of prepayments

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	112,706,836.54	78.93	107,871,448.52	68.10
1 to 2 years	17,090,076.33	11.97	33,233,538.29	20.98
2 to 3 years	4,786,466.74	3.35	16,117,708.59	10.17
Over 3 years	8,203,148.96	5.75	1,182,605.10	0.75
<b>Total</b>	<b>142,786,528.57</b>	<b>100.00</b>	<b>158,405,300.50</b>	<b>100.00</b>

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD.

Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Significant prepayments over 1 year

Company	Closing Balance	Aging	Unsettled Reasons
Shanghai POMA Automation Equipment Co.,Ltd	4,272,900.00	3-4 years	Contract is not fully implemented
Yunnan Xinneng Technology Co., Ltd	2,020,380.50	1-2 years 2-3 years	Contract is not fully implemented
Dalian Jingdian Steel Work Co., Ltd	1,813,924.02	1-2 years	Contract is not fully implemented
Jiahua Chemical Co., Ltd	1,527,519.65	1-2 years 2-3 years 3-4 years	Contract is not fully implemented
Dalian Hengtong Refrigeration Equipment engineering Co., Ltd	1,155,743.92	1-2 years	Contract is not fully implemented
<b>Total</b>	<b>10,790,468.09</b>	—	—

(2) The top five significant advances to suppliers categorized by debtors

Company	Closing Balance	Aging	% of the total advances to suppliers
Dalian Shentong Electric Co., Ltd.	9,714,191.82	Within 1year	6.80
Nanjing Bingshan Mechanic Equipment Co., Ltd	8,507,384.58	Within 1year	5.96
Longkou City Longpeng Precise copper tube Co., Ltd	7,000,000.00	Within 1year	4.90
Dalian Hengtong Refrigeration Equipment engineering Co., Ltd	5,725,743.92	Within 1year 1-2 years	4.01
Shenyang Baogang Northeast Trading Co.,Ltd	5,434,274.00	Within 1year	3.81
<b>Total</b>	<b>36,381,594.32</b>	-	<b>25.48</b>

5. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	583,833.33	318,886.12
Dividend receivable	33,450.00	33,450.00
Other receivables	38,113,945.24	48,408,803.51
<b>Total</b>	<b>38,731,228.57</b>	<b>48,761,139.63</b>

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

## 5.1 Interest receivable

## (1) Classification

Items	Closing Balance	Opening Balance
Interest on term deposits	583,833.33	318,886.12
<b>Total</b>	<b>583,833.33</b>	<b>318,886.12</b>

## 5.2. Dividends receivable

## (1) Classification

Company	Closing Balance	Opening Balance
Wuhan Steel and Electricity Co., Ltd.	33,450.00	33,450.00
<b>Total</b>	<b>33,450.00</b>	<b>33,450.00</b>

## 5.3. Other receivables

## (1)The categories of other receivable according to nature

Items	Closing Balance	Opening Balance
Deposits	23,419,558.44	30,393,406.84
Petty cash	8,132,205.01	9,674,473.91
Receivables and payables	13,757,372.35	13,564,390.30
Others	225,649.71	2,140,775.38
<b>Total</b>	<b>45,534,785.51</b>	<b>55,773,046.43</b>

## (2) The bad debt provision of other receivable

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	45,534,785.51	100.00	7,420,840.27	16.30	38,113,945.24
Including: aging as	45,534,785.51	100.00	7,420,840.27	16.30	38,113,945.24

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
characteristics of credit risk					
<b>Total</b>	<b>45,534,785.51</b>	<b>100.00</b>	<b>7,420,840.27</b>	<b>16.30</b>	<b>38,113,945.24</b>

(Continued)

Items	Opening Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	55,773,046.43	100.00	7,364,242.92	13.20	48,408,803.51
Including: aging as characteristics of credit risk	55,773,046.43	100.00	7,364,242.92	13.20	48,408,803.51
<b>Total</b>	<b>55,773,046.43</b>	<b>100.00</b>	<b>7,364,242.92</b>	<b>13.20</b>	<b>48,408,803.51</b>

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing proportion (%)
Within 1 year	22,443,799.33	751,055.95	3.35
1-2 years	8,694,854.93	651,338.03	7.49
2-3 years	7,728,304.62	1,755,398.11	22.71
3-4 years	3,886,255.94	1,684,881.24	43.35
4-5 years	608,765.00	405,361.25	66.59
Over 5 years	2,172,805.69	2,172,805.69	100.00
<b>Total</b>	<b>45,534,785.51</b>	<b>7,420,840.27</b>	—

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

## (3) Provision for bad debt

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	7,364,242.92	56,597.35			7,420,840.27
<b>Total</b>	<b>7,364,242.92</b>	<b>56,597.35</b>			<b>7,420,840.27</b>

(4) Other receivables written off in current period: none.

(5) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
State Taxation Administration Dalian Shahekou District Bureau	Export tax refund	6,630,838.62	Within 1 year	14.56	222,133.09
Huangmei Kanghong Eco Agriculture Development Co., Ltd	Deposit	2,279,000.00	1-2years	5.00	170,697.10
Agriculture Bureau of Moyu County	Deposit	1,892,400.00	Within 1 year	4.16	63,395.40
Dalian Huali Coating Equipment Co., Ltd	Outstanding debtor	1,650,000.00	2-3 years	3.62	374,715.00
Chengdu Yinli Cooling Logistic Co., Ltd	Deposit	1,600,000.00	2-3 years	3.51	363,360.00
<b>Total</b>		<b>14,052,238.62</b>	<b>-</b>	<b>30.85</b>	<b>1,194,300.59</b>

## 6. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	99,955,218.42	1,089,032.88	98,866,185.54
Working in progress	101,259,171.98		101,259,171.98
Finished goods	225,850,272.78	50,000.00	225,800,272.78
Low-value consumable	137,722.99		137,722.99
Self-manufactured semi-finished products	26,595,183.32		26,595,183.32
Constructing projects	85,532,846.86	1,200,000.00	84,332,846.86



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Notes to financial statements for the year ended December 31, 2019

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Item	Closing Balance		
	Book value	Provision for decline	Net book value
Materials on consignment for further processing	2,505,829.92		2,505,829.92
<b>Total</b>	<b>541,836,246.27</b>	<b>2,339,032.88</b>	<b>539,497,213.39</b>

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	93,238,803.85	1,095,201.13	92,143,602.72
Working in progress	87,240,651.75		87,240,651.75
Finished goods	188,490,721.70	88,460.00	188,402,261.70
Low-value consumable	143,386.78		143,386.78
Self-manufactured semi-finished products	24,660,370.80		24,660,370.80
Completed constructing projects not settled	52,606,275.99		52,606,275.99
Materials on consignment for further processing	4,998,750.79		4,998,750.79
<b>Total</b>	<b>451,378,961.66</b>	<b>1,183,661.13</b>	<b>450,195,300.53</b>

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase	Decrease		Closing Balance
		Accrual	Reverse/ Written-off	Others transferred	
Raw materials	1,095,201.13		6,168.25		1,089,032.88
Finished goods	88,460.00		38,460.00		50,000.00
Completed constructing projects not settled		1,200,000.00			1,200,000.00
<b>Total</b>	<b>1,183,661.13</b>	<b>1,200,000.00</b>	<b>44,628.25</b>		<b>2,339,032.88</b>

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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Accrual for provision for decline in the value of inventories

Item	Basis for net realizable value recognition	Reasons for reverse/write-off
Raw materials	Lower of cost and NRV	Sold within the year
Finished goods	Lower of cost and NRV	Sold within the year
Completed constructing projects unsettled	Lower of cost and NRV	

(3) Completed constructing projects unsettled

Item	Amount
Accumulated costs incurred	85,532,846.86
Accumulated gross profit recognized	
Less: expected loss amount settled	1,200,000.00
Completed constructing projects unsettled	84,332,846.86

7. Other current assets

Item	Closing Balance	Opening Balance	Nature
Prepaid income tax presented at net amount after offsetting	926,962.16	664,806.52	
VAT to be deducted	13,114,701.01	16,769,344.48	
Prepaid turnover tax	11,143.58	3,020.15	
Prepaid expenses	119,323.70	829,417.97	
<b>Total</b>	<b>14,172,130.45</b>	<b>18,266,589.12</b>	

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

8. 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		
<b>Associates</b>											
Panasonic Appliances Air-Conditioning and Refrigeration (Dalian) Co., Ltd	175,290,858.38			10,100,024.63			-8,000,000.00			177,390,883.01	
Panasonic Cold-Chain (Dalian) Co., Ltd.	232,222,620.76			39,356,446.01			-4,400,000.00			267,179,066.77	
Panasonic Compressor (Dalian) Co., Ltd.	483,899,674.59			33,143,940.73			-45,350,000.00			471,693,615.32	
Dalian Honjo Chemical Co., Ltd.	8,832,597.83			350,476.27			-647,634.60			8,535,439.50	
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	61,750,687.77			3,940,267.53			-4,600,000.00			61,090,955.30	
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	1,268,139.59			269,533.26						1,537,672.85	
Dalian Fuji Bingshan Vending Machine Co., Ltd.	188,257,460.75			4,852,331.69						193,109,792.44	

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Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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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
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,783,339.36			109,526.89						13,892,866.25	
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	13,774,267.89			-1,159,787.09						12,614,480.80	
Changzhou Jingxue Refrigeration Equipment Co., Ltd.	174,966,773.04			13,340,042.76			-2,921,200.00			185,385,615.80	
Panasonic cold Machine System (Dalian) Co., Ltd	30,721,588.82			5,537,782.59			-2,284,000.00			33,975,371.41	
Dalian Bingshan Metal Technology Co.,Ltd	172,593,561.16			30,020,894.85			-29,883,772.81			172,730,683.20	
Dalian Bingshan Group Management and Consulting Co.,ltd	57,095,620.40			682,668.75						57,778,289.15	
Wuhan Sikafu Power Control Equipment Co., Ltd	5,236,380.63			29,896.71						5,266,277.34	
<b>Total</b>	<b>1,619,693,570.97</b>			<b>140,574,045.58</b>			<b>-98,086,607.41</b>			<b>1,662,181,009.14</b>	

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

## 9. Other non-current financial assets

Item	Closing Balance	Opening Balance
Financial assets classified as FVTPL	303,469,706.51	382,186,729.99
Including: equity instruments	303,469,706.51	382,186,729.99
<b>Total</b>	<b>303,469,706.51</b>	<b>382,186,729.99</b>

## 10. Investment property

## (1) Investment property measured as cost model

Item	Property & building	Land-use-rights	Total
<b>I. Initial cost</b>			
1. Opening balance	194,871,100.11	24,391,511.82	219,262,611.93
2. Increase	-153,167.57		-153,167.57
(1) Purchase	-153,167.57		-153,167.57
(2) Transferred from fixed assets			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing Balance	194,717,932.54	24,391,511.82	219,109,444.36
<b>II. Accumulated depreciation</b>			
1. Opening balance	108,557,977.40	10,366,392.54	118,924,369.94
2. Increase	3,496,736.94	487,830.24	3,984,567.18
(1) Provision or amortization	3,496,736.94	487,830.24	3,984,567.18
(2) Acquired from business combination			
3. Decrease			
(1) Disposal			

## Notes to financial statements for the year ended December 31, 2019

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Item	Property& building	Land-use-rights	Total
(2) Transferred to other			
4. Closing balance	112,054,714.34	10,854,222.78	122,908,937.12
<b>III. Impairment reserve</b>			
1. Opening balance			
2. Increase			
(1)Provision or amortization			
3. Decrease			
(1) Disposal			
(2) Transferred to other			
4. Closing balance			
<b>IV. Book value</b>			
<b>1. Closing book value</b>	<b>82,663,218.20</b>	<b>13,537,289.04</b>	<b>96,200,507.24</b>
<b>2. Opening book value</b>	<b>86,313,122.71</b>	<b>14,025,119.28</b>	<b>100,338,241.99</b>

Note: On 31st July, 2014, the company signed supplemental rental contract with MHI Bingshan Refrigeration (Dalian) Co., Ltd., and rent out #6 building of workshop located on No. 106 Liaohe East Rd, DDZ to MHI Bingshan Refrigeration (Dalian) Co., Ltd. The rental area is 15,259.04 square metres, and annual rent is RMB 3.125 million with the expiry date on 16th July, 2029.

The 13<sup>th</sup> meeting of the 7<sup>th</sup> generation board was held on April 22, 2017, and approved to rent out the old plant and land located in No 888, South West RD, Shahekou District, Dalian to Bingshan Huigu Company. The lease contract is from April 1<sup>st</sup>, 2017 to December 31, 2036. The company has signed the “estate leasing contract” with Dalian Bingshan Huigu Development Company based on the requirement of utilization of old land and plant and new business foster plan. Current year’s lease premium is 7.86million Yuan.

On June 1<sup>st</sup>, 2017, the company’s subsidiary, Bingshan Lingshe, signed the leasing contract with

## Notes to financial statements for the year ended December 31, 2019

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Dalian Jingxue Energy Saving Technology Co. Ltd and rented out #7 building of workshop located on No.92, Tieshan West Rd, DDZ, Dalian. The rental area is 3653.76 square metres, and annual rent is RMB 1 million Yuan in 2019 with the contracted date between June 1<sup>st</sup>,2017 and May 31<sup>st</sup>,2022. Bingshan Lingshe also rented out Room 201, #4 building located on No.92, Tieshan West Rd, DDZ, Dalian to Dalian Jingxue Energy Saving Technology Co. Ltd. The rental area is 25square metres, and annual lease premium is RMB 15K with the contracted date between June 1<sup>st</sup>, 2017 and May 31<sup>st</sup>, 2022.

## 11. Fixed assets

Items	Closing Book Value	Opening Book Value
Fixed asset	992,435,172.94	953,298,058.11
Fixed asset clearance		
<b>Total</b>	<b>992,435,172.94</b>	<b>953,298,058.11</b>

## (1) Fixed assets detail

Item	Property & buildings	Machinery equipments	Transportation equipments	Other equipments	Total
<b>I. Initial cost</b>					
1. Opening balance	695,840,453.24	667,643,224.77	17,198,309.87	68,018,270.10	1,448,700,257.98
2. Increase	25,034,995.96	79,568,633.29	388,498.10	1,524,388.59	106,516,515.94
(1) Purchase	-88,397.63	36,341,965.95	388,498.10	1,069,523.24	37,711,589.66
(2) Transferred from construction-in-progress	25,123,393.59	43,226,667.34		454,865.35	68,804,926.28
(2) Sold and lease back					
(3) Acquired from business combination					
3. Decrease	1,502,347.67	1,212,444.97	1,566,427.00	557,514.59	4,838,734.23
(1) Disposal	1,502,347.67	1,212,444.97	1,566,427.00	557,514.59	4,838,734.23
(2) Transferred to other					
(3) Sold and					

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Notes to financial statements for the year ended December 31, 2019

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Item	Property & buildings	Machinery equipments	Transportation equipments	Other equipments	Total
lease back					
(4) Acquired from business combination					
4. Closing balance	719,373,101.53	745,999,413.09	16,020,380.97	68,985,144.10	1,550,378,039.69
<b>II. Accumulated depreciation</b>					
1. Opening balance	83,641,711.79	355,594,550.13	11,924,275.65	43,724,342.80	494,884,880.37
2. Increase	16,947,886.02	42,329,107.94	1,229,012.23	6,075,563.60	66,581,569.79
(1) Accrued	16,947,886.02	42,329,107.94	1,229,012.23	6,075,563.60	66,581,569.79
(2) Acquired from business combination					
3. Decrease	1,141,295.44	1,029,262.63	1,358,703.54	511,641.30	4,040,902.91
(1) Disposal	1,141,295.44	1,029,262.63	1,358,703.54	511,641.30	4,040,902.91
(2) Transferred to other					
(3) Sold and lease back					
(4) Acquired from business combination					
4. Closing balance	99,448,302.37	396,894,395.44	11,794,584.34	49,288,265.10	557,425,547.25
<b>III. Impairment reserve</b>					
1. Opening balance		517,319.50			517,319.50
2. Increase					



## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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Item	Property & buildings	Machinery equipments	Transportation equipments	Other equipments	Total
(1) Accrued					
3. Decrease					
(1) Disposal					
4. Closing balance		517,319.50			517,319.50
<b>IV. Book value</b>					
<b>1. Closing book value</b>	<b>619,924,799.16</b>	<b>348,587,698.15</b>	<b>4,225,796.63</b>	<b>19,696,879.00</b>	<b>992,435,172.94</b>
<b>2. Opening book value</b>	<b>612,198,741.45</b>	<b>311,531,355.14</b>	<b>5,274,034.22</b>	<b>24,293,927.30</b>	<b>953,298,058.11</b>

(2) Temporarily idle fixed assets: none.

(3) Fixed assets leased out under operating lease: none.

(4) Financing lease

Item	Initial cost	Accumulated depreciation	Impairment reserve	Book value
<b>Machinery &amp; equipment</b>	2,527,482.76	335,338.92		2,192,143.84
<b>Total</b>	<b>2,527,482.76</b>	<b>335,338.92</b>		<b>2,192,143.84</b>

(5) Fixed assets as pending certificate of ownership: none.

## 12. Construction-in-progress

Item	Closing book value	Opening book value
Construction-in-progress	36,285,056.80	19,796,212.82
<b>Total</b>	<b>36,285,056.80</b>	<b>19,796,212.82</b>

## (1) Construction-in-progress details

Item	Closing balance			Opening balance		
	Book balance	Provision	Book Value	Book balance	Provision	Book value
Buildings & reconstruction	14,866,010.00		14,866,010.00	14,866,010.00		14,866,010.00
Improvement of machinery	502,148.95		502,148.95	3,342,959.00		3,342,959.00
Software of intelligent manufacture	12,161,571.62		12,161,571.62	1,587,243.82		1,587,243.82

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Notes to financial statements for the year ended December 31, 2019

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Item	Closing balance			Opening balance		
	Book balance	Provision	Book Value	Book balance	Provision	Book value
Financing lease item	8,755,326.23		8,755,326.23			
<b>Total</b>	<b>36,285,056.80</b>		<b>36,285,056.80</b>	<b>19,796,212.82</b>		<b>19,796,212.82</b>

(2) Change in the significant construction in progress

Name	Opening balance	Increase	Decrease		Closing balance
			Transfer to fixed assets	Other decrease	
Buildings & reconstruction	14,866,010.00	24,477,637.16	24,477,637.16		14,866,010.00
Improvement of machinery	3,342,959.00	41,486,479.07	44,327,289.12		502,148.95
Software of intelligent manufacture	1,587,243.82	11,527,096.01	952,768.21		12,161,571.62
Financing lease item		8,755,326.23			8,755,326.23
<b>Total</b>	<b>19,796,212.82</b>	<b>86,246,538.47</b>	<b>69,757,694.49</b>		<b>36,285,056.80</b>

(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
Buildings & reconstruction	381,789,755.63	95.59	95.59				Self financing
Improvement of machinery	204,212,929.00	93.71	93.71				Self financing
Software of intelligent manufacture	15,040,000.00	76.64	76.64				Self financing
Financing lease item	15,020,000.00	58.29	60.00	690,884.36	690,884.36		Self financing borrowing
<b>Total</b>	—	—	—	<b>690,884.36</b>	<b>690,884.36</b>		—

13. Intangible assets

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

Notes to financial statements for the year ended December 31, 2019

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Item	Land use right	Patent	Non Patent	Others	Total
<b>I. Initial cost</b>					
1. Opening balance	152,890,196.80	17,800,000.00	5,000,000.00	17,904,833.66	193,595,030.46
2. Increase				1,196,274.76	1,196,274.76
(1) Purchase				243,506.55	243,506.55
(2) increase via merge					
(3) Transferred from construction-in-progress				952,768.21	952,768.21
3. Decrease		169,811.18			169,811.18
(1) Disposal		169,811.18			169,811.18
(2) Transferred to investment property					
4. Closing balance	152,890,196.80	17,630,188.82	5,000,000.00	19,101,108.42	194,621,494.04
<b>II. Accumulated amortization</b>					
1. Opening balance	31,973,987.34	2,907,657.95	1,500,004.00	10,194,788.46	46,576,437.75
2. Increase	3,095,102.98	1,530,193.50	500,000.00	1,379,381.71	6,504,678.19
(1) Accrued	3,095,102.98	1,530,193.50	500,000.00	1,379,381.71	6,504,678.19
(2) Increase from merger					
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4. Closing balance	35,069,090.32	4,437,851.45	2,000,004.00	11,574,170.17	53,081,115.94
<b>III. Impairment reserve</b>					
1. Opening balance					
2. Increase					
(1) Accrued					
(2) Others					
3. Decrease					
(1) Disposal					
(2) Transferred to other					
4. Closing balance					
<b>IV. Book value</b>					

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Land use right	Patent	Non Patent	Others	Total
1. Closing book value	117,821,106.48	13,192,337.37	2,999,996.00	7,526,938.25	141,540,378.10
2. Opening book value	120,916,209.46	14,892,342.05	3,499,996.00	7,710,045.20	147,018,592.71

## 14. 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	
Dalian Niweisi LengNuan Technology Co., Ltd.	1,440,347.92					1,440,347.92
Dalian Bingshan Group Construction Co., Ltd	310,451.57					310,451.57
<b>Total</b>	<b>1,750,799.49</b>					<b>1,750,799.49</b>

## (2) Goodwill impairment provision

Goodwill calculation method:

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

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

The book value of goodwill from business combination of Dalian Niweisi LengNuan

**Notes to financial statements for the year ended December 31, 2019**

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Technology Co., Ltd and Dalian Bingshan Baoan Leisure Industry Co., Ltd which are not under same control shall be allocated into the relevant asset group using the reasonable method since acquisition date and taken impairment test on relevant asset group where the goodwill is included. The obvious impairment indication of the goodwill hasn't been found. Thus no goodwill impairment provision has been made.

## 15. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other decrease	Closing balance
Employee's dormitory use right	2,150,648.70		138,478.32		2,012,170.38
Renovation and rebuilding	837,087.14	766,013.92	428,052.00		1,175,049.06
Lease	637,740.00		106,290.00		531,450.00
Membership fee for golf	456,500.00		16,500.00		440,000.00
Technology entrance fee of cold and heat machinery	1,213,631.25		373,425.00		840,206.25
Greenland of new factory	7,508,638.66		892,115.52		6,616,523.14
Service fee from Technology center	69,182.44		37,735.80		31,446.64
<b>Total</b>	<b>12,873,428.19</b>	<b>766,013.92</b>	<b>1,992,596.64</b>		<b>11,646,845.47</b>

## 16. 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	300,299,010.72	59,647,415.64	236,283,886.94	45,510,506.34
Provision for impairment of assets	2,856,352.38	560,452.86	1,700,980.63	267,147.09
Share option Incentive expense				
Unrealized profit from internal transaction	14,598,643.87	2,189,796.58	15,641,404.20	2,346,210.63
<b>Total</b>	<b>317,754,006.97</b>	<b>62,397,665.08</b>	<b>253,626,271.77</b>	<b>48,123,864.06</b>

## (2) Deferred tax liabilities without offsetting

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Change on FV of other noncurrent financial assets	274,768,039.93	41,215,205.99	346,362,948.00	51,954,442.22
<b>Total</b>	<b>274,768,039.93</b>	<b>41,215,205.99</b>	<b>346,362,948.00</b>	<b>51,954,442.22</b>

## (3) Unrecognized deferred tax assets details

Item	Closing balance	Opening balance
Deductible temporary difference	11,851,149.26	9,100,212.97
Deductible loss	97,241,944.12	70,498,374.76
<b>Total</b>	<b>109,093,093.38</b>	<b>79,598,587.73</b>

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

Year	Closing balance	Opening balance	Notes
2020	3,240,819.97	3,240,819.97	
2021		31,012,868.08	
2022	716,158.09	716,158.09	
2023	16,927,871.66	35,528,528.62	
2024	76,357,094.40		
<b>Total</b>	<b>97,241,944.12</b>	<b>70,498,374.76</b>	

## 17. Short-term loan

## (1) Category of short term loan

Loan category	Closing balance	Opening balance
Credit loan	308,082,000.00	250,000,000.00
Pledged loan	47,170,000.00	
<b>Total</b>	<b>355,252,000.00</b>	<b>250,000,000.00</b>

## 18. Notes payable

Notes Category	Closing balance	Opening balance
Bank acceptance notes	292,314,922.58	236,562,369.70
Commercial acceptance notes	13,153,582.80	36,839,166.88
<b>Total</b>	<b>305,468,505.38</b>	<b>273,401,536.58</b>

Note: There is no due note unpaid at the year end.

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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## 19. Accounts payable

## (1) Accounts payable

Item	Closing balance	Opening balance
Material payments	536,857,742.20	610,777,680.58
Project payments	207,388,636.82	192,942,733.62
Equipment payments	67,053,415.79	51,953,768.99
Others	3,031,889.21	3,815,375.42
<b>Total</b>	<b>814,331,684.02</b>	<b>859,489,558.61</b>

## (2) Main accounts payable with age over 1 year

Name of company	Closing balance	Reason of unpaid or not carried forward
Panasonic Cold Machine System (Dalian) Co., Ltd	13,774,637.70	Payment is undue
Xi'an Qitong New Energy Equipment Co., Ltd	7,886,162.20	Payment is undue
Heilongjiang Longleng Technology Co., Ltd	9,413,290.00	Payment is undue
Lixingkai (Beijing) Energy System Technology Co.,Ltd	6,136,305.82	Payment is undue
Binzhou Shanfu Refrigeration Co.,Ltd	5,944,804.92	Payment is undue
<b>Total</b>	<b>43,155,200.64</b>	—

## 20. Accounts received in advance

## (1) Received in advance

Item	Closing balance	Opening balance
Advanced on sales	160,571,622.53	122,151,101.00
<b>Total</b>	<b>160,571,622.53</b>	<b>122,151,101.00</b>

Note: received in advance over one year is 29,329,174.14Yuan due to contract incomplection.

## (2) Main accounts received in advance aged over 1 year

none.

## 21. Employee's payable

## (1) Category of employee's payable

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Notes to financial statements for the year ended December 31, 2019

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Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee's payable	31,856,136.59	317,484,727.70	317,639,546.71	31,701,317.58
Post-employment benefit –defined contribution plan		35,170,842.40	35,170,842.40	
Termination benefits		154,920.56	154,920.56	
Other welfare due within 1 year				
<b>Total</b>	<b>31,856,136.59</b>	<b>352,810,490.66</b>	<b>352,965,309.67</b>	<b>31,701,317.58</b>

(2) Short-term employee's payables

Item	Opening balance	Increase	Decrease	Closing balance
Salaries, bonus, allowance, and subsidy	24,216,112.24	253,052,716.26	251,139,642.16	26,129,186.34
Welfare	4,769,883.17	12,746,578.59	13,374,070.98	4,142,390.78
Social insurance		20,669,751.83	20,669,751.83	
Include: Medical insurance		16,366,661.99	16,366,661.99	
Supplemental insurance				
On-duty injury insurance		2,173,677.04	2,173,677.04	
Maternity insurance		2,129,412.80	2,129,412.80	
Housing funds	1,727,088.11	24,368,312.67	25,933,171.42	162,229.36
Labor union and training expenses	1,143,053.07	4,440,249.21	4,315,791.18	1,267,511.10
Short-term leave with pay				
Short term profit share plan				
Others		2,207,119.14	2,207,119.14	
<b>Total</b>	<b>31,856,136.59</b>	<b>317,484,727.70</b>	<b>317,639,546.71</b>	<b>31,701,317.58</b>



## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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## (3) Defined contribution plan

Item	Opening balance	Increase	Decrease	Closing balance
Pension		33,607,359.52	33,607,359.52	
Unemployment insurance		1,187,082.88	1,187,082.88	
Company annuity plan		376,400.00	376,400.00	
<b>Total</b>		<b>35,170,842.40</b>	<b>35,170,842.40</b>	

The company joins the pension and unemployment plan in accordance with the state regulation, and therefore, the company makes monthly contribution and bears no any other obligation other than the monthly contribution. Accordingly the contribution will be recorded in the profit and loss or the cost of assets when incurs.

## 22. Tax payable

Item	Closing balance	Opening balance
Value-added tax	2,486,893.96	5,008,187.41
Enterprise income tax	2,246,427.46	4,011,845.57
Individual income tax	244,461.02	2,477,602.40
City maintenance and construction tax	60,130.79	308,110.57
Real estate tax	1,853,410.62	887,197.28
Land use tax	1,094,760.28	553,224.98
Education surcharge	42,950.57	210,076.03
River toll fee	573.64	557.18
Safeguard fund for disables	440.00	460.00
Stamp duty	153,970.35	150,950.90
<b>Total</b>	<b>8,184,018.69</b>	<b>13,608,212.32</b>

## 23. Other accounts payable

Item	Closing balance	Opening balance
Interest payable	6,396,385.83	1,369,527.78
Dividend payable	533,156.00	533,156.00
Other accounts payable	48,991,518.86	61,411,274.65
<b>Total</b>	<b>55,921,060.69</b>	<b>63,313,958.43</b>

## 23.1 Interest payable

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Closing balance	Opening balance
Interest on short term loan	6,260,969.04	384,416.67
Interest on corporate bond	135,416.79	985,111.11
<b>Total</b>	<b>6,396,385.83</b>	<b>1,369,527.78</b>

## 23.2 Dividend payable

Item	Closing balance	Opening balance
Ordinary share dividend	533,156.00	533,156.00
<b>Total</b>	<b>533,156.00</b>	<b>533,156.00</b>

## 23.3 Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing balance	Opening balance
Restricted share buy back		21,026,106.00
Loan from non-financial institutes		6,100,000.00
Cash pledge and security deposit	9,620,594.19	9,487,599.86
Apply for reimbursement and unpaid	21,211,414.23	15,032,744.10
Cash from related parties	5,900,000.00	
Receipts under custody	6,980,440.67	4,362,549.92
Others	5,279,069.77	5,402,274.77
<b>Total</b>	<b>48,991,518.86</b>	<b>61,411,274.65</b>

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

Item	Closing balance	Opening balance
Long-term payable due within one year	14,174,643.42	2,999,574.93
<b>Total</b>	<b>14,174,643.42</b>	<b>2,999,574.93</b>

Note: The long-term payable due within one year is the financing lease payable of RMB 3,778,627.08 and loan payment by installation of RMB10,396,016.34.

## 25. Long-term loan

(1) Category of long-term loan

Category	Closing Balance	Opening Balance
Guarantee loan	160,000,000.00	160,000,000.00
<b>Total</b>	<b>160,000,000.00</b>	<b>160,000,000.00</b>

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Note: In year 2016, the Development Fund from China Development Bank gave support to the company's intelligent and green equipment of cold chain and service industry base project and provide special fund to the company's holding shareholder, Bingshan Group. The fund is 0.16 billion Yuan with 10year's expiration at 1.2% rate. Once the fund arrived, Bingshan Group gave it to the company at the same rate of 1.2% in lump sum. The above fund needed to be warranted by the company. The guarantee seems to be given for the holding shareholder, but it is for the company itself in fact.

## 26. Bonds payable

## (1) Category of bonds payable

Category	Closing balance	Opening balance
Exchangeable corporate bonds	25,000,034.00	176,000,000.00
<b>Total</b>	<b>25,000,034.00</b>	<b>176,000,000.00</b>

## (2) The changes of bond

Bond name	Par value	Issue date	Bond term	Issue Amount	Opening balance	Issued this year	Interest at par value	Amt of P/D	Repay	Closing balance
Exchangeable corporate bond	176,000,000.00	2018.7.30	3 years	176,000,000.00	176,000,000.00				150,999,966.00	25,000,034.00
<b>Total</b>	<b>176,000,000.00</b>	<b>-</b>	<b>-</b>	<b>176,000,000.00</b>	<b>176,000,000.00</b>				<b>150,999,966.00</b>	<b>25,000,034.00</b>

## (3) Exchangeable corporate bond

Approved by the Shanghai Stock Exchange "Letter of No-objection to the Non-public Issuance of Exchangeable Corporate Bonds of Dalian Refrigeration Co., Ltd." ([2018] No. 125), the company non-publicly issued 1.76 million number of exchangeable corporate bonds on July 30, 2018, at a par value of 100Yuan, and raised a total of 176 million Yuan. The bond is based on simple annual interest rate with a fixed interest rate of 1.3%. It is repayable once a year and pays interest once a year. The relevant issuance costs are RMB 1,496,000.00.

The term of the bond swap is from the first trading day after the 6 months of issuance of the exchangeable corporate bonds to the maturity date of the exchangeable corporate bonds, which is from January 30, 2019 to July 2021. 29th. If the due date is on a statutory holiday or a public holiday, it will be postponed to the next trading day. The initial exchange price is RMB18 Yuan per share.

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Since January 30<sup>th</sup>, 2019, “18 DaLeng EB” goes into swap period, which can be swapped to A Shares of Guotai Junan held by the company. Up to December 31<sup>st</sup>, 2019, total numbers of swappable shares of “18 DaLeng EB” held is 8.388887 million shares, at swappable price of RMB18Yuan per share, and the amount of bond repayment payable is RMB150,999,966.00Yuan.

## 27. Long term accounts payable

Item	Closing Balance	Opening Balance
Long term accounts payable	397,771.84	1,532,949.94
<b>Total</b>	<b>397,771.84</b>	<b>1,532,949.94</b>

## 27.1 Category by nature

Nature	Closing Balance	Opening Balance
Financial lease	397,771.84	856,524.11
Sale and leaseback		676,425.83
<b>Total</b>	<b>397,771.84</b>	<b>1,532,949.94</b>

## 28. Deferred income

## (1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	103,532,328.40	2,220,000.00	6,597,662.11	99,154,666.29	
Sale & lease back contract	9,765.39		6,893.16	2,872.23	
<b>Total</b>	<b>103,542,093.79</b>	<b>2,220,000.00</b>	<b>6,604,555.27</b>	<b>99,157,538.52</b>	—

## (2) Government subsidy

Government subsidy item	Opening Balance	Increase	Into non-operating income	Into other income	The value offset cost and expense this year	Closing Balance	Related with asset/income
Subsidy fund for highly effective heat pump and related system	2,049,280.00				551,676.00	1,497,604.00	Asset related

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Government subsidy item	Opening Balance	Increase	Into non-operating income	Into other income	The value offset cost and expense this year	Closing Balance	Related with asset/income
Contribution to subsidiary company relocation	42,332,000.00			1,114,000.00		41,218,000.00	Asset related
Application of NH3 and CO2 instead of R22 screw refrigerating machine combined condensing unit	15,896,814.28				1,418,843.27	14,477,971.01	Asset Related/Income related
Compressor IC system	4,653,655.59				374,459.22	4,279,196.37	Asset related
Ultrasonic intelligent defrost technology	4,305,677.93			30,000.00	264,833.51	4,010,844.42	Asset related/Income
Eco Compressor project	27,637,021.90				2,553,850.11	25,083,171.79	Asset related
R290 replacement of R22 large industrial screw unit	4,877,498.70					4,877,498.70	Asset related
R290 replacement of R22 industrial double stage screw unit	1,780,380.00					1,780,380.00	Asset related
Model innovation solution based on industrial Internet platform		1,930,000.00				1,930,000.00	Asset related
<b>Total</b>	<b>103,532,328.40</b>	<b>1,930,000.00</b>		<b>1,144,000.00</b>	<b>5,163,662.11</b>	<b>99,154,666.29</b>	

## Notes to financial statements for the year ended December 31, 2019

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Note: Asset related grant shall be offset the cost or expense within the asset's useful life; income related grant shall be booked into other income or offset cost or expense if it is relevant to daily activity, otherwise it shall be booked into non-operating expense.

## 29. Share capital

Item	Opening balance	Increase/decrease (+, -)					Closing balance
		New share issued	Share dividend	Transfer from capital reserve	others	Subtotal	
Total share capital	855,434,087.00				-12,221,580.00	-12,221,580.00	843,212,507.00

On January 17th, 2019, the 1st interim shareholders' meeting was held and approved for "Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan". Up to February 25th, 2019, the company has completed the repurchasing and retiring stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan.

## 30. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
Share premium	693,218,918.20		33,596,874.00	659,622,044.20
Other capital reserves	67,146,423.80			67,146,423.80
<b>Total</b>	<b>760,365,342.00</b>		<b>33,596,874.00</b>	<b>726,768,468.00</b>

Note: The decrease in the share premium is used for offsetting expense for share incentive due to the termination of the 2016 restricted stock incentive plan.

## 31. Treasury Share

Items	Opening Balance	Increase	Decrease	Closing Balance
Share incentive buy-back	21,026,106.00		21,026,106.00	
<b>Total</b>	<b>21,026,106.00</b>		<b>21,026,106.00</b>	

Note: The Company terminated the 2016 restricted stock incentive plan and offset the recognized treasury share through buy back obligation.

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32. Other comprehensive income

Items	Opening Balance	Current year					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	
<b>I. Later can't reclassified into profit and loss of other comprehensive income</b>							
Re-measured the change in the defined benefit plan							
Other comprehensive income that cannot be transferred to profit or loss under the equity method							
<b>II. Later reclassified into profit and loss of other comprehensive income</b>	2,501,459.77						2,501,459.77
Other comprehensive income that can be transferred to profit or loss under the equity method	2,501,459.77						2,501,459.77
Changes in fair value recognized in gains and losses of the available-for-sale financial assets							
Held-to-maturity investments are reclassified as gains and losses on available-for-sale financial assets							
Effective portion of cash flow hedge gains and losses							
Foreign currency financial statement conversion difference							
<b>Other comprehensive income total</b>	<b>2,501,459.77</b>						<b>2,501,459.77</b>

## Notes to financial statements for the year ended December 31, 2019

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## 33. Special Reserve

Items	Opening Balance	Increase	Decrease	Closing Balance
Safety production cost		2,050,672.98	2,050,672.98	
<b>Total</b>		<b>2,050,672.98</b>	<b>2,050,672.98</b>	

## 34. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	334,459,422.69	15,204,635.42		349,664,058.11
Discretionary surplus reserve	386,631,617.33	32,428,137.09		419,059,754.42
<b>Total</b>	<b>721,091,040.02</b>	<b>47,632,772.51</b>		<b>768,723,812.53</b>

Note: The Company made profit distribution within the reporting period. According to the 2018 annual meeting, 20% of net profit in the 2018 fiscal annual report is provided for discretionary surplus reserve of 32.4281 million Yuan. In the meanwhile, 10% of net profit of parent company is provided for statutory surplus reserve of 15.2046millionYuan.

## 35. Undistributed profits

Item	Current year	Last year
<b>Closing balance of last year</b>	<b>764,859,288.45</b>	<b>750,397,795.56</b>
Add: Adjustments to the opening balance of undistributed profits	274,180,778.57	
Including: additional retrospective adjustments according to the new accounting standards	274,180,778.57	
Change on accounting policy		
Correction of prior period significant errors		
Change on combination scope under same control		
Other factors		
<b>Opening balance of current year</b>	<b>1,039,040,067.02</b>	<b>750,397,795.56</b>
Add: net profit attributable to shareholders of parent company in the year	89,112,113.43	110,503,175.90
Less: Provision for statutory surplus reserves	15,204,635.42	16,214,068.54
Provision for any surplus reserves	32,428,137.09	36,726,596.18
Provision of general risk		
Dividends payable for common shares	42,160,625.35	42,795,399.87



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Item	Current year	Last year
Common stock dividends converted to equity		
Extract employee rewards and welfare funds		305,618.42
<b>Closing balance of current year</b>	<b>1,038,358,782.59</b>	<b>764,859,288.45</b>

36. Operating revenue and cost

Items	Current year		Last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	1,786,183,886.17	1,483,700,827.17	1,927,029,771.66	1,630,189,642.82
Revenue from other operation	45,667,394.53	33,860,621.34	39,034,840.78	21,098,733.17
<b>Total</b>	<b>1,831,851,280.70</b>	<b>1,517,561,448.51</b>	<b>1,966,064,612.44</b>	<b>1,651,288,375.99</b>

37. Taxes and surcharges

Items	Current year	Last year
City construction tax	2,035,010.82	2,608,031.47
Education surcharge	1,391,088.76	1,778,127.27
Property tax	7,382,947.12	7,498,485.12
Land use tax	4,379,516.26	4,900,926.22
Vehicle and vessel tax	28,704.48	28,624.48
Stamp duty	1,455,247.06	1,481,783.81
Others	317,444.08	89,577.48
<b>Total</b>	<b>16,989,958.58</b>	<b>18,385,555.85</b>

38. Selling expenses

Items	Current year	Last year
Official business expense	16,622,496.40	14,541,723.98
Employee benefit	48,336,468.87	37,524,589.01
Depreciation expense	285,897.02	306,944.63
Transportation expense	23,216,116.08	19,836,339.76
Business entertaining expense	13,627,445.28	11,812,108.77
Travel expense	15,737,758.36	13,858,056.93
Maintenance and repair expense	10,381,512.83	8,831,446.27
Advertisement and bids expense	2,325,077.63	2,567,404.72
Other expense	655,961.24	512,616.15
<b>Total</b>	<b>131,188,733.71</b>	<b>109,791,230.22</b>

## Notes to financial statements for the year ended December 31, 2019

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## 39. Administrative expenses

Items	Current year	Last year
Official expense	20,684,266.00	23,529,993.42
Employee benefit	115,554,829.24	123,406,243.48
Depreciation expense	11,884,135.92	12,980,398.28
Transportation expense	760,077.95	391,017.67
Business entertaining expense	4,065,160.99	3,581,472.84
Travel expense	7,702,176.81	5,437,732.44
Maintenance and repair expense	4,942,354.19	5,501,445.69
Advertisement expense	671,697.54	530,748.08
Other taxes and fee	428,156.75	671,954.81
Insurance expense	987,660.67	868,433.40
Long-term assets amortization	7,236,053.16	7,937,790.99
Design consultant and test service expense	4,051,894.64	4,664,309.45
Safety production cost	3,893,886.44	3,622,742.67
Other expense	2,874,865.23	1,915,583.77
<b>Total</b>	<b>185,737,215.53</b>	<b>195,039,866.99</b>

## 40. Technology development expense

Items	Current year	Last year
Employee benefit	39,024,662.74	34,930,702.72
Depreciation and amortization expense	4,662,120.15	3,940,392.29
Raw material	5,331,768.75	6,166,891.75
Entrust external R&D investment		1,004,716.96
Other expense	1,630,966.53	861,663.12
<b>Total</b>	<b>50,649,518.17</b>	<b>46,904,366.84</b>

## 41. Financial expenses

Items	Current year	Last year
Interest expenses	17,999,780.21	18,805,308.74
Less: interest income	2,110,293.61	2,487,236.95
Add: exchange loss	108,452.24	2,149,687.05
Add: others expenditure	2,471,151.87	2,175,536.36
<b>Total</b>	<b>18,469,090.71</b>	<b>20,643,295.20</b>

## 42. Other income

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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Items	Current year	Last year
VAT refund	130,000.00	483,731.06
Grant given by the government for relocation	1,114,000.00	1,114,000.00
Government subsidy	3,876,764.73	4,094,657.00
Personal income tax handling fee refund	2,228.83	7,889.20
<b>Total</b>	<b>5,122,993.56</b>	<b>5,700,277.26</b>

## 43. Investment income

Items	Current year	Last year
Long-term equity investment gain under equity method	140,574,045.58	137,440,422.49
Gain from disposing of long-term equity investment		243,382.33
Gain from holding of tradable financial assets		
Gain from disposing of tradable financial assets		
Gain from holding of held to maturity financial assets		
Gain from disposing of held to maturity financial assets		
Gain from holding of financial assets available for sale		11,173,008.00
Gain from disposal of financial assets available for sale		66,702,217.88
Gain from FV remeasurement of the remaining shares after losing control		
Gain from holding of other noncurrent financial assets	5,709,924.48	
Gain from disposal of other noncurrent financial assets	22,482,217.16	
<b>Total</b>	<b>168,766,187.22</b>	<b>215,559,030.70</b>

## 44. Gain on fair value change

Source of gain on FV change	Current year	Last year
Tradable financial assets		
Including: gain on FV change of derivative instrument		
Tradable financial liability		
Investment property measured at FV		
Other noncurrent financial assets	49,800,725.36	
<b>Total</b>	<b>49,800,725.36</b>	

## 45. Credit impairment loss (loss listed as “-“)

Items	Current year	Last year
Bad debt loss on notes receivable	13,283,482.58	
Bad debt loss on receivable	-83,869,016.33	

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Items	Current year	Last year
Bad debt loss on other receivable	-56,597.35	
<b>Total</b>	<b>-70,642,131.10</b>	

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

Items	Current year	Last year
Loss of bad debts		-28,919,153.66
Provision for inventory impairment	-1,200,000.00	-9,476.00
<b>Total</b>	<b>-1,200,000.00</b>	<b>-28,928,629.66</b>

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

Item	Current year	Last year	Amounts recognized into current non-recurring profit or loss
Gain on non-current assets disposal	1,194,791.09	374,143.29	1,194,791.09
Including: gain on non-current assets disposal not classified as held for sale	1,194,791.09	374,143.29	1,194,791.09
Including: gain on fixed assets disposal	1,194,791.09	374,143.29	1,194,791.09
<b>Total</b>	<b>1,194,791.09</b>	<b>374,143.29</b>	<b>1,194,791.09</b>

48. Non-operating income

(1) Non-operating income list

Item	Current year	Last year	Amounts recognized into non-recurring profit or loss for the year
Gain on debts restructuring	1,999,241.94		1,999,241.94
Government grant		1,060,600.00	
Unpayable dividends payable		330,360.60	
Other items	690,637.24	1,398,581.90	690,637.24
<b>Total</b>	<b>2,689,879.18</b>	<b>2,789,542.50</b>	<b>2,689,879.18</b>

49.Non-operating expenses

## Notes to financial statements for the year ended December 31, 2019

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Item	Current year	Last year	Amounts recognized into non-recurring profit or loss for the year
Non-current assets scrap loss	62,659.79	350,034.46	62,659.79
Outward donation	60,000.00	60,000.00	60,000.00
Others	149,087.81	219,582.84	149,087.81
<b>Total</b>	<b>271,747.60</b>	<b>629,617.30</b>	<b>271,747.60</b>

## 50. Income tax expenses

## (1) Income tax expenses

Items	Current year	Last year
Current income tax expenses	5,604,379.42	9,180,999.73
Deferred income tax expenses	-25,013,037.25	-2,322,697.09
<b>Total</b>	<b>-19,408,657.83</b>	<b>6,858,302.64</b>

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

Items	Current year
Consolidated total profit this year	66,716,013.20
Income tax expenses at applicable tax rate	10,007,401.98
Effect on subsidiary applied to different tax rate	-3,397,934.45
Effect on prior period income tax	-1,291,071.01
Effect on non-taxable income	-30,473,605.67
Effect on non-deductible cost, expense and loss	1,352,034.18
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	
Effect on temporary difference or deductible loss from unrecognized deferred tax assets this year	9,515,918.15
Tax rate adjustment caused the opening balance of deferred tax assets /liability change	-142,132.94
R&D expenditure accelerated deduction	-4,979,268.07
<b>Income tax expense</b>	<b>-19,408,657.83</b>

## 51. Other comprehensive income

Refer to the note "VI.32 Other comprehensive income" for details.

## 52. Notes to cash flow statement

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

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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## 1) Other cash received relating to operating activities

Items	Current year	Last year
Government grants	7,327,679.84	18,385,645.52
Received travel expense refund	5,606,440.47	5,775,943.14
Deposit given back	30,366,842.02	25,493,801.51
Receivable from relate party	5,900,000.00	1,070,707.07
Interest income	1,812,932.00	3,885,734.11
Receivable from 3 <sup>rd</sup> party	819,999.99	714,377.76
Others	2,253,151.29	1,971,995.03
<b>Total</b>	<b>54,087,045.61</b>	<b>57,298,204.14</b>

## 2) Other cash paid relating to operating activities

Items	Current year	Last year
Business travel borrowing	10,957,760.56	8,938,421.56
Deposit paid	29,999,396.54	42,254,631.19
Expenditure	99,532,057.81	92,821,437.21
Bank handling charges	2,259,211.67	2,061,437.20
Others	1,217,640.72	899,442.79
<b>Total</b>	<b>143,966,067.30</b>	<b>146,975,369.95</b>

## 3) Others cash received relating to investing activities

Items	Current year	Last year
Bank financial product		76,000,000.00
<b>Total</b>		<b>76,000,000.00</b>

## 4) Others cash received relating to financing activities

Items	Current year	Last year
Collection of guarantee money at the year end	38,323,050.64	29,116,287.80
Sale leaseback and financial lease		3,000,000.00
<b>Total</b>	<b>38,323,050.64</b>	<b>32,116,287.80</b>

## 5) Others cash paid relating to financing activities

Items	Current year	Last year
Interests on discount of bill acceptance	136,500.00	533,987.03
Payment of guarantee money	30,591,791.66	37,323,050.64
Sale& leaseback and financial lease	3,270,174.66	1,658,926.39

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Repurchase of restricted stock	47,566,389.36	3,446,078.94
Note financing is due and is paid	2,412,480.00	
<b>Total</b>	<b>83,977,335.68</b>	<b>42,962,043.00</b>

## (2) Supplementary information of consolidated cash flow statement

Items	Current year	Last year
<b>1. Adjusting net profit into cash flows of operating activities:</b>	—	—
Net profit	86,124,671.03	112,018,365.50
Add: Provision for impairment of assets	1,200,000.00	28,928,629.66
Provision for impairment of credit	70,642,131.10	
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	66,581,569.79	64,227,416.81
Amortization of intangible assets	6,504,678.19	6,910,625.96
Amortization of long-term deferred expenses	1,992,596.64	1,658,331.76
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	-1,194,791.09	-374,143.29
Losses on write-off of fixed assets (income listed with“-”)	62,659.79	350,034.46
Change of fair value profit or loss	-49,800,725.36	
Financial expense (income listed with“-”)	17,999,780.21	22,389,316.73
Investment loss (income listed with“-”)	-168,766,187.22	-215,559,030.70
Decrease of deferred tax assets(increase listed with“-”)	-14,273,801.02	-2,169,257.54
Increase of deferred tax liabilities(decrease listed with“-”)	-10,739,236.23	
Decrease of inventories (increase listed with“-”)	-90,457,284.61	-97,611,158.25
Decrease of operating receivables (increase listed with“-”)	48,592,703.91	-109,025,097.10
Increase of operating payables (decrease listed with“-”)	46,478,371.32	63,371,834.76
Others	1,747,935.36	5,226,245.60
Net cash flows arising from operating activities	12,695,071.81	-119,657,885.64
<b>2. Significant investment and financing activities unrelated to cash income and expenses</b>		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
<b>3. Net increase (decrease) of cash and cash equivalent</b>		

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Items	Current year	Last year
Closing balance of cash	301,527,354.56	304,703,434.47
Less: Opening balance of cash	304,703,434.47	364,693,406.31
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-3,176,079.91	-59,989,971.84

## (3) Cash and cash equivalents

Items	Current year	Last year
Cash	301,527,354.56	304,703,434.47
Including: Cash on hand	92,096.63	74,387.33
Bank deposit used for paying at any moment	301,435,257.93	304,629,047.14
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	301,527,354.56	304,703,434.47
Cash and cash equivalents restricted in the parent company or subsidiary		

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

Items	Current year	Reasons
Monetary fund	30,591,791.66	Guarantee money
Notes Receivable	26,006,866.04	Pledge
Fixed assets	45,578,746.37	Mortgage of credit limit
Intangible assets	7,377,422.00	Mortgage of credit limit

Note: Dalian Niweisi LengNuan Techonoligy Co., Ltd. pledged the bank acceptance note to ICBC bank Dalian DDZ Branch as guarantee for issuing the commercial acceptance note.

Wuhan New World Refrigeration Industrial Co., Ltd signed the “maximum pledge contract” with China EverBright Bank Wuhan Branch on May 5<sup>th</sup>, 2019. Property and land were pledged and Wuhan New World Refrigeration Industrial Co., Ltd was granted for credit of 70million Yuan.

## 54. Monetary category of foreign currency

## (1) Monetary category of foreign currency



## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash			18,276,242.32
Including: USD	2,396,610.57	6.9762	16,719,234.66
Euro	3,725.00	7.8155	29,112.74
GBP	42,107.35	9.1501	385,286.46
JPY	17,829,299.00	0.0641	1,142,608.46
Accounts receivable			47,097,240.93
Including: USD	6,296,260.64	6.9762	43,923,973.48
Euro	7,399.75	7.8155	57,832.75
GBP	140,074.86	9.1501	1,281,698.98
JPY	28,613,671.00	0.0641	1,833,735.72
Accounts payable			8,404,565.25
Including: USD	751,917.75	6.9762	5,245,528.61
Euro	1,330.00	7.8155	10,394.62
GBP	37,274.28	9.1501	341,063.39
JPY	43,809,547.07	0.0641	2,807,578.63

## 55. Government Grants

## (1) Basic information

Category	Amount	Disclosure	Amount recognized in current profit and loss
Relocation compensation	1,114,000.00	Other Income	1,114,000.00
VAT refund	429,664.73	Other Income	429,664.73
High-tech enterprise recognition subsidy	1,000,000.00	Other Income	1,000,000.00
Technology plan subsidy from Jinpu New Area	50,000.00	Other Income	50,000.00
Personal tax handling fee refund	2,228.83	Other Income	2,228.83
Export credit insurance premium support fund	587,500.00	Other Income	587,500.00
International market support fund for medium and small entity	300,000.00	Other Income	300,000.00
Ultrasonic defrosting experimental prototype project	30,000.00	Other Income	30,000.00
Special fund for export processing entity in Jinpu New Area	1,409,600.00	Other Income	1,409,600.00

## Notes to financial statements for the year ended December 31, 2019

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Category	Amount	Disclosure	Amount recognized in current profit and loss
Reward for Freeze-dry achievement transformation	200,000.00	Other Income	200,000.00
Total	<b>5,122,993.56</b>	-	<b>5,122,993.56</b>

**VII. Change of Consolidation Scope**

1. Consolidation not under the same control  
No.
2. Consolidation not under the same control  
No.
3. Disposal of subsidiary  
No.
4. Changes in scope of consolidation for other reasons

Dalian Bingshan Baoan Leisure Industry Co., Ltd was merged through absorption by Dalian Bingshan Engineering Co., Ltd in June,2019.

**VIII. Interest in other entity**

1. Equity of subsidiaries

## (1) Organization structure of group company

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

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

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Name of subsidiaries	Main business	Registered address	Business nature	Shareholding (%)	Obtaining method
Automation Co., Ltd.					
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd.	Dalian	Dalian	Manufacturing	100	Establish
Wuhan New World Refrigeration Industrial Co., Ltd.	Wuhan	Wuhan	Manufacturing	100	Acquisition
Bingshan Technical Service (Dalian) Co.,Ltd.	Dalian	Dalian	Services	100	Establish
Dalian Xinminghua Electrical Technology Co., Ltd	Dalian	Dalian	Electronic	100	Acquisition
Dalian Niweisi LengNuan Technology Co., Ltd.	Dalian	Dalian	Manufacturing	55	Acquisition
Dalian Bingshan International Trading Company	Dalian	Dalian	Service	100	Acquisition
Wuhan New World Air-conditioning Refrigeration Engineering Co., Ltd	Wuhan	Wuhan	Installation	100	Establish
Wuhan Lanning Energy Technology Co., Ltd.	Wuhan	Wuhan	Trading	54.55	Acquisition
Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd	Ningbo	Ningbo	Installation	51	Establish
Chengdu Bingshan Refrigeration Engineering Co., Ltd.	Chengdu	Chengdu	Services	51	Establish

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

2) The company held over 50% voting right in subsidiaries.

**Notes to financial statements for the year ended December 31, 2019**

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- 3) The company held over 50% voting right in subsidiaries and could control these subsidiaries with over 50% voting right.

## 2. 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	
Panasonic Cold-chain (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Panasonic Refrigeration (Dalian) Co., Ltd.	Dalian	Dalian	Manufacturing	40		Equity method
Panasonic Compressor (Dalian) Co., Ltd	Dalian	Dalian	Manufacturing	40		Equity method
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Changzhou	Changzhou	Manufacturing	29.212		Equity method
Dalian Bingshan Metal Technology Co., Ltd.	Dalian	Dalian	Manufacturing	49.00		Equity method

The company assumes the affiliated as significant party either when the investment income from investee presents 10% of the parent's net profit or the proportion of shareholding of the investee's net asset represents 10% of the parent's shareholder equity.

- 1) The company has the same percentage of shareholding and voting right in joint-venture or affiliated company.
- 2) The company doesn't have affiliated company which has significant influence although being held less than 20% voting rights.
- 3) The company doesn't have joint venture or affiliated companies which have no significant influence although being held 20% or more voting rights.

## (2) The key financial information of affiliated companies

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Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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Items	Closing balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	931,533,710.60	1,296,079,385.62	1,273,294,847.52	799,706,878.07	337,202,163.28
Including: Cash and cash equivalents	62,778,893.29	22,651,460.05	221,352,547.39	146,071,549.56	213,057,016.14
Non-current assets	120,554,212.31	249,796,436.32	321,031,252.89	182,461,279.39	45,671,841.16
Total assets	1,052,087,922.91	1,545,875,821.94	1,594,326,100.41	982,168,157.46	382,874,004.44
Current liabilities	606,415,057.88	880,473,983.12	407,776,858.98	471,408,946.96	69,393,111.10
Non-current liabilities	-		110,000.00	12,521,123.87	
Total liabilities	606,415,057.88	880,473,983.12	407,886,858.98	483,930,070.83	69,393,111.10
Minority interests				370,905.17	
Equity to the parent company	445,672,865.03	665,401,838.82	1,186,439,241.43	497,867,181.46	313,480,893.34
Net assets calculated according to the shareholding proportions	178,269,146.01	266,160,735.53	474,575,696.57	145,436,961.05	153,605,637.74
Adjusting events					
—Goodwill		4,440,630.89		39,948,654.75	19,269,770.94
—Unrealized profits of insider trading					

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Notes to financial statements for the year ended December 31, 2019

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Items	Closing balance/Current year				
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Cold-chain (Dalian) Co., Ltd	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
--Others	-878,263.00	-3,422,299.65	-2,882,081.25		144,725.49
Book value of equity investment of affiliated companies	177,390,883.01	267,179,066.77	471,693,615.32	185,385,615.80	172,730,683.20
Fair value of equity investment with public offer					
Operating income	872,442,508.98	1,524,559,182.20	1,208,925,882.37	653,705,124.18	419,769,831.96
Financial expense	123,223.59	23,241,958.42	-3,664,678.76	2,402,378.98	-3,252,083.01
Income tax expense	5,303,564.56	14,551,916.37	11,426,137.07	9,479,432.67	9,933,014.44
Net profit	27,445,719.10	106,946,864.14	90,065,039.00	63,564,805.54	59,071,627.15
Net profit of discontinuing operation					
Other comprehensive income					
Total comprehensive income	27,445,719.10	106,946,864.14	90,065,039.00	63,564,805.54	59,071,627.15
The current dividends received from joint ventures	8,000,000.00	4,400,000.00	45,350,000.00	2,921,200.00	29,883,772.81

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Notes to financial statements for the year ended December 31, 2019

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(Continued)

Items	Opening balance/Current year			
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Current assets	937,998,259.09	1,376,419,885.42	763,646,546.20	336,224,040.64
Including: Cash and cash equivalents	67,626,607.49	201,665,865.62	77,732,765.85	177,386,572.87
Non-current assets	119,928,127.70	326,931,005.88	179,673,527.54	50,280,554.61
Total assets	1,057,926,386.79	1,703,350,891.30	943,320,073.74	386,504,595.25
Current liabilities	610,291,097.47	484,391,688.87	470,852,478.59	73,598,900.93
Non-current liabilities	5,827,003.92	140,000.00	9,889,839.36	-
Total liabilities	616,118,101.39	484,531,688.87	480,742,317.95	73,598,900.93
Minority interests			376,885.32	
Equity to the parent company	441,808,285.40	1,218,819,202.43	462,200,870.48	312,905,694.32
Net assets calculated according to the shareholding proportions	176,723,314.16	487,527,680.97	135,018,118.29	153,323,790.22
Adjusting events				
—Goodwill			39,948,654.75	19,269,770.94
—Unrealized profits of insider trading				
--Others	-1,432,455.78	-3,628,006.38		
Book value of equity investment of affiliated companies	175,290,858.38	483,899,674.59	174,966,773.04	172,593,561.16

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Notes to financial statements for the year ended December 31, 2019

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Items	Opening balance/Current year			
	Panasonic Refrigeration (Dalian) Co., Ltd.	Panasonic Compressor (Dalian) Co., Ltd	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Dalian Bingshan Metal Technology Co., Ltd.
Fair value of equity investment with public offer				
Operating income	901,900,860.21	1,429,072,323.70	594,134,424.82	455,607,253.17
Financial expense	-774,487.69	-1,955,502.09	1,939,901.48	-3,340,873.14
Income tax expense	7,904,678.62	20,840,257.51	9,353,115.24	10,136,204.60
Net profit	44,764,243.37	113,375,199.37	53,999,805.04	61,916,031.92
Net profit of discontinuing operation				
Other comprehensive income				
Total comprehensive income	44,764,243.37	113,375,199.37	54,149,642.80	61,916,031.92
The current dividends received from joint ventures	3,000,000.00	47,826,800.00	5,842,400.00	19,344,983.17



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

Items	Current year	Last year
<b>Affiliated company</b>		
Total book value of investment of affiliated companies	387,801,145.04	607,706,323.17
The total of following items according to the shareholding proportions		
Net profit	14,612,696.60	134,435,892.84
Other comprehensive income		
Total comprehensive income	14,612,696.60	134,435,892.84

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

No.

## (5) Excessive loss of affiliated companies.

No.

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

No.

**IX. Risk Related to Financial Instruments**

The main financial instruments held by the group company are monetary fund, noted receivable, accounts receivable, accounts payable, available-for-sale financial asset and short term loan. The detailed explanation is referred to this notes No.VI. The related risks of these financial instruments and the risk management policy conducted to reduce these risks by the group company 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 group 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 group 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,

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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,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 31st December 2019, the company's assets and liabilities dominated in foreign currency are listed in RMB as following:

Items	Closing Balance	Opening balance
Monetary fund-USD	16,719,234.66	5,667,809.15
Monetary fund-JPY	1,142,608.46	2,567,812.86
Monetary fund-EURO	29,112.74	29,231.51
Monetary fund-GBP	385,286.46	161,967.04
Receivable- GBP	1,281,698.98	991,653.74
Receivable -USD	43,923,973.48	38,855,616.42
Receivable - EURO	57,832.75	
Receivable -JPY	1,833,735.72	4,984,342.22
Payables -USD	5,245,528.61	7,859,730.74
Payables - EURO	10,394.62	
Payables -JPY	2,807,578.63	3,859,072.32
Payables - GBP	341,063.39	337,038.09

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

## 2) Interest rate risk

The interest risk of the Group incurred from bank loan, risk of a floating interest rate of financial liabilities that lead to the company facing cash flow interest rate risk, financial liabilities with a fixed interest rate lead to the company facing cash flow interest rate risk. The company determined the proportion of fixed interest rate and floating interest rate according the current market circumstance. The company and Dalian Bingshan Group Co.,Ltd borrowed long term loan RMB 160,000,000.00 with fixed interest rate.

The financial department of the company continuously monitors the interest rates level, and the

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

The sensitive analysis:

As at 31st December 2019, base on the assumption of interest rate change of 50 BP, the company's net profit of current year will increase or decrease 1.6169 million Yuan.

### 3) Price risk

The Company sells financial asset measured at FV products according to the market price, so there will be effect on the price variance until December 31, 2019.

### (2) Credit risk

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

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

As at 31st December 2019, the top five customers of receivable accounts balance is 179,704,632.23 Yuan.

### (3) Liquidity risk

Liquidity risk was referred to the risk of shortage of funds incurred when the enterprise fulfill the obligation of settlement by cash or other financial assets. The way to manage the liquidity risk is to ensure enough fund available to fulfill the liability by due date in prevention from unacceptable loss of or reputation damage to the Company. The Company periodically analyze the liability structure and expiry date and the financial department of the company continued to monitors the short term or long

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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 December 31<sup>st</sup>, 2019, the credit limit still available is 324.748 million Yuan and short term credit limit available is 324.748 million Yuan.

As at 31st December 2019, the company's financial assets and financial liabilities in line with non discount cash flow of the contracts as following: Currency unity:10kYuan

Items	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
<b>Financial Assets</b>					
Cash and cash in bank	33,211.91				33,211.91
Notes receivable	11,994.73				11,994.73
Accounts receivable	103,034.25				103,034.25
Other Receivable	3,873.12				3,873.12
Other noncurrent financial asset				30,346.97	30,346.97
<b>Financial Liabilities</b>					
Short-term loan	35,525.20				35,525.20
Notes Payable	30,546.85				30,546.85
Accounts payable	81,433.17				81,433.17
Other payable	5,592.11				5,592.11
Employee's payable	3,170.13				3,170.13
Tax payable	818.40				818.40
Long-term loan			16,000.00		16,000.00
Bonds Payable	2,500.00				2,500.00

**X. Disclosure of Fair Value**

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

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Items	Fair value at the year end			Total
	First level measurement of fair value	Second level measurement of fair value	Third level measurement of fair value	
<b>Financial assets</b>				
<b>Continuously measured at FV</b>	—	—	—	—
I. Other noncurrent financial asset	290,478,047.92		12,991,658.59	303,469,706.51
Available for sale asset	290,478,047.92		12,991,658.59	303,469,706.51
(1) Debt instruments investment				
(2) Equity instruments investment	290,478,047.92		12,991,658.59	303,469,706.51
(3) Derivative financial asset				
(4) Others				
<b>Total</b>	<b>290,478,047.92</b>		<b>12,991,658.59</b>	<b>303,469,706.51</b>

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

Equity instrument portion of the other noncurrent financial asset is measured at the unadjusted closing quoted price on stock market on December 31, 2019.

## 3. For continuous and discontinuous 2nd level of FV, valuation technique adopted and key parameter quantitative and qualitative information.

None.

## 4. For continuous and discontinuous 3rd level of FV, valuation technique adopted and key parameter quantitative and qualitative information.

The company's equity investment in Guotai Junan Investment Management Company, Lengwang Container Temperature Control (Suzhou) Co. Ltd, Dalian Guolian Energy Development Co., Ltd and Wuhan Steel Electric Company was measured as available for sale

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asset under cost method as of December 31<sup>st</sup>, 2018, and closing balance was 12,991,658.59Yuan. In accordance with “No 22 standard-financial instrument recognition and measurement”, since January 1<sup>st</sup>,2019, it was reclassified into financial asset measured at FV through P&L, and listed under other noncurrent financial asset. As the relative observable input cannot be obtained where there is no market activity or few activities, the cost is applied to the shares FV with respect to effect factors.

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

No.

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

No.

7. Changes of valuation technique and reasons for changes

No.

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

No.

**XI. Related Parties Relationship and Transactions****(I) Related parties relationship****1. Parent company and ultimate controller**

(1) Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Dalian Bingshan Group Co., Ltd.	Dalian	Manufacture	158,580,000.00	20.27	20.27

Note: Dalian Bingshan Group Co., Ltd. is a sino –foreign joint venture located No.106 Liaohe East Road, DDZ, Dalian, China. The legal representative of Dalian Bingshan Group Co., Ltd. is

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(The currency is in RMB Yuan except otherwise indicated)

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Mr.Ji Zhijian, and the registered capital is RMB158.58 million. The registered business operation period is from 3rd July 1985 to 2nd July 2035. The business scope include research, development, manufacture, sales, service and installment of refrigeration equipment, cooling and freezing equipment, different size of air-conditioners, petrochemical equipment, electronic and electronic- control products, home electronic appliance, environment protect equipment and etc. (unless the licenses needed)

## (2) Change of registered capital of controlling shareholder

Controlling shareholder	Opening balance	Increase	Decrease	Closing balance
Dalian Bingshan Group Co., Ltd.	158,580,000.00			158,580,000.00

## (3) Change of proportion of controlling shareholder's shareholding and equity

Controlling shareholder	Shareholding amount		Ratio of shareholding (%)	
	Closing balance	Opening balance	Ratio at year end	Ratio at beginning of year
Dalian Bingshan Group Co., Ltd.	170,916,934.00	170,916,934.00	20.27%	19.96%

**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. 2.(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
Panasonic Refrigeration (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Cold-chain (Dalian) Co., Ltd	Affiliated company of the Company
Panasonic Compressor (Dalian) Co., Ltd	Affiliated company of the Company
Dalian Honjo Chemical Co., Ltd	Affiliated company of the Company
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	Affiliated company of the Company

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

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<b>Names of the joint ventures or affiliated company</b>	<b>Relationships with the Company</b>
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	Affiliated company of the Company
Dalian Fuji Bingshan Vending Machine Co., Ltd	Affiliated company of the Company
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Affiliated company of the Company
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Affiliated company of the Company
Jiangsu Jingxue Freezing Equipment Co., Ltd.	Affiliated company of the Company
Dalian Jingxue Freezing Equipment Co., Ltd	Subsidiary of affiliated company
Shanghai Jingxue Freezing Equipment Co., Ltd	Subsidiary of affiliated company
Panasonic Cooling Machine system (Dalian) co., Ltd	Affiliated company of the Company
Dalian Bingshan Metal Technology Co.,Ltd	Affiliated company of the Company
Wuhan Sikafu Power Control Equipment Co., Ltd	Affiliated wholly owned subsidiary of the Company

**4. Other related parties**

<b>Name of related party</b>	<b>Related party relationship</b>
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Spindle Cooling Towers Co., Ltd	Affiliated company of Dalian Bingshan Group
BAC (Dalian) Co., Ltd	Affiliated company of Dalian Bingshan Group
Dalian Pate Technology Co.,Ltd	Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Management Consulting Co., Ltd	Subsidiary of Dalian Bingshan Group
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Kaierwen science Co.,Ltd	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Huigu Development Co., Ltd.	Affiliated company of Subsidiary of Dalian Bingshan Group
Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd	Affiliated company of Subsidiary of Dalian Bingshan Group

**(II) Related Party transactions**

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

## (1) Purchase of goods/receive labour services



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Related party	Content	Current year	Last year
Panasonic cold machine system (Dalian) co., Ltd	Purchases of goods	20,404,974.54	24,670,796.39
Panasonic Refrigeration (Dalian) Co., Ltd.	Purchases of goods	62,129,989.80	43,218,491.58
BAC (Dalian) Co., Ltd	Purchases of goods	29,152,733.71	45,572,758.35
Panasonic Cold-chain (Dalian) Co., Ltd	Purchases of goods	45,389,737.51	60,072,034.60
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Purchases of goods	24,101,509.72	8,179,886.68
Dalian Jingxue Freezing Equipment Co., Ltd	Purchases of goods	146,041.53	
Shanghai Jingxue Freezing Equipment Co., Ltd	Purchases of goods	183,328.06	
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Purchases of goods	30,022,396.88	37,625,539.41
Dalian Bingshan Huigu Development Co., Ltd.	Purchases of goods	606,531.23	
Dalian Pate Technology Co.,Ltd	Purchases of goods	7,566,203.85	7,176,638.43
Dalian Spindle Cooling Towers Co., Ltd	Purchases of goods	2,249,905.58	6,998,403.46
Panasonic compressor (Dalian) Co., Ltd	Purchases of goods	3,657,907.93	203,264.80
Dalian Bingshan Metal Technology Co., Ltd	Purchases of goods	139,088.52	406,183.44
Dalian Fuji Bingshan Vending Machine Co., Ltd	Purchases of goods	14,488.80	
Dalian Fuji Bingshan Vending Machine Sales Co., Ltd	Purchases of goods		456,410.26
Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	Purchases of goods	590,517.27	674,528.28
<b>Total</b>		<b>226,355,354.93</b>	<b>235,254,935.68</b>

(2) Sales of goods/ labour services provision

Related party	Content	Current year	Last year
Panasonic Cold-chain (Dalian) Co., Ltd	Sales of goods	153,714,141.77	176,605,613.78
Panasonic Refrigeration (Dalian) Co., Ltd.	Sales of goods	107,324,642.72	101,207,395.30
Dalian Fuji Bingshan Vending Machine Co., Ltd	Sales of goods	25,196,481.50	42,006,216.30
Panasonic Cold Machine System (Dalian) co., Ltd	Sales of goods	27,450,532.31	23,611,100.79
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Sales of goods	5,177,249.31	9,891,321.54

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Related party	Content	Current year	Last year
Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd.	Sales of goods	-708,562.26	3,947,000.16
Panasonic compressor (Dalian) Co., Ltd	Sales of goods	13,681,505.10	13,460,146.51
Dalian Pate Technology Co.,LTd	Sales of goods	3,771,113.79	3,011,326.99
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	Sales of goods	630,550.64	851,364.00
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	Sales of goods	639,114.37	701,334.64
Jiangsu Jingxue Energy Saving Technology Co., Ltd.	Sales of goods		388,876.29
Dalian Jingxue Freezing Equipment Co., Ltd	Sales of goods	142,855.01	
BAC (Dalian) Co., Ltd	Sales of goods	33,320,065.32	10,456,948.36
Dalian Bingshan Group Refrigeration Equipment Co., Ltd	Sales of goods	5,149,639.01	3,709,869.31
Dalian Bingshan Huigu Development Company	Sales of goods	267,864.23	8,179,920.96
Dalian Bingshan Group Huahuida Financial Leasing Co.,LTd	Sales of goods	814,601.65	6,070,260.04
Dalian Spindle Cooling Towers Co., Ltd	Sales of goods	384,956.00	430,939.11
Wuhan Sikafu Power Control Equipment Co., Ltd	Sales of goods	433,748.89	
Dalian Fuji Bingshan Intelligent Control System Co., Ltd	Sales of goods	37,053.20	603,448.33
Songyang Biology Science(Dalian)Ltd	Sales of goods	8,254.27	
<b>Total</b>		<b>377,435,806.83</b>	<b>405,133,082.41</b>

2. Assets Lease

(1) Assets rent out

Lessor	Lessee	Category of assets rent out	Current year Lease Income	Last year Lease Income
Bingshan Refrigeration& Heat Transfer Technologies	Dalian Bingshan Group Co., Ltd.	Office	132,110.09	130,909.09

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Lessor	Lessee	Category of assets rent out	Current year Lease Income	Last year Lease Income
Co.,Ltd				
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	Plant	2,976,190.47	4,000,000.00
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	Dalian Bingshan Huigu Development Company	Office	7,446,778.47	7,438,049.60
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	Panasonic Cold-chain (Dalian) Co., Ltd	Employee dormitory	52,844.04	79,127.27
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	Panasonic compressor (Dalian) Co., Ltd	Employee dormitory	68,571.42	91,428.56
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	Panasonic Refrigeration (Dalian) Co., Ltd.	Employee dormitory	64,480.41	77,837.84
Bingshan Refrigeration & Heat Transfer Technologies Co.,Ltd	Dalian Honjo Chemical Co., Ltd	Employee dormitory	132,110.09	
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd	Dalian Jingxue Energy Saving Technology Co., Ltd.	Plant and office	1,002,859.55	921,083.40

Note: the Company signed leasing contract with Dalian Bingshan Group and rented out 576square meter office to Dalian Bingshan group from April 1, 2019 to March 31, 2021 with annual lease premium of 144,000Yuan.

The company signed supplemental rental contract with MHI Bingshan Refrigeration (Dalian) Co.,Ltd., and rent out #6 building of workshop located on No. 106 Liaohe East Rd, DDZ to MHI Bingshan Refrigeration (Dalian) Co.,Ltd. The rental area is 15,259.04 square metres, and annual rent is RMB3.125 million with the expiry date on July 16, 2029.

The company signed rental contract with Dalian Bingshan Huigu Development Company, and rent out the old plant and land located in No.888, South West RD, Shahekou District, Dalian to Dalian Bingshan Huigu Development Company from April 1, 2017 to December 31, 2036. The land area is 167,165.61 square metres and the housing area is 105,652.43 square metres, and the

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rent for 2019 was 7.86 million Yuan.

## (2) Assets under lease

Lessor	Lessee	Category of assets rent in	Current year Lease fees	Last year Lease fees
Dalian Bingshan Group Co.	Bingshan Refrigeration & Heat Transfer Technologies Co.	Office, etc		106,290.00
Dalian Bingshan Group Co.	Bingshan Refrigeration & Heat Transfer Technologies Co.	Land		94,943.33

## 3. Warranty provided by Related Parties

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group. Please refer to the "Note VI. 23 long term borrowings".

## 4. Funds borrow from /lent to related party

Name of the related party	Take in/out	Amount	Starting date	Ending date	Explanation
Dalian Bingshan Group Co., Ltd.	Take in	160,000,000.00	2016.03.14	2026.03.13	Project fund investment
<b>Total</b>		<b>160,000,000.00</b>			

The national development fund planned to support the company's intelligent and green equipment of cold chain and service industry base project, and provide the special fund to the controlling shareholder of the company, Bingshan Group in 2016. After the above funds are in place, Bingshan Group will allocate them to the company in full and without any additional charge. The above special fund is 0.16 billion Yuan in total, the loan interest is fixed interest rate at 1.2% annual rate and paid interest 1,957,333.34 Yuan for this year.

## 5. Management Remuneration

Item	Current year	Last year
Total remuneration	3,609,700.00	3,781,400.00

**(III) Balances with Related party**

## 1. Accounts receivable due from related parties

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

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Item	Related party	Closing Balance	
		Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	8,564,678.88	583,733.64
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	6,717,761.21	1,638,415.37
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	2,683,672.86	182,221.39
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	33,010.40	2,241.41
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	1,437,917.14	97,634.57
Accounts receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	6,491,662.21	441,319.35
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	16,875,971.95	1,153,468.33
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	296,902.58	20,159.69
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	3,101,660.89	210,602.77
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	9,739.50	661.31
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	100,251.50	6,807.08
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	1,935,465.61	296,900.42
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd.	920,000.00	62,468.00
Prepayment	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	2,539,291.63	
Prepayment	Panasonic Refrigeration (Dalian) Co., Ltd	164,600.00	
Prepayment	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	468,800.00	
Prepayment	Panasonic Cold Machine system (Dalian) Co., Ltd	341,601.00	
Prepayment	Panasonic Cold Chain (Dalian) Co., Ltd	3,938.00	
Prepayment	Dalian Spindle Cooling Towers Co., Ltd	56,500.00	

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Item	Related party	Closing Balance	
		Book Balance	Bad debt Provision
Prepayment	Dalian Pate Technology Co.,Ltd	2,800.00	
Notes receivable	BAC (Dalian) Co., Ltd	11,317,936.09	
Notes receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	4,692,378.47	
Notes receivable	Panasonic Compressor (Dalian) Co., Ltd	1,859,495.23	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	43,270,000.00	1,548,120.00
Notes receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	12,607,409.17	856,043.08
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	18,494,998.52	450,703.89
Notes receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	886,450.00	60,189.96

(Continued)

Item	Related party	Opening Balance	
		Book Balance	Bad debt Provision
Accounts receivable	BAC (Dalian) Co., Ltd	2,289,340.93	140,794.47
Accounts receivable	Beijing Huashang Bingshan Refrigeration and Air-conditioning Machinery Co., Ltd	13,484,313.93	2,292,680.97
Accounts receivable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	6,255,865.97	384,735.76
Accounts receivable	Dalian Spindle Cooling Towers Co., Ltd	67,486.00	4,150.39
Accounts receivable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	2,301,963.32	141,570.74
Accounts receivable	Panasonic Cold Machine system (Dalian) Co., Ltd	4,933,468.75	303,408.33

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Item	Related party	Opening	Balance
		Book Balance	Bad debt Provision
Accounts receivable	Panasonic Cold Chain (Dalian) Co., Ltd	20,911,809.84	1,286,076.31
Accounts receivable	Panasonic Compressor (Dalian) Co., Ltd	1,556,496.87	95,724.56
Accounts receivable	Panasonic Refrigeration (Dalian) Co., Ltd	7,040,959.98	433,019.04
Accounts receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	317,331.82	25,360.48
Accounts receivable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	280,000.00	17,220.00
Accounts receivable	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	1,935,465.61	119,031.14
Accounts receivable	Dalian Bingshan Huigu Development Co., Ltd.	700,000.00	43,050.00
Other receivable	Wuhan Sikafu Power Control Equipment Co., Ltd	251,993.71	15,497.61
Prepayment	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	60,214.80	
Prepayment	Panasonic Compressor (Dalian) Co., Ltd	80.00	
Prepayment	Panasonic Refrigeration (Dalian) Co., Ltd	5,052,007.00	
Prepayment	Dalian Bingshan Group Huahuida Financial Leasing Co., Ltd..	3,650,105.00	
Notes receivable	BAC (Dalian) Co., Ltd	441,001.03	
Notes receivable	Panasonic Cold Machine System (Dalian) Co., Ltd	4,210,388.96	
Notes receivable	Panasonic Cold Chain (Dalian) Co., Ltd	50,565,030.10	1,871,681.06
Notes receivable	Panasonic Refrigeration (Dalian) Co., Ltd	11,686,954.09	413,805.07

2. Accounts Payable due from Related Party

Item	Related party	Closing Balance	Opening Balance
Accounts Payable	BAC Dalian Co., Ltd	6,536,883.20	9,295,740.00

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Item	Related party	Closing Balance	Opening Balance
Accounts Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	4,904,782.83	6,137,617.64
Accounts Payable	Dalian Bingshan Pate Technology Co.,Ltd	2,033,644.49	1,551,409.98
Accounts Payable	Dalian Fuji Bingshan Vending Machine Co., Ltd.	60,519.99	134,547.35
Accounts Payable	Dalian Spindle Cooling Towers Co., Ltd	2,235,874.00	2,562,898.70
Accounts Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	7,827,836.00	13,774,809.38
Accounts Payable	Dalian Fuji Bingshan Intelligent Control System Co., Ltd.	132,284.48	295,000.00
Accounts Payable	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.	414,000.00	414,000.00
Accounts Payable	Panasonic Cold Machine System (Dalian) Co., Ltd	22,882,950.32	31,395,663.27
Accounts Payable	Panasonic Cold Chain (Dalian) Co., Ltd		3,861,712.32
Accounts Payable	Panasonic Compressor (Dalian) Co., Ltd	1,696,000.00	1,696,000.00
Accounts Payable	Panasonic Refrigeration (Dalian) Co., Ltd.	19,565,101.85	6,409,209.89
Accounts Payable	Dalian Bingshan Metal Technology Co., Ltd	66,651.05	142,587.67
Other payable	Dalian Bingshan Group	5,900,000.00	
Other payable	Dalian Bingshan Huigu Development Co.,Ltd	500,000.00	
Other payable	MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	170,000.00	
Accounts Received in Advance	Dalian Spindle Cooling Towers Co., Ltd	1,869,651.43	
Accounts Received in Advance	Dalian Bingshan Huigu Development Co.,Ltd	700,000.00	
Accounts Received in Advance	Panasonic Cold Chain (Dalian) Co., Ltd	567,258.21	
Accounts Received in Advance	Wuhan Sikafu Power Control Equipment Co., Ltd	192,034.80	
Accounts Received in Advance	Panasonic Cold Machine System (Dalian) Co., Ltd		23,267.70
Accounts Received in Advance	Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd		59,596.18
Notes Payable	BAC (Dalian) Co., Ltd	21,758,609.00	30,200,000.00



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Item	Related party	Closing Balance	Opening Balance
Notes Payable	Dalian Bingshan Group Refrigeration Equipment Co., Ltd.	10,722,797.72	26,838,133.04
Notes Payable	Dalian Bingshan Metal Technology Co., Ltd	77,548.03	
Notes Payable	Dalian Bingshan Pate Technology Co.,Ltd	1,200,000.00	2,021,735.79
Notes Payable	Jiangsu Jingxue Energy Saving Technology Co., Ltd.	627,084.00	411,909.94
Notes Payable	Panasonic Cold Chain (Dalian) Co., Ltd	64,984.00	
Notes Payable	Dalian Spindle Cooling Towers Co., Ltd	969,602.80	6,256,661.88
Notes Payable	Panasonic Cold Machine System (Dalian) Co., Ltd	92,728.65	8,334,675.20

**(IV) Related Party Commitment**

No.

**XII. Share-Based Payment**

## 1. General situation of share payment

Items	Situation
Total equity instruments granted by the company during the period	No
Total equity instruments exercised by the company during the period	No
Total equity instruments invalid by the company during the period	12,221,580.00
The scope of the exercise price of the share options issued by the company at the year end and the remaining term of the contract	
The scope of the exercise price of other equity and the remaining term of the contract at the year end	

Note: On January 17th, 2019, the 1st interim shareholders' meeting was held and approved for "Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan". Up to February 25th, 2019, the company has completed the repurchasing and retiring stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan.

## 2. Share payment settled by equity

Items	Situation
Method for determining the fair value of the equity instruments granted	According to the fair value of restricted stock on granted date (the fair value changes after the grant date is uncertain)
The basis for determining the quantities of exercised equity instruments	Determined by the actual numbers of share exercised
The reasons for the significant difference between this year's estimation and last year's estimation	No
The cumulative amount of capital reserve which includes share payment settled by equity	8,118,047.09
Total cost of share payment recognized by equity settlement this year	1,747,935.36

## 1) The Situation of Granted Restricted Share in 2015

According to the 13<sup>th</sup> meeting of the 6<sup>th</sup> generation of board, the 1<sup>st</sup> interim shareholders' meeting of 2015 and the rules of 'Restricted Share Incentive Plan (draft)', the Company granted 10,150,000 numbers of restricted shares to 41 incentive targets by offering incentive targets 'A' original shares. The granted price is 5.56yuan per share, and the total capital raised is 56,434,000.00Yuan. The Company's incentive targets include the directors, middle and senior management personnel and other key personnel supposed to incent who held office when the 'Share Incentive Plan' was announced, but excluding the supervisors, the independent directors, foreign directors and foreign management personnel. The 15<sup>th</sup> meeting of board of 6<sup>th</sup> generation held on 4<sup>th</sup> March 2015 approved the 'The Report Regarding Granting Incentive Targets Restricted Shares', which agrees to grant 10,150,000 numbers of restricted shares to 41 incentive targets, and set 4<sup>th</sup> March 2015 as share granted date.

## 2) The Situation of Granted Restricted Share in 2016

According to the 9<sup>th</sup> meeting of 7<sup>th</sup> generation of directors, the 3<sup>rd</sup> interim shareholders' meeting and the rules of 'Restricted Share Incentive Plan (draft)', the Company granted 12,884,000 numbers of restricted shares to 118 incentive targets by offering incentive targets 'A' original shares. The granted price is 5.62yuan per share, and the total capital raised is 72,480,080.00Yuan. The Company's incentive targets include the directors, middle and senior management personnel and other key personnel supposed to incent who held office when the 'Share Incentive Plan' was announced, but excluding the supervisors, the independent directors, foreign directors and foreign management personnel. The 9<sup>th</sup> meeting of board of 7<sup>th</sup>

generation held on 20<sup>th</sup> September 2016 approved the ‘The Report Regarding Granting Incentive Targets Restricted Shares’, which agrees to grant 12,884,000 numbers of restricted shares to 118 incentive targets, and set 20<sup>th</sup> September 2016 as share granted date.

### 3) The Situation of Unlocking Restricted Shares in 2016

The 4<sup>th</sup> meeting of the 7<sup>th</sup> generation of board held on 13<sup>th</sup> April 2016 approved the ‘Proposal for unlocking in restricted share options incentive plan for the first unlocking-in period’. There were 41 incentive targets who satisfied the requirements of unlocking- in, and the number of the restricted shares can apply unlocking in to have listed and circulated is 3,045,000 that account representing 0.50% of the Company’s total shares at the year end.

The 14<sup>th</sup> meeting of the 7<sup>th</sup> generation of director board on May 12<sup>th</sup>,2017 approved “proposal for the 2<sup>nd</sup> unlocking period of restricted share incentive plan”. Objectives qualifying for the unlocking conditions are 41 persons, based on the “Profit distribution scheme of 2015”, every 10 share capital will granted for 5 new shares by transferring from capital reserve. After transferring to share capital, 6,090,000 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.71% if total of share capital.

The 17<sup>th</sup> meeting of the 7<sup>th</sup> generation of director board on December 8<sup>th</sup>,2017, approved “proposal of 1<sup>st</sup> unlocking period of restricted share incentive plan in 2016”. Objectives qualifying for the unlocking conditions are 113 persons, based on the “Profit distribution scheme of 2016”, every 10 share capital will granted for 4 new shares by transferring from capital reserve. After transferring to share capital, 5,237,820 numbers of restricted shares will be applied to unlocking condition and can be listed in the market, representing 0.61% if total of share capital.

On May 4, 2018, the 21<sup>st</sup> meeting of 7<sup>th</sup> generation of directors board and the 16<sup>th</sup> meeting of 7<sup>th</sup> generation of supervisors board approved “Proposal on unlocking the third unlocking period of Restricted Share Incentive Plan in 2015”, “Amendment of share buyback plan of Restricted Share Incentive Plan in 2015” and “Approval of writing off bought back shares within the Restricted Share Incentive Plan in 2015”. The total number of incentives objectives meeting this unlocking condition is 39 heads. The number of restricted stocks that can be applied for unlocking and listing is 5,919,606 numbers of shares, representing 0.692% of the total share capital of the company at the end of 2018.

On January 17th, 2019, the 1st interim shareholders’ meeting was held and approved for “Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan”. Up to February 25th, 2019, the company has completed the

repurchasing and retiring stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan.

### 3. Termination or modification of share payment

On December 10, 2018, the 25<sup>th</sup> meeting of 7<sup>th</sup> generation of directors board and the 16<sup>th</sup> meeting of 7<sup>th</sup> generation of supervisors board approved “Proposal on Termination of Implementation of the 2016 Restricted Stock Incentive Plan and Repurchase of Related Restricted Stocks”. Due to the recent changes in the macro economy and market environment, the company's stock price fluctuated greatly. The company believes that it is difficult to achieve the expected incentive purpose and incentive effect by continuing to implement the 2016 restricted stock incentive plan. After careful study by the board of directors, it was decided to terminate the implementation of the 2016 restricted stock incentive plan and repurchase and write off the restricted 12,221,580 shares that have been granted but yet unlocked. The repurchase price was 3.892 Yuan/share. On January 17th, 2019, the 1<sup>st</sup> interim shareholders' meeting was held and approved for “Proposal on Termination of the 2016 Restricted Stock Incentive Plan and Repurchasing and Retiring Restricted Stocks Plan”. Up to February 25th, 2019, the company has completed the repurchasing and retiring stocks plan, respectively the company shall perform the corresponding capital reduction procedures in accordance with the law and the registered capital decreased from 855,434,087.00Yuan to 843,212,507.00Yuan

## XIII. Contingency

As at 31 December 2019, the Group does not have any other contingencies for disclosure.

## XIV. Commitment

As at 31 December 2019, the Group does not have any other significant commitments.

## XV. Events after the Balance Sheet Date

### 1. Significant events had not adjusted

Since the outbreak of coronavirus pneumonia in China since January 2020, the company has actively responded to it and strictly implemented various national regulations and requirements on the prevention and control of coronavirus. The company and its subsidiaries and affiliated companies in various regions have been restarted to work since February 10, 2020 to support the national war epidemic in multiple ways from the aspects of supply security and social responsibility.

**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

The company expects that the coronavirus and the prevention and control measures will have a temporary impact on the production and operation of the company. The impact depends on the progress of the epidemic prevention and control, the duration and the implementation of prevention and control policies in different regions.

The company will continue to pay close attention to the development of coronavirus epidemic situation, and to evaluate and actively respond to its impact on the company's financial status, operating results and other aspects. As of the date of this report, no significant adverse effects have been found.

**2. Information about profit distribution**

The 9<sup>th</sup> meeting of the 8<sup>th</sup> generation of board was held on 16<sup>th</sup> April 2020 and approved the profit distribution policy for the year of 2019, extracting 20% of the free surplus reserves and based on 843,212,507.00 numbers of share in total, paying out cash dividend of 0.3Yuan for every 10 shares (before tax) and cash dividend of B shares are paid in Hong Kong dollars.

**3. Sales Return**

There is no significant sales return after the balance sheet date.

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

**XVI. Other Significant Events****1. Error correction and effect in previous period**

No.

**2. Debt Restructuring**

<b>Restructuring</b>	<b>Book Value of debt</b>	<b>Gain on debt restructuring</b>	<b>Capital increase</b>
Debts settled by asset			
Debt transfer into equity instrument			
Amendment to other debt condition	21,991,661.32	1,999,241.94	
Hybrid restructuring			

Note: In March, 2019, Wuhan New Refrigeration signed debt restructuring agreement with 16 suppliers and pay off the debt at 90.91% of it, and the remaining debt of 1,999,241.94Yuan has been agreed to give up by 16 suppliers, and the restructured debt has been settled in full.

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 Company divided the Company into 3 segments based on the geographic area: Northeast China, Central China, and East China. The Northeast is the Company's general headquarters and the subsidiaries registered in Dalian. The Central is the subsidiary of the Company, Wuhan New World Refrigeration Industrial Co., Ltd and its subsidiary, Wuhan Lanning, and Chengdu Bingshan. The East is the subsidiaries of the Company, and they are Ningbo Bingshan Air-conditioning Refrigeration Engineering Co., Ltd.

(1) The basis and accounting policies of reporting segments

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

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

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

(2)The financial information of reporting segments

Amount unit : Ten thousands Yuan

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Items	Current year				
	Northeast China	Central China	East China	Offset	Total
1 Operating income	226,948.40	25,201.36	1,522.89	-70,487.52	183,185.13
2 Cost	196,749.34	21,862.00	1,304.55	-68,159.75	151,756.14
Impairment loss on assets	-120.00				-120.00
Impairment loss on credit	-6,192.65	-1,023.83	-19.33	171.60	-7,064.21
Depreciation and amortization	6,343.60	1,157.92	6.36		7,507.88
3 Investment income from associates and joint venture	14,054.41	2.99			14,057.40
4 Operating profits(loss)	12,285.75	-5,058.61	-104.31	-451.23	6,671.60
5 Income tax	-1,511.61	-93.39	-4.46	-331.41	-1,940.87
6 Net profit(loss)	13,797.35	-4,965.21	-99.85	-119.82	8,612.47
7 Total assets	600,982.76	61,133.83	1,483.43	-111,049.69	552,550.33
8 Total liabilities	215,114.17	40,396.63	1,093.04	-49,466.30	207,137.54

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

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

## XVII. Notes to the Main Items of the Financial Statements of Parent Company

## 1. Accounts receivable

## (1) Accounts receivable category

Item	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	50,985,562.10	8.27	12,133,091.84	23.80	38,852,470.26
Accounts receivable with bad debt provision based on the characters of credit	565,433,194.62	91.73	77,731,550.27	13.75	487,701,644.35

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
risk portfolio					
(1) Accounting age as characters	266,838,646.18	43.29	77,731,550.27	29.13	189,107,095.91
(2) Related party within consolidation scope	298,594,548.44	48.44			298,594,548.44
<b>Total</b>	<b>616,418,756.72</b>	<b>100.00</b>	<b>89,864,642.11</b>	<b>14.58</b>	<b>526,554,114.61</b>

(Continued)

Item	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	6,569,055.28	1.37	1,776,966.99	27.05	4,792,088.29
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	473,070,033.64	98.63	61,836,051.76	13.07	411,233,981.88
(1) Accounting age as characters	211,510,637.81	44.10	61,836,051.76	29.24	149,674,586.05
(2) Related party within consolidation scope	261,559,395.83	54.53			261,559,395.83
<b>Total</b>	<b>479,639,088.92</b>	<b>100.00</b>	<b>63,613,018.75</b>	<b>13.26</b>	<b>416,026,070.17</b>

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



## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Drawing Proportion (%)
Within 1 year	107,770,446.09	7,318,718.83	6.79
1-2 years	55,005,637.52	8,438,345.19	15.34
2-3 years	41,663,712.69	12,110,197.17	29.07
3-4 years	16,339,773.14	7,648,446.71	46.81
4-5 years	14,191,010.31	10,347,775.94	72.92
Over 5 years	31,868,066.43	31,868,066.43	100.00
<b>Total</b>	<b>266,838,646.18</b>	<b>77,731,550.27</b>	<b>-</b>

## (2) Bad debt provision

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	63,613,018.75	28,627,781.32	475,026.99	2,851,184.95	89,864,642.11
<b>Total</b>	<b>63,613,018.75</b>	<b>28,627,781.32</b>	<b>475,026.99</b>	<b>2,851,184.95</b>	<b>89,864,642.11</b>

## (3) Accounts receivable written off in current period.

Item	Written off amount
Receivable actually written off	2,851,184.95

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

Company	Closing Balance	Aging	% of the total AR	Closing Balance of Provision
Zhejiang Wankai New Materials Co., Ltd.	50,985,562.10	3-4years	8.27	12,133,091.84
Xinyi Yuanda Construction and Installation Engineering Co., Ltd.	32,748,744.00	1-2 years, 2-3 years 3-4years	5.31	10,636,787.06
Ningxia Wangwa Coal Co., Ltd.	29,002,800.00	Within 1 year 1-2years	4.71	9,954,472.47
China Petrol International Business Ningbo Co., Ltd.	21,269,111.33	Within 1 year,	3.45	1,444,172.66
Dalian City Thermolectric Co.,Ltd	18,320,000.00	Within 1 year,	2.97	1,243,928.00
<b>Total</b>	<b>152,326,217.43</b>		<b>24.71</b>	<b>35,412,452.03</b>

## 2. Other Receivables

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Item	Closing Balance	Opening Balance
Interest receivable	583,833.33	318,886.12
Other receivable	5,398,160.49	13,678,361.66
<b>Total</b>	<b>5,981,993.82</b>	<b>13,997,247.78</b>

## 2.1 Interest receivable

## (1) Interest receivable category

Item	Closing Balance	Opening Balance
Interest on term deposits	583,833.33	318,886.12
Interest on bank financial product		
<b>Total</b>	<b>583,833.33</b>	<b>318,886.12</b>

## 2.2 Other receivable

## (1) The category of other receivables

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	-	-	-	-	-
Other receivables with portfolio bad debt provision	6,808,281.23	100.00	1,410,120.74	20.71	5,398,160.49
(1) Other receivables with bad debt provision based on the characters of credit risk portfolio	6,808,281.23	100.00	1,410,120.74	20.71	5,398,160.49
(2) Related party within consolidation scope					
<b>Total</b>	<b>6,808,281.23</b>	<b>100.00</b>	<b>1,410,120.74</b>	<b>20.71</b>	<b>5,398,160.49</b>

(Continued)

Items	Opening Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with individual bad debt provision					
Other receivables with portfolio	15,380,582.50	100.00	1,702,220.84	11.07	13,678,361.66

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

bad debt provision					
(1) Other receivables with bad debt provision based on the characters of credit risk portfolio	15,380,582.50	100.00	1,702,220.84	11.07	13,678,361.66
(2) Related party within consolidation scope					
<b>Total</b>	<b>15,380,582.50</b>	<b>100.00</b>	<b>1,702,220.84</b>	<b>11.07</b>	<b>13,678,361.66</b>

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Drawing Proportion (%)
Within 1 year	2,462,429.23	82,402.36	3.35
1-2 years	296,826.00	22,235.46	7.49
2-3 years	2,450,461.00	556,594.86	22.71
3-4 years	1,500,000.00	650,323.06	43.35
4-5 years			66.59
Over 5 years	98,565.00	98,565.00	100.00
<b>Total</b>	<b>6,808,281.23</b>	<b>1,410,120.74</b>	—

(2) Bad debt provision.

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Bad debt provision	1,702,220.84	-292,100.10			1,410,120.74
<b>Total</b>	<b>1,702,220.84</b>	<b>-292,100.10</b>			<b>1,410,120.74</b>

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Equity transfer fund		8,588,400.00
Receivable or payable	2,774,045.87	
Petty cash	117,661.57	23,050.50
Deposits	3,848,019.79	6,681,152.00
Others	68,554.00	87,980.00
<b>Total</b>	<b>6,808,281.23</b>	<b>15,380,582.50</b>

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

## (4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Dalian Lihua Coating Equipment	Outstanding debtor	1,650,000.00	2-3years	24.24	374,715.00
Dalian Delta HK China Gas Co., Ltd.	Security deposit	1,519,486.72	Within 1 year 3-4 years,	22.32	650,902.81
Dalian Changde Welding Co.,Ltd	Outstanding debtor	780,000.00	2-3years	11.46	177,138.00
Shandong Borun Co.,Ltd	Security deposit	300,000.00	Within 1 year	4.41	10,050.00
PICC Dalian	Security deposit	214,554.27	Within 1 year	3.15	7,187.57
<b>Total</b>		<b>4,464,040.99</b>		<b>65.58</b>	<b>1,219,993.38</b>

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

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## 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	587,496,652.08		587,496,652.08	587,496,652.08		587,496,652.08
Investment of affiliates and JV	1,656,914,731.80		1,656,914,731.80	1,614,457,190.34		1,614,457,190.34
<b>Total</b>	<b>2,244,411,383.88</b>		<b>2,244,411,383.88</b>	<b>2,201,953,842.42</b>		<b>2,201,953,842.42</b>

## (2) Investments of subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance	Provision for impairment of the current period	Provision for impairment at year end
Dalian Bingshan Group Construction Co., Ltd	93,749,675.77			93,749,675.77		
Dalian Bingshan Group Sales Co., Ltd	20,722,428.15			20,722,428.15		
Dalian Bingshan Air-Conditioning Equipment Co., Ltd	36,506,570.00			36,506,570.00		
Dalian Bingshan Jiade Automation Co., Ltd	6,872,117.80			6,872,117.80		
Dalian Bingshan Lingshe Quick Freezing Equipment Co., Ltd	59,356,051.19			59,356,051.19		
Dalian Niweisi LengNuan Technology Co., Ltd	48,287,589.78			48,287,589.78		
Wuhan New World Refrigeration Industrial Co., Ltd	184,674,910.81			184,674,910.81		

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

Notes to financial statements for the year ended December 31, 2019

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Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance	Provision for impairment of the current period	Provision for impairment at year end
Bingshan Technical Service ( Dalian ) Co.,Ltd.	22,024,000.00			22,024,000.00		
Dalian Xinminghua Electronics Co., Ltd.	43,766,243.72			43,766,243.72		
Dalian Bingshan International Trading Co.,Ltd	71,537,064.86			71,537,064.86		
<b>Total</b>	<b>587,496,652.08</b>			<b>587,496,652.08</b>		

(3) Joint ventures& affiliated companies

Investee	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period		
1. Affiliated companys										
Panasonic Refrigeration (Dalian) Co., Ltd.	175,290,858.38			10,100,024.63			-8,000,000.00			177,390,883.01
Panasonic Cold-chain (Dalian) Co., Ltd	232,222,620.76			39,356,446.01			-4,400,000.00			267,179,066.77
Panasonic Compressor (Dalian) Co., Ltd	483,899,674.59			33,143,940.73			-45,350,000.00			471,693,615.32
Dalian Honjo Chemical Co., Ltd	8,832,597.83			350,476.27			-647,634.60			8,535,439.50
Keinin-Grand Ocean Thermal Technology (Dalian) Co., Ltd	61,750,687.77			3,940,267.53			-4,600,000.00			61,090,955.30
Beijing Huashang Bingshan Refrigeration	1,268,139.59			269,533.26						1,537,672.85

BINGSHAN REFRIGERATION & HEAT TRANSFER TECHNOLOGIES CO., LTD

Notes to financial statements for the year ended December 31, 2019

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Investee	Beginning balance	Increase/Decrease							Ending balance	Provision for impairment at year end
		Increased	Decreased	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced	Provision for impairment of the current period		
and Air-conditioning Machinery Co., Ltd										
Dalian Fuji Bingshan Vending Machine Co., Ltd	188,257,460.75			4,852,331.69						193,109,792.44
MHI Bingshan Refrigeration (Dalian) Co.,Ltd.	13,783,339.36			109,526.89						13,892,866.25
Dalian Fuji Iceberg Vending Machine Sales Co., Ltd	13,774,267.89			1,159,787.09						12,614,480.80
Jiangsu Jingxue Freezing Equipment Co., Ltd.	174,966,773.04			13,340,042.76			-2,921,200.00			185,385,615.80
Panasonic Cold Machine System (Dalian) Co., Ltd	30,721,588.82			5,537,782.59			-2,284,000.00			33,975,371.41
Bingshan Metal Technical Service (Dalian) Co.,Ltd.	172,593,561.16			30,020,894.85			-29,883,772.81			172,730,683.20
Dalian Bingshan Group Management and Consulting Company	57,095,620.40			682,668.75						57,778,289.15
<b>Total</b>	<b>1,614,457,190.34</b>			<b>140,544,148.87</b>			<b>-98,086,607.41</b>			<b>1,656,914,731.80</b>

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

## 4. Operating revenue and cost

Item	Current year		Last year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	639,185,625.79	533,579,945.34	548,705,260.10	493,112,549.07
Revenue from other operation	38,042,049.11	27,732,441.09	26,631,232.06	15,113,793.41
<b>Total</b>	<b>677,227,674.90</b>	<b>561,312,386.43</b>	<b>575,336,492.16</b>	<b>508,226,342.48</b>

## 5. Investment income

Items	Current year	Last year
Long-term equity investment gain under equity method	140,544,148.87	137,949,633.91
Gain from disposing long-term equity investment		
Gain from holding of available for sale financial assets		11,139,558.00
Gain from disposal of financial assets available for sale		66,702,217.88
Gain from holding of tradable financial assets		
Gain from disposing of tradable financial assets		
Long-term equity investment gain under cost method	6,025,000.00	19,428,324.73
Gain from holding of other noncurrent financial assets	5,676,474.48	
Gain from disposal of other noncurrent financial assets	22,482,217.16	
<b>Total</b>	<b>174,727,840.51</b>	<b>235,219,734.52</b>

## XVIII. Approval of Financial Statements

The parent and consolidated financial statements of the Company were approved by the Board of Directors of the Group on April 16, 2020.



**Notes to financial statements for the year ended December 31, 2019**

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

**Supplementary Information to the Financial Statements**

## 1. Non-operating profit or loss

In accordance with the provisions of the China Securities Regulatory Commission, "Interpretation of Information Disclosure of Companies That Offer Securities to the Public No. 1 - Non-recurring Gains and Losses (2008)", the company's 2019 annual non-recurring gains and losses are as follows:

Items	Current year	Notes
Gain or loss from disposal of non-current assets	1,132,131.30	
Override, no formal approval or accidental tax refund ,deduction or exemption		
Government grants recorded into profit or loss during current period	3,707,100.00	
Expenses for using funds from non financial institution recognized in current profit/loss		
Gains from acquisition of subsidiary or associates when initial cost is less than the fair value of identifiable net asset of invested company		
Profits/loss from non monetary assets exchange		
Profits/loss from investments or management of assets entrusted by others		
Assets impairment provision accrued due to force majeure, e.g.: suffering natural disasters		
Profit or loss from debts restructuring	1,999,241.94	
Expenses of enterprise restructuring		
Gain/loss on excessive part from the transaction where the trading price is obviously unfair.		
Net gain/loss of subsidiary from combination under same control between the beginning of year and consolidation date.		
Gains/ loss from contingencies arising from the normal business of the Company		
Gain/loss from change of fair value by holding the tradable financial asset and liabilities, and or disposing of the tradable financial asset and liabilities, available for sale financial assets, other than effective hedging in relation to the company's normal business	72,282,942.52	

## Notes to financial statements for the year ended December 31, 2019

(The currency is in RMB Yuan except otherwise indicated)

(English translation for reference only)

Items	Current year	Notes
Reversal of impairment provision of accounts receivable separately tested for impairment		
The profits/loss from external entrusted fund		
The profits/gains from changes of fair value for investment property subsequently measured at fair value model		
Effects of gain/loss from one-off adjustments of gain/loss based on laws and regulations of taxation and accounting.		
Custodian fees obtained from entrusted operations		
Non-operating revenue and expense besides the above items	481,549.43	
Other profit or loss	554,176.99	
Subtotal	80,157,142.18	
Effect on income tax	12,122,009.11	
Attributable to minority shareholders' equity (after tax)	329,555.29	
<b>Total</b>	<b>67,705,577.78</b>	

## 2. Return on equity and earnings per share

In accordance with the provisions of the China Securities Regulatory Commission, "Corporate Information Disclosure and Compilation Rules for Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)", the Company's 2019 annual weighted average net Return on assets, basic earnings per share and diluted earnings per share are as follows:

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	2.63	0.11	0.11
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	0.63	0.03	0.03

Bingshan Refrigeration &amp; Heat Transfer Technologies Co., LTD

April 16, 2020