



**LU THAI TEXTILE CO., LTD.**

**Independent Auditor's Report 2025**

**April 2026**

## Financial Statements

### I. Independent Auditor's Report

Type of the audit opinion	Standard unreserved opinion
Signing date of the independent auditor's report	April 15, 2026
Name of the independent auditor	Grant Thornton China (Special General Partnership)
No. of independent auditor's report	Grant Thornton SZ (2026) No. 371A011891
Name of the certified public accountants	Cui Xiaoli, Wei Qianting

#### Text of the Independent Auditor's Report

#### To the shareholders of Lu Thai Textile Co., Ltd.:

##### I. Audit Opinion

We have audited the financial statements of Lu Thai Textile Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and parent company balance sheets as of December 31, 2025, the consolidated and parent company statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at December 31, 2025, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Accounting Standards for Business Enterprises.

##### II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese CPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for Audit of Financial Statements" section of our independent auditor's report. In accordance with the Code of Ethics for Chinese CPA and the independence requirements for audits of public interest entities under the Independence Standards for Chinese CPA (where applicable), we are independent of Lu Thai Textile Co., Ltd. and have fulfilled our other professional ethics responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### III Key Audit Matters

Key audit matters are those matters that, 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 opinion thereon, and we do not provide a separate opinion on these matters.

###### i. Recognition of revenue

For details, please refer to the Note III-27 and the Note V-44 of the financial statements.

###### 1. Matter description

The main businesses of Lu Thai Textile Co., Ltd. mainly are production and sales of yarn-dyed fabrics and shirts. The operating revenue of the Company in 2025 was RMB5,904,308,700, of which export income accounted for over 50%. For the income from domestic sales, the amount of product sales income is recognized when the products are delivered to and confirmed by the purchaser according to the contract. The income is recognized when the purchaser obtains control of the product. For the income from export sales, the amount of sales income is recognized when

products are declared and depart from port according to the contract, and the bill of lading is received. The income is recognized when the purchaser obtains control of the product.

Since income is one of the key performance indicators of Lu Thai Textile Co., Ltd., there is an inherent risk that the management of Lu Thai Textile Co., Ltd. (hereinafter referred to as the management) manipulates income to achieve specific goals or expectations, therefore, we identify income recognition as a key audit matter.

2. Audit response The audit procedures for revenue recognition mainly include:

- (1) Understand and evaluate the design effectiveness of internal control related to revenue recognition, and test the effectiveness of operation;
- (2) Through interviewing the management and reviewing the relevant contract terms, understand and evaluate whether the income confirmation accounting policy meets the requirements of the Accounting Standards for Business Enterprises;
- (3) Perform analytical procedures on revenue and costs to analyze the rationality of fluctuations in sales volume, unit price, and gross profit in each month, current year, and previous year of the current period;
- (4) Select samples to check the supporting evidence such as sales contract, product delivery order, invoice, customs declaration, lading bill, and signing receipt;
- (5) Select samples to verify the balance and transaction amount;
- (6) Select samples to verify the amounts related to export sales revenue, export tax refund declarations, and China E-Port export data, among other relevant information;
- (7) Select samples to perform a cut-off test on the revenue recognized before and after the balance sheet date, and check the product delivery slip, invoice, customs declaration, lading bill, signing receipt, etc., to assess whether the revenue is recognized within the appropriate period.

ii. Inventory falling price reserves

For details, please refer to the Note III-13 and the Note V-8 of the Financial Statements.

1. Event description

As at December 31, 2025, the inventory balance of Lu Thai Textile Co., Ltd. was RMB2,349,009,300 and the inventory depreciation reserve was RMB241,709,300. The management withdrew the inventory falling price reserves with significant judgments and estimates, and therefore, we identify inventory falling price reserves as a key audit matter.

2. Audit response The audit procedures for inventory falling price reserves mainly include:

- (1) Understand and evaluate the design effectiveness of the internal control related to the provision of inventory decline price, and test the effectiveness of operation;
- (2) Understand and evaluate the appropriateness of the company's inventory depreciation reserve provision policy;
- (3) Monitor the inventory and pay attention to the status of the inventory, check whether the defective and inventory with long aging have been identified;
- (4) Obtain the inventory age table, and conduct an analytical review of the long-age inventory status and turnover;

(5) Check the changes in the inventory depreciation reserves accrued in previous years and evaluate the rationality of the changes in inventory depreciation reserves;

(6) Obtain the inventory falling price reserves calculation sheet; recheck and evaluate the rationality of major estimations made by the management during the determination of net realizable value; conduct the recalculation, check the selling price after the period and analyze the rationality of the predicted selling price.

iii. Assessment of fair value of financial assets measured at fair value and changes included in current profit or loss

Please refer to Notes to Financial Statements (Note III-11 and Note V-2, 12 and 52) for details about relevant information disclosure.

#### 1. Description of the matter

As of December 31, 2025, Lu Thai Textile Co., Ltd. held financial assets measured at fair value through profit or loss with a total balance of RMB1,182,427,600. Of these, financial assets classified as Level 2 inputs (based on observable inputs) had a fair value of RMB1,094,067,600, and financial assets classified as Level 3 inputs (based on unobservable inputs) had a fair value of RMB88,360,000. Considering that the fair value changes of this financial asset have a significant impact on Lu Thai Textile Company's profit or loss for 2025, and that the company uses valuation techniques to determine its fair value, which typically involves assumptions and estimates relying on subjective judgment, the use of different valuation techniques or assumptions could result in significant differences in the fair value estimation of the financial instrument. Therefore, we identify this matter as a key audit matter.

#### 2. Audit Response

The audit procedures for the assessment of financial instrument's fair value mainly include:

(1) Study and evaluate the effectiveness of the designed internal control for the valuation of financial instruments and test the operational effectiveness;

(2) Assess the professional quality, competence and objectiveness of the independent appraiser employed by the Company's management; evaluate the rationality of various assumptions applied by the independent appraiser in the evaluation report and the appropriateness of the financial instrument valuation models;

(3) Assess the rationality and appropriateness of the observable key input value applied during the valuation of the tier-2 fair value;

(4) Recheck the rationality, appropriateness and calculation accuracy of the key input value during the fair value assessment for the tier-3 financial instrument measured based the fair value and involving the management's major judgment.

#### **IV. Other Information**

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2025 Annual Report other than the financial statements and our independent 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.

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

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the 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 the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial statements process.

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

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent 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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. At the same time, We also:

- (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 opinion. 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.
- (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 application of the going-concern assumption. Meanwhile, draw a conclusion of the matters that might produce major doubts about the ability of Lu Thai Textile Company to continue as a going-concern, and judge whether there are major uncertainties, according to the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in these financial statements or; and if such disclosures are inadequate, we shall

express non-unqualified opinions. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We have also provided those charged with the governance members with a statement on observing the professional ethics related to independence, and communicated with those charged with governance on all the relationships and other matters that might be reasonably deemed to affect our independence, and relevant preventative measures (if applicable).

From the matters communicated with those charged with the governance members, 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 Independent Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton China (Special General Partnership)	Chinese CPA: (Engagement Partner):  Chinese CPA:	
Beijing · China	April 15, 2026	

## II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

### 1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

December 31, 2025

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Current assets:		
Monetary assets	2,396,851,459.72	2,055,856,788.37
Held-for-trading financial assets	1,094,067,591.31	693,972,672.64
Derivative financial assets		
Notes receivable	37,500,667.56	51,339,990.35

Accounts receivable	889,743,214.62	849,168,539.27
Receivables financing	10,335,302.96	10,184,900.59
Prepayments	70,233,122.96	94,340,345.68
Other receivables	35,452,183.40	23,107,489.38
Including: Interest receivable		
Dividend receivable	1,267,187.27	
Financial assets held under resale agreements		
Inventories	2,107,300,004.83	2,019,884,406.30
Including: Data resources		
Contract assets		
Available-for-sale assets		
Current portion of non-current assets		154,176,585.64
Other current assets	17,765,080.24	59,034,547.73
Total current assets	6,659,248,627.60	6,011,066,265.95
Non-current assets:		
Long-term receivables		
Long-term equity investments	99,877,917.52	120,084,271.29
Investments in other equity instruments		
Other non-current financial assets	88,360,000.00	82,800,000.00
Investment property	17,772,891.33	18,675,533.63
Fixed assets	5,705,325,739.27	6,053,755,987.08
Construction in progress	90,157,178.55	95,026,709.37
Right-of-use assets	437,366,025.27	470,238,928.19
Intangible assets	322,548,576.08	333,384,747.50
Including: Data resources		
Development expenses		
Including: Data resources		
Goodwill	20,563,803.29	20,563,803.29
Long-term deferred expenses	2,966,740.84	5,634,560.27
Deferred income tax assets	147,571,150.02	148,530,519.94
Other non-current assets	515,004,250.30	569,954,322.70
Total non-current assets	7,447,514,272.47	7,918,649,383.26
Total assets	14,106,762,900.07	13,929,715,649.21
Current liabilities:		
Short-term loan	652,836,872.89	849,686,824.33
Held-for-trading financial liabilities		15,858,713.22
Derivative financial liabilities		
Notes payable		
Accounts payable	232,348,158.30	272,079,091.51
Advances from customers		
Contract liability	178,735,140.23	191,551,003.79
Payroll payable	301,497,209.62	301,227,361.89
Taxes payable	58,873,433.90	57,261,948.01
Other payables	17,580,817.40	17,437,799.60
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Liabilities held for sale		
Current portion of non-current liabilities	1,870,562,551.70	27,788,571.75
Other current liabilities	33,932,228.19	42,829,460.18
Total current liabilities	3,346,366,412.23	1,775,720,774.28
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings	247,912,723.61	396,244,110.21
Bonds payable		1,509,420,449.46
Lease liabilities	74,159,267.26	91,353,320.80
Long-term payables		
Long-term payroll payable	58,241,342.34	58,494,991.36
Provisions		
Deferred income	139,473,294.93	145,395,121.11
Deferred income tax liabilities	110,514,267.42	131,519,037.79
Other non-current liabilities		
Total non-current liabilities	630,300,895.56	2,332,427,030.73
Total liabilities	3,976,667,307.79	4,108,147,805.01
Owners' equity:		

Share capital	817,306,920.00	817,306,010.00
Other equity instruments	71,383,045.46	71,383,438.11
Including: Preferred shares		
Perpetual bonds		
Capital reserves	178,932,155.02	178,518,667.31
Less: Treasury stock		
Other integrated income	108,712,967.46	166,925,985.26
Specific reserve		
Surplus reserves	1,331,218,572.39	1,271,429,282.44
General reserve		
Retained earnings	7,303,500,526.72	6,933,165,006.16
Total owners' equity attributable to owners of the Company as the parent	9,811,054,187.05	9,438,728,389.28
Equity of Non-controlling interests	319,041,405.23	382,839,454.92
Total owners' equity	10,130,095,592.28	9,821,567,844.20
Total liabilities and owners' equity	14,106,762,900.07	13,929,715,649.21

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

## 2. Balance Sheet of the Parent Company

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
<b>Current assets:</b>		
Monetary assets	1,433,664,604.80	1,098,738,844.86
Held-for-trading financial assets	660,679,174.82	348,853,051.29
Derivative financial assets		
Notes receivable	22,213,122.87	34,955,445.32
Accounts receivable	421,353,996.52	381,343,801.66
Receivables financing	3,531,557.70	8,604,909.79
Prepayments	39,570,454.23	37,339,639.22
Other receivables	1,439,542,031.30	1,444,344,599.59
Including: Interest receivable		
Dividend receivable		
Inventories	822,593,850.01	833,923,667.33
Including: Data resources		
Contract assets		
Available-for-sale assets		
Current portion of non-current assets		154,176,585.64
Other current assets	201,318.75	1,285,523.29
<b>Total current assets</b>	<b>4,843,350,111.00</b>	<b>4,343,566,067.99</b>
<b>Non-current assets:</b>		
Long-term receivables		
Long-term equity investments	3,865,995,861.77	3,886,201,497.79
Investments in other equity instruments		
Other non-current financial assets	76,360,000.00	70,800,000.00
Investment property	57,726,813.60	61,235,932.80
Fixed assets	1,711,399,901.88	1,829,970,463.91
Construction in progress	4,430,909.18	25,572,141.50
Right-of-use assets	78,265,677.78	94,200,828.47
Intangible assets	185,411,499.73	191,804,122.33
Including: Data resources		
Development expenses		
Including: Data resources		
Goodwill		
Long-term deferred expenses		253,990.93
Deferred income tax assets	73,069,006.97	83,559,877.27
Other non-current assets	475,811,170.00	502,059,650.58
<b>Total non-current assets</b>	<b>6,528,470,840.91</b>	<b>6,745,658,505.58</b>
<b>Total assets</b>	<b>11,371,820,951.91</b>	<b>11,089,224,573.57</b>
<b>Current liabilities:</b>		
Short-term loan		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	28,600,000.00	60,000,000.00

Accounts payable	132,387,909.61	202,868,261.19
Advances from customers		
Contract liability	47,217,878.86	62,755,259.28
Payroll payable	189,218,607.99	196,441,126.83
Taxes payable	27,349,150.84	38,807,426.46
Other payables	13,911,794.27	14,071,692.51
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Liabilities held for sale		
Current portion of non-current liabilities	1,853,750,476.37	26,337,442.97
Other current liabilities	22,774,974.65	31,411,042.17
Total current liabilities	2,315,210,792.59	632,692,251.41
Non-current liabilities:		
Long-term borrowings	113,792,695.83	396,244,110.21
Bonds payable		1,509,420,449.46
Lease liabilities	73,634,249.91	88,480,054.92
Long-term payables		
Long-term payroll payable	58,241,342.34	58,494,991.36
Provisions		
Deferred income	106,580,569.50	110,138,851.32
Deferred income tax liabilities	74,503,325.14	98,766,520.96
Other non-current liabilities		
Total non-current liabilities	426,752,182.72	2,261,544,978.23
Total liabilities	2,741,962,975.31	2,894,237,229.64
Owners' equity:		
Share capital	817,306,920.00	817,306,010.00
Other equity instruments	71,383,045.46	71,383,438.11
Including: Preferred shares		
Perpetual bonds		
Capital reserves	246,468,448.57	246,054,960.86
Less: Treasury stock		
Other integrated income	-10,900.67	-35,886.10
Specific reserve		
Surplus reserves	1,328,109,832.75	1,268,320,542.80
Retained earnings	6,166,600,630.49	5,791,958,278.26
Total owners' equity	8,629,857,976.60	8,194,987,343.93
Total liabilities and owners' equity	11,371,820,951.91	11,089,224,573.57

### 3. Consolidated Income Statement

Unit: RMB

Item	2025	2024
I. Revenue	5,904,308,724.88	6,090,615,025.20
Including: Operating revenue	5,904,308,724.88	6,090,615,025.20
II.. Costs and expenses	5,342,971,856.64	5,404,431,529.13
Including: Cost of sales	4,546,124,192.37	4,643,578,944.63
Taxes and surcharges	61,693,143.21	62,450,436.64
Selling expense	147,949,523.11	151,004,439.35
Administrative expense	337,498,704.65	344,326,973.11
R&D expense	192,232,759.25	206,820,921.71
Financial expenses	57,473,534.05	-3,750,186.31
Including: Interest expense	96,258,875.39	102,900,852.62
Interest income	70,150,613.36	60,956,758.61
Add: Other income	26,138,313.05	34,200,236.81
Return on investment ("-" for loss)	262,596,707.59	-46,506,250.57
Including: Return on investment of joint ventures and associated enterprises	-6,339,687.10	-23,453,208.47
Income from the derecognition of financial assets at amortized cost		
Exchange gain ("-" for loss)		
Net gain on exposure hedges* ("-" for loss)		
Gain on changes in fair value("-" for loss)	-55,805,204.39	-90,826,774.15
Credit impairment loss ("-" for loss)	-35,075,548.74	-3,007,666.35
Asset impairment loss ("-" for loss)	-80,423,904.60	-110,133,501.21
Asset disposal income ("-" for loss)	557,462.64	-3,139,466.60
III.. Operating profit ("-" for loss)	679,324,693.79	466,770,074.00

Add: Non-operating revenue	18,694,454.87	9,574,940.35
Less: Non-operating expense	4,878,895.49	8,534,087.54
IV.. Profit before tax ("-" for loss)	693,140,253.17	467,810,926.81
Less: Income tax expense	88,348,008.74	41,549,193.80
V.. Net profit ("-" for net loss)	604,792,244.43	426,261,733.01
i. Classification by operation continuity		
1. Net profits from going-concern ("-" for net loss)	604,792,244.43	426,261,733.01
2. Net profits from disgoing-concern ("-" for net loss)		
ii. Classification by ownership		
1. Net profit attributable to equity holders of the parent company	593,586,067.81	410,321,398.17
2. Net profit attributable to non-controlling interests	11,206,176.62	15,940,334.84
VI.. Other comprehensive income, net of tax	-58,217,244.11	35,589,812.50
Attributable to owners of the Company as the parent	-58,213,017.80	35,582,843.63
i. Other comprehensive income that will not be reclassified to profit or loss		
1. Changes caused by re-measurements on defined benefit schemes		
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method		
3. Changes in the fair value of investments in other equity instruments		
4. Changes in the fair value arising from changes in own credit risk		
5. Other		
ii. Other comprehensive income that will be reclassified to profit or loss	-58,213,017.80	35,582,843.63
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in the fair value of investments in other debt obligations		
3. Other comprehensive income arising from the reclassification of financial assets		
4. Credit impairment allowance for investments in other debt obligations		
5. Reserve for cash flow hedges		
6. Differences arising from the translation of foreign currency-denominated financial statements	-58,225,324.32	35,556,383.35
7. Other	12,306.52	26,460.28
Attributable to non-controlling interests	-4,226.31	6,968.87
VII.. Total comprehensive income	546,575,000.32	461,851,545.51
Attributable to owners of the Company as the parent	535,373,050.01	445,904,241.80
Attributable to non-controlling interests	11,201,950.31	15,947,303.71
VIII Earnings per share		
i. EPS-basic	0.73	0.50
ii.. EPS-diluted	0.66	0.47

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB0.00, with the amount for the same period of last year being RMB0.00.

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

#### 4. Income Statement of the Parent Company

Unit: RMB

Item	2025	2024
I. Operating revenue	2,870,402,323.36	3,198,292,063.60
Less: Cost of sales	2,225,934,622.73	2,446,188,630.00
Taxes and surcharges	38,891,777.78	40,423,609.51
Selling expense	93,643,436.46	101,521,242.89
Administrative expense	180,374,424.46	198,977,886.85
R&D expense	137,949,429.27	146,201,535.79
Financial expenses	61,040,712.90	-21,078,637.21
Including: Interest expense	67,409,407.23	56,893,451.24
Interest income	50,166,952.29	45,288,590.49
Add: Other income	16,102,537.08	23,815,868.45
Return on investment ("-" for loss)	633,214,192.54	-56,295,296.97
Including: Return on investment of joint ventures and associated enterprises	-6,339,687.10	-23,453,208.47
Income from derecognition of financial assets measured by amortized cost		

("-" for loss)		
Net gain on exposure hedges* ("-" for loss)		
Gain on changes in fair value("-" for loss)	-110,794,005.67	-133,010,200.12
Credit impairment loss ("-" for loss)	-4,058,193.05	2,110,379.60
Asset impairment loss ("-" for loss)	-42,985,465.49	-22,480,583.36
Asset disposal income ("-" for loss)	76,475.46	5,313,762.77
II. Operating profit ("-" for loss)	624,123,460.63	105,511,726.14
Add: Non-operating revenue	6,828,680.13	6,928,229.84
Less: Non-operating expense	1,921,547.25	2,375,328.10
III. Profit before tax ("-" for loss)	629,030,593.51	110,064,627.88
Less: Income tax expense	31,137,694.03	2,381,956.91
IV. Net profit ("-" for net loss)	597,892,899.48	107,682,670.97
i. Net profit from going-concern ("-" for net loss)	597,892,899.48	107,682,670.97
ii. Net profits from disgoing-concern ("-" for net loss)		
V. Other Comprehensive Income, Net of Tax	24,985.43	5,553.69
i. Other comprehensive income that will not be reclassified to profit or loss		
1. Changes caused by re-measurements on defined benefit schemes		
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method		
3. Changes in the fair value of investments in other equity instruments		
4. Changes in the fair value arising from changes in own credit risk		
5. Other		
ii. Other comprehensive income that will be reclassified to profit or loss	24,985.43	5,553.69
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		
2. Changes in the fair value of investments in other debt obligations		
3. Other comprehensive income arising from the reclassification of financial assets		
4. Credit impairment allowance for investments in other debt obligations		
5. Reserve for cash flow hedges		
6. Differences arising from the translation of foreign currency-denominated financial statements		
7. Other	24,985.43	5,553.69
VI. Total comprehensive income	597,917,884.91	107,688,224.66
VII. Earnings per share		
i. EPS-basic	0.73	0.13
ii. EPS-diluted	0.66	0.16

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	5,697,017,980.09	6,004,666,410.54
Tax rebates	62,692,763.44	71,079,349.71
Cash generated from other operating activities	55,582,425.99	44,536,550.59
Subtotal of cash inflows from operating activities	5,815,293,169.52	6,120,282,310.84
Payments for commodities and services	3,147,259,714.30	3,040,825,877.39
Cash paid to and for employees	1,562,701,568.19	1,551,618,475.12
Taxes paid	206,466,841.87	131,551,451.03
Cash used in other operating activities	186,367,657.07	152,074,355.36
Subtotal of cash used in operating activities	5,102,795,781.43	4,876,070,158.90
Net cash flow from operating activities	712,497,388.09	1,244,212,151.94
II. Cash flows from investing activities:		
Proceeds from disinvestment	10,445,800,537.47	1,020,261,000.00
Return on investment	260,554,360.78	7,261,003.02
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	9,334,597.27	1,118,393.70
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	895,418,781.74	719,648,924.45
Subtotal of cash generated from investing activities	11,611,108,277.26	1,748,289,321.17
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	189,053,073.76	217,461,635.75
Payments for investments	10,755,517,075.35	1,225,227,200.56

Net increase in pledge loans		
Net proceeds from acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities	379,865,202.57	1,537,716,982.54
Subtotal of cash used in investing activities	11,324,435,351.68	2,980,405,818.85
Net cash generated from/used in investing activities	286,672,925.58	-1,232,116,497.68
III. Cash flows from financing activities:		
Capital contributions received		
Including: Cash received by subsidiaries from capital contributions of minority shareholders		
Borrowings raised	1,602,452,555.90	2,146,986,621.30
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	1,602,452,555.90	2,146,986,621.30
Repayment of borrowings	1,627,507,532.26	1,822,885,554.18
Interest and dividends paid	300,558,673.65	293,297,631.61
Including: Dividends paid by subsidiaries to non-controlling interests	75,000,000.00	
Cash used in other financing activities	18,744,545.19	58,790,076.23
Subtotal of cash used in financing activities	1,946,810,751.10	2,174,973,262.02
Net cash generated from/used in financing activities	-344,358,195.20	-27,986,640.72
IV. Effect of foreign exchange risks changes on cash and cash equivalents	7,215,091.51	33,687,940.05
V. Net increase in cash and cash equivalents	662,027,209.98	17,796,953.59
Add: Opening balance of cash and cash equivalents	1,371,412,259.52	1,353,615,305.93
VI. Closing balance of cash and cash equivalents	2,033,439,469.50	1,371,412,259.52

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,609,983,836.96	3,098,290,208.00
Tax rebates	11,412,146.06	9,939,935.39
Cash generated from other operating activities	42,708,529.71	37,691,532.06
Subtotal of cash inflows from operating activities	2,664,104,512.73	3,145,921,675.45
Payments for commodities and services	1,610,609,878.52	1,588,520,778.34
Cash paid to and for employees	722,379,821.78	732,960,267.90
Taxes paid	109,742,751.54	62,188,734.71
Cash used in other operating activities	116,387,340.69	102,078,177.17
Subtotal of cash used in operating activities	2,559,119,792.53	2,485,747,958.12
Net cash flow from operating activities	104,984,720.20	660,173,717.33
II. Cash flows from investing activities:		
Proceeds from disinvestment	5,962,596,825.11	1,073,041,912.36
Return on investment	583,120,611.49	10,767,395.90
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	24,868,837.92	798,733.70
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	2,371,688,455.48	3,147,468,380.82
Subtotal of cash generated from investing activities	8,942,274,730.00	4,232,076,422.78
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	21,644,704.17	31,771,255.39
Payments for investments	6,219,708,717.75	1,636,027,200.56
Net proceeds from acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities	1,863,659,189.23	3,132,102,262.33
Subtotal of cash used in investing activities	8,105,012,611.15	4,799,900,718.28
Net cash generated from/used in investing activities	837,262,118.85	-567,824,295.50
III. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised	20,000,000.00	760,660,043.27
Cash generated from other financing activities		142,001,000.00
Subtotal of cash generated from financing activities	20,000,000.00	902,661,043.27
Repayment of borrowings	14,676,401.72	700,610,915.91
Interest and dividends paid	197,168,975.96	268,140,822.07

Cash used in other financing activities	18,526,287.93	289,369,382.06
Subtotal of cash used in financing activities	230,371,665.61	1,258,121,120.04
Net cash generated from/used in financing activities	-210,371,665.61	-355,460,076.77
IV. Effect of foreign exchange risks changes on cash and cash equivalents	-10,506,065.78	5,033,615.48
V.Net increase in cash and cash equivalents	721,369,107.66	-258,077,039.46
Add: Opening balance of cash and cash equivalents	507,628,886.80	765,705,926.26
VI. Closing balance of cash and cash equivalents	1,228,997,994.46	507,628,886.80

## 7. Consolidated statements of changes in owners' equity

Amount during the current period

Item	2025														
	Owners' equity attributable to owners of the parent company												Equity of Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other integrated income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
I. Ending balances of the prior year	817,306,010.00			71,383,438.11	178,518,667.31		166,925,985.26		1,271,429,282.44		6,933,165,006.16		9,438,728,389.28	382,839,454.92	9,821,567,844.20
Add:															
Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Other															
II. Beginning balances of the year	817,306,010.00			71,383,438.11	178,518,667.31		166,925,985.26		1,271,429,282.44		6,933,165,006.16		9,438,728,389.28	382,839,454.92	9,821,567,844.20
III. Increase/decrease in the period ("-" for decrease)	910.00			-392.65	413,487.71		-58,213,017.80		59,789,289.95		370,335,520.56		372,325,797.77	-63,798,049.69	308,527,748.08
i. Total comprehensive income							-58,213,017.80				593,586,067.81		535,373,050.01	11,201,950.31	546,575,000.32
ii. Capital increased and reduced by owners	910.00			-392.65	413,487.71								414,005.06		414,005.06
1. Ordinary shares increased by shareholders	910.00				7,478.86								8,388.86		8,388.86
2. Capital increased by holders of other equity instruments															
3. Share-based payment recognized in owner's equity															

4. Others				-392.65	406,008.85								405,616.20		405,616.20
iii. Profit distribution									59,789,289.95		-		163,461,257.30	-	238,461,257.30
1. Appropriation to surplus reserves									59,789,289.95		-				
2. Appropriation to general reserve															
3. Appropriation to owners (or shareholders)											-		163,461,257.30	-	238,461,257.30
4. Others															
iv. Transfers within owners' equity															
1. Increase in capital (or share capital) from capital reserves															
2. Increase in capital (or share capital) from surplus reserves															
3. Loss offset by surplus reserves															
4. Changes in defined benefit schemes transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Other															
v. Specific reserve															
1. Increase in the period									5,695,543.82				5,695,543.82		5,695,543.82
2. Used in the period									5,695,543.82				5,695,543.82		5,695,543.82
vi. Others															

IV. Closing balance of the Current Period	817,306,920.00			71,383,045.46	178,932,155.02		108,712,967.46		1,331,218,572.39		7,303,500,526.72		9,811,054,187.05	319,041,405.23	10,130,095,592.28
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Amount of the previous period

Unit: RMB

Item	2024														
	Owners' equity attributable to owners of the parent company													Equity of Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other integrated income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
	Preferred shares	Perpetual bonds	Other												
I. Ending balances of the prior year	863,607,634.00			71,383,677.78	334,792,614.76	193,438,720.78	131,343,141.63		1,260,661,015.34		6,762,457,543.07		9,230,806,905.80	386,661,091.90	9,617,467,997.70
Add:															
Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Other															
II. Beginning balances of the year	863,607,634.00			71,383,677.78	334,792,614.76	193,438,720.78	131,343,141.63		1,260,661,015.34		6,762,457,543.07		9,230,806,905.80	386,661,091.90	9,617,467,997.70
III. Increase/decrease in the period ("-" for decrease)	46,301,624.00			-239.67	156,273,947.45	193,438,720.78	35,582,843.63		10,768,267.10		170,707,463.09		207,921,483.48	3,821,636.98	204,099,846.50
i. Total comprehensive income							35,582,843.63				410,321,398.17		445,904,241.80	15,947,303.71	461,851,545.51
ii. Capital increased and reduced by owners	46,301,624.00			-239.67	156,273,947.45	193,438,720.78							9,137,090.34	19,768,940.69	28,906,031.03
1. Ordinary shares increased by	46,301,624.00				123,788,382.82								170,090,006.82	19,768,940.69	189,858,947.51

shareholders															
2. Capital increased by holders of other equity instruments															
3. Share-based payment recognized in owner's equity															
4. Others				-239.67	32,485,564.63	-	193,438,720.78						160,952,916.48		160,952,916.48
iii. Profit distribution									10,768,267.10		-	239,613,935.08		-	228,845,667.98
1. Appropriation to surplus reserves									10,768,267.10		-	10,768,267.10		0.00	
2. Appropriation to general reserve															
3. Appropriation to owners (or shareholders)											-	228,845,667.98		-	228,845,667.98
4. Others															
iv. Transfers within owners' equity															
1. Increase in capital (or share capital) from capital reserves															
2. Increase in capital (or share capital) from surplus reserves															



accounting policies												
Adjustments for corrections of previous errors												
Other												
II. Beginning balances of the year	817,306,010.00			71,383,438.11	246,054,960.86		35,886.10	1,268,320,542.80	5,791,958,278.26			8,194,987,343.93
III. Increase/decrease in the period ("-" for decrease)	910.00			-392.65	413,487.71		24,985.43	59,789,289.95	374,642,352.23			434,870,632.67
i. Total comprehensive income							24,985.43		597,892,899.48			597,917,884.91
ii. Capital increased and reduced by owners	910.00			-392.65	413,487.71							414,005.06
1. Ordinary shares increased by shareholders	910.00				7,478.86							8,388.86
2. Capital increased by holders of other equity instruments												
3. Share-based payment recognized in owner's equity												
4. Others				-392.65	406,008.85							405,616.20
iii. Profit distribution								59,789,289.95	-223,250,547.25			-163,461,257.30
1. Appropriation to surplus reserves								59,789,289.95	-59,789,289.95			
2. Appropriation to owners (or shareholders)									-163,461,257.30			-163,461,257.30
3. Other												
iv. Transfers within owners' equity												

1. Increase in capital (or share capital) from capital reserves												
2. Increase in capital (or share capital) from surplus reserves												
3. Loss offset by surplus reserves												
4. Changes in defined benefit schemes transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Other												
v. Specific reserve												
1. Increase in the period												
2. Used in the period												
vi. Others												
IV. Closing balance of the Current Period	817,306,920.00			71,383,045.46	246,468,448.57		-10,900.67		1,328,109,832.75	6,166,600,630.49		8,629,857,976.60

Amount of the previous period

Unit: RMB

Item	2024											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other integrated income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
I. Ending balances of the prior year	863,607,634.00			71,383,677.78	396,172,649.00	193,438,720.78	-41,439.79		1,257,552,275.70	5,923,889,542.37		8,319,125,618.28

Add:												
Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other												
II. Beginning balances of the year	863,607,634.00			71,383,677.78	396,172,649.00	193,438,720.78	-41,439.79		1,257,552,275.70	5,923,889,542.37		8,319,125,618.28
III. Increase/decrease in the period (“-” for decrease)	46,301,624.00			-239.67	150,117,688.14	193,438,720.78	5,553.69		10,768,267.10	131,931,264.11		-124,138,274.35
i. Total comprehensive income							5,553.69			107,682,670.97		107,688,224.66
ii. Capital increased and reduced by owners	46,301,624.00			-239.67	150,117,688.14	193,438,720.78						-2,980,831.03
1. Ordinary shares increased by shareholders	46,301,624.00				123,788,382.82							-170,090,006.82
2. Capital increased by holders of other equity instruments												
3. Share-based payment recognized in owner's equity												
4. Others				-239.67	26,329,305.32	193,438,720.78						167,109,175.79
iii. Profit distribution									10,768,267.10	239,613,935.08		-228,845,667.98
1. Appropriation to surplus reserves									10,768,267.10	10,768,267.10		

2. Appropriation to owners (or shareholders)										228,845,667. 98	-	-228,845,667.98
3. Other												
iv Transfers within owners' equity												
1. Increase in capital (or share capital) from capital reserves												
2. Increase in capital (or share capital) from surplus reserves												
3. Loss offset by surplus reserves												
4. Changes in defined benefit schemes transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Other												
v. Specific reserve												
1. Increase in the period												
2. Used in the period												
vi. Others												
IV. Closing balance of the Current Period	817,306,01 0.00			71,383,438.1 1	246,054,960.8 6		-35,886.10		1,268,320,542 .80	5,791,958,27 8.26		8,194,987,343.9 3

### III. Company Profile

Lu Thai Textile Co., Ltd. (hereinafter referred to as “the Company”), originally Lu Thai Textile Ltd., was a Sino-foreign joint venture established by Zibo Lucheng Textile Investment Co., Ltd. (formerly Zibo Lucheng Textile Co., Ltd., hereinafter referred to as “Lucheng Textile”) and Tailun (Thailand) Textile Co., Ltd. In February 1993, it was restructured into a joint-stock company.

In July 1997, with the approval of the Securities Committee of the State Council, 80,000,000 foreign shares (B-shares) were listed domestically. On August 19, 1997, it was listed on the Shenzhen Stock Exchange, with the B-share stock code being 200726. On November 24, 2000, the China Securities Regulatory Commission approved the issuance of an additional 50,000,000 ordinary shares (A-shares), which were listed on the Shenzhen Stock Exchange on December 25, 2000, with the A-share stock code being 000726.

According to the resolution passed at the 10th meeting of the 10th Board of Directors on June 19, 2023 and the Proposal on Repurchase of Domestically Listed Foreign Shares (B-Stock) passed at the First Extraordinary General Meeting on July 6, 2023, the Company repurchased and cancelled 46,176,428.00 B-shares.

According to the resolution passed at the 18th meeting of the 10th Board of Directors on January 19, 2024 and the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition* passed at the First Extraordinary General Meeting on February 5, 2024, the Company repurchased and cancelled 66,500.00 shares.

According to the resolution passed at the 22nd meeting of the 10th session of the Board of Directors on May 28, 2024 and the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition* passed at the Second Extraordinary General Meeting on June 14, 2024, the Company repurchased and cancelled 59,000.00 shares.

After several capital increases and repurchases, as at December 31, 2025, the Company’s registered capital was RMB817,306,900. Specifically, there were 59,118,900 A-shares and 22,612,600 B-shares.

The Company’s registered address: 61 Luthai Boulevard, High-tech Development Zone, Zibo City, Shandong Province, P.R. China

The Company's unified social credit code: 91370300613281175K.

The Company's legal representative: Liu Zibin.

The scope of business of the Company and its subsidiaries shall include general projects: Fabric printing and dyeing processing; garment manufacturing, wholesale; procurement of primary agricultural products; power generation and transmission business.

The Company’s financial statements and Notes thereof have been approved by the 8th Meeting of the 11th Board of Directors held on 15 April 2026.

### IV Basis for Preparation of Financial Statements

#### 1. Preparation basis

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and their application guidelines, interpretations and other relevant

regulations issued by the Ministry of Finance (collectively: “ Accounting Standards for Business Enterprises” ). In addition, the Company also disclosed relevant financial information in accordance with the *Regulations on Information Disclosure and Compilation for Companies Public Offering Securities No. 15-General Provisions on Financial Statements (Revised in 2023)* issued by China Securities Regulatory Commission.

The Company's accounting is based on the accrual basis. Except for certain financial instruments, this financial statement is measured on the basis of historical cost. If the asset is impaired, the corresponding impairment provision shall be made in accordance with relevant regulations.

## 2. Going-concern

The financial statements are based on the going-concern.

## V. Significant Accounting Policies and Estimates

Specific accounting policies and accounting estimates indicators:

The Company determines income recognition policy according to its production and operation characteristics, and the specific accounting policies are shown in Note V-27.

### 1. Statement of compliance with the accounting standards for business Enterprises

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the consolidated, and the Company's financial positions as at December 31, 2025, business results and cash flows for 2025, and other relevant information.

### 2. Fiscal year

The Company's fiscal year starts on January 1 and ends on December 31 of every year according to the Gregorian calendar.

### 3. Operating cycle

The Company regards 12 months as an operating cycle.

### 4. Recording currency

The Company and its domestic subsidiaries adopt RMB as the recording currency. The Company's overseas subsidiaries confirm to adopt HKD and USD as the recording currency according their major economic environment of the operating. When preparing the financial statements for the Reporting Period, the Company adopted RMB as the recording currency.

### 5. Methods for determining materiality standards and selection criteria

Applicable  Not applicable

Item	Materiality criteria
Significant receivables withdrawal of bad debt provision separately accrued	Individual receivables exceeding 0.3% of total assets
Significant receivables reversed or recovered during the Reporting Period	Individual receivables exceeding 0.3% of total assets
Significant written-off of receivables during the Reporting Period	Individual receivables exceeding 0.3% of total assets
Significant prepayments aging over one year	Individual prepayment amounts exceeding 0.3% of total assets
Significant construction in progress	Individual investment amounts exceeding 1% of total assets
Significant accounts payable aging over	Individual accounts payable amounts exceeding 0.3% of total assets

one year	
Significant non-wholly-owned subsidiary	A subsidiary whose total assets, operating revenue, or total profit (or absolute loss amount) exceeds 10% of the corresponding item in the consolidated financial statements is considered a significant non-wholly owned subsidiary
Significant investment activity projects	Individual investment amounts exceeding 5% of total assets

## **6. Accounting treatment for business combinations under the common control and not under the common control**

### **(1) Business combinations under the same control**

For business combinations under the same control, the assets and liabilities of the merged party acquired by the merger party in the merger, shall be measured at the carrying value of the merged party in the consolidated financial statement of the final controller on the combination date. As for the difference between the carrying value of the merger consideration and carrying value of the net assets obtained in the merger, the capital reserve (capital stock premium) shall be adjusted, and if the capital reserve (capital stock premium) is insufficient to offset, the retained earnings shall be adjusted.

Realize business combination under the same control in steps by transaction several times

The assets and liabilities of the combined party acquired by the combining party in the combination, shall be measured at the carrying value of the combined party in the consolidated financial statement of the final controller on the combination date; the difference between the sum of the carrying value of investment held before combination plus the carrying value newly paid on the combination date, and the carrying value of the net assets acquired in combination, is used for adjusting the capital reserve (capital stock premium), and if the capital reserves (capital stock premium) is insufficient to offset, the retained earnings shall be adjusted. The long-term equity investment held by the merging party before it obtained control of the merged party has been confirmed to be relevant between the date of acquiring the original equity and the date when the merging party and the merged party are under the final control of the same party, whichever is later, to the date of merger. Changes in profits and losses, other comprehensive income and other owners' equity should be offset against the opening retained earnings or current profits and losses during the comparative statement period respectively.

### **(2) Business combinations not under the same control**

For a business combination not under the same control, the cost of the combination is the assets paid, liabilities incurred or assumed, and the fair value of the equity securities issued on the acquisition date to obtain control over the purchased party. On the purchase date, the acquired assets, liabilities and contingent liabilities of the purchased party are recognized at fair value.

The difference between the merger cost and the fair value of the identifiable net assets of the acquired party acquired in the merger (the former is greater than the latter) is recognized as goodwill, and subsequent measurement is made based on the cost deducting the accumulated impairment provision; the difference between the merger cost and the fair value of the identifiable net assets of the acquired party acquired in the merger (the former is less than the latter) shall be recorded into the current profit or loss after the recheck.

Achieve business combination not under the same control step by step through multiple transactions. The cost of consolidation is the sum of the consideration paid at the purchase date and the fair value at the purchase date of the equity already held by the acquired party before the purchase date. For equity of the acquired party that is already held before the purchase date, it shall be re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current return on

investment. If the equity of the acquired party held before the purchase date involves other comprehensive income and the changes of other owner's equity, it shall be transferred to current income on the purchase date, other comprehensive income arising from the remeasurement of the net liability or net asset of a defined benefit schemes by the investee, as well as other comprehensive income related to investments in non-trading equity instruments designated at fair value through other comprehensive income, are excluded.

### **(3) Treatment of expenses in business combinations**

Intermediary expenses such as auditing, legal services, evaluation and consulting and other related administrative expenses incurred for the business combination shall be included in the current profit and loss when incurred. The transaction expense of equity securities or debt securities issued as the merger consideration shall be included in the initial recognition amount of equity securities or debt securities.

## **7. Criteria for judging control and methods for preparing consolidated financial statements**

### **(1) Criteria for judging control**

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the invested unit, enjoys variable returns by participating in the related activities of the invested unit, and has the ability to use the power over the invested unit to influence the amount of its return. When changes in relevant facts and circumstances lead to changes in the elements involved in the definition of control, the Company will reassess.

In determining whether to include a structured entity within the consolidation scope, the Company considers all facts and circumstances, including assessing the purpose and design of the structured entity's establishment, identifying the types of variable returns, and evaluating whether the Company controls the structured entity based on whether it has assumed some or all of the variability in returns by participating in its relevant activities.

### **(2) Preparation method of consolidated financial statements**

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other information. When preparing consolidated financial statements, the accounting policies and fiscal year requirements of the Company and its subsidiaries are consistent, and significant inter-company transactions and balances are offset.

Subsidiaries and businesses increased due to business combinations under the same control during the Reporting Period shall be included into the Company's combination scope since the date when they are jointly controlled by the final controller, and the operating result and cash flow since then shall be respectively included into the consolidated income statement and consolidated cash flow statement.

As for subsidiaries and businesses increase due to business combinations not under the same control during the Reporting Period, the revenue, expenses and profit or those subsidiaries and businesses from the purchase date to the end of the Reporting Period shall be included into the consolidated income statement and the cash flow thereof shall be included into the consolidated cash flow statement.

The share of shareholders' equity in subsidiaries not belonging to the Company shall be regarded as the minority interests and separately listed under the item of shareholders' equity in

the consolidated balance sheet. The share of current portion of net profit or loss in subsidiaries belonging to minority interests shall be presented as the item of minority interests under the item of net profit in the consolidated income statement. The difference between the losses of subsidiaries borne by not-controlling shareholders and the share of the company's owners' equity at the period-beginning the not-controlling shareholders enjoy (the former is larger than the latter) shall be offset the minority interests.

### **(3) Purchase of minority shareholders' equity in subsidiaries**

The difference between the newly acquired long-term equity investment cost due to the purchase of minority shares and the share of the subsidiary's net assets calculated continuously from the date of purchase or merger based on the new shareholding ratio, and without losing control. The difference between the disposal price obtained from the partial disposal of the equity investment in the subsidiary and the corresponding share of the subsidiary's net assets calculated continuously from the date of purchase or merger date corresponding to the disposal of the long-term equity investment shall be adjusted in the consolidated balance sheet. Capital reserve (capital stock premium), if the capital reserve is insufficient to offset, the retained earnings will be adjusted.

### **(4) Treatment of loss of control of subsidiaries**

If the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured according to its fair value on the date of loss of control; the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity shall be less. Calculated based on the original shareholding ratio, the sum of the share of the book value of the net assets and goodwill of the original subsidiary calculated continuously from the date of purchase shall be included in the return on investment in the current period when control is lost. Other comprehensive income related to the equity investment of the original subsidiary should be accounted for on the same basis as the original subsidiary's direct disposal of relevant assets or liabilities when the control is lost.

Any income related to the original subsidiary that involves accounting under the equity method other changes in owners' equity should be transferred to the current profits and losses when control is lost.

## **8. Classification of joint arrangements and accounting treatment of joint operations**

Joint arrangement refers to an arrangement under the joint control of two or more participants. The Company's joint arrangements are divided into joint operations and joint ventures.

### **(1) Joint operations**

A joint operation refers to a joint arrangement whereby the Company enjoys relevant assets of the arrangement, and assumes obligations relevant liabilities of the arrangement.

The Company recognizes the following items related to the interest share in joint operation, and conducts accounting treatment in accordance with relevant provisions of the Accounting Standards for Business Enterprises:

- A. It recognizes separately held assets and jointly held assets according to the proportion;
- B. It recognizes separately assumed liabilities and jointly assumed liabilities according to the proportion;

C. Income from the sale of the proportion of joint operation output is recognized; D. Income from the sale of the joint operation output is recognized according to the proportion;

E. While the separately incurred fee is recognized, the incurred fee for joint operation is recognized according to the proportion.

## **(2) Joint ventures**

A joint venture refers to a joint arrangement whereby the Company enjoys the right of the net assets of the arrangement only.

Accounting treatment of the investment of a joint venture is conducted by the Company in line with the provisions of relevant equity method of accounting for long-term equity investment.

## **9. Confirmation Standard for Cash and Cash Equivalent**

The term “cash” refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to investments held by the Company that are short-term, highly liquid, easily convertible into known amounts of cash, and have little risk of change in value.

## **10. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements**

### **(1) Foreign currency transactions**

For foreign currency transactions, the Company converts the amounts into the recording currency at the spot foreign exchange risk or an approximate rate on the transaction date.

On the balance sheet date, foreign currency monetary items are translated at the spot foreign exchange risk on the balance sheet date. The exchange difference arising from the difference between the spot foreign exchange risk on the balance sheet date and the spot foreign exchange risk at the time of initial recognition or the previous balance sheet date is included in the current profit and loss; for foreign currency non-monetary items measured at historical cost, the translation adopts the spot foreign exchange risk on the day the transaction occurs; for foreign currency non-monetary items measured at fair value, the translation adopts the spot foreign exchange risk on the day when the fair value is confirmed, and the difference between the amount of recording currency and the amount of original recording currency shall be included into the current profit or loss or other comprehensive income based on the nature of non-monetary items.

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

When converting the foreign currency financial statements of overseas subsidiaries on the balance sheet date, the assets and liabilities items in the balance sheet shall be converted at the spot foreign exchange risk on the balance sheet date. Other items of shareholders' equity except for "retained earnings" shall be converted at the spot foreign exchange risk on the occurrence date.

Other items of shareholders' equity except for “retained earnings” shall be converted at the spot foreign exchange risk on the occurrence date.

Items under income and costs in the income statement are translated at the spot foreign exchange risk on the transaction date. All items in the cash flow statement are converted according to the approximate spot foreign exchange risk on the occurrence date of cash flow. The impact of foreign exchange risk changes on cash is taken as a reconciling item, and the

item “impact of foreign exchange risk changes on cash and cash equivalents” is separately listed in the cash flow statement to reflect.

The difference arising from the conversion of financial statements is reflected in the “other comprehensive income” under the shareholders’ equity in the balance sheet.

When disposing of the overseas operation and losing control rights, the foreign currency statement conversion difference related to the overseas operation shown under the shareholders’ equity in the balance sheet shall be transferred to current profit and loss of disposal in whole or in proportion to the disposal of overseas operation.

## **11. Financial instruments**

Financial instruments refer to contracts that form one party’s financial assets and form other parties’ financial liabilities or equity instruments.

### **(1) Recognition and derecognition of financial instruments**

The Company recognizes a financial asset or financial liability when it becomes a party to the financial instrument contract.

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated:

- a) The contractual rights for collecting the cash flow of the said financial asset are terminated;
- b) The said financial asset has been transferred and meet the following derecognition conditions for transfer of financial assets.

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date.

### **(2) Classification and measurement of financial assets**

The Company classifies financial assets into the following three categories according to the business mode of managing financial assets and the contractual cash flow characteristics of financial assets upon initial recognition: financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value upon initial recognition. For financial assets at fair value through profit or loss, relevant transaction expenses are directly included in current profit and loss; for other types of financial assets, relevant transaction expenses are included in the initial recognition amount. For accounts receivable arising from the sale of products or the provision of labor services, which do not include or do not consider significant financing components, the amount of consideration the Company is expected to be entitled to receive is taken as the initial recognition amount.

**Financial assets measured at amortized cost**

The Company classifies financial assets that meet the following conditions and are not designated to be measured at fair value through profit

or loss as financial assets measured at amortized cost: The Company's business model for managing this financial asset is aimed at collecting contractual cash flow; The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

Such financial assets are measured in amortized cost by the effective interest method after initial recognition. Gains or losses arising from financial assets measured in amortized cost that are not part of any hedging relationship are included in current profit and loss when derecognition, amortization according to the effective interest method, or impairment is recognized.

**Financial assets measured at fair value and whose changes are included in other comprehensive income**

The Company classifies financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

The Company's business model for managing this financial asset is aimed at both collecting the contractual cash flow and selling this financial asset; The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

Such financial assets are subsequently measured at fair value after initial recognition. Interest, impairment losses or gains and foreign exchange gains or losses calculated by the effective interest method are included in current profit and loss, while other gains or losses are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in current profit and loss.

**Financial assets at fair value through profit or loss**

Except for the financial assets measured at amortized cost and those measured at fair value with changes recognized in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value with changes recognized in profit or loss. Upon initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should have been measured at amortized cost or at fair value and whose changes are included in other comprehensive income as financial assets measured at fair value and whose changes are included in current profit and loss.

Such financial assets are subsequently measured at fair value after initial recognition, and the resulting gains or losses (including interest and dividend income) are included in current profit and loss unless the financial assets are part of the hedging relationship.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model determines whether the cash flow of the financial assets managed by the Company comes from the collection of contractual cash flow, the sale of financial assets or both. The Company determines the business model for managing

financial assets on the basis of objective facts and specific business objectives decided by key management personnel to manage financial assets.

The Company evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on the specific date is only the payment of principal and interest based on the principal amount outstanding. Among them, the principal refers to the fair value of financial assets upon initial recognition; interest includes consideration for the time value of money, credit risks related to the principal amount outstanding in the specific period, and other basic lending risks, costs and profits. In addition, the Company evaluates the contract terms that may lead to changes in the time distribution or amount of contractual cash flow of financial assets to determine whether they meet the requirements of the above-mentioned contractual cash flow characteristics.

Only when the Company changes the business mode of managing financial assets will all affected related financial assets be reclassified on the first day of the first reporting period after business model changes, otherwise financial assets cannot be reclassified after initial recognition.

### (3) Classification and measurement of financial liabilities

The Company's financial liabilities are classified upon initial recognition into: financial liabilities measured at fair value with changes recognized in profit or loss, and financial liabilities measured at amortized cost. For financial liabilities that are not classified as measured at fair value and whose changes are included in current profit and loss, relevant expenses are included in the initial recognition amount.

#### **Financial liabilities measured at fair value with changes recognized in profit or loss**

Financial liabilities measured at fair value with changes recognized in profit or loss include held-for-trading financial liabilities and financial liabilities that are designated upon initial recognition as measured at fair value with changes recognized in profit or loss. Subsequent measurement shall be carried out according to fair value for such financial liabilities. Gains or losses resulting from changes in fair value and dividends and interest expenses related to such financial liabilities shall be included in current profit and loss.

#### **Financial liabilities measured at amortized cost**

Other financial liabilities are subsequently measured at amortized cost by using the effective interest method. Gains or losses resulting from derecognition or amortization are included in current profit and loss.

#### **Distinction between financial liabilities and equity instruments**

Financial liabilities refer to liabilities that meet one of the following conditions:

- a) The contractual obligation to deliver cash or other financial assets to other parties.
- b) The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- c) Non-derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, and the enterprise will deliver a variable number of its own equity instruments according to the contract.

d) Derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, except derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

Equity instruments refer to contracts that can prove that an enterprise has the residual equity in its assets after deducting all liabilities.

If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must be or can be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as substitutes for cash or other financial assets or to enable the holder of this instrument to enjoy the residual equity in the assets after deducting all liabilities from the issuer. If it is the former, this instrument is the Company's financial liability; if the latter is the case, this instrument is the Company's equity instrument.

#### (4) Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include forward foreign exchange contracts, foreign exchange option contracts, and others. Initially, the fair value on the date when the derivative transaction contract is signed shall be used for measurement, and the fair value shall be used for subsequent measurement. Derivative financial instruments with positive fair value are recognized as an asset, while those with negative fair value are indeed recognized as a liability. Any gains or losses arising from changes in fair value that do not conform to the provisions of hedge accounting are directly included in current profit and loss.

For hybrid instruments containing embedded derivatives, such as the main contract is a financial asset, the relevant provisions on classification of financial assets shall apply to the hybrid instruments as a whole. If the main contract is not a financial asset, and the hybrid instrument is not measured at fair value and its changes are included in current profit and loss for accounting treatment, the embedded derivative instrument has no close relationship with the main contract in terms of economic characteristics and risks, and has the same conditions as the embedded derivative instrument, and the separate existing instrument meets the definition of derivative instrument, the embedded derivative instrument shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is not possible to separately measure embedded derivative instruments at the time of acquisition or the subsequent balance sheet date, the hybrid instruments as a whole are designated as financial assets or financial liabilities measured at fair value through profit or loss.

#### (5) Fair value of financial instruments

The methods for determining the fair value of financial assets and financial liabilities are detailed in Note V-12.

#### (6) Impairment of financial assets

The Company conducts impairment accounting treatment for the following items and confirms the loss provision based on the expected credit losses:

Financial assets measured at amortized cost;

Receivables and debt instrument investments measured at fair value through other comprehensive income;

Contract assets as defined under *Accounting Standards for Business Enterprises No. 14-Revenue*; Lease receivables;

And financial guarantee contracts (excluding those measured at fair value through profit or loss, those arising from transfers of financial assets that do not qualify for derecognition, or those arising from continuing involvement in transferred financial assets).

### **Measurement of expected credit losses**

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

Considering the reasonable and reliable information about past events, current situation and the forecast of future economic situation, the company takes the risk of default as the weight, calculates the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received, and confirms the expected credit loss.

The Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of financial instruments has not increased significantly since the initial recognition, it is in the first stage. The Company measures the loss reserve according to the expected credit loss in the next 12 months; if the credit risk of financial instruments has increased significantly since its initial recognition but no credit impairment has occurred, it is in the second stage. The Company measures the loss reserve according to the expected credit loss during the whole duration of this instrument; if the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures the loss reserve according to the expected credit loss during the whole duration of this instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that their credit risk has not increased significantly since the initial recognition, and measures the loss reserve according to the expected credit loss in the next 12 months.

The expected credit loss during the whole duration refers to the expected credit loss caused by all possible default events during the whole expected duration of financial instruments. The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default events of financial instruments within 12 months (or the expected duration if the expected duration of financial instruments is less than 12 months) after the balance sheet date, which is part of the expected credit loss in the whole duration.

When measuring the expected credit loss, the longest term that the Company needs to consider is the longest contract term that the enterprise faces credit risk (including the option to renew the contract).

For financial instruments with low credit risk in Stage 1 and Stage 2, the Company shall calculate the interest income according to the carrying balance and effective interest rate before deducting the impairment allowances. For financial instruments in Stage 3, interest income is calculated at the effective interest rate and on the amortized cost by reducing the allowance for asset impairment from the carrying balance.

For receivables such as notes receivable, accounts receivable, accounts receivables financing, and other receivables, if the credit risk characteristics of a particular customer significantly

differ from those of other customers in the portfolio, or if there is a significant change in the customer's credit risk characteristics, the Company will make receivables withdrawal of bad debt provision separately accrued. For receivables such as notes receivable, accounts receivable, accounts receivable financing, other receivables, and contract assets, if the credit risk characteristics of a particular customer significantly differ from those of other customers in the portfolio, or if there is a significant change in the customer's credit risk characteristics, the Company will make receivables withdrawal of bad debt provision separately accrued. Apart from receivables withdrawal of bad debt provision separately accrued are made, the Company classifies receivables into portfolios based on credit risk characteristics and calculates the allowance for doubtful debts on a portfolio basis.

Notes receivable and accounts receivable For notes receivable and accounts

receivable, regardless of whether there is a significant financing component, the Company always measures its loss provisions at an amount equivalent to the expected credit losses during the entire duration.

When information for assessing expected credit losses on individual financial assets or contract assets cannot be obtained at reasonable cost, the Company groups notes receivable and accounts receivable based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The groupings are determined as follows:

A. Notes Receivable:

1. Bank acceptance bills with low credit rated
2. Commercial acceptance bills

B. Accounts Receivable:

1. Non-overdue receivables (with L/C)
2. Non-overdue receivables (excluding L/C)
3. Overdue receivables.

For notes receivable classified into portfolios, the Company references historical credit loss experience, incorporating current conditions and forecasts of future economic conditions, and calculates expected credit losses using default risk exposure and lifetime expected credit loss rates.

For accounts receivable divided into portfolios, with reference to historical credit loss experience, combined with current conditions and predictions of future economic conditions, the Company has prepared a comparison table between the number of aging of accounts receivable and the expected credit loss rate over the entire duration, and has calculated the expected credit loss. The aging of accounts receivable is measured from the date of initial recognition.

Other receivables

The Company classifies other receivables into several portfolios based on credit risk characteristics and calculates the expected credit loss on a portfolio basis. The basis for determining the portfolios is as follows: Portfolio 1: Receivables from related parties within the scope of

consolidation

Portfolio 2: Receivables from tax refunds

Portfolio 3: Receivables from deposits and guarantees

Portfolio 4: Receivables from other amounts

For other receivables classified into portfolios, the Company calculates the expected credit loss based on the default risk exposure and the expected credit loss rate over the next 12 months or the entire life of the assets.

For creditors' investment and other creditors' investment, the Company calculates the expected credit based on the nature of the investment, as well as kinds of types of counterparties and risk exposures, the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration loss.

### **Assessment on significant increase of credit risk**

In order to determine the relative changes in the default risk of financial instruments during their expected life and to assess whether the credit risk of financial instruments has increased significantly since initial recognition, the Company compares the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

When determining whether the credit risk has risen greatly since the initial recognition, the Company considers reasonable and reliable information (forward-looking information inclusive) that can be obtained without unnecessary extra costs or efforts. The information the Company considers shall include:

The debtor fails to pay the principal and interest according to the contract expiration date;

The external or internal credit ratings (if any) of financial instruments, which have occurred or are expected, deteriorate significantly;

The debtor's operating results, which have occurred or are expected, deteriorate significantly;

Existing or expected changes in technology, market, economy or legal environment will lead to a great adverse effect on the debtor's ability to repay the Company.

Based on the nature of financial instruments, the Company assesses whether there is great risk in credit risk on the basis of individual financial instruments or financial instrument portfolios. During assessment based on financial instrument portfolios, the Company can divide financial instruments on the basis of common credit risk characteristics, such as overdue information and credit risk ratings.

In case that the period overdue exceeds 30 days, the Company determines that there is a significant increase in the credit risk of financial instruments.

### **Financial assets with depreciation of credit**

The Company assesses, on the balance sheet date, whether there is any credit impairment to financial assets measured at amortized cost and creditors' investment measured at fair value and whose changes are included in other comprehensive income. In case of one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset will become financial assets with depreciation of credit. Evidence of credit impairment for financial assets includes the following observable information:

The issuer or debtor experiences significant financial difficulties;

The debtor breaches the contract, such as defaulting on interest or principal payments or overdue payments;

The Company makes concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties, which would not otherwise be made under normal circumstances;

The debtor is likely to go bankrupt or undergo other financial restructuring;

Financial difficulties of the issuer or debtor result in the disappearance of an active market for the financial asset.

### **Presentation of expected credit loss provision**

The Company remeasures expected credit losses on each balance sheet date to reflect the changes in the credit risk of financial instruments since initial recognition; the increase or reversal amount of the loss reserve formed there from shall be included in the current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the loss allowance offsets the carrying amount of the financial asset listed in the balance sheet; for creditors' investment that are measured at fair value and its changes are included in other comprehensive income, the Company recognizes its loss reserve in other comprehensive income and will not offset the carrying amount of the financial asset.

### **Write-offs**

In case that the Company fails to reasonably expect the contract cash flow of the financial asset to be recovered in a full or partial scale, the book balance of the financial asset will be written off directly. Such write-downs may constitute the derecognition for related financial assets. This situation occurs frequently when the Company determines that the debtor does not have any assets or any source of income to generate sufficient cash flow to repay the amount that will be written off. However, in accordance with the procedures for recovering due payments of the Company, the written-off financial assets may still be affected by the execution activities.

In case that the financial asset written off is recovered later, it shall be included in the current profit and loss as the reversal of the impairment loss.

#### **(7) Transfer of financial assets**

The transfer of financial assets refers to the transfer or delivery of financial assets to another party (transferee) other than the issuer of the financial asset.

If the Company has transferred almost all the risks and rewards of the ownership of financial assets to the transferee, derecognize the financial asset; if it retains almost all the risks and rewards of the ownership of financial assets, the financial asset will not be derecognized.

If the Company has neither transferred nor retained almost all the risks and rewards of the ownership of financial assets, it shall be dealt with in the following situations: if the control of the financial asset is abandoned, the confirmation of the financial asset shall be terminated and the generated assets and liabilities shall be confirmed; If the financial assets are controlled, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

#### **(8) Offsetting financial assets and financial liabilities**

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

## **12. Measurement of fair value**

Fair value refers to the price that market participants can receive from sales of an asset or shall pay for transfer of a liability in the orderly transaction that occurs on the measurement date.

The Company measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities is conducted in the main market of related assets or liabilities; if there is no main market, the Company assumes that the transaction is conducted in the most beneficial market. The main market (or the most favorable market) is the trading market that the Company can enter on the measurement date. The Company uses the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities with active markets, the Company uses the quotation in active markets to determine its fair value. If there is no active market for financial instruments, the Company uses valuation techniques to determine its fair value.

When measuring non-financial assets at fair value, the ability of market participants to best use the asset for generating economic benefits, or the ability to sell the asset to other market participants that can best use the asset to generate economic benefits shall be considered.

The Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it. Priority is given to using relevant observable input values. Only when observable input values are unavailable or are not feasible to obtain, the unobservable input values can be used.

For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value hierarchy to which they belong is determined based on the lowest level input value that is important to the fair value measurement as a whole: the first level input value is the unadjusted quotation of the same assets or liabilities able to be obtained in an active market on the measurement date; the second level input value is the directly or indirectly observable input value of the relevant asset or liability except the first level input value; the third level input value is unobservable input value of related assets or liabilities.

On each balance sheet date, the Company reassessed the assets and liabilities continuously measured at fair value confirmed in the financial statements to determine whether there is a transition among levels of fair value measurement.

## **13. Inventory**

### **(1) Classification of inventories**

Inventories mainly include raw materials, work-in-progress, stock products, products processed on entrustment and etc.

### **(2) Valuation method for issued inventories**

The Company values inventories at actual cost upon acquisition. Grey yarn, dyed yarn, and plus material shall be measured at first-in first-out method when acquired and delivered; other inventories shall be measured as per the weighted average method

(3) Basis and method for determining inventory write-down provisions At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When their net realizable value falls below cost, an allowance for inventory impairment is provided.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of events after balance sheet date.

The Company generally provides for inventory depreciation on a per-item basis. For inventories that are numerous in quantity and low in unit price, an allowance for inventory impairment is provided based on inventory categories.

On the balance sheet date, if the factors affecting the value of inventories previously written down have disappeared, the provision for inventory write-downs is reversed to the extent of the original amount provided.

(4) Inventory system for stock

The perpetual inventory system is maintained for the stock of the Company.

(5) Amortization method for low-value consumables and packaging materials

The Company applies the one-time write-off method for amortizing low-value consumables upon usage.

#### **14. Long-term equity investments**

Long-term equity investments include equity investments in subsidiaries, joint ventures and associated enterprises. The investee that the Company is able to exert significant influence is an associated enterprise of the Company.

(1) Determination of initial investment cost

Long-term equity investment that forms a business combination: Long-term equity investment obtained by business combination under the same control, on the merger date, based on the carrying value share of the merged party's owners' equity in the final controller's consolidated financial statements as investment cost; The long-term equity investment acquired by a business combination shall be the investment cost of the long-term equity investment according to the cost of the combination.

For long-term equity investments obtained by other means: the long-term equity investment obtained by paying cash shall be the initial investment cost according to the actual purchase price; the long-term equity investment obtained by issuing equity securities shall be the initial investment cost of the fair value of the equity securities issued.

(2) Subsequent measurement and profit or loss recognition method

Investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions for classification as held for sale. Investments in associated enterprises and joint ventures are accounted for using the equity method.

For long-term equity investments that are accounted for using the cost method, in addition to the cash dividends or profits that have been declared but not yet included in the actual payment or consideration included in the investment, the cash dividends or profits declared by the invested entity are recognized as return on investment and recorded into the current profit and loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost is greater than the fair value share of the investee's identifiable net assets at the time of investment, the investment cost of the long-term equity investment is not adjusted; when the initial investment cost is less than the investment, the investee's If the fair value share of net assets is identified, the book value of the long-term equity investment is adjusted, and the difference is included in the current profit and loss of the investment.

When using the equity method of accounting, the return on investment and other comprehensive income are recognized separately according to the share of net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared, and the book value of the long-term equity investment is adjusted at the same time; The distribution of profits or cash dividends should be calculated to reduce the book value of long-term equity investment; the investee's other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, adjust the book value of long-term equity investment and Included in capital reserves (other capital reserves). When confirming the share of the investee's net profit or loss, based on the fair value of the investee's identifiable assets at the time of investment, and in accordance with the Company's accounting policies and fiscal year, the net profit of the investee Confirm after making adjustments.

If the additional investment and other reasons can exert significant influence on the investee or exercise joint control but do not constitute control, on the conversion date, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial accounting for the equity method cost of investment. If the original equity is classified as non-trading equity instrument investment measured at fair value whose changes are included in other comprehensive income, the relevant original and accumulative changes in fair value included in other comprehensive income shall be transferred to retained earnings when accounting by equity method.

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after the disposal shall be changed to the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* is performed, and the difference between fair value and book value is included in the current profit and loss. Other comprehensive income recognized by the original equity investment due to the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated; changes in other owners' equity related to the original equity investment Transfer to current profit and loss.

If the control of the invested unit is lost due to the disposal of part of the equity investment, if the remaining equity after the disposal can exercise joint control or exert significant influence on the invested unit, the equity method is used for accounting and the remaining equity is treated as When acquiring, the equity method is adopted for adjustment; if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, the accounting shall be changed according to the relevant provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* The

difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.

If the shareholding ratio of the Company decreases due to the capital increase of other investors, thereby losing control but being able to exercise joint control or exert significant influence on the investee, the new shareholding ratio shall be used to confirm that the Company should enjoy the capital increase of the investee. The difference between the increase in share and the increase in the share of net assets and the original book value of the long-term equity investment corresponding to the decrease in the proportion of the shareholding that should be carried forward are included in the current profit and loss; That is, adjustments are made using the equity method of accounting.

The unrealized internal transaction gains and losses that occur between the Company and associated enterprises and joint ventures are calculated according to the shareholding ratio and are attributed to the Company, and the investment gains and losses are recognized on the basis of offset. However, the unrealized internal transaction losses incurred by the Company and the investee are the asset impairment losses of the transferred assets and shall not be offset.

### (3) Basis for determining joint control and significant influence over the invested entity

Joint control refers to shared control over an arrangement according to relevant agreements, where the related activities of the arrangement can only be decided with the unanimous consent of the participants sharing control. When judging whether there is joint control, first determine whether all participants or a combination of participants collectively control the arrangement, and secondly determine whether the decision-making related activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If all participants or a company of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a company of participants collectively control the arrangement; if there is a combination of two or more participants can collectively Controlling an arrangement does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested unit, but cannot control or jointly control the formulation of these policies with other parties. When determining whether it can exert significant influence on the invested unit, consider that the investor directly or indirectly holds the voting shares of the invested unit and the current executable potential voting rights held by the investor and other parties are assumed to be converted into the invested unit After the equity of the company, the impact includes the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

When the Company directly or indirectly through subsidiaries owns more than 20% (inclusive) but less than 50% of the voting shares of the invested unit, it is generally considered to have a significant influence on the invested unit, unless there is clear evidence that this situation It is unable to participate in the production and operation decisions of the invested unit and does not have a significant impact; when the Company owns less than 20% (exclusive) of the voting shares of the invested unit, it is generally not considered to have a significant impact on the invested unit, unless there is clear evidence that this Under such circumstances, we can participate in the production and operation decisions of the invested unit and have a significant influence.

### (4) Impairment testing method and provision for impairment

The method for recognizing asset impairment on investments in subsidiaries, associated enterprises, and joint ventures is detailed in Note V-22.

## 15. Investment property

Measurement model of investment property

Cost method measurement

Depreciation or amortization method

The investment property refers to the real estate gaining the rent or capital appreciation or both. It includes rented land use right, holding land use right to be transferred after the appreciation and rented building, etc.

The investment property is measured initially according to the cost and withdrawn depreciation or amortization as regulations of fixed assets or intangible assets.

The Company adopts the cost mode to conduct the subsequent measurement on the investment property, see the Note V-22 for the method of withdrawing asset impairment provision.

The difference between the disposal income of investment property sales, transfer, scrap or damage after deducting its book value and related taxes is included in the current profit and loss.

## 16. Fixed assets

### (1) Conditions for recognition

The term “fixed assets” refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year.

The fixed assets are only recognized when the relevant economic benefits probably flow in the Company and its cost could be reliable measured.

The fixed assets of the Company are initially measured at the actual cost at the time of acquisition.

The subsequent expenditures related to the fixed assets shall be included in the cost of the fixed assets when the economic benefits related to the fixed assets are likely to flow into the Company and the costs can be measured reliably. The daily repair expenses of fixed assets that do not meet the conditions of capitalized subsequent expenditures of fixed assets shall be included in the current profit and loss or the cost of relevant assets according to the beneficiaries when incurred. The carrying value of the replaced part shall be terminated.

### (2) Depreciation methods

Category	Depreciation method	Useful life	Salvage value (%)	Annual depreciation (%)
Properties and buildings	Average method of useful life	5-30	0-10.00	20.00-3.00
Machinery and equipment	Average method of useful life	10-18	0-10.00	10.00-5.00
Transportation vehicle	Average method of useful life	5	0-10.00	20.00-18.00
Electronic devices and others	Average method of useful life	5	0-10.00	20.00-18.00

**(3) Recognition basis, pricing and depreciation method of fixed asset under financial lease**

See the Note V-22 for details.

**(4) At the end of each year, review is carried out by the Company for the service life, estimated net residual value and depreciation method of fixed assets.**

If there is any difference between the expected service life and the original estimated service life, the service life of fixed assets will be adjusted; if there is any difference between the expected net residual value and the original estimated net residual value, the expected net residual value will be adjusted

**(5) Disposal of Fixed Assets**

A fixed asset shall be derecognized when it is disposed of or it is expected that no economic benefit can be generated by using or disposing of it. The amount of the disposal income of sales, transfer, scrap or damage of the fixed asset after deducting its carrying value and related taxes is included in the current profit and loss.

**17. Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization before the fixed assets being ready for their intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

See the details of the asset impairment provision withdrawal method of the construction in progress to Note V-22.

**18. Engineering materials**

Engineering materials of the Company refer to various materials prepared for construction in progress, including engineering materials, equipment not yet installed, tools and instruments prepared for production, etc.

The purchased engineering materials will be measured according to the cost. The received engineering materials will be transferred to the construction in progress, and the remaining engineering materials after the completion of the project will be stored as inventory.

Please refer to Note V-22 for the method of provision for impairment of assets for engineering materials.

In the balance sheet, the ending balance of engineering materials is listed in the “construction in progress” item.

**19. Borrowing costs****(1) Confirmation principle of capitalized borrowing costs**

The borrowing costs incurred by the Company, if can directly belong to acquisition, construction or production of assets meeting capitalization conditions, are capitalized and included in relevant asset cost; other borrowing costs are confirmed as expense according to its amount at the time of occurrence and included in the current profits and losses. Borrowing costs are capitalized when they meet the following conditions:

a) Asset expenditures have been incurred. Asset expenditures include those incurred for the acquisition, construction, or production of assets that meet the capitalization criteria, through cash payments, transfer of non-cash assets, or the incurrence of interest-bearing debts.

b) Borrowing costs have been incurred.;

c) The acquisition, construction, or production activities necessary to bring the asset to the condition for intended use or sale have begun.

## (2) Capitalization period for borrowing costs

When the Company acquires, constructs or produces assets, which meet capitalization conditions and reach the intended usable or saleable status, the borrowing costs stop capitalization. The borrowing costs that occur after the assets meeting capitalization conditions reach the intended usable or saleable status are confirmed as expenses according to its amount at the time of occurrence and are included in the current profits and losses.

If the assets meeting capital conditions generate improper interruption in the course of acquisition, construction or production, and the interruption time continuously exceeds three months, capitalization of borrowing costs suspends; the borrowing costs in the normal interruption period are continually capitalized.

## (3) Capitalization rate of borrowing costs and calculation method

of capitalized amount The interest expenses of special borrowing actually occurring in the current period, minus the interest income of the unused borrowed capital obtained from depositing in bank or the gain on temporary investment, are capitalized; for common borrowing, the weighted average of asset expenditure of the part that the cumulative asset expenditure exceeds special borrowing is multiplied by the capitalization rate of the occupied common borrowing to determine capitalization amount. Capitalization rate is calculated and determined according to the weighted average rate of common borrowing.

In the period of capitalization, the exchange difference of special borrowing in foreign currency is fully capitalized; the exchange difference of special borrowing in foreign currency is included in the current profits and losses.

## 20. Intangible assets

### (1) Useful life and its determination basis, estimation, amortization method, or review procedure

The Company's intangible assets include land use rights, software licenses, patents, and others.

Intangible assets are initially measured at cost, and their service life is analyzed and determined when intangible assets are acquired. If the service life of intangible assets is limited, the intangible assets shall be amortized by the method that can reflect the expected realization method of the economic benefits related to the assets within the expected service life since they are available for use. The method of line shall be used for amortization if no expected realization method can be determined reliably. Intangible assets with uncertain service life shall not be amortized.

The amortization method of intangible assets with limited service life is as follows:

Category	Service life	Amortization method	Notes
Land use right	Stipulated in the land certificate	Method of line	

Patent use right	Ten years	Method of line	
Software use rights	1-3 years	Method of line	
Trademark right	Ten years	Method of line	

At the end of each year, the Company reviews the service life and amortization method of intangible assets with limited service life. If the estimate is different from the previous one, the original estimate shall be adjusted and treated as per accounting estimate change.

If it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the date of balance sheet, this carrying amount of the intangible asset shall be transferred into the current profit and loss.

The method of withdrawing asset impairment on intangible assets was stated in the Note V-22.

## 21. Research and development expenditures

The Company's R&D expense relates directly to R&D activities, including R&D personnel's employee remuneration, direct input expenses, depreciation expenses and long-term deferred expenses, design expenses, equipment commissioning expenses, amortization expenses of intangible assets, commissioned external research and development expenses, and other expenses, etc. The wages of R&D personnel are allocated to R&D expense based on project hours. R&D activities that share equipment, production lines, or sites with other production and operational activities are allocated to R&D expense based on the proportion of hours or area used.

The expenditures for internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period.

The development expenditures can be capitalized only when they satisfy the following conditions simultaneously: It is feasible technically to finish intangible assets for use or sale; It is intended to finish and use or sell the intangible assets; The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; The development expenditures of the intangible assets can be reliably measured. The development expenditures shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

The research and development project of the Company will enter the development stage after meeting the above conditions and the project is approved and initiated through technical feasibility and economic feasibility study.

The capitalized expenditure in the development stage is listed as expenditure for development on the balance sheet, and it will be transferred to intangible assets from the date when the project reaches the intended purpose.

## 22. Asset impairments

For long-term equity investment in subsidiaries, associated enterprises and joint ventures, investment property which follow-up measurement is carried out by cost pattern, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding

inventory, deferred income tax assets, financial assets), the impairment of assets shall be determined according to the following methods:

On the date of the balance sheet, determination shall be made to see whether there is any sign of possible impairment of assets. If there is, the Company will estimate its recoverable amount and conduct impairment test. For goodwill, intangible assets with uncertain service life and intangible assets that have not reached the intended use status due to business merger, impairment test shall be carried out every year regardless of whether there is any sign of impairment.

The recoverable amount is determined according to the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, the higher amount shall prevail. The Company estimates the recoverable amount on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs. The asset group is determined on the basis of whether the main cash inflow generated by the asset group is independent of the cash inflow of other assets or asset groups.

When the recoverable amount of an asset or asset group is lower than its carrying amount, the group will write down its carrying amount to the recoverable amount, and the written down amount will be included in the current profit and loss, and the corresponding asset impairment reserve will be accrued.

Regarding the impairment test of goodwill, the carrying amount of goodwill formed by business merger shall be apportioned to the relevant asset group in a reasonable way from the date of purchase. If it is difficult to apportion to the relevant asset group, it shall be apportioned to the relevant combination of asset group. The relevant asset group or combination of asset groups is the one that can benefit from the synergy effect of business merger, and is the one smaller than the reportable segment determined by the Company.

In the impairment test, if there is any sign of impairment in the asset group or combination of asset groups related to goodwill, first, impairment test shall be carried out on the asset group or combination of asset groups not containing goodwill, to calculate the recoverable amount and recognize the corresponding impairment loss. Then impairment test shall be carried out on the asset group or combination of asset group containing goodwill to compare the carrying amount with the recoverable amount. If the recoverable amount is lower than the carrying amount, the impairment loss of goodwill shall be recognized.

Once the asset impairment loss of assets is recognized, it will not be reversed in the future fiscal year.

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

The long-term deferred expenses to be amortized incurred by the Company are valued at the actual cost and amortized averagely according to the expected benefit period. For long-term deferred expenses, the amortized value that cannot benefit the future fiscal year shall be included in the current profit and loss.

### **24. Payroll**

#### **(1) Scope of employee remuneration**

Payroll refers to the various forms of remuneration or compensation given by an enterprise for services provided by employees or for the termination of employment relations. Payroll mainly includes short-term salary, welfare after departure, demission welfare, and other long-term staff

welfare. Benefits provided to employees' spouses, children, dependents, survivors of deceased employees, and other beneficiaries also belong to the payroll.

Based on liquidity, payroll is presented in the balance sheet under the items “payroll payable” and “long-term payroll payable”.

## **(2) Short-term salary**

During the fiscal year in which employees provide services, the Company recognizes the actual employee wages, bonuses, social insurance premiums such as medical insurance premiums, work-related injury insurance premiums, and maternity insurance premiums and housing fund paid to employees according to the prescribed standards and proportions as liabilities and included them in the current profit and loss or related asset costs.

## **(3) Post-employment benefits**

The post-employment benefit scheme includes a defined withdrawal plan and a defined benefit scheme. Among them, the defined withdrawal plan refers to the post-employment benefit scheme that the enterprise no longer assumes further payment obligations after the fixed fund has paid a fixed fee; the defined benefit scheme refers to the post-employment benefit scheme other than the defined benefit scheme.

### **Set withdrawal plan**

The set withdrawal plan includes basic pension insurance and unemployment insurance.

During the fiscal year in which employees provide services, the amount of deposit payable calculated according to the set withdrawal plan is recognized as a liability and included in the current profit and loss or related asset costs.

### **Defined benefit scheme**

For defined benefit schemes, actuarial valuation is performed by an independent actuary on the balance sheet date of the year, and the cost of providing benefits is determined using the projected unit credit method. Employee compensation costs arising from the Company's defined benefit schemes comprise the following components:

- a) Service cost, including current service cost, past service cost, and gains or losses on settlement. Current service cost refers to the increase in the present value of the defined benefit scheme obligation resulting from employee service rendered in the current period. Past service cost refers to the increase or decrease in the present value of the defined benefit scheme obligation related to employee service in prior periods arising from amendments to the defined benefit scheme.
- b) Net interest on the net defined benefit liability or asset, comprising interest income on plan assets, interest expense on the defined benefit scheme obligation, and interest arising from the effect of any asset ceiling.
- c) Changes arising from the remeasurement of the net defined benefit liability or asset.

Unless other accounting standards require or permit employee benefit costs to be included in the cost of assets, the Company recognizes items a) and b) above in profit or loss for the current period. Item c) is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent fiscal years. Upon termination of the original defined benefit scheme, the amount previously recognized in other comprehensive income is transferred in full within equity to retained earnings.

#### **(4) Demission welfare**

The Company relieves the labor relation with the employees before the due date of the labor contacts or puts forward the advice of providing the compensation for urging the employees volunteered to receive the downsizing and when the Company could not unilaterally withdraw the demission welfare owing to the relieving plan of the labor relation or the downsizing advice, should confirm the liabilities of the employees' salary from the demission welfare on the earlier day between the cost confirmed by the Company and the cost related to the reorganization of the payment of the demission welfare and includes which in the current gains and losses.

For internal early retirement plans implemented for employees, economic compensation provided before the formal retirement date constitutes demission welfare. From the date the employee ceases to provide service until the normal retirement date, the wages and social insurance contributions payable to internally retired employees are recognized in full as a one-time charge to profit or loss for the current period. Economic compensation payable after the formal retirement date (such as regular pension retirement benefits) is accounted for as post-employment benefits.

#### **(5) Other long-term benefits**

Other long-term employee benefits provided by the Company to employees that meet the conditions of defined withdrawal plans shall be handled in accordance with the above-mentioned relevant provisions on defined withdrawal plans. Those in line with the defined benefit scheme shall be handled in accordance with the above-mentioned relevant provisions on the defined benefit scheme. However, the part of "changes caused by remeasuring the net liabilities or net assets of the defined benefit scheme" in the salary cost of relevant employees shall be included in the current profit and loss or the relevant asset cost.

### **25. Provisions**

The Company recognizes an obligation related to a contingency as a provision when all of the following conditions are met:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) The amount of the obligation can be reliably measured.

The provisions are initially measured in accordance with the optimal estimate of the necessary expenditures for the fulfillment of the current obligation, with factors such as risks, uncertainty and the time value of money related to contingencies taken into consideration comprehensively. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflow. The Company re-checks the carrying value of the provisions on the balance sheet date and adjusts the carrying value to reflect the current best estimate.

If all or part of the expenditure required to settle recognized provisions is expected to be compensated by a third party or other parties, the amount of compensation shall be recognized separately as an asset only when it is substantially certain that it will be received. The recognized amount of compensation shall not exceed the book value of the recognized liabilities.

## 26. Share-based payments and equity instruments

### (1) Category of share-based payment

The share-based payments of the Company are divided into equity-settled share payments and cash-settled share payments.

### (2) Method of determining the fair value of equity instruments

The Company shall determine the fair value of equity instruments such as options granted in active markets according to the quotations in active markets. For granted equity instruments such as options without active markets, the fair value is determined by option pricing model. The following factors shall be considered for the selected option pricing model: A. Exercise price of the option; B. Expiration date of the option; C. Current price of the object shares; D. Expected fluctuation rate of stock price; E. Estimated dividends of shares; F. Risk-free interest rate within the option term.

### (3) Ground for recognizing the optimal estimation of feasible right equity instruments

On each balance sheet date during the waiting period, the Company shall make the optimal estimate based on subsequent information such as the latest change in the number of employees with feasible rights, and revise the number of equity instruments for the estimated feasible rights. On the feasible right date, the final estimated number of feasible right equity instruments shall be the same as the actual number of feasible rights.

(4) Relevant accounting treatment for implementing, modifying and terminating share-based payment plan Equity-settled share-based payments shall be measured at the fair value of the equity instruments granted to employees. Where the right is exercised immediately after the grant, relevant costs or expenses shall be included in accordance with the fair value of the equity instruments on the grant date to accordingly increase the capital reserve. Where the right is exercised upon the completion of the services during the waiting period or the achievement of the specified result conditions, the services obtained in the current period shall be included in the relevant costs or expenses and the capital reserve according to the fair value of the equity instruments on the grant date based on the optimal estimate of the number of feasible right equity instruments on each balance sheet date during the waiting period. The recognized related costs or expenses and total owner's equity after the feasible right date shall not be adjusted any more.

The cash-settled share-based payments shall be measured according to the fair value of liabilities calculated and determined on the basis of shares or other equity instruments, which are assumed by the Company. Where the right is exercised immediately after the grant, the fair value of the liabilities assumed by the Company shall be included in the relevant costs or expenses on the grant date, so as to accordingly increase the liabilities. For the cash-settled share-based payments, for which the right is exercised upon the completion of the services during the waiting period or the achievement of the specified result conditions, the services obtained in the current period shall be included in costs or expenses and corresponding liabilities according to the fair value amount of liabilities assumed by the Company based on the optimal estimate of feasible status on each balance sheet date during the waiting period. On each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of the liabilities shall be re-measured, and the changes shall be included in the current profit and loss.

When the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in the services acquired shall be

recognized accordingly according to the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the increased equity instruments shall be recognized accordingly as the increase in the services acquired. The increase in the fair value of the equity instruments refers to the difference between the fair values of the equity instruments before and after the modification on the modification date. If the modification reduces the total fair value of the share-based payment or any other method not conducive to the employees is adopted to modify the terms and conditions of the share-based payment plan, the accounting treatment of the services acquired would continue, as if such change had never occurred, unless the Company cancels some or all of the granted equity instruments.

During the waiting period, if the granted equity instrument is cancelled (Excluding those cancelled due to failure to meet non-market-based vesting conditions, such as service conditions or non-market-based performance conditions.), the Company shall treat the cancelled equity instrument as an accelerated exercise, immediately include the left amount to be recognized during the waiting period in the current profit and loss, and recognize the capital reserve at the same time. Where the employee or other party can choose to meet the non-feasible right condition but fails during the waiting period, it shall be treated as the cancellation of the granted equity instrument.

#### (5) Restricted shares

In the equity incentive plan, the Company grants restricted stocks to the incentive personnel, who firstly subscribe the stocks. If the unlocking conditions specified in the equity incentive plan are not met, the Company will repurchase the stocks at the previously agreed price. Where the restricted stocks issued to the employees has gone through capital increase procedures such as registration in accordance with relevant provisions, the Company shall, on the grant date, recognize the share capital and the capital reserve (capital stock premium) in conformity with the subscription payment received from the employees. Meanwhile, it shall recognize the treasury stocks and other payables with respect to repurchase obligations.

## 27. Revenue

Accounting policies adopted for the recognition and measurement of revenue disclosed by type of business

#### (1) General principle

The Company recognizes revenue when it has fulfilled its contract performance obligation in a contract, namely, when the customer obtains the control over the related commodity or service.

If a contract contains two or more performance obligations, the Company allocates transaction price to single performance obligations on the contract commencement date according to the relative ratio of separate price of goods or services committed by single performance obligation, and income is measured according to the transaction price allocated to single performance obligation.

When meeting one of the following conditions, the Company belongs to performance of contract performing obligations in a period, or otherwise, the Company belongs to performance of contract performing obligations at a point of time:

a) While the Company is performing the contract, the customer acquires and consumes the economic benefit arising from performance by the Company.

b) The customer can control the goods in construction in the course of performance by the Company.

c) The goods outputted in the course of performance by the Company have irreplaceable purpose, and the Company has the right to collection of money for the completed performance part cumulative up to now in the whole term of contract.

For the performance obligation performed in a period, the Company confirms income according to the performance progress in such period. When the performance progress cannot be reasonably determined, if the cost that the Company has incurred is expected to be compensated, income is confirmed according to the cost amount that has occurred, until the performance progress can be reasonably determined.

For the performance obligation performed at a point of time, income is confirmed at the point of time when the customer acquires the control right to relevant goods or services. When it judges whether the customer has acquired the control right to the goods or services, the Company will consider the following indications:

a) The Company enjoys the current collection right to the goods or services, i.e. the customer undertakes current payment obligation to the goods.

b) The Company has transferred the legal ownership of the goods to the customer, that is, the customer has owned the legal ownership of the goods.

c) The Company has transferred the kind of the goods to the customer, namely, the customer has possessed the good in kind.

d) The Company has transferred the major risks and remuneration on the ownership of the goods, i.e. the customer has acquired the major risks and remuneration on the ownership of the goods.

e) The customer has accepted the goods or services.

f) Other indications showing that the customer has acquired the control right to the goods.

## (2) Specific methods

The specific income confirming methods of the Company are following:

For income of domestic products, after the Company delivers products to the purchaser according to the provisions of the contract and the purchaser confirms receipt, the purchaser acquires the control right of products, and the Company confirms income.

For income of exportable products, after the Company completes customs declaration of products, departure and obtains bill of lading according to the provisions of the contract, the purchaser acquires the control right of products, and the Company confirms income.

Differences in methods for the recognition and measurement of revenue caused by different business models for the same type of business

Not applicable.

## 28. Contract Costs

Contract cost includes the incremental cost incurred for acquiring contract and contract performance cost.

The incremental cost incurred for acquiring contract refers to the cost that will not occur if the Company has not acquired contract (for example, sales commission). If the cost is expected to be recovered, the Company regards it as contract acquiring cost and confirms it as an asset. The expenses incurred by the Company for acquiring contract, other than the incremental cost expected to be recovered, are included in the current profits and losses at the time of occurrence. If the cost incurred for performance of contract does not belong to inventory and

other scope of other Accounting Standards for Business Enterprises and meets the following conditions, the Company will regard it as contract performance cost and confirm it as an asset:

- a) The cost is directly related to a copy of contract currently acquired or expected to be acquired, including direct labor, direct materials, manufacture expenses (or similar expenses), cost determined to be undertaken by the customer and other cost incurred due to the contract;
- b) The cost increases the resources of the Company that will be used for performance of contract obligations in the future;
- c) The cost is expected to be recovered.

The assets confirmed by the contract acquiring cost and the assets confirmed by the contract performance cost (“assets related to contract cost”) are amortized according to the same basis as confirmation of goods or service income related to the asset and are included in the current profits and losses. If the amortization term does not exceed one year, it will be included in the current profits and losses at the time of occurrence.

When the carrying value of an asset related to contract cost is higher than the difference between the following two items, the Company accrues provision for asset impairment to the excessive part and confirms it as asset impairment loss:

- a) The remaining consideration that the Company expects to acquire from transfer of goods or services related to the asset;
- b) The cost that will occur for transfer of such related goods or services as estimated.

## **29. Government Grants**

Government grants are recognized when they meet the conditions attached to government grants and when they can be received.

Government grants for monetary assets shall be measured according to the amount received or receivable. Government grants for non-monetary assets are measured at fair value; if the fair value cannot be obtained reliably, they are measured at a nominal amount of 1 yuan.

Asset related government grants refer to the government grants obtained by the Company for acquisition and construction or other forms of long-term assets. In addition, they are government grants related to income.

Regarding the government grants that the government document does not specify the object of subsidy and can form long-term assets, the part of government subsidy corresponding to the asset value shall be regarded as the asset-related government subsidy and the rest shall be regarded as income-related government subsidy. If it is difficult to distinguish, the government subsidy shall be regarded as the income-related government subsidy.

The government grants related to assets shall be recognized as the deferred income, which shall be included in the profit and loss in installment in a reasonable and systematic way within the service life of the relevant assets. Income-related government grants which are used to

compensate the relevant costs or losses incurred shall be included in the current profit and loss. Those used to compensate the relevant costs or losses in the later period shall be included in the deferred income, and shall be included in the current profit and loss during the recognition period of the relevant expenses or losses. The government grants measured according to the nominal amount shall be directly included in the current profit and loss. The same method is adopted for the same or similar government grants businesses of the Company.

Government grants related to daily activities shall be included in other incomes according to the essence of business transactions. Government grants irrelevant to daily activities are included in non-operating revenue.

When the recognized government grants need to be returned, and are used to offset the carrying value of related assets when initially recognized, the carrying amount of the assets shall be adjusted; the book balance of relevant deferred income shall be offset if there is a balance of relevant deferred income, and the excess part shall be included in the current profit and loss. Otherwise, it shall be directly included in the current profit and loss.

Regarding the interest subsidy of the policy preferential loan obtained, if the Ministry of Finance allocates the interest subsidy to the loan bank, the actual received loan amount shall be taken as the entry value of the loan, and the borrowing cost shall be calculated according to the loan principal and the policy preferential interest rate. If the Ministry of Finance allocates the interest subsidy directly to the Company, the interest subsidy will offset the borrowing costs.

### **30. Deferred Income Tax Assets/Deferred Income Tax Liabilities**

Income tax includes current income tax and deferred income tax. All shall be included in the current profit and loss as income tax expense except the adjustment goodwill arising from business combination, or the deferred income tax related to the transactions or events directly included in the owner's equity is included in the owner's equity.

Pursuant to the temporary difference between the carrying value of assets and liabilities on the date of balance sheet and the tax basis, the Company recognizes the deferred income tax by balance sheet liability method.

Deferred income tax liabilities are recognized for all taxable temporary differences, unless the taxable temporary difference arises from: (1) the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction with the following characteristics: the transaction is not a business combination, and at the time of the transaction, the transaction affects neither accounting profit nor taxable income (except for single transactions in which the initial recognition of both the asset and liability gives rise to equal taxable and deductible temporary differences); or (2) taxable temporary differences associated with investments in subsidiaries, joint ventures, and associated enterprises, where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, deductible losses, and tax credits that can be carried forward to future years, the Company recognizes the resulting deferred income tax assets only to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, deductible losses, and tax credits can be utilized, unless the deductible temporary difference arises from: (1) a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable income (except for single transactions in which the initial recognition of both the asset and liability gives rise to equal taxable and deductible temporary differences); or (2) deductible

temporary differences associated with investments in subsidiaries, joint ventures, and associated enterprises, in which case a deferred tax asset is recognized only when both of the following conditions are met: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that sufficient taxable income will be available in the future against which the deductible temporary difference can be utilized.

On the balance sheet date, the income tax assets and deferred income tax liabilities shall be measured by the Company on the basis of the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be paid off, and the income tax impact on the expected recovery of assets on the date of the balance sheet or on the method to pay off the liabilities shall be reflected.

The carrying value of deferred income tax assets shall be reviewed at each balance sheet date. If it is unlikely to obtain sufficient income tax payable to offset against the benefit of the deferred income tax asset, the carrying value of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient income tax payable will be available.

At the balance sheet date, deferred income tax liabilities and deferred income tax liabilities are presented on a net basis when both of the following conditions are met: (1) the taxable entity within the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (2) the deferred income tax liabilities and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity within the Company.

### **31. Lease**

#### **(1) Identification of lease**

On the start date of the contract, the Company assessed as the lessee or the lessor whether the customers in the contract are entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and have the right to dominate the use of the identified assets during the use period. If a party to the contract transferred the right allowing the control over the use of one or more assets that have been identified within a certain period, in exchange for a consideration, such contract is determined by the Company to be a lease or includes a lease.

#### **(2) As the lessee**

On the commencement date of the lease term, the Company recognizes the right-of-use assets and lease liabilities for all leases, except for short-term leases and low-value asset leases with simplified treatment.

For accounting policies for the right-of-use assets, see Note V-32.

Lease liabilities are initially measured in line with the lease payments not yet paid on the commencement date of the lease term using the present value calculated by the interest rate implicit in lease. If the interest rate implicit in lease cannot be determined, the incremental borrowing rate shall be used as the discount rate. Lease payments include: Fixed payment and substantial fixed payment, and the relevant amount after deducting the lease incentive if any; variable lease payments depending on index or ratio; exercise price of the purchased option, provided that the lessee reasonably determines that the option will be exercised; the amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease; and estimated payments due to

the guaranteed residual value provided by the lessee. Subsequently, it calculates the interest expenses of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in current profit and loss. Variable lease payments that are not covered in the measurement of the lease liabilities are included in current profit or loss when actually incurred.

### **Short-term lease**

A short-term lease refers to a lease for a period not exceeding 12 months on the commencement date of the lease, except for leases with a purchase option.

The Company includes the short-term lease payment in the cost of relevant assets or the current profit and loss in each period of the lease term by the method of line.

### **Low-value asset**

lease A low-value asset lease refers to a lease where the value of a single leased asset is less than RMB 40,000 when the asset is new.

The Company includes the lease payment of the low-value asset lease in the cost of relevant assets or the current profit and loss in each period of the lease term by the method of line.

For low-value asset lease, it chooses to adopt the aforesaid simplified treatment method in line with the specific status of each lease.

### **Lease change**

If a lease changes and meets the following conditions simultaneously, the lease change shall be regarded as a separate lease for accounting treatment: a) The lease change expands its lease scope by increasing one or multiple use rights of lease assets; and b) The increased consideration is equivalent to the amount of the separate price for the expanded part of the lease, which is adjusted according to the contract.

Where the lease change is not regarded as a separate lease for accounting treatment, on the effective date of the lease change, by the Company, the consideration of the contract is amortized again upon change, the lease term is redetermined, and the lease liabilities are remeasured according to the present value that is calculated by the lease payments and the revised discount rate upon change.

The Company shall correspondingly reduce the book value of the right-of-use assets and include the profit or loss of the lease terminated in part or whole in the current profit or loss, if the lease change narrows the scope of lease or shortens the lease term.

The Company shall correspondingly adjust the book value of the right-of-use assets, if other lease changes result in the re-calculation of the lease liability.

### **(3) As the lessor**

When the Company is a lessor, it shall recognize leases that substantially transfer all risks and remuneration related to the ownership of assets as financial leases, and leases other than financial leases as operating leases.

#### **financial lease**

In a financial lease, the Company recognizes the net lease investment as the book value of financial lease receivables on the commencement date of the lease term. The net lease investment is the sum of the unguaranteed residual value and the present value of lease

receivables not yet received on the commencement date of the lease term at the interest rate implicit in lease. As the lessor, the Company calculates and confirms the interest income at a fixed periodic interest rate in each period in the lease term. Variable lease payments obtained that are not included in the net lease investment for measurement, where the Company is the lessor, are included in the profit or loss of the current period when actually incurred.

Accounting treatment shall be conducted for the derecognition and impairment of financial lease receivables in accordance with the provisions of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* and the *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*.

### **Operating lease**

The Company shall recognize the current profit and loss of the rent of the operating lease in each period of the lease term by the method of line. The initial direct expenses related to the operating lease shall be capitalized, amortized within the lease term on the same basis as the recognition of rental earning, and included in profit or loss for the current period. The received variable lease payments related to the operating lease that are not included in the lease payments receivable are included in profit or loss for the current period when they are actually incurred.

### **Lease change**

Where an operating lease changes, the accounting treatment is conducted for it which is regarded as a new lease from the effective date of the change, and receivables in advance or lease receivables related to lease before change are deemed as the receivables in the new lease.

Where a financial lease changes and meets the following conditions simultaneously, the change is regarded as a separate lease by the Company for accounting treatment: a) The change expands its lease scope by increasing one or multiple use rights of lease assets; and b) The increased consideration is equivalent to the amount of the separate price for the expanded part of the lease, which is adjusted according to the contract.

Where a financial lease changes and is not regarded as a separate lease for accounting treatment, the Company treats the changed lease under the following circumstances: a) If the change comes into force on the commencement date of the lease term, the lease will be clarified as an operating lease, while it will be regarded as a new lease for accounting treatment by the Company on the effective date of the lease change, and the net lease investment before the effective date of lease change will be regarded as the book value of lease assets; and b) If the change comes into force on the commencement date of the lease term, the lease will be clarified as a financial lease, the Company will carry out accounting treatment in accordance with the provisions on modification or renegotiation of a contract of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

## **32. Right-of-Use Assets**

### **(1) Recognition conditions for right-of-use assets**

The term “right-of-use assets” refers to the right of the lessee to use the leased assets during the lease term.

At the start date of the lease term, the Company initially measures the right-of-use assets at cost. The cost includes: the initial measurement amount of lease liabilities; the lease payments paid on or prior to the inception of the lease (less the related amount of lease incentives already enjoyed if any); the initial direct expense incurred by the Company as the lessee; and the

anticipated cost of dismantling and removing the leasehold property, restoring the site where the leasehold property is located, or bringing the leasehold property back to the state agreed upon in the lease terms borne by the Company as the lessee. As the lessee, the Company shall recognize and measure the cost of demolition and restoration in accordance with the *Accounting Standards for Business Enterprises No.13 - Contingencies*. Subsequent adjustments are made for any re-measurement of the lease liabilities.

## (2) Depreciation method of right-of-use assets

The Company uses the method of line for depreciation. Where it can be reasonably certain that the Company, the lessee, can obtain ownership of the leased assets at the expiry of the lease term, the leased assets are depreciated over the residual service life. Where it cannot be reasonably certain that the Company can obtain ownership of the leased assets at the end of the lease term, the leased assets are depreciated at the shorter of the lease term and the residual service life of the leased assets.

(3) Impairment test method and impairment provision method of right-of-use assets See Note V-22.

## 33. Expense of Safety Production and Maintenance

In accordance with the regulations of the *Notice on Issuing the Management Measures for the Provision and Use of Enterprise Production Safety Costs* (C.Z. [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency, and based on the above actual annual operating revenue of power generation and supply enterprises, the Company adopts the method where the deduction rate declines when the operating revenue increases to deduct safety production costs according to the following standards:

Annual actual sales revenue standard	Withdrawal proportion of safety production expense (%)
Not exceeding RMB10 million	3
RMB10 million to RMB100 million	1.5
RMB100 million to RMB1 billion	1
RMB1 billion to RMB5 billion	0.8

Cost of safety production and maintenance are included in the cost of relevant production or current loss and profit when deducted, and are simultaneously included in the “specific reserve”.

When using the deducted safety production costs and the costs for sustaining simple reproduction in conformity with regulations, the outgoing expenditures shall directly be used to offset the specific reserve; the costs becoming fixed assets shall be aggregated under “construction in progress” and then be recognized as fixed assets when the safety project is completed and reaches the intended available status. The aforesaid fixed assets will not be depreciated as accrued in the future period.

## 34. Repurchase of Shares

Before the shares repurchased by the Company are cancelled or transferred, they are managed as treasury stocks, and all expenditures for the repurchase of shares are transferred to the cost of treasury stocks. Consideration and expenses paid in share repurchase reduce owners’ equity. When buying back, transferring or cancelling shares in the Company, no profits or losses are recognized.

The transfer of inventory shares shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and retained earnings if capital reserves are insufficient to offset.

Write-off of treasury stocks can reduce shares in par with par value and number of write-out stocks. The capital reserve is offset based on the difference between book balance and face value of cancelled treasury stocks. Write off surplus reserves and retained earnings if capital reserves are insufficient to offset.

### **35. Material Accounting Judgments and Estimates**

The Company evaluates the important accounting estimates and key assumptions adopted on an ongoing basis, based on historical experience and other factors, including reasonable expectations of future events. Important accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next fiscal year are listed as follows:

**Classification of financial assets** The significant judgments involved when the Company determines the classification of financial assets include analysis of business models and contractual cash flow characteristics.

The Company determines the business model for managing financial assets at the level of the financial asset portfolio, taking into account factors such as the approach of evaluating and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and way in which the relevant business management personnel are compensated.

When the Company evaluates whether the contractual cash flows of financial assets are consistent with the basic lending arrangements, it makes the following main judgments: whether the time distribution or amount of the principal may change during the duration due to early repayment; whether the interest is only Includes time value of money, credit risk, other fundamental lending risks and consideration against costs and profits. For example, whether the amount of early repayment reflects only the outstanding principal and interest based on the outstanding principal, as well as reasonable compensation paid for early termination of the contract.

**Measurement of expected credit losses of accounts receivable**

The Company calculates the expected credit loss of accounts receivable using the exposure to default risk of accounts receivable and the expected credit loss ratio, and determines the expected credit loss ratio based on the probability of default and the default loss ratio. When determining the expected credit loss ratio, the Company uses data such as internal historical credit loss experience and adjusts historical data to take into account current conditions and forward-looking information. When considering forward-looking information, the Company uses indicators such as the risk of economic downturn and changes in the external market environment, technological environment and customer profile. The Company regularly monitors and reviews the assumptions related to the calculation of expected credit losses.

**Goodwill impairment**

The Company assesses at least annually whether goodwill has been impaired. This requires estimating the use value of the asset group to which goodwill has been assigned. When estimating the use value, the Company shall estimate the future cash flows from the asset group and select the appropriate discount rate to calculate the present value of future cash flows at the same time.

**Deferred income tax assets**

To the extent that it is probable that sufficient taxable profit will be available to offset the losses, the Company recognizes deferred income tax assets for all unused tax losses. This requires the Company's management to use many judgments to estimate the timing and amount of future taxable profits, taking into account tax planning strategies, so as to determine the amount of deferred income tax assets to be recognized.

#### Determination of fair value of unlisted equity investment The

fair value of unlisted equity investment is the expected future cash flows discounted at the current discount rate for items with similar terms and risk characteristics. Such valuation requires the Company to estimate expected future cash flows and discount rates and is therefore subject to uncertainty. Under limited circumstances, if the information used to determine fair value is insufficient, or if the range of possible estimates of fair value is wide and the cost represents the best estimate of fair value within that range, the cost may represent its appropriate estimate of fair value within that range of distribution.

### 36. Changes in Main Accounting Policies and Estimates

#### (1) Significant Changes in Accounting Policies

Applicable  Not applicable

#### (2) Significant Changes in Accounting Estimates

Applicable  Not applicable

#### (3) Adjustments to Financial Statement Items at the Beginning of the Year of the First Implementation of the New Accounting Standards Implemented since 2025

Applicable  Not applicable

## VI. Taxation

### 1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable value-added amount (the taxable amount is calculated by multiplying the taxable sales by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	13%, 9%, 6%, 5%, 3%, 0%
City maintenance & construction tax	Turnover tax actually paid	7%, 5%
Enterprise income tax	Income tax payable	0%, 11%, 15%, 16.5%, 20%, 25%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Taxpayer	Income tax rate
The Company	15%
LuFeng Company	15%
Lulian New Materials	15%
Lu Thai Hong Kong	16.50%
Luqun Textile	25%
Xinsheng Thermal Power	25%
Shanghai Luthai	20%
Lujia Import & Export	20%
Zhishu Consulting	20%
Lu Thai Occupational Training School	0%
Banyang Mountain Villa	20%
Huilin International	15%

Tianyi Apparel	0%
VACL	11%

## 2. Tax Preference

In accordance with the *Notice for Announcing the First Batch of Hi-tech Enterprise Identification List of Shandong Province in 2023* with reference No. Lu Ke Zi [2024] 4, the Company was identified as a hi-tech enterprise, and the certificate issuing date was 29 November 2023; the majority-owned subsidiary LuFeng Company Limited was identified as a hi-tech enterprise, and the certificate issuing date was 29 November 2023. In accordance with the *Notice for Announcing Hi-tech Enterprise List of Shandong Province in 2025*, the majority-owned subsidiary Lulian New Materials was identified as a hi-tech enterprise, and the certificate issuing date was 12 December 2022. Therefore, in accordance with Article 28 of the *Enterprise Income Tax Law of the People's Republic of China* and the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High-tech Enterprises* (Announcement No. 24 [2017] of the State Administration of Taxation ("SAT")), the applicable enterprise income tax rate shall be 15%.

The wholly-owned subsidiaries, including Shanghai Luthai, Zhishu Consulting, Banyang Mountain Villa, and Lujia Import & Export have been recognized as small, low-profit enterprises. According to the *Announcement of the Ministry of Finance and the State Taxation Administration on Preferential Income Tax Policies for Small, Low-profit Enterprises and Privately or Individually-owned Businesses* (Announcement No. 6 [2023] of the Ministry of Finance and the State Taxation Administration) and *Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises* (Announcement No. 13 [2022] of the Ministry of Finance and the State Taxation Administration), the portion of the annual taxable income of small, low-profit enterprises not exceeding RMB3 million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at the tax rate of 20%.

The wholly-owned subsidiary, Lu Thai Occupational Training School, has been recognized as a non-profit making organization exempt from tax between 2021 and 2025. According to Article 26, Item 4 of the *Enterprise Income Tax Law of the People's Republic of China*, the policy whereby eligible non-profit making organizations are exempt from enterprise income tax shall apply to the foregoing subsidiary.

Lu Thai Hong Kong. (hereinafter refers as Lu Thai (Hong Kong) Textile), the wholly-owned subsidiary of the Company, was incorporated in Hong Kong SAR, whose profit tax shall be paid at tax rate of 16.5%.

The wholly own subsidiary VACL, according to the Burma's Special Economic Zone Law issued by Pyidaungsu Hluttaw, VACL enjoys tax preference on enterprise income tax of 7 (7 years tax holiday) + 5 (5 years tax revenues drop by half) + 5 (re-invest the profits within 1 year and continues to enjoy the half tax revenues 5 years afterwards). After grace period, enterprise income tax rate was of 22%. Year 2025 is the third year of tax halving period with the enterprise income tax rate at 11%.

The wholly-owned subsidiary, Tianyi Apparel, enjoys a five-year enterprise income tax preference starting from the operating year, in accordance with the Myanmar Investment Law issued by the Myanmar Parliament. After grace period, enterprise income tax rate was of 22%. 2025 is the first year of the tax exemption period.

The wholly-owned subsidiary, Huilin International, which was registered in the Hainan Free Trade Port and operates in the encouraged industry, shall pay enterprise income tax at a reduced tax rate of 15% between January 1, 2020 and December 31, 2027, according to the *Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax Policies for Enterprises Registered in the Hainan Free Trade Port* (Announcement No. 31 [2020] of the Ministry of Finance and the State Taxation Administration) and the *Notice of the Ministry of Finance and the State Taxation Administration on Continuing to Implement the Preferential Income Tax Policies for Enterprises Registered in the Hainan Free Trade Port* (C.S. [2025] Document No. 3).

## VII. Notes to Main Items of Consolidated Financial Statements

### 1. Monetary assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Cash on hand	5,336,336.72	4,283,695.11
Bank deposits	2,338,764,463.79	2,051,573,093.26
Other monetary assets	52,750,659.21	
Total	2,396,851,459.72	2,055,856,788.37
Of which: total amount deposited overseas	309,624,659.59	293,656,210.45

Other notes:

(1) As of 31 December 2025, monetary assets subject to restricted ownership amounted to RMB1,910,848.94, representing a margin deposit for L/C.

(2) Bank deposits include accrued interest of RMB24,281,462.47.

### 2. Held-for-trading Financial Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Financial assets at fair value through profit or loss	1,094,067,591.31	693,972,672.64
Including:		
Debt instrument investment	684,327,576.29	230,874,092.14
Equity instrument investment	409,094,411.86	462,622,130.31
Derivative financial assets	645,603.16	476,450.19
Including:		
Total	1,094,067,591.31	693,972,672.64

### 3. Notes Receivable

#### (1) Notes receivable listed by category

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Bank acceptance bills	34,764,092.88	50,959,990.35
Commercial acceptance bills notes	2,736,574.68	380,000.00
Total	37,500,667.56	51,339,990.35

#### (2) Disclosure by withdrawal methods for bad debts

Unit: RMB

Category	Ending balance					Carrying amount	Balance at the beginning of the period				
	Book value		Bad debt provision		Carrying amount		Book value		Bad debt provision		Carrying amount
	Operating	Proportio	Operating	Withdrawa			Operating	Proportio	Operatin	Withdrawa	

	revenue	n	revenue	l proportion		revenue	n	g revenue	l proportion	
Including:										
Notes receivable of bad debt provision by portfolio	37,644,697.81	100.00%	144,030.25	0.38%	37,500,667.56	51,359,990.35	100.00%	20,000.00	0.04%	51,339,990.35
Including:										
Commercial acceptance bills	2,880,604.93	7.65%	144,030.25	5.00%	2,736,574.68	400,000.00	0.78%	20,000.00	5.00%	380,000.00
Bank acceptance bills with low credit ratings	34,764,092.88	92.35%			34,764,092.88	50,959,990.35	99.22%			50,959,990.35
Total	37,644,697.81	100.00%	144,030.25	0.38%	37,500,667.56	51,359,990.35	100.00%	20,000.00	0.04%	51,339,990.35

Provision for bad debt provision on a portfolio basis: Bank acceptance bills with low credit ratings

Unit: RMB

Name	Ending balance		
	Book value	Bad debt provision	Withdrawal proportion
Bank acceptance bills with low credit ratings	34,764,092.88		
Total	34,764,092.88		

Notes to the determination basis for the group:

Based on the fact that the likelihood of loss on the notes receivable is minimal and the amount of expected credit losses on the notes receivable is not material, the Company has not provided for bad debt provision on the notes receivable.

Bad debt provision for commercial acceptance bills is made on a portfolio basis, considering the aging and credit risk characteristics of the bills.

Unit: RMB

Name	Ending balance		
	Book value	Bad debt provision	Withdrawal proportion
Commercial acceptance bills	2,880,604.93	144,030.25	5.00%
Total	2,880,604.93	144,030.25	

Notes to the determination basis for the group:

For notes receivable divided into portfolios, with reference to historical credit loss experience, combined with current conditions and predictions of future economic conditions, the Company has calculated expected credit losses through default risk exposure and expected credit loss rate for the entire duration.

If adopting the general mode of expected credit loss to withdraw bad debt provision of notes receivable:

Applicable  Not applicable

### (3) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

Withdrawal of bad debt provision:

Unit: RMB

Category	Balance at the beginning of the period	Change in the reporting period				Ending balance
		Accrual	Reversed or recovered	Write-offs	Other	
Commercial acceptance bills	20,000.00	124,030.25				144,030.25
Total	20,000.00	124,030.25				144,030.25

Including: Significant amount of provision for bad debt provision recovered or reclassified in the Reporting Period:

Applicable  Not applicable

#### (4) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Unit: RMB

Item	Derecognized amount at the end of the reporting period	Non-derecognized amount at the end of the reporting period
Bank acceptance bills		25,504,417.18
Commercial acceptance bills notes		190,000.00
Total		25,694,417.18

## 4. Accounts receivable

### (1) Disclosure by aging

Unit: RMB

Aging	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Within one year (inclusive)	920,652,598.73	904,143,884.57
One to two years	49,370,421.45	2,598,409.10
Two to three years	1,304,300.21	767,071.40
More than three years	878,541.40	435,318.77
Three to four years	736,346.40	206,818.00
Four to five years	5,055.00	195,961.82
Over 5 years	137,140.00	32,538.95
Total	972,205,861.79	907,944,683.84

### (2) Disclosure by withdrawal methods for bad debts

Unit: RMB

Category	Ending balance					Balance at the beginning of the period				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Operating revenue	Proportion	Operating revenue	Withdrawal proportion		Operating revenue	Proportion	Operating revenue	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	8,485,612.48	0.87%	6,719,047.69	79.18%	1,766,564.79	1,380,525.86	0.15%	1,380,525.86	100.00%	
Including:										
Accounts receivable of bad debt provision by portfolio	963,720,249.31	99.13%	75,743,599.48	7.86%	887,976,649.83	906,564,157.98	99.85%	57,395,618.71	6.33%	849,168,539.27
Including:										
Group 1:	188,652,027.41	19.41%			188,652,0	164,066,9	18.07%			164,066,9

Undue accounts (L/C)					27.41	67.38				67.38
Group 2: Undue accounts (excluding L/C)	576,222,816.54	59.27%	25,930,026.64	4.50%	550,292,789.90	597,886,214.16	65.85%	25,626,689.83	4.29%	572,259,524.33
Portfolio 3: Overdue amounts	198,845,405.36	20.45%	49,813,572.84	25.05%	149,031,832.52	144,610,976.44	15.93%	31,768,928.88	21.97%	112,842,047.56
Total	972,205,861.79	100.00%	82,462,647.17	8.48%	889,743,214.62	907,944,683.84	100.00%	58,776,144.57	6.47%	849,168,539.27

## Bad debt provision separately accrued: 2025

Unit: RMB

Name	Balance at the beginning of the period		Ending balance			
	Book value	Bad debt provision	Book value	Bad debt provision	Withdrawal proportion	Reasons for the provision
Customer 1			4,094,029.81	2,327,465.02	56.85%	Customer in financial difficulty
Customer 2			2,357,076.95	2,357,076.95	100.00%	Customer in financial difficulty
Customer 3	1,380,525.86	1,380,525.86	1,600,187.96	1,600,187.96	100.00%	Customer in financial difficulty
Customer 4			327,314.12	327,314.12	100.00%	Customer in financial difficulty
Customer 5			107,003.64	107,003.64	100.00%	Customer in financial difficulty
Total	1,380,525.86	1,380,525.86	8,485,612.48	6,719,047.69		

If adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable:

Applicable  Not applicable

**(3) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period**

Withdrawal of bad debt provision:

Unit: RMB

Category	Balance at the beginning of the period	Change in the reporting period				Ending balance
		Accrual	Reversed or recovered	Write-offs	Other	
Bad debt provision	58,776,144.57	23,851,388.31	-225,109.87	389,995.58		82,462,647.17
Total	58,776,144.57	23,851,388.31	-225,109.87	389,995.58		82,462,647.17

**(4) Accounts receivable written-off in the current period**

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	389,995.58

**(5) Top 5 of the closing balance of the accounts receivable and the contract assets collected according to arrears party**

Unit: RMB

Name	Closing balance of accounts receivable	Closing balance of	Ending balance of accounts	Proportion to total closing balance of	Closing balance of bad debt provision of accounts
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		contract assets	receivable and contract assets	accounts receivable and contract assets	receivable and asset impairment provision for contract assets
Customer A	63,534,774.01		63,534,774.01	6.54%	25,656.88
Chenfeng (Jiangsu) Textile Co., Ltd.	60,470,777.27		60,470,777.27	6.22%	7,624,047.74
Zichuan District Heating Guarantee Service Center	52,720,958.20		52,720,958.20	5.42%	17,127,379.68
Customer B	28,931,548.17		28,931,548.17	2.98%	3,097,072.66
Customer C	26,530,280.73		26,530,280.73	2.72%	2,652,459.21
<b>Total</b>	<b>232,188,338.38</b>		<b>232,188,338.38</b>	<b>23.88%</b>	<b>30,526,616.17</b>

## 5. Receivables financing

### (1) Receivables financing listed by category

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
4. Notes receivable	10,375,801.86	10,234,905.61
Other comprehensive income-fair value change	-40,498.90	-50,005.02
<b>Total</b>	<b>10,335,302.96</b>	<b>10,184,900.59</b>

### (2) Other Notes

The Company and some subsidiaries, based on their daily cash management needs, discount and endorse a portion of the bank acceptance bills. Therefore, the bank acceptance bills with high credit ratings from the Company and these subsidiaries are classified as financial assets measured at fair value with changes recognized in other comprehensive income.

There was no bank acceptance bill for which bad debt provision accrued separately in the Company. By the end of the period, the Company believed that there was no significant credit risk in the bank acceptance bill held by the Company, and no significant loss caused by bank defaults.

(1) At the end of the period, the Company has no pledged notes receivables

(2) At the end of the period, the Company has endorsed or discounted receivables that are not yet due.

Category	Derecognized amount at the end of the reporting period	Non-derecognized amount at the end of the reporting period
Bank acceptance bills	207,438,602.98	
Commercial acceptance bills notes		
<b>Total</b>	<b>207,438,602.98</b>	

## 6. Other receivables

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Dividend receivable	1,267,187.27	
Other receivables	34,184,996.13	23,107,489.38
<b>Total</b>	<b>35,452,183.40</b>	<b>23,107,489.38</b>

**(1) Dividend receivable****1) Dividend Receivable Classification**

Unit: RMB

Project (or investee)	Ending balance	Balance at the beginning of the period
Dividend receivable	1,267,187.27	
Total	1,267,187.27	

**2) Disclosure by Withdrawal Methods for Bad Debts**Applicable  Not applicable

Unit: RMB

Category	Ending balance					Balance at the beginning of the period				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Operating revenue	Proportion	Operating revenue	Withdrawal proportion		Operating revenue	Proportion	Operating revenue	Withdrawal proportion	
Including: Provision for bad debts by groupings	1,333,881.34	100.00%	66,694.07	5.00%	1,267,187.27					
Including: Dividend receivable	1,333,881.34	100.00%	66,694.07	5.00%	1,267,187.27					
Total	1,333,881.34		66,694.07		1,267,187.27					

Changes of book balance with significant amount changed of loss provision in the current period

 Applicable  Not applicable**(2) Other Receivables****1) Other receivables classified by nature**

Unit: RMB

Nature	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Export rebates	7,018,001.62	4,399,746.28
VAT to be returned	7,360,072.76	7,514,820.14
Payment on behalf	26,960,896.72	8,666,645.96
Guarantee deposit and cash deposit	1,891,753.34	2,181,386.82
Borrowings and petty cash	1,463,362.43	1,255,511.54
Other	6,744,955.59	5,311,251.41
Total	51,439,042.46	29,329,362.15

**2) Disclosure by aging**

Unit: RMB

Aging	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Within one year (inclusive)	40,698,373.07	18,125,208.20
One to two years	1,582,916.07	1,153,509.15
Two to three years	995,281.34	6,434,852.90
More than three years	8,162,471.98	3,615,791.90
Three to four years	4,924,357.74	166,000.00
Four to five years	166,000.00	846.87
Over 5 years	3,072,114.24	3,448,945.03
Total	51,439,042.46	29,329,362.15

### 3) Withdrawal of Bad Debt Provision

#### Bad debt provision in the first stage at the period-end

Category	Book value	Expected rate of credit losses in the next 12 months (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued					
Provision for bad debts by groupings	22,861,526.12	5.00	1,143,076.29	21,718,449.83	
Tax receivable	7,018,001.62	5.00	350,900.08	6,667,101.54	Not past due
Security deposit and margin receivable	1,891,753.34	5.00	94,587.69	1,797,165.65	Not past due
VAT to be returned	1,274,505.95	5.00	63,725.30	1,210,780.65	Not past due
Other receivables	12,677,265.21	5.00	633,863.22	12,043,401.99	Not past due
Total	22,861,526.12	5.00	1,143,076.29	21,718,449.83	

#### Bad debt provision in the second stage at the period-end

Category	Book value	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued	18,330,980.79	60.00	10,998,588.50	7,332,392.29	Overdue
Provision for bad debts by groupings	10,033,523.50	48.83	4,899,369.49	5,134,154.01	
VAT to be returned	6,085,566.81	48.83	2,971,582.27	3,113,984.54	Overdue
Other receivables	3,947,956.69	48.83	1,927,787.22	2,020,169.47	Overdue
Total	28,364,504.29	56.05	15,897,957.99	12,466,546.30	

#### Bad debt provision in the third stage at the period-end

Category	Book value	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued	213,012.05	100.00	213,012.05	0	
Customer 1	163,012.05	100.00	163,012.05	0	Customer in financial difficulty
Customer 2	50,000.00	100.00	50,000.00	0	Customer in financial difficulty
Total	213,012.05	100.00	213,012.05	0	

#### Bad debt provision in the first stage at the end of the previous year

Category	Book value	Expected rate of credit losses in the next 12 months (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued					
Provision for bad debts by groupings	18,670,016.05	5.00	933,500.80	17,736,515.25	
Tax receivable	4,399,746.28	5.00	219,987.32	4,179,758.96	Not past due
Security deposit and margin receivable	2,181,386.82	5.00	109,069.34	2,072,317.48	Not past due
VAT to be returned	879,184.02	5.00	43,959.20	835,224.82	Not past due
Other receivables	11,209,698.93	5.00	560,484.94	10,649,213.99	Not past due
Total	18,670,016.05	5.00	933,500.80	17,736,515.25	

#### Bad debt provision in the second stage at the end of the previous year

Category	Book value	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued					
Provision for bad debts by groupings	10,496,334.05	48.83	5,125,359.92	5,370,974.13	
VAT to be returned	6,635,636.12	48.83	3,240,181.12	3,395,455.00	Overdue
Other receivables	3,860,697.93	48.83	1,885,178.80	1,975,519.13	Overdue
Total	10,496,334.05	48.83	5,125,359.92	5,370,974.13	

#### Bad debt provision in the third stage at the end of the previous year

Category	Book value	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying amount	Reason
Bad debt provision separately accrued	163,012.05	100.00	163,012.05		
Customer 1	163,012.05	100.00	163,012.05		Customer in financial difficulty
Total	163,012.05	100.00	163,012.05		

#### 4) Bad Debt Provision Withdrawn, Reversed or Recovered in the Current Period

Withdrawal of bad debt provision:

Unit: RMB

Category	Balance at the beginning of the period	Change in the reporting period				Ending balance
		Accrual	Reversed or recovered	Charged-off/Verification	Other	
Expected credit loss of the next 12 months at the first stage	933,500.80	209,575.49				1,143,076.29
Expected credit loss in the duration (credit impairment not occurred) at the second stage	5,125,359.92	10,772,598.07				15,897,957.99
Expected credit loss in the duration (credit impairment occurred) at the third stage	163,012.05	51,262.55		1,262.55		213,012.05
Total	6,221,872.77	11,033,436.11		1,262.55		17,254,046.33

#### 5) Top 5 of the Ending balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name	Nature	Ending balance	Aging	Proportion to total closing balance of other receivables %	Ending balance of bad debt provision
Haideng Co., Ltd.	Payment on behalf	18,330,980.79	Within one year	35.63%	10,998,588.50
VAT to be returned	VAT	7,360,072.76	Within 1 year, 1 to 2 years, 2 to 3 years and over 3 years	14.31%	3,035,307.57
Export rebates	Export rebates	7,018,001.62	Within one year	13.64%	350,900.08
Withholding and remitting of personal endowment	Payment on behalf	5,019,054.38	Within one year	9.76%	250,952.72

insurance					
Withholding and remitting of personal medical insurance	Payment on behalf	1,258,941.22	Within one year	2.45%	62,947.06
Total		38,987,050.77		75.79%	14,698,695.93

## 7. Prepayments

### (1) Prepayments listed by aging analysis

Unit: RMB

Aging	Ending balance		Balance at the beginning of the period	
	Operating revenue	Proportion	Operating revenue	Proportion
Within one year	70,200,605.55	99.95%	94,018,468.42	99.66%
One to two years	20,116.61	0.03%	321,877.26	0.34%
Two to three years	12,400.80	0.02%		
Total	70,233,122.96		94,340,345.68	

Notes of the reasons of the prepayments aging over 1 year with significant amount but failed settled in time:

There were no significant prepayments aged over one year during the year.

### (2) Top 5 Prepayment in Ending balance Collected according to the Prepayment Target

The total amount of the top five prepayments, aggregated by payee, at the end of the period is RMB 46,105,285.61, accounting for 65.65% of the total balance of prepayments at the end of the period.

## 8. Inventory

Whether the Company needs to comply with the disclosure requirements for the real estate industry

Not

### (1) Category of inventory

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book value	Falling price reserves or provision for impairment on contract performance cost	Carrying amount	Book value	Falling price reserves or provision for impairment on contract performance cost	Carrying amount
Raw materials	948,796,192.27	57,414,663.40	891,381,528.87	806,501,875.49	55,650,999.99	750,850,875.50
Work-in-progress	504,540,889.35	5,995,564.27	498,545,325.08	520,394,109.82	6,229,881.12	514,164,228.70
Inventory goods	883,354,382.70	178,299,089.81	705,055,292.89	952,987,895.46	208,856,231.77	744,131,663.69
Commissioned products	12,317,857.99		12,317,857.99	10,737,638.41		10,737,638.41
Total	2,349,009,322.31	241,709,317.48	2,107,300,004.83	2,290,621,519.18	270,737,112.88	2,019,884,406.30

### (2) Falling price reserves of inventory and impairment reserves for contract performance costs

Unit: RMB

Item	Balance at the beginning of the period	Increase amount of the current period		Decrease in the current period		Ending balance
		Accrual	Other	Reclassification or charge-off	Other	
Raw materials	55,650,999.99	4,134,858.64		2,371,195.23		57,414,663.40
Work-in-progress	6,229,881.12			234,316.85		5,995,564.27
Inventory goods	208,856,231.77	60,967,961.83		91,525,103.79		178,299,089.81
Total	270,737,112.88	65,102,820.47		94,130,615.87		241,709,317.48

Item	The specific basis for determining the net realizable value	Reasons for charge-off/write-off of inventory falling price reserves in the current period
Raw materials	Estimated selling price deducts the estimated selling expense and the relevant taxes	Sales
Inventory goods	Estimated selling price deducts the estimated selling expense and the relevant taxes	Sales
Work-in-progress	Estimated selling price of finished goods deducts the cost estimated until completion, estimated selling expenses and relevant taxes	Sales

## 9. Current Portion of Non-current Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Debt investment due within one year		150,000,000.00
Interest payable of bond investment		4,176,585.64
Total		154,176,585.64

### (1) Investments in debt obligations due within one year

Applicable  Not applicable

### (2) Other investments in debt obligations due within one year

Applicable  Not applicable

## 10. Other Current Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Other tax	9,076,861.29	8,592,405.88
Prepaid income tax	1,916,166.81	37,101.68
Prepaid other taxes	538,923.85	205,457.78
Convertible broken lot fund	199,652.61	199,662.42
Deposit for recognizance	4,033,475.68	49,999,919.97
OTC securities clearing funds	2,000,000.00	
Total	17,765,080.24	59,034,547.73

## 11. Long-term Equity Investments

Unit: RMB

Investee	Opening balance (carrying value)	Opening balance of the provision for impairment	Increase/decrease for the current period							Closing balance (carrying value)	Closing balance of the provision for impairment
			Increase in the investment	Reduced investment	Profits or losses of investment recognized by the equity method	Changes in other comprehensive income	Changes in other equities	Cash dividends or profits declared to be distributed	Withdrawal of impairment provision		
I. Joint ventures											
II. Associated enterprises											

Ningbo Meishan Bonded Port Area Haohong Equity Investment Partnership (L.P.) (hereinafter referred to as "Haohong Investment")	31,325,690.58			13,866,666.67	788,895.95						18,247,919.86	
Ningbo Haoying Equity Investment Partnership (L.P.) (hereinafter referred to as "Haoying Investment")	88,758,580.71				7,128,583.05	-					81,629,997.66	
Subtotal	120,084,271.29			13,866,666.67	6,339,687.10	-					99,877,917.52	
Total	120,084,271.29			13,866,666.67	6,339,687.10	-					99,877,917.52	

The recoverable amount is determined based on the net amount of the fair value minus disposal costs

Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

## 12. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Equity instrument investment	76,360,000.00	70,800,000.00
Financial assets assigned measured by fair value through profit or loss	12,000,000.00	12,000,000.00
Total	88,360,000.00	82,800,000.00

## 13. Investment Property

### (1) Investment property adopting the cost measurement mode

Applicable  Not applicable

Unit: RMB

Item	Houses and buildings	Land Use Right	Construction in progress	Total
I. Original carrying value				
1. Balance at the beginning of the period	33,708,658.12			33,708,658.12
2. Increased amount for the current period				
(1) Outsourcing				
(2) Transfer from inventory/fixed assets/construction in progress				
(3) Increase for business combination				
3. Decrease in the Reporting Period				
(1) Disposal				

(2) Other transfer			
4. Closing balance	33,708,658.12		33,708,658.12
II. Accumulative depreciation and accumulative amortization			
1. Balance at the beginning of the period	15,033,124.49		15,033,124.49
2. Increased amount for the current period	902,642.30		902,642.30
(1) Withdrawal or amortization	902,642.30		902,642.30
3. Decrease in the Reporting Period			
(1) Disposal			
(2) Other transfer			
4. Closing balance	15,935,766.79		15,935,766.79
III. Impairment provisions			
1. Balance at the beginning of the period			
2. Increased amount for the current period			
(1) Accruing			
3. Decrease in the Reporting Period			
(1) Disposal			
(2) Other transfer			
4. Closing balance			
IV. Carrying value			
1. Carrying value at the end of the period	17,772,891.33		17,772,891.33
2. Beginning carrying value	18,675,533.63		18,675,533.63

The recoverable amount is determined based on the net amount of the fair value minus disposal costs

Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

## (2) Investment Property Adopting the Measurement of Fair Value Mode

Applicable  Not applicable

## 14. Fixed Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Fixed assets	5,705,325,739.27	6,053,755,987.08
Liquidation of fixed assets		
Total	5,705,325,739.27	6,053,755,987.08

### (1) List of Fixed Assets

Unit: RMB

Item	Properties and buildings	Machinery and equipment	Transportation vehicle	Electronic devices and others	Total
I. Original Carrying Value:					
1. Balance at the beginning of the period	4,153,405,489.18	7,999,497,701.26	57,627,023.34	146,359,617.54	12,356,889,831.32
2. Increased amount for the current period	137,720,310.38	73,157,162.98	3,528,980.57	4,729,702.12	219,136,156.05
(1) Purchase		72,173,806.05	3,528,980.57	4,729,702.12	80,432,488.74
(2) Transfer from construction in progress	137,720,310.38	983,356.93			138,703,667.31

(3) Increase for business combination					
(4) Other increase					
3. Decrease in the Reporting Period	38,576,102.24	146,940,605.22	1,044,043.28	3,489,291.58	190,050,042.32
(1) Disposal or scrap		102,536,111.71	634,999.83	1,510,662.77	104,681,774.31
(2) Transfer from construction in progress	4,235,147.07				4,235,147.07
(3) Transfer from investment properties					
(4) Other decrease	34,340,955.17	44,404,493.51	409,043.45	1,978,628.81	81,133,120.94
4. Closing balance	4,252,549,697.32	7,925,714,259.02	60,111,960.63	147,600,028.08	12,385,975,945.05
II. Accumulated depreciation					
1. Balance at the beginning of the period	1,451,849,601.15	4,617,189,627.38	43,584,449.86	121,401,888.54	6,234,025,566.93
2. Increased amount for the current period	138,321,169.15	331,830,753.50	3,461,345.65	6,920,230.82	480,533,499.12
(1) Accruing	138,321,169.15	331,830,753.50	3,461,345.65	6,920,230.82	480,533,499.12
(2) Other Increases					
3. Decrease in the Reporting Period	9,392,577.32	100,512,051.57	842,255.29	1,502,868.72	112,249,752.90
(1) Disposal or scrap		86,463,300.05	599,499.12	1,345,115.21	88,407,914.38
(2) Transfer from construction in progress	1,098,863.69				1,098,863.69
(3) Transfer from investment properties					
(4) Other decrease	8,293,713.63	14,048,751.52	242,756.17	157,753.51	22,742,974.83
4. Closing balance	1,580,778,192.98	4,848,508,329.31	46,203,540.22	126,819,250.64	6,602,309,313.15
III. Impairment provisions					
1. Balance at the beginning of the period	25,815,444.48	43,157,303.24	5,671.30	129,858.29	69,108,277.31
2. Increased amount for the current period	3,111,371.47	12,416,704.28		27,325.23	15,555,400.98
(1) Accruing	3,111,371.47	12,416,704.28		27,325.23	15,555,400.98
(2) Other Increases					
3. Decrease in the Reporting Period		6,233,425.41		89,360.25	6,322,785.66
(1) Disposal or scrap		6,233,425.41		89,360.25	6,322,785.66
(2) Other decrease					
4. Closing balance	28,926,815.95	49,340,582.11	5,671.30	67,823.27	78,340,892.63
IV. Carrying value					
1. Carrying value at the end of the period	2,642,844,688.39	3,027,865,347.60	13,902,749.11	20,712,954.17	5,705,325,739.27
2. Beginning carrying value	2,675,740,443.55	3,339,150,770.64	14,036,902.18	24,827,870.71	6,053,755,987.08

**(2) Fixed Assets Leased out by Operation Lease**

Unit: RMB

Item	Closing carrying value
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Properties and buildings	4,537,148.39
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**(3) Fixed assets failed to accomplish certification of property**

Unit: RMB

Item	Carrying amount	Reason
Lufeng weaving dye grey yarn warehouse	10,835,842.50	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments
Lu Thai Textile Warehouse 01, 02	5,761,726.52	The same as above
Lulian New Materials Yarn Warehouse	7,293,087.77	The same as above
Overseas production base factory	1,039,018,312.44	To be submitted to the relevant department for processing upon completion

**15. Construction in Progress**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Construction in progress	76,276,743.94	77,047,650.62
Engineering materials	13,880,434.61	17,979,058.75
Total	90,157,178.55	95,026,709.37

**(1) List of Construction in Progress**

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Production line project of high-grade fabric products (Phase I)	1,074,046.11		1,074,046.11	23,298,916.44		23,298,916.44
Reform project of Xinsheng Thermal Power	8,146,973.06		8,146,973.06	1,824,455.78		1,824,455.78
Thermoelectric cogeneration project	42,120,224.61		42,120,224.61			
Other sporadic projects	24,935,500.16		24,935,500.16	51,924,278.40		51,924,278.40
Total	76,276,743.94		76,276,743.94	77,047,650.62		77,047,650.62

**(2) Changes in Significant Construction in Progress during the Reporting Period**

Unit: RMB

Item	Budget	Balance at the beginning of the period	Increase amount of the current period	Amount of transfer into fixed assets in the current period	Other decreased amount for the current period	Ending balance	Proportion of accumulated investment in constructions to budget	Project progress	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization in the current period	Capitalization rate of interests for the current period	Source of Fund
Production line project of high-grade fabric products (Phase I)	464,800.00	23,298,916.44	67,685,370.28	68,500,778.60	21,409,462.01	1,074,046.11	119.00%	99.50	11,598,184.16			Self-raised funds + proceeds from fundraising
Reform project of Xinsheng	4,700,000.00	1,824,455.78	7,305,874.21	983,356.93		8,146,973.06	65.00%	65.00				Self-financing

Thermal Power												
Thermoelectric cogeneration project	250,000,000.00		42,120,224.61			42,120,224.61	17.00%	17.00				Self-financing
Other sporadic projects		51,924,278.40	42,757,078.09	69,219,531.78	526,324.55	24,935,500.16						Other
Total	719,500,000.00	77,047,650.62	159,868,547.19	138,703,667.31	21,935,786.56	76,276,743.94			11,598,184.16			

### (3) Impairment Test of Construction in Progress

Applicable  Not applicable

### (4) Engineering materials

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Special materials	405,004.07		405,004.07			
Special equipment to be installed	13,475,430.54		13,475,430.54	17,979,058.75		17,979,058.75
Total	13,880,434.61		13,880,434.61	17,979,058.75		17,979,058.75

## 16. Right-of-Use Assets

### (1) List of Right-of-use Assets

Unit: RMB

Item	Properties and buildings	Land Use Right	Total
<b>I. Original carrying value</b>			
1. Balance at the beginning of the period	77,622,142.84	466,180,291.02	543,802,433.86
2. Increased amount for the current period	639,402.43	3,290,638.15	3,930,040.58
(1) Rent	639,402.43	3,290,638.15	3,930,040.58
(2) Lease Liabilities Adjustment			
(3) Other Increase			
3. Decrease in the Reporting Period	2,038,796.23	9,191,401.74	11,230,197.97
(1) Sublease is a financial lease			
(2) Transfer or hold for sale			
(3) Maturity or termination	1,964,809.54	47,085.76	2,011,895.30
(4) Other decrease	73,986.69	9,144,315.98	9,218,302.67
4. Closing balance	76,222,749.04	460,279,527.43	536,502,276.47
<b>II. Accumulated depreciation</b>			
1. Balance at the beginning of the period	25,569,781.22	47,993,724.45	73,563,505.67
2. Increased amount for the current period	11,463,884.47	15,520,412.72	26,984,297.19
(1) Accruing	11,463,884.47	15,520,412.72	26,984,297.19
(2) Other Increases			
3. Decrease in the Reporting Period	606,201.65	805,350.01	1,411,551.66
(1) Disposal			
(2) Sublease is a financial lease			

(3) Transfer or hold for sale			
(4) Maturity or termination	542,734.79	47,085.76	589,820.55
(5) Other decrease	63,466.86	758,264.25	821,731.11
4. Closing balance	36,427,464.04	62,708,787.16	99,136,251.20
III. Impairment provisions			
1. Balance at the beginning of the period			
2. Increased amount for the current period			
(1) Accruing			
3. Decrease in the Reporting Period			
(1) Disposal			
4. Closing balance			
IV. Carrying value			
1. Carrying value at the end of the period	39,795,285.00	397,570,740.27	437,366,025.27
2. Beginning carrying value	52,052,361.62	418,186,566.57	470,238,928.19

## (2) Impairment Test of Right-of-use Assets

Applicable  Not applicable

Other notes:

The company recognizes lease expenses related to short-term leases and leases of low-value assets, as detailed in Note 7, Note 62.

## 17. Intangible Assets

### (1) List of intangible assets

Unit: RMB

Item	Land Use Right	Patent right	Non-patent technologies	Software use rights	Trademark right	Total
I. Original carrying value						
1. Balance at the beginning of the period	470,338,494.00	409,550.00		2,264,253.12	283,018.87	473,295,315.99
2. Increased amount for the current period				97,640.71		97,640.71
(1) Purchase				97,640.71		97,640.71
(2) Internal R&D						
(3) Increase for business combination						
(4) Other increase						
3. Decrease in the Reporting Period				553,166.45		553,166.45
(1) Disposal						
(2) Invalid and recognition terminated portion				549,641.60		549,641.60
(3) Other decrease				3,524.85		3,524.85
4. Closing balance	470,338,494.00	409,550.00		1,808,727.38	283,018.87	472,839,790.25
II.						

Accumulated amortization						
1. Balance at the beginning of the period	138,514,719.12	153,581.40		1,235,686.14	6,581.83	139,910,568.49
2. Increased amount for the current period	10,096,399.24	40,955.04		716,162.74	78,981.96	10,932,498.98
(1) Accruing	10,096,399.24	40,955.04		716,162.74	78,981.96	10,932,498.98
(2) Other increases						
3. Decrease in the Reporting Period				551,853.30		551,853.30
(1) Disposal						
(2) Invalid and recognition terminated portion				549,641.60		549,641.60
(3) Other decrease				2,211.70		2,211.70
4. Closing balance	148,611,118.36	194,536.44		1,399,995.58	85,563.79	150,291,214.17
III. Impairment provisions						
1. Balance at the beginning of the period						
2. Increased amount for the current period						
(1) Accruing						
(2) Other Increases						
3. Decrease in the Reporting Period						
(1) Disposal						
(2) Other decrease						
4. Closing balance						
IV. Carrying value						
1. Carrying value at the end of the period	321,727,375.64	215,013.56		408,731.80	197,455.08	322,548,576.08
2. Beginning carrying value	331,823,774.88	255,968.60		1,028,566.98	276,437.04	333,384,747.50

The proportion of intangible assets formed from the internal R&D of the Company at the Period-end to the ending balance of intangible assets was 0.00%.

## (2) Impairment Test of Intangible Assets

Applicable  Not applicable

## 18. Goodwill

### (1) Original carrying value of goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Balance at the beginning of the period	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Formed through		Disposal		

		business combinations			
Xinsheng Thermal Power	20,563,803.29				20,563,803.29
Total	20,563,803.29				20,563,803.29

## 19. Long-term Deferred Expenses

Unit: RMB

Item	Balance at the beginning of the period	Increase amount of the current period	Amortization amount in the reporting period	Other decreases	Ending balance
Decoration fee	5,558,870.87		2,665,604.54		2,893,266.33
Technical service charges	8,844.20	110,211.79	45,581.48		73,474.51
Other prepaid expense	66,845.20		66,845.20		
Total	5,634,560.27	110,211.79	2,778,031.22		2,966,740.84

## 20. Deferred Income Tax Assets/Deferred Income Tax Liabilities

### (1) Deferred Income Tax Assets Had Not Been Off-set

Unit: RMB

Item	Ending balance		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	322,281,534.52	50,256,653.70	252,197,942.77	41,534,310.54
Internal unrealized profit	127,896,106.50	17,391,278.40	105,336,586.06	13,724,860.21
Deductible losses	46,957,871.96	7,051,615.58	46,878,524.12	7,031,778.62
Payroll payable	73,467,747.86	11,020,204.95	73,682,968.78	11,052,700.68
Deferred income	139,239,353.54	21,445,645.55	145,143,951.32	22,467,375.60
Contract liability	75,875,498.44	18,790,050.86	78,698,329.68	19,615,211.56
The changes of accounts receivables financing in fair value	40,498.90	6,074.84	50,005.02	7,500.75
Lease liabilities	85,127,159.16	12,762,030.00	99,332,484.45	14,899,872.67
Convertible bonds	26,560,767.92	3,984,115.19	72,707,821.06	10,906,173.16
Associated enterprises	29,847,820.21	4,477,173.03	30,636,716.16	4,595,507.42
Accrued expenses	2,575,386.13	386,307.92		
Fund losses			17,968,191.53	2,695,228.73
Total	929,869,745.14	147,571,150.02	922,633,520.95	148,530,519.94

### (2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

Item	Ending balance		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	563,242,301.02	88,476,994.31	606,505,309.17	95,362,712.06
Changes in fair value of held-for- trading financial assets	680,555.64	102,083.34	122,951,766.13	18,442,764.92
Changes in the fair value of other non-current financial assets	19,077,400.00	2,861,610.00	13,517,400.00	2,027,610.00
Associated enterprises	5,872,181.17	880,827.18	13,000,764.22	1,950,114.63
Right-of-use assets	75,721,216.95	11,349,507.46	91,572,241.18	13,735,836.18
Fund income	45,621,634.18	6,843,245.13		
Total	710,215,288.96	110,514,267.42	847,547,480.70	131,519,037.79

**(3) Deferred Income Tax Assets or Liabilities Had Been Off-set Listed in Net Amount**

Unit: RMB

Item	Ending off-set amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets and liabilities	Beginning off-set amount of deferred income tax assets and liabilities	Beginning balance of deferred income tax assets and liabilities
Deferred income tax assets		147,571,150.02		148,530,519.94
Deferred income tax liabilities		110,514,267.42		131,519,037.79

**(4) List of Unrecognized Deferred Income Tax Assets**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Deductible temporary differences	40,525,358.98	42,605,021.03
Deductible losses	352,599,532.44	315,591,935.20
Total	393,124,891.42	358,196,956.23

**(5) Deductible Losses of Unrecognized Deferred Income Tax Assets Will Due in the Following Years**

Unit: RMB

Year	Closing Amount	Opening Amount	Notes
Y2025		299.83	
Y2026		371.30	
Y2027		416.69	
Y2028	702,282.74	702,444.07	
Y2029	760,443.41	762,214.46	
Y2030	1,182,124.10		
2031	71,029,287.91	71,029,287.91	
2032	96,903,840.68	96,903,840.68	
2033	86,555,343.03	86,555,343.03	
2034	57,775,658.65	59,637,717.23	
2035	37,690,551.92		
Total	352,599,532.44	315,591,935.20	

**21. Other Non-current Assets**

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Project prepayment	200,000.00		200,000.00			
Prepayment for equipment	12,554,487.99		12,554,487.99	797,518.51		797,518.51
Prepayment for land transfer fee	27,255,406.47		27,255,406.47	25,432,036.39		25,432,036.39
Term deposits over 1 year	460,000,000.00		460,000,000.00	525,000,000.00		525,000,000.00
Interest receivable from term deposits over 1 year	14,994,355.84		14,994,355.84	18,724,767.80		18,724,767.80
Total	515,004,250.30		515,004,250.30	569,954,322.70		569,954,322.70

**22. Assets with Restricted Ownership or Right to Use**

Unit: RMB

Item	Period-end				Period-beginning			
	Book value	Carrying amount	Type of restriction	Restriction details	Book value	Carrying amount	Type of restriction	Restriction details
Monetary assets	1,910,848.94	1,910,848.94	Deposits for L/Cs					
4. Notes receivable	25,694,417.18	25,684,917.18	Endorsed or discounted but not yet due for derecognition		34,463,775.21	34,463,775.21	Endorsed or discounted but not yet due for derecognition	
Other current assets	4,033,475.68	4,033,475.68	Deposit for recognizance		49,999,919.97	49,999,919.97	Deposit for recognizance	
Total	31,638,741.80	31,629,241.80			84,463,695.18	84,463,695.18		

## 23. Short-term Loans

### (1) Category of short-term loans

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Borrowings secured by guarantee	130,196,987.50	91,941,851.96
Credit loan	522,639,885.39	757,744,972.37
Total	652,836,872.89	849,686,824.33

Notes of the category for short-term loans:

The short-term loan includes accrued interest of RMB 1,010,045.59.

### (2) List of the Short-term Loan Overdue but not Returned

There was no outstanding short-term loan overdue at the end of the Reporting Period.

## 24. Held-for-trading financial liabilities

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Held-for-trading financial liabilities		15,858,713.22
Including:		
Derivative financial liabilities		15,858,713.22
Including:		
Total		15,858,713.22

## 25. Accounts Payable

### (1) List of accounts payable

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Payment for goods	118,175,135.19	174,951,225.51
Engineering equipment	77,362,678.88	58,703,628.27
Other	36,810,344.23	38,424,237.73
Total	232,348,158.30	272,079,091.51

### (2) Significant Accounts Payable Aging over One Year or Overdue

No significant accounts payable over one year at the period-end.

## 26. Other Payables

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Dividends payable	441,113.64	441,113.64

Other payables	17,139,703.76	16,996,685.96
Total	17,580,817.40	17,437,799.60

**(1) Dividends payable**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Dividends payable to individual shareholders	441,113.64	441,113.64
Total	441,113.64	441,113.64

Other notes, including the reasons for non-payment of significant dividends payable that have not been paid for more than one year:

Name of the shareholders	Amount of dividends payable	Reason
Dividends payable to individual shareholders	441,113.64	Cash dividend of previous year not received by individual shareholders
Total	441,113.64	--

**(2) Other Payables****1) Other payables listed by nature**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Deposits and cash deposits etc.	5,950,933.17	5,412,393.10
Collecting payment on behalf of others	643,709.44	2,071,915.32
Other	10,545,061.15	9,512,377.54
Total	17,139,703.76	16,996,685.96

**27. Contract Liabilities**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Advance from sales	186,972,951.24	200,833,613.26
Less: Contract liability recorded in other current liabilities	-8,237,811.01	-9,282,609.47
Total	178,735,140.23	191,551,003.79

Significant contract liabilities aging over one year

Unit: RMB

Item	Ending balance	Reason for non-repayment or carry-over
N/A	0.00	
Total	0.00	

**28. Payroll Payable****(1) List of payroll payable**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short-term salary	301,211,370.26	1,417,013,684.15	1,416,746,568.65	301,478,485.76
II. Post-employment benefit-defined withdrawal plans	15,991.63	171,242,747.31	171,240,015.08	18,723.86
III. Demission welfare		1,920,422.59	1,920,422.59	
Total	301,227,361.89	1,590,176,854.05	1,589,907,006.32	301,497,209.62

**(2) List of short-term salary**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Salary, bonus, allowance, subsidy	224,822,772.16	1,266,334,783.05	1,274,509,289.27	216,648,265.94
2. Employee welfare	2.80	40,225,379.90	40,225,382.70	
3. Social insurance	33,294.34	76,473,523.55	76,468,959.58	37,858.31
Of which: Medical insurance premiums	31,414.91	70,484,504.09	70,480,977.78	34,941.22
Work-related injury insurance premiums	1,104.08	5,980,158.39	5,979,074.16	2,188.31
Maternity insurance	775.35	8,861.07	8,907.64	728.78
4. Housing fund		13,746,130.20	13,746,130.20	
5. Labor-union expenditure and employee education budget	76,355,300.96	20,233,867.45	11,796,806.90	84,792,361.51
Total	301,211,370.26	1,417,013,684.15	1,416,746,568.65	301,478,485.76

**(3) List of defined withdrawal plans**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Basic pension insurance	15,507.04	162,934,314.65	162,931,665.21	18,156.48
2. Unemployment insurance premiums	484.59	8,308,432.66	8,308,349.87	567.38
Total	15,991.63	171,242,747.31	171,240,015.08	18,723.86

Other notes:

The Company, in line with the requirement, participates in endowment insurance, unemployment insurance plans, and so on. Under these plans, the Company makes monthly contributions to these plans at 16% and 0.7% of the social security contribution base, respectively. No further payment obligations will be incurred by the Company beyond the above monthly contribution fees. The relevant expense occurred was recorded into current profits and losses or related asset costs.

**29. Taxes Payable**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
VAT	6,777,237.80	13,958,538.83
Enterprise income tax	37,231,505.40	27,102,242.22
Personal income tax	2,188,488.20	1,581,994.81
City maintenance & construction tax	2,609,448.44	3,433,797.45
Stamp duty	601,861.56	826,522.82
Real estate tax	5,230,109.92	5,239,688.51
Land use tax	1,927,644.52	2,097,384.98
Educational fee	1,311,350.61	1,551,805.29
Local education surcharge	775,166.23	1,039,303.54
Tax on natural resources	20,275.20	160,264.60
Environmental protection tax	200,346.02	270,404.96
Total	58,873,433.90	57,261,948.01

**30. Current Portion of Non-current Liabilities**

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Long-term borrowings matured within one year	315,426,401.72	12,676,401.72
Current portion of bonds payable	1,539,049,797.44	
Lease liabilities matured within 1 year	16,086,352.54	15,112,170.03
Total	1,870,562,551.70	27,788,571.75

Other notes:

### (1) Current portion of long-term borrowings

Item	Ending balance	Closing balance of last year
Credit loan	315,426,401.72	12,676,401.72
Total	315,426,401.72	12,676,401.72

## 31. Other current liabilities

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Tax to be charged off	8,237,811.01	9,282,609.47
Endorsed undue bill under non-derecognition	25,694,417.18	33,546,850.71
Total	33,932,228.19	42,829,460.18

## 32. Long-term Borrowings

### (1) Category of long-term borrowings

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Credit loan	563,339,125.33	408,920,511.93
Long-term borrowings matured within one year	-315,426,401.72	-12,676,401.72
Total	247,912,723.61	396,244,110.21

Note to the category of long-term borrowings:

Other notes, including the interest rate range:

Item	Ending balance	Interest rate range (%)	Closing balance of last year	Interest rate range (%)
Credit loan	563,339,125.33	1.95-2.90	408,920,511.93	2.05-2.80

## 33. Bonds Payable

### (1) Bonds payable

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Convertible bonds	0.00	1,509,420,449.46
Total	0.00	1,509,420,449.46

### (2) Changes of bonds payable (excluding other financial instruments divided as financial liabilities such as preferred shares and perpetual bonds)

Unit: RMB

Name	Par value	Coupon rate	Issue date	Bond duration	Issue amount	Balance at the beginning of the period	Issued in the Reporting Period	Interest accrued at par value	Amortization of premium and depreciation	Repaid in the Reporting Period	Current shares converted	Ending balance	Default or not
LuThai	1,400.0	0.3%	2020/4	6 years	1,400,000.0	1,509,420,		119,415.2	-	25,197,229.	7,700.00	1,539,049	Not

Convertible Bond (127016)	00,000.00	0.6%, 1%, 1.5%, 1.8%, 2%	/9		00.00	449.46		95.18	64,581,017.34		86		,797.44	
Current portion of bonds payable													- 1,539,049 ,797.44	
Total		--			1,400,000,000.00	1,509,420,449.46		119,415,295.18	- 64,581,017.34		25,197,229.86	7,700.00	0.00	--

### (3) Notes to the convertible corporate bonds

According to the *Approval of the Public Issue of Convertible Corporate Bonds of Lu Thai Textile Co., Ltd.* (ZH.J.X. K [2020] No. 299) of the China Securities Regulatory Commission, the Company issued 14 million convertible bonds with a face value of RMB100 each for a total issue amount of RMB1.4 billion with a maturity of 6 years, i.e. from 9 April 2020 to 8 April 2026.

The coupon rates of the convertible corporate bonds issued by the Company are 0.3%, 0.6%, 1%, 1.5%, 1.8% and 2% in the following order from the first stage to the sixth stage, with interest payable annually. The conversion period shall commence from (and include) the first trading day on October 15, 2020, six months after the date of issue, and shall end on (and include) the trading day prior to the maturity date of the convertible corporate bonds (April 8, 2026). Holders may apply for conversion during the conversion period. Within five trading days following the maturity of the convertible bonds, the Company will redeem all unconverted convertible bonds from holders at a price equal to 111% of the par value of the convertible bonds issued (inclusive of the final year's interest).

The initial conversion price of convertible corporate bonds was RMB9.01 per share when it was issued but was adjusted to RMB8.91 per share since 9 July 2020, after the Company implemented the 2019 profit sharing agreement on 9 July 2020. After the Company implemented the restricted stock incentive plan in 2021, the price was adjusted to RMB8.76 per share accordingly since June 7, 2021. Upon the implementation of the 2020 Distribution of Profit by the Company on June 18, 2021, it was adjusted to RMB8.71 per share accordingly again since June 18, 2021. The Company completed the registration procedures for the grant of reserved shares under the 2021 Restricted Stock Incentive Plan at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on 21 March 2022, with a listing date of 22 March 2022. The conversion price of the convertible bonds was adjusted accordingly to RMB8.68 per share with effect from 22 March 2022. Upon the implementation of the 2021 Distribution of Profit by the Company on June 23, 2022, it was adjusted to RMB8.61 per share accordingly again since June 23, 2022. The Company completed the formalities for cancellation of the repurchase of shares on May 25, 2023, and the conversion price of the convertible bond was adjusted accordingly to RMB8.73 per share on May 26, 2023. Upon the implementation of the 2021 Distribution of Profit by the Company on June 16, 2023, the conversion price of the convertible bond was adjusted to RMB8.63 per share accordingly on June 16, 2023. The Company completed the formalities for cancellation of the repurchase of shares on March 1, 2024, and the conversion price of the convertible bond was adjusted accordingly to RMB8.87 per share on March 4, 2024. Upon the implementation of the 2023 Equity Distribution Plan by the Company on June 19, 2024, the conversion price of the convertible bond was adjusted to RMB8.74 per share accordingly on June 19, 2024. Upon the implementation of the 2024 Interim Equity Distribution Plan by the Company on November 8, 2024, the conversion price of the convertible bond was adjusted to RMB8.64 per share accordingly on November 8, 2024. Upon the implementation of the 2024 Q3 Equity Distribution Plan by the Company on December 19, 2024, the conversion price of the convertible bond was adjusted to RMB8.59 per share accordingly on December 19, 2024. Upon the implementation of the 2024 Equity

Distribution Plan by the Company on 20 June 2025, the conversion price of the convertible bond was adjusted to RMB8.49 per share accordingly on 20 June 2025. Upon the implementation of the 2025 Interim Equity Distribution Plan by the Company on 23 October 2025, the conversion price of the convertible bond was adjusted to RMB8.39 per share accordingly on 23 October 2025.

### 34. Lease liabilities

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Lease payments	111,879,716.39	133,128,147.33
Unrecognized financing expenses	-21,634,096.59	-26,662,656.50
Lease liabilities matured within 1 year	-16,086,352.54	-15,112,170.03
Total	74,159,267.26	91,353,320.80

Other notes:

Interest expense on lease liabilities accrued in 2025 amounted to RMB4,417,854.04, which was recognized in financial expenses — interest expense in the same amount.

### 35. Long-term Payroll Payable

#### (1) List of long-term payroll payable

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
III. Other long-term welfare	58,241,342.34	58,494,991.36
Total	58,241,342.34	58,494,991.36

### 36. Deferred Income

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance	Source
Government grants	145,395,121.11	1,415,000.00	7,336,826.18	139,473,294.93	Government grants
Total	145,395,121.11	1,415,000.00	7,336,826.18	139,473,294.93	--

Other notes:

Refer to Note XI Government Grants for the government grants included in the deferred income

### 37. Share Capital

Unit: RMB

	Balance at the beginning of the period	Change this time (+, -)					Ending balance
		New shares issued	Shares as dividend converted from profit	Capitalization of reserves	Other	Subtotal	
Total shares	817,306,010.00				910.00	910.00	817,306,920.00

Other notes:

During the current period, the Company converted 910.00 shares of convertible bonds into equity.

### 38. Other Equity Instruments

#### (1) Changes of outstanding financial instruments such as preferred shares and perpetual bonds at the period-end

Unit: RMB

Outstanding financial instruments	Period-beginning		Increase in the reporting period		Decrease in the reporting period		Period-end	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Convertible debt to equity		71,383,438.11				392.65		71,383,045.46
Total		71,383,438.11				392.65		71,383,045.46

### 39. Capital Reserves

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	125,363,080.00	7,478.86		125,370,558.86
Other capital reserves	53,155,587.31	406,008.85		53,561,596.16
Total	178,518,667.31	413,487.71		178,932,155.02

Other notes, including a description of the increase or decrease for the current period and the reasons for the change:

The conversion of convertible bonds during the period increased capital reserve — share premium by RMB7,478.86; the recovery of restricted shares from departing participants under the restricted stock incentive plan increased other capital reserves by RMB405,921.27.

### 40. Other comprehensive income

Unit: RMB

Item	Balance at the beginning of the period	Amount accounted for in the current period						Ending balance
		Amount before deducting income tax for the current period	Less: Amount recognized as other comprehensive income in the previous period and transferred to profits and losses in the reporting period	Less: Amount recognized as other comprehensive income in the previous period and transferred to retained earnings in the reporting period	Less: Income tax expense	Attributable to the parent company after tax	Attributable minority shareholders after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	166,925,985.26	-58,215,818.20			1,425.91	-58,213,017.80	-4,226.31	108,712,967.46
Differences arising from the translation of foreign currency-denominated	166,966,834.99	-58,225,324.32				-58,225,324.32		108,741,510.67

financial statements								
The changes of accounts receivables financing in fair value	-40,849.73	9,506.12			1,425.91	12,306.52	-4,226.31	-28,543.21
Total of other comprehensive income	166,925,985.26	58,215,818.20	-		1,425.91	58,213,017.80	-4,226.31	108,712,967.46

#### 41. Specific Reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
Safety production fund		5,695,543.82	5,695,543.82	
Total		5,695,543.82	5,695,543.82	

#### 42. Surplus reserves

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance
Other capital reserves	1,268,087,709.86	59,789,289.95		1,327,876,999.81
Statutory surplus reserves	3,341,572.58			3,341,572.58
Total	1,271,429,282.44	59,789,289.95		1,331,218,572.39

#### 43. Retained Earnings

Unit: RMB

Item	The current period	The previous period
Beginning balance of retained earnings before adjustments	6,933,165,006.16	6,762,457,543.07
Beginning balance of retained earnings after adjustments	6,933,165,006.16	6,762,457,543.07
Add: Net profit attributable to owners of the parent company	593,586,067.81	410,321,398.17
Less: Withdrawal of statutory surplus reserves	59,789,289.95	10,768,267.10
Dividends of common shares payable	163,461,257.30	228,845,667.98
Ending retained profits	7,303,500,526.72	6,933,165,006.16

Details on adjustment of retained earnings at the beginning of the period:

- 1) The retained earnings at the beginning of the period are adjusted by RMB0.00 due to the retroactive adjustment according to the *Accounting Standards for Business Enterprises* and relevant new provisions.
- 2) The retained earnings at the beginning of the period are adjusted by RMB0.00 due to changes in accounting policies.
- 3) The retained earnings at the beginning of the period are adjusted by RMB0.00 due to correction of major accounting errors.
- 4) The retained earnings at the beginning of the period are adjusted by RMB0.00 due to changes in the combination scope arising from the same control.
- 5) The retained earnings at the beginning of the period are adjusted by RMB0.00 in total due to other adjustments.

**44. Operating revenue and cost of sales**

Unit: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Income	Cost	Income	Cost
Main operations	5,772,121,159.15	4,437,502,132.05	5,938,910,476.56	4,522,353,436.84
Others	132,187,565.73	108,622,060.32	151,704,548.64	121,225,507.79
Total	5,904,308,724.88	4,546,124,192.37	6,090,615,025.20	4,643,578,944.63

The lowest of the Company's audited total profit, net profit, and net profit after the deduction of exceptional gains and losses during the Reporting Period was negative.

Yes  No

**45. Taxes and surcharges**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
City maintenance & construction tax	15,695,814.14	15,631,280.11
Educational fee	6,901,141.36	6,743,881.62
Tax on natural resources	371,574.00	452,338.60
Real estate tax	21,862,772.47	21,869,937.53
Land use tax	9,274,736.67	9,267,774.49
Vehicle and vessel usage tax	69,142.17	73,457.91
Stamp duty	2,175,820.16	2,752,099.21
Local education surcharge	4,494,760.00	4,495,921.14
Environmental protection tax	847,382.24	1,163,746.03
Total	61,693,143.21	62,450,436.64

Other notes:

Please refer to Note VI. Taxes for details of various taxes and surcharges standards for calculation and payment.

**46. Administrative expense**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Salary	140,303,977.09	151,357,352.41
Warehouse funding	37,934,415.72	37,943,652.85
Depreciation charge	37,570,294.25	35,024,005.14
Office operating fee	23,171,598.43	23,139,520.72
Restricted stock incentive expenses		2,817,226.19
Amortization of intangible assets	10,861,155.58	13,540,031.82
Labor-union expenditure	10,677,669.06	12,900,758.43
Travel expense	11,360,838.99	11,242,624.14
Security service charges	10,114,454.40	9,637,131.16
Decoration & repair expenses	6,995,672.62	5,797,832.50
Employee education budget	7,710,265.72	7,570,924.52
Energy cost	5,777,602.39	6,788,543.36
Insurance premium	5,057,554.16	3,810,379.01
Audit and assessment fees	4,036,048.54	3,470,923.10
Others	25,927,157.70	19,286,067.76
Total	337,498,704.65	344,326,973.11

**47. Selling expense**

Unit: RMB

Item	Amount accounted for in the current	Amount accounted for in the previous
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	period	period
Salaries	65,997,888.66	64,888,185.22
Sales service expenses	22,182,245.72	23,663,931.01
Advertising expense	21,303,120.24	22,152,800.12
Depreciation charge	4,823,494.80	6,730,304.45
Expense for repairmen and loss	7,963,592.31	3,787,945.84
Business entertainment expenses	4,107,115.35	5,577,169.95
Travel expenses	8,296,586.20	7,551,720.70
Insurance	1,597,461.68	2,083,319.33
Office cost	1,487,339.36	1,819,802.88
Inspection fees	2,843,999.22	2,133,986.68
Other	7,346,679.57	10,615,273.17
<b>Total</b>	<b>147,949,523.11</b>	<b>151,004,439.35</b>

#### Other notes:

The increase in repair material consumption was primarily attributable to asset renovation within the sales department, and the increase in inspection fees was primarily due to a higher number of inspections requested by certain customers.

#### 48. R&D expense

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Labor cost	105,144,332.79	111,941,746.30
Material expense	58,613,476.70	63,752,049.15
Depreciation charge	16,567,167.11	17,615,844.34
Other	11,907,782.65	13,511,281.92
<b>Total</b>	<b>192,232,759.25</b>	<b>206,820,921.71</b>

#### 49. Financial expenses

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Interest expense	96,258,875.39	102,900,852.62
Less: Capitalized interest		
Interest income	-70,150,613.36	-60,956,758.61
Foreign exchange gains or losses	24,716,383.45	-51,830,925.57
Less: Capitalized foreign exchange gains or losses		
Commission charge and other	6,648,888.57	6,136,645.25
<b>Total</b>	<b>57,473,534.05</b>	<b>-3,750,186.31</b>

#### 50. Other income

Unit: RMB

Sources	Amount accounted for in the current period	Amount accounted for in the previous period
Subsidies for equipment	5,831,228.28	5,831,228.28
Subsidy for environmental protection	396,018.86	953,396.23
Human resources subsidy	4,357,806.73	5,460,951.18
Additional tax deductions and tax relief	9,571,020.32	17,985,047.46
R&D subsidy	424,624.01	460,115.21
Subsidies for the price of heating coal	200,000.00	
Special fund for foreign trade and commerce and circulation	3,349,760.36	691,350.26
Land subsidy	1,354,251.84	1,354,251.84
Financing subsidy		700,000.00
Greening and landscaping maintenance subsidy	300,000.00	

Rebate of surcharges for withholding taxes	255,371.17	394,664.87
Reward for science and technology	50,000.00	50,000.00
Subsidy for public rental housing	48,231.48	48,231.48
Reward or funding for supporting high-quality development		200,000.00
Design reward		71,000.00
<b>Total</b>	<b>26,138,313.05</b>	<b>34,200,236.81</b>

## 51. Gain on changes in fair value

Unit: RMB

Sources of gain on changes in fair value	Amount accounted for in the current period	Amount accounted for in the previous period
Held-for-trading financial assets	-71,663,917.61	-121,753,892.40
Of which: Gain on changes in fair value generated by derivative financial instruments	2,356,360.63	-5,766,681.34
Held-for-trading financial liabilities	15,858,713.22	30,927,118.25
<b>Total</b>	<b>-55,805,204.39</b>	<b>-90,826,774.15</b>

Other notes:

The details of the gain on changes in fair value in held-for-trading financial assets are as follows:

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Trading equity instrument investments - Equity investments	-73,826,741.74	-114,115,577.69
Trading debt instrument investments - Debt investments	-193,536.50	-1,871,633.37
Derivatives not designated as hedging	2,356,360.63	-5,766,681.34
Included: Forward foreign exchange contracts	2,253,000.00	
Other	103,360.63	-5,766,681.34
<b>Total</b>	<b>-71,663,917.61</b>	<b>-121,753,892.40</b>

## 52. Return on investment

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity return on investment calculated by the equity method	-6,339,687.10	-23,453,208.48
Return on investment from holding of held-for-trading financial asset	22,146,910.82	8,650,404.35
Return on investment from disposal of held-for-trading financial assets	242,523,702.74	-35,880,032.08
Interest income from debt investments during the holding period	4,265,781.13	4,176,585.64
<b>Total</b>	<b>262,596,707.59</b>	<b>-46,506,250.57</b>

Other notes:

The details of return on investment obtained from the disposal of held-for-trading financial assets are as follows:

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Trading equity instrument investments - Equity investments	250,676,957.11	1,376,121.43
Trading debt instrument investments - Debt investments	1,375,487.34	136,311.38
Derivatives not designated as hedging	-9,528,741.71	-37,392,464.89
Included: Forward foreign exchange contracts	5,760,865.47	-4,694,000.00
Others	-15,289,607.18	-32,698,464.89
<b>Total</b>	<b>242,523,702.74</b>	<b>-35,880,032.08</b>

**53. Credit impairment loss**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Bad debt loss of notes receivable	-124,030.25	-20,000.00
Loss on uncollectible accounts receivable	-23,851,388.31	-2,992,091.75
Loss on uncollectible other receivables	-11,033,436.11	4,425.40
Bad debt losses on dividend receivable	-66,694.07	
Total	-35,075,548.74	-3,007,666.35

**54. Asset impairment loss**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
I. Inventory Falling Price Loss and Impairment Provision for Contract Performance Costs	-64,868,503.62	-77,535,640.73
IV. Impairment loss on fixed assets	-15,555,400.98	-32,597,860.48
Total	-80,423,904.60	-110,133,501.21

**55. Asset disposal income**

Unit: RMB

Source of asset disposal income	Amount accounted for in the current period	Amount accounted for in the previous period
Fixed asset disposal income ("-" for loss)	557,462.64	-3,139,466.60

**56. Non-operating revenue**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount Included in the Current Exceptional Gains and Losses
Claim income	9,484,734.95	5,774,318.01	9,484,734.95
Carbon emission allowance income	6,611,667.82		6,611,667.82
Other	2,598,052.10	3,800,622.34	2,598,052.10
Total	18,694,454.87	9,574,940.35	18,694,454.87

**57. Non-operating expense**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount Included in the Current Exceptional Gains and Losses
Donations	3,727,042.96	970,430.10	3,727,042.96
Losses from damage and scrap of non-current assets	97,182.63	2,342,251.07	97,182.63
Other	1,054,669.90	5,221,406.37	1,054,669.90
Total	4,878,895.49	8,534,087.54	4,878,895.49

**58. Income tax expense****(1) List of income tax expense**

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
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Income tax expenses of the reporting period	108,394,835.10	55,890,058.99
Deferred income tax expense	-20,046,826.36	-14,340,865.19
Total	88,348,008.74	41,549,193.80

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

Unit: RMB

Item	Amount accounted for in the current period	
Total profits	693,140,253.17	
Current income tax expense accounted at statutory/applicable tax rate	103,971,037.98	
Influence of applying different tax rates by subsidiaries	-6,231,109.71	
Influence of income tax before adjustment	855,942.71	
Influence of non-taxable income	-2,948,716.33	
Influence of not deductible costs, expenses and losses	6,156,221.39	
Influence of utilizing deductible losses of unrecognized deferred income tax assets from prior years	598.15	
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	5,952,837.57	
Influence of additional deduction of R&D expenses (filled in with "-")	-19,332,516.91	
Influence of other expense deduction (filled in with "-")	-76,286.11	
Income tax expense	88,348,008.74	

## 59. Cash Flow Statement

### (1) Cash related to operating activities

Cash generated from other operating activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Government grants	10,558,762.06	8,844,125.34
Claim income	5,784,051.88	6,749,891.76
Refund of prepaid income tax		4,524,464.01
Recovery of employee borrowings, petty cash and deposit	23,528,157.85	15,299,763.96
Collection for employees	6,049,533.26	7,175,308.33
Carbon emission allowance income	7,008,367.90	
Other	2,653,553.04	1,942,997.19
Total	55,582,425.99	44,536,550.59

Notes to other cash received related to operating activities:

Other cash paid related to operating activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Business travel charges	43,868,558.86	46,363,110.18
Insurance	6,575,539.81	4,816,280.91
Audit advisory announcement fee	5,481,712.01	8,021,658.82
Decoration fee	11,696,368.16	16,812,233.45
Donation	2,633,635.54	1,265,841.05
Payment of employee borrowings, petty cash and deposit	22,942,234.41	16,786,177.27
Agency service fee	24,209,440.36	25,314,251.64
Other	68,960,167.92	32,694,802.04
Total	186,367,657.07	152,074,355.36

**(2) Cash related to investing activities**

Cash generated from other investing activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Interest income	64,198,894.91	50,343,450.79
Forward exchange contract income	9,518,960.00	920,000.00
Time deposit maturity	773,484,482.54	666,771,403.91
Recovery of cash deposit	48,216,444.29	1,614,069.75
<b>Total</b>	<b>895,418,781.74</b>	<b>719,648,924.45</b>

Cash generated from important investing activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Government bond reverse repo	5,785,056,000.00	321,061,000.00
Structural deposits	4,447,100,000.00	699,200,000.00
Wealth management products	199,700,000.00	
<b>Total</b>	<b>10,431,856,000.00</b>	<b>1,020,261,000.00</b>

Notes to other cash received related to investing activities:

Other cash paid related to investing activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Forward settlement exchange loss	1,505,094.53	5,614,000.00
Term deposits	376,110,108.04	1,532,102,982.54
Deposit for recognizance	2,250,000.00	
<b>Total</b>	<b>379,865,202.57</b>	<b>1,537,716,982.54</b>

Cash used in significant investing activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Government bond reverse repo	5,788,056,000.00	270,102,000.56
Structural deposits	4,877,100,000.00	779,200,000.00
Wealth management products	49,700,000.00	150,000,000.00
<b>Total</b>	<b>10,714,856,000.00</b>	<b>1,199,302,000.56</b>

**(3) Cash Related to Financing Activities**

Cash used in other financing activities

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Repayment of lease liabilities and prepaid rent	18,744,545.19	20,964,987.89
B shares repurchase		37,825,088.34
<b>Total</b>	<b>18,744,545.19</b>	<b>58,790,076.23</b>

Changes in liabilities arising from financing activities

Applicable  Not applicable

Unit: RMB

Item	Balance at the beginning of the period	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term loan	849,686,824.33	1,432,452,555.90	30,897,220.94	1,642,575,692.90	17,624,035.38	652,836,872.89
Long-term borrowings	408,920,511.93	170,000,000.00	6,250,639.25	21,832,025.85		563,339,125.33
Bonds payable	1,509,420,449.46		54,834,277.84	25,197,229.86	7,700.00	1,539,049,797.44
Lease liabilities	106,465,490.83		4,417,854.04	19,065,399.14	1,572,325.93	90,245,619.80
Total	2,874,493,276.55	1,602,452,555.90	96,399,992.07	1,708,670,347.75	19,204,061.31	2,845,471,415.46

## 60. Supplemental Information for Cash Flow Statement

### (1) Supplemental information for cash flow statement

Unit: RMB

Supplemental information	Amount during the current period	Amount of the previous period
1. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	604,792,244.43	426,261,733.01
Add: Provision for asset impairment	115,499,453.34	113,141,167.56
Depreciation of fixed assets, oil-gas assets, and productive biological assets	481,436,141.42	478,703,217.22
Depreciation of right-of-use assets	26,984,297.19	26,592,180.81
Amortization of intangible assets	10,932,498.98	10,757,436.27
Amortization of long-term deferred expenses	2,778,031.22	1,992,490.31
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-557,462.64	3,139,466.60
Losses from scrap of fixed assets (gains: negative)	97,182.63	2,342,251.07
Losses from changes in fair value (gains represented by "-")	55,805,204.39	90,826,774.15
Financial expenses (gains: negative)	50,965,762.14	-11,085,007.09
Investment loss (gains represented by "-")	-262,596,707.59	46,506,250.57
Decrease in deferred income tax assets (gains: negative)	957,944.01	9,318,894.06
Increase in deferred income tax liabilities ("- means decrease)	-21,004,770.37	-23,659,759.25
Decrease in inventory (gains: negative)	-58,387,803.13	74,756,772.23
Decrease in accounts receivable generated from operating activities (gains represented by "-")	-100,831,108.25	-25,459,430.42
Increase in accounts payable used in operating activities (decrease represented by "-")	-194,373,519.68	20,077,714.84
Other		
Net cash flow from operating activities	712,497,388.09	1,244,212,151.94
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debts converted to capital		
Convertible corporate bonds due within one year	1,539,049,797.44	
Fixed asset under financial lease		
Addition of right-of-use assets	3,930,040.58	6,482,765.48
3. Net changes in cash and cash equivalents:		
Closing balance of cash	2,033,439,469.50	1,371,412,259.52
Less: Beginning balance of cash	1,371,412,259.52	1,353,615,305.93
Plus: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	662,027,209.98	17,796,953.59

### (2) Cash and cash equivalents

Unit: RMB

Item	Ending balance	Balance at the beginning of the
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		period
I. Cash	2,033,439,469.50	1,371,412,259.52
Including: Cash on hand	5,336,336.72	4,283,695.11
Bank deposits on demand	1,977,263,322.51	1,367,128,564.41
Other monetary assets on demand	50,839,810.27	
III. Ending balance of cash and cash equivalents	2,033,439,469.50	1,371,412,259.52

### (3) Monetary assets not classified as cash and cash equivalents

Unit: RMB

Item	Amount during the current period	Amount of the previous period	Reasons for not classifying the funds as cash and cash equivalents
Bank deposits - Time deposits with maturity of less than one year	337,219,678.81	673,484,482.54	The Company will hold time deposits to maturity, not for the purpose of meeting short-term cash needs for external payments.
Bank deposits -- interest receivable	24,281,462.47	10,960,046.31	Interest receivable
Other monetary assets — LC margin deposit	1,910,848.94		Deposits for L/Cs
Total	363,411,990.22	684,444,528.85	

## 61. Foreign currency monetary items

### (1) Foreign currency monetary items

Unit: RMB

Item	Foreign currency balance at the end of the reporting period	Foreign exchange risk	Ending balance converted to RMB
Monetary assets			1,610,611,212.79
Of which: USD	216,250,509.48	7.0288	1,519,981,581.04
EUR	78,461.02	8.2355	646,339.85
HKD	1,739,684.58	0.9032	1,571,288.94
JPY	3,789,820.00	0.0448	169,783.93
GBP	27.18	9.4346	256.43
Dong	307,663,474,471.20	0.0002675	82,304,941.85
MMK	1,302,141,056.64	0.0033	4,358,328.30
Riel	901,333,591.00	0.0017	1,578,692.45
Accounts receivable			
Of which: USD	87,334,883.51	7.0288	613,859,429.17
EUR	282,592.15	8.2355	2,333,307.53
HKD			
Dong	34,473,533,368.00	0.0002675	9,222,226.09
MMK	2,142,360,173.00	0.0033	7,170,581.79
Other receivables:			
Of which: USD	1,624,570.74	7.0288	11,418,782.83
EUR	16,620.00	8.2355	136,874.01
JPY	1,350,000.00	0.0448	60,480.00
Dong	73,404,102,577.00	0.0002675	19,636,781.40
MMK	120,538,630.00	0.0033	403,448.57
Accounts payable:			
Of which: USD	10,923,079.56	7.0288	76,776,141.57
JPY	6,399,059.00	0.0448	287,510.20
EUR	45,752.46	8.2355	377,075.46
Dong	50,596,271,876.00	0.0002675	13,535,318.66
MMK	489,182,904.40	0.0033	1,637,318.51
CHF	4,400.00	8.8510	38,944.40
Other payables:			
Of which: USD	37,392.00	7.0288	262,820.90
Dong	418,985,035.00	0.0002675	112,085.25
MMK	1,000,000.00	0.0033	3,953.21
Short-term loans:			
Of which: USD	80,792,925.70	7.0288	567,877,316.16
Dong	246,562,916,450.93	0.0002675	65,959,556.74

Long-term borrowings			
Of which: USD			
EUR			
HKD			

**(2) Notes to overseas entities including: for significant overseas entities, main operating place, recording currency and selection basis shall be disclosed; if there are changes in recording currency, relevant reasons shall be disclosed.**

Applicable  Not applicable

The operating places of the Company's overseas subsidiaries were Hong Kong, Burma, America, Vietnam, Singapore and Cambodia, and the recording currency was HKD for Hong Kong and USD for other overseas companies.

## 62. Lease

### (1) The Company as lessee:

Applicable  Not applicable

Variable lease payments that are not covered in the measurement of the lease liabilities

Applicable  Not applicable

Simplified short-term lease or lease expense for low-value assets

Applicable  Not applicable

Item	Amount accounted for in the current period
Expense relating to short-term leases	491,961.71
Low-value lease expenses	
Variable lease payments that are not covered in the measurement of the lease liabilities	
<b>Total</b>	<b>491,961.71</b>

Circumstances involving sale and leaseback transactions

### (2) The Company was lessor:

Operating leases with the Company as lessor

Applicable  Not applicable

Unit: RMB

Item	Rental income	Of which: Income related to variable lease payments not included in lease receipts
Rental income	3,384,105.19	
<b>Total</b>	<b>3,384,105.19</b>	

Financial leases with the Company as lessor

Applicable  Not applicable

Undiscounted lease receipts for each of the next five years

Applicable  Not applicable

Unit: RMB

Item	Annual undiscounted lease receipts	
	Closing Amount	Opening Amount
First year	807,699.96	1,240,588.20
The second year	173,644.40	426,120.60
The third year	52,378.30	20,160.00
Total undiscounted lease receipts after five years - -	1,033,722.66	1,686,868.80

Reconciliation statement of undiscounted lease receipts and net investment in leases

### (3) Recognition of gain or loss on sales under financial leases with the Company as a manufacturer or distributor

Applicable  Not applicable

## VIII. Research and Development Expenditure

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Labor cost	105,144,332.79	111,941,746.30
Material expense	58,613,476.70	63,752,049.15
Depreciation charge	16,567,167.11	17,615,844.34
Other	11,907,782.65	13,511,281.92
Total	192,232,759.25	206,820,921.71
Of which: Expensed research and development expenditure	192,232,759.25	206,820,921.71

### 1. Development Costs

Item	Balance at the beginning of the period	Increase in the reporting period		Decrease in the reporting period			Ending balance
		Internal development expenditures	Other increase	Recognized as intangible assets	Recognized in profit or loss for the current period	Other decrease	
R&D of products		192,232,759.25			192,232,759.25		
<b>Total</b>		<b>192,232,759.25</b>			<b>192,232,759.25</b>		

## IX. Change of Consolidation Scope

### 1. Disposal of Subsidiary

Whether there were any transactions or events during the period in which control of the subsidiary was lost

Yes  No

Whether there was a step-by-step disposal of investment in a subsidiary through multiple transactions and loss of control during the current period

Yes  No

### 2. Other reasons for changes of consolidation scope

Notes of other changes in the combination scope (e.g., new subsidiaries, liquidation of subsidiaries, etc.) and relevant situations:

During the year, the company deregistered its subsidiary Lu Thai (America) Textile Co., Ltd. During the year, Lulian New Materials, a subsidiary of the company, established a new subsidiary, Tianqin International Investment Co., Ltd.

## X. Equity in Other Entities

### 1. Equity in subsidiary

#### (1) Compositions of the Group

Unit: RMB

Name of subsidiaries	Registered capital	Main operating place	Registration place	Nature of business	Shareholding percentage (%)		Way of gaining
					Directly	Indirectly	
Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter referred to as "Lu Thai (HK)")	128,771,800.00	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai Textile and Apparel Co., Ltd. (hereinafter referred to as "Shanghai Luthai")	20,000,000.00	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
LuFeng Company Limited (hereinafter referred to as "LuFeng Company")	706,160,000.00	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Zibo Lu Qun Textile Co., Ltd. (hereinafter referred to as "Luqun Textile")	168,220,000.00	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Zibo Xinsheng Thermal Power Co., Ltd. (hereinafter referred to as "Xinsheng Power")	162,435,600.00	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as "Lulian New Materials")	900,000,000.00	Zibo	Zibo	Manufacturing industry	75.00%	15,654,746.93	Set-up
Shandong Lujia Import and Export Co., Ltd. (hereinafter referred to as "Lujia Import & Export")	10,000,000.00	Zibo	Zibo	Import and export trade	100.00%		Set-up
Beijing Zhishu Management Consulting Co., Ltd. (hereinafter referred to as "Zhishu Consulting")	2,000,000.00	Beijing	Beijing	Management consulting	100.00%		Set-up
Lu Thai Occupational Training School	100,000.00	Zibo	Zibo	Skill training	100.00%		Set-up

Zibo Banyang Villa Hotel Co., Ltd. (hereinafter referred to as "Banyang Villa")	5,000,000.00	Zibo	Zibo	Catering services	100.00%		Set-up
Hainan Huilin International Holdings Co., Ltd. ("Huilin International")	880,000,000.00	Wenchang	Wenchang	Modern service industry	100.00%		Set-up
TP Company	398,203,876.00	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Set-up
Vanguard Apparel Co., Ltd. (hereinafter referred to as "Vanguard Apparel")	62,337,887.93	Burma	Burma	Manufacturing industry	100.00%		Set-up
Tianyi Apparel Co., Ltd. (hereinafter referred to as "Tianyi Apparel")	10,719,000.00	Burma	Burma	Manufacturing industry	100.00%		Set-up
Tianqin International Investment Co., Ltd. (hereinafter referred to as "Tianqin International")	129,911,892.00	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Set-up
Yuanhui Dividend No. 2 Private Securities Investment Fund ("Yuanhui Fund")					100.00%		Subscribe

Basis of controlling significant structural entities incorporated in the scope of combination:

The structural entity incorporated in the scope of consolidation of the Group is Yuanhui Dividend No. 2 Private Securities Investment Fund. The Group assesses its share of investment holdings, the power it enjoys and variable returns comprehensively and includes the structural entity that the Company has control power into the consolidation scope.

## (2) Significant non-wholly-owned subsidiary

Unit: RMB

Name of subsidiaries	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests in the current period	Dividends declared to be distributed to minority shareholders in the current period	Equity of Non-controlling interests at the end of the period
LuFeng Company	15,654,746.93	11,206,176.62	75,000,000.00	319,041,405.23

## (3) The main financial information of significant not wholly-owned subsidiary

Unit: RMB

Name of subsidiaries	Ending balance						Balance at the beginning of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
LuFeng Company	851,605,157.37	545,711,428.1	1,397,316,585.50	69,938,570.13	46,272,418.96	116,210,989.09	1,096,938,632.	648,235,124.19	1,745,173,756.	156,224,247.67	50,393,232.00	206,617,479.67

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Unit: RMB

Name of subsidiaries	Amount accounted for in the current period				Amount accounted for in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows of operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows of operating activities
LuFeng Company	1,044,912,484.64	42,566,224.76	42,549,319.54	78,615,688.17	1,335,514,726.95	89,930,961.56	89,951,954.04	401,125,951.79

## 2. Equity in joint ventures or associated enterprises

### (1) Significant joint ventures or associated enterprises

Name of joint ventures or associated enterprises	Main operating place	Registration place	Nature of business	Shareholding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	
I. Joint ventures						
II. Associated enterprises						
Haohong Investment	Ningbo	Ningbo	Equity investment	33.33%		Equity method
Haoying Investment	Ningbo	Ningbo	Equity investment	47.62%		Equity method

### (2) Main financial information of significant associated enterprises

Unit: RMB

	Balance at the end of the period/Amount incurred in the Reporting Period		Beginning balance/the same period of last year	
	Haohong Investment	Haoying Investment	Haohong Investment	Haoying Investment
Current assets	57,988,670.36	174,505,531.00	97,221,745.84	193,217,687.26
Non-current assets				
Total assets	57,988,670.36	174,505,531.00	97,221,745.84	193,217,687.26
Current liabilities	3,253,866.05		3,253,866.05	
Non-current liabilities				
Total liabilities	3,253,866.05		3,253,866.05	
Net assets	54,734,804.31	174,505,531.00	93,967,879.79	193,217,687.26
Equity of Non-controlling interests				
Equities attributable to shareholders of the parent company	54,734,804.31	174,505,531.00	93,967,879.79	193,217,687.26
Net assets shares calculated at the shareholding proportion	18,247,919.86	83,099,533.86	31,325,690.58	92,010,262.67
Adjusted items				
- Goodwill				
- Unrealized profits of internal transactions				
- Others		-1,469,536.20		-3,251,681.96
Carrying value of investment to associated enterprises	18,247,919.86	81,629,997.66	31,325,690.58	88,758,580.71
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating revenue				
Net profit	2,366,924.52	-18,712,156.26	-50,801,107.48	-17,117,805.92
Net profit from discontinued operations				
Other integrated income				

Total comprehensive income	2,366,924.52	-18,712,156.26	-50,801,107.48	-17,117,805.92
Dividends received from the associated enterprises in the current period				

## XI. Government Grants

### 1. Government Grants Included in Deferred Income

Category	Balance at the beginning of the period	Increase in the reporting period	Decrease in the reporting period	Ending balance	Source
Government grants	145,395,121.11	1,415,000.00	7,336,826.18	139,473,294.93	Government grants
<b>Total</b>	<b>145,395,121.11</b>	<b>1,415,000.00</b>	<b>7,336,826.18</b>	<b>139,473,294.93</b>	

(1) Government grants included in deferred income and subsequently measured using the gross method

Item	Category	Balance at the beginning of the period	Amount of newly subsidy for the current period	Amounts carried forward to profit or loss for the current period	Other changes	Ending balance	Listed items carried forward to profit or loss for the current period	Related to assets/income
Land subsidy	Financial appropriation	47,996,330.57		1,354,251.84		46,642,078.73	Other gains	Related to assets
Subsidies for equipment	Financial appropriation	86,789,119.00		5,831,228.28		80,957,890.72	Other gains	Related to assets
R&D subsidies	Financial appropriation	9,661,118.29	1,415,000.00	103,114.58		10,973,003.71	Other gains	Related to income
Subsidy for public rental housing	Financial appropriation	948,553.25		48,231.48		900,321.77	Other gains	Related to assets
<b>Total</b>		<b>145,395,121.11</b>	<b>1,415,000.00</b>	<b>7,336,826.18</b>		<b>139,473,294.93</b>		

### 2. Government Grants Included in Current Profit or Loss Using the Gross Method

Item	Category	Amounts included in profit or loss for the current period	Amounts included in profit or loss in the prior period	Listed items included in profit or loss	Related to assets/income
Subsidy for environmental protection	Financial appropriation	396,018.86	953,396.23	Other gains	Related to income
Human resources subsidy	Financial appropriation	4,357,806.73	5,460,951.18	Other gains	Related to income
Subsidies for the price of heating coal	Financial appropriation	200,000.00		Other gains	Related to income
Financing subsidy	Financial appropriation		700,000.00	Other gains	Related to income
Special fund for foreign trade and commerce and circulation	Financial appropriation	3,349,760.36	691,350.26	Other gains	Related to income
Greening and landscaping maintenance subsidy	Financial appropriation	300,000.00		Other gains	Related to income
R&D subsidy	Financial appropriation	321,509.43	230,000.00	Other gains	Related to income

Reward for science and technology	Financial appropriation	50,000.00	50,000.00	Other gains	Related to income
Reward for supporting high-quality development	Financial appropriation		200,000.00	Other gains	Related to income
Design reward	Financial appropriation		71,000.00	Other gains	Related to income
<b>Total</b>		<b>8,975,095.38</b>	<b>8,356,697.67</b>		

### 3. Government Grants Using the Net Method to Reduce Related Costs

Item	Category	Amounts of offsetting related costs in the current period	Amounts of offsetting related costs in the previous period	Listed items of offsetting related costs	Related to assets/income
Financial discount funds for loans	Financial discount	168,666.68	126,041.67	Financial expenses	Related to income
<b>Total</b>		<b>168,666.68</b>	<b>126,041.67</b>		

## XII. Risks Associated with Financial Instruments

### 1. Various types of risks arising from financial instruments

The Company's major financial instruments include monetary assets, notes receivable, accounts receivable, accounts receivable financing, other receivables, other current assets, trading financial assets, other non-current financial assets, other non-current assets - time deposits over one year, accounts payable, other payables, short-term loan, trading financial liabilities, current portion of non-current liabilities, other current liabilities - endorsed outstanding notes, long-term borrowings, bonds payable, lease liabilities, and other equity instruments. Details of various financial instruments are disclosed in relevant Notes. Risks related to these financial instruments, and risk management policies the Company has adopted to reduce these risks are described as follows. The Company management manages and monitors the risk exposure to ensure the above risks are controlled in a limited scope.

#### 1. Risk management objectives and policies

The major risks caused by financial instruments of the Company are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The Company has conducted the risk management to achieve an appropriate balance between the risk and the income and to minimize the adverse influence of financial risks on the Company's financial performance. According to such risk management objective, the Company has formulated corresponding risk management policy to recognize and analyze possible risks encountered by the Company, set the appropriate acceptable risk level and designed corresponding internal control procedures to monitor the Company's risk level. Meanwhile, the Company will regularly review these risk management policies and relevant internal control system so as to cater for the market or respond to any change in the Company's business operations. Accordingly, the Company's internal audit department will also regularly or randomly check whether the internal control system is implemented in conformity with relevant risk management policies.

The Board of Directors shall be responsible for planning and establishing the risk management framework for the Company, determining the Company's risk management policies and relevant guidelines and monitoring the implementation of various risk management measures. However, the Company has established corresponding risk management policies to recognize

and analyze possible risks encountered by the Company. Besides, various risks are specified in these risk management policies, including the credit risk, the liquidity risk and the market risk management etc. On a regular basis, the Company will evaluate the specific marketing environment and various changes in the Company's business operations so as to determine whether any risk management policy and system need be updated.

#### (1) Credit risk

Credit risk means that the Company will suffer any financial losses due to the counterparty's failure in fulfilling the contract obligations.

The Company shall manage the credit risk based on the specific Group Classification, and the credit risk mainly arises from bank deposit, notes receivable, accounts receivable, other receivables and debt investment etc.

The Group's bank deposits are mainly saved in state-owned banks and other large and medium-sized banks. The Group's bank deposits are expected not to suffer any major credit risks.

For notes receivable, accounts receivable, and other accounts receivable, the Company has established relevant policies to control the credit risk exposure. According to the client's financial status, credit record and other factors (including the current market condition), the Company will evaluate the client's credit qualification and set corresponding credit period. The Company regularly monitors the credit records of customers. For customers with bad credit records, the Company adopted corresponding methods, such as written pressing for payment, shortening credit period, and canceling credit period, so as to ensure the Company's overall credit risk is controllable.

The hugest credit risk exposure borne by the Company is the book value of each financial asset reflected in the balance sheet.

In terms of accounts receivable, the top 5 customers in accounts receivable were accounted for 23.88% of the total amount of accounts receivable of the Company (22.16% in 2024). As for other receivables, the top 5 of the ending balance according to the arrears party was accounted for 75.79% of the total amount of other receivables of the Company (69.61% in 2024).

**Debt investment** The Company generally limits its exposure to credit risk

by investing only in securities for which there is an active market (other than long-term strategic investments) and for which the counterpart has a high credit rating.

The Group supervised the changes of credit risk through tracking the published external credit ratings. In order to make sure whether the credit rating was the latest, and whether the credit risk has increased obviously of evaluation report date but not been reflected in the published external ratings, the Company has supplemented through examining the changes of bond yield and the available news and supervision information.

On the balance sheet date, the carrying value of investment in debt obligations of the Company are listed as follows according to report items.

	Ending balance	Closing balance of last year
Held-for-trading financial assets	684,327,576.29	230,874,092.14
Debt investment due within one year		154,176,585.64
<b>Total</b>	<b>684,327,576.29</b>	<b>385,050,677.78</b>

#### (2) Liquidity risk

Liquidity risk refers to the risk of capital shortage encountered by the Company during the cash payment or the settlement of other financial assets.

During the management of liquidity risk, the Company shall reserve and monitor corresponding cash and cash equivalent deemed sufficient by the management so as to meet the Company's operational requirements and mitigate the impact caused by the cash flow fluctuation. The Company's management will monitor the use of bank loans and guarantee the fulfillment of loan agreement. Meanwhile, major financial institutions shall promise to provide the Company with sufficient reserve funds in order to satisfy the short-term and long-term fund demand. The Company shall raise its working capital based on the capital generated from business operations and bank loans.

At the end of the period, the analysis of financial liabilities and off-balance sheet guarantee items held by the Company based on the maturity period of the undiscounted remaining contractual cash flows is as follows:

Item	Ending balance			Total
	Within one year	Within one to five years	Over five years	
Financial liabilities:				
Short-term loan	657,674,037.79			657,674,037.79
Accounts payable	232,348,158.30			232,348,158.30
Other payables	17,580,817.40			17,580,817.40
Long-term borrowings	321,424,010.14	253,279,126.91		574,703,137.05
Bonds payable	1,399,837,000.00			1,399,837,000.00
Lease liabilities	19,781,352.15	49,311,573.87	42,786,790.37	111,879,716.39
<b>Total</b>	<b>2,648,645,375.78</b>	<b>302,590,700.78</b>	<b>42,786,790.37</b>	<b>2,994,022,866.93</b>

At the end of the previous year, the analysis of financial liabilities and off-balance sheet guarantee items held by the Company based on the maturity period of the undiscounted remaining contractual cash flows is as follows:

Item	Closing balance of last year			Total
	Within one year	Within one to five years	Over five years	
Financial liabilities:				
Short-term loan	855,549,333.86			855,549,333.86
Accounts payable	272,079,091.51			272,079,091.51
Other payables	17,437,799.60			17,437,799.60
Long-term borrowings	21,948,346.33	405,344,416.41		427,292,762.74
Bonds payable		1,399,844,700.00		1,399,844,700.00
Lease liabilities	20,183,287.07	58,411,429.64	54,533,430.61	133,128,147.33
<b>Total</b>	<b>1,187,197,858.37</b>	<b>1,863,600,546.05</b>	<b>54,533,430.61</b>	<b>3,105,331,835.04</b>

The amounts of financial liabilities disclosed in the table above represent undiscounted contractual cash flows and may differ from the carrying amounts in the balance sheet.

### (3) Market risk

The financial instrument's market risk refers to the fluctuation risk of fair value of financial instrument or future cash flow caused by the changes of market price, including the interest rate risk, the foreign exchange risk and other price risk.

#### Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments arising from changes in market interest rates. The interest rate can derive from the recognized interest-bearing financial instruments and unrecognized financial instruments (including certain loan commitment).

The Group's interest rate risk mainly arises from the long-term interest-bearing debt, such as the bank loan. Financial liabilities based on the floating interest rate will cause the cash flow interest rate risk to the Company, and financial liabilities based on the fixed interest rate the fair value interest rate risk.

However, the Company has paid close attention the impact of interest rate fluctuations on the Company's interest rate risk. At present, the Company has not taken any interest rate hedging measures. The rise of interest rate will increase the cost of newly-added interest-bearing debts and the interest cost of the Company's unsettled interest-bearing debts based on the floating interest rate, and cause major adverse influence on the Company's financial performance. The management will timely make corresponding adjustment according to the latest market situation, and corresponding interest rate swap will be arranged to reduce the interest rate risk.

The interest-bearing financial instruments held by the Company are as follows (Unit: RMB'0,000):

Item	Amount of Current Period	Amount of the Previous Period
Fixed-interest financial instruments		
Including: short-term loans	61,552.74	70,968.68
Long-term borrowings matured within one year		425
Current portion of bonds payable	153,904.98	
Bonds payable		150,942.04
<b>Total</b>	<b>215,457.72</b>	<b>222,335.73</b>
Floating-interest financial instruments		
Financial assets	68,432.76	38,505.07
Including: Held-for-trading financial assets	68,432.76	23,087.41
Debt investment due within one year		15,417.66
Financial liabilities	58,164.86	40,467.05
Including: short-term loans	1,830.95	
Long-term borrowings matured within one year	31,542.64	842.64
Long-term borrowings	24,791.27	39,624.41
<b>Total</b>	<b>126,597.62</b>	<b>78,972.12</b>

On 31 December 2025, if the lending rate calculated at floating interest rate up or down 100 basis points with other variables unchanged, the net profit and shareholders' equity will be decreased or increased about RMB3,439,700 (compared to RMB4,962,300 as of the end of last year).

For financial instruments held at the balance sheet date that expose the Company to fair value interest rate risk, the impact on net income and shareholders' equity in the sensitivity analysis above is the impact of re-measuring the above financial instruments at the new interest rate, assuming that there is a change in interest rates at the balance sheet date. For floating rate non-derivative instruments held at the balance sheet date that expose the Company to cash flow interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of changes in the above interest rates on interest expense or income estimated on an annualized basis. The previous year's analysis was based on the same assumptions and methodology.

#### Foreign exchange risk

Foreign exchange risk is referred to the fluctuation risk of fair value of financial instruments or future cash flows resulted from the change of foreign exchange risk. The foreign exchange risk was originated from the financial instruments denominated in foreign currencies other than the recording currency.

The Company's recognized foreign currency assets and liabilities as well as future foreign currency transactions (the denomination currencies of foreign currency assets and liabilities and foreign currency transactions are mainly USD, Dong, EUR, and HKD) are exposed to foreign exchange risk.

On December 31, 2025, the amount of foreign currency financial assets and foreign currency financial liabilities converted to renminbi is as follows (Unit: RMB'0,000):

Item	Foreign currency liabilities		Foreign currency assets	
	Ending balance	Closing balance of last year	Ending balance	Closing balance of last year
USD	64,491.63	73,605.67	214,525.98	178,017.80
EUR	37.71	18.79	311.65	412.75
JPY	28.75	14.91	23.03	14.43
HKD			157.13	100.84
GBP			0.03	0.02
CHF	3.89			
Dong	7,960.70	7,442.45	11,116.39	6,964.15
MMK	164.13	224.19	1,193.24	710.25
Riel			157.87	96.76
<b>Total</b>	<b>72,686.81</b>	<b>81,306.01</b>	<b>227,485.32</b>	<b>186,317.00</b>

The Group has paid close attention the impact of foreign exchange risk fluctuations on the Group's foreign exchange risk. The Company has signed contracts of futures exchange for the purpose of the aversion of foreign exchange risk. As at the end of each reporting period, for the Company's monetary assets, notes receivable, accounts payable, other payables, short-term loans and long-term borrowings denominated in foreign currencies, assuming a 10% appreciation or depreciation of RMB against foreign currencies, while other factors remain unchanged, the impact of possible reasonable changes in the Company's foreign currency foreign exchange risk against RMB on the Company's profit and loss for the current period is as follows (Unit: RMB'0,000):

foreign exchange risk fluctuations	This year		Last year	
	Impact on after-tax profit	Impact on shareholders' equity	Impact on after-tax profit	Impact on shareholders' equity
10% appreciation against RMB	-13,030.78	-13,030.78	-8,567.83	-8,567.83
10% depreciation against RMB	13,030.78	13,030.78	8,567.83	8,567.83

### Other price risks

Other price risks are the risks of fluctuations due to changes in market prices other than foreign exchange risk and interest rate risk, whether these changes result from factors relating to a single financial instrument or its issuer, or from those relating to all similar financial instruments traded within the market. Other price risks can arise from changes in commodity prices, stock market index, equity instrument prices, and other risk variables.

Investments in listed equity instruments held by the Company, which are classified as transactional financial assets are measured at fair value at the balance sheet date. As a consequence, the Company is undertaking the risk of changes in equity markets.

The Company closely monitors the impact of price changes on the price risk of the Company's investments in equity and securities. The Company does not currently take any steps for other price risk aversion. Nevertheless, the management is liable for supervisory control on other price risks and shall consider reducing the price risk of investments in equity and securities by holding a diversified portfolio investment in equity and securities when required.

With all other variables being constant, the pre-tax impact on the Company's profit or loss for the current period and other comprehensive income of a 10% change in the price of investments in equity and securities for the year is as follows (Unit: RMB'0,000):

Item	After-tax profits up (down)		Other comprehensive income up (down)	
	Amount of Current Period	Amount of the Previous Period	Amount of Current Period	Amount of the Previous Period
Due to increase in the price of investments in equity securities	3,477.30	3,932.29		
Due to a decline in the price of investments in equity securities	-3,477.30	-3,932.29		

## 2. Capital management

The objectives of capital management policies of the Company are to ensure the continuous operation of the Company so as to provide return to shareholders and benefit other stakeholders, as well as to reduce capital cost by maintaining the optimal capital structure.

In order to maintain or adjust capital structure, the Company might adjust financing method and the dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instrument or sell assets to reduce debts.

The Group supervised the capital structure based on the asset-liability ratio (namely total liabilities divide total assets). On December 31, 2025, the asset-liability ratio was 28.19% of the Company (29.49% on December 31, 2024).

## 3. Transfer of financial assets

### (1) Classification of transfer methods

Transfer modality	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Basis for Determining Derecognition
Bills endorsement	Receivables financing	177,437,502.98	Derecognition	Almost all risks and remuneration have been transferred.
Bills discounting	Receivables financing	30,001,100.00	Derecognition	Almost all risks and remuneration have been transferred.
Bills endorsement	4. Notes receivable	25,694,417.18	Not derecognized	
<b>Total</b>		<b>233,133,020.16</b>		

### (2) Financial assets derecognized due to transfer

Item	Transfer modality	Derecognized amount	Gains or Losses Related to Derecognition
Receivables financing	Bills endorsement	177,437,502.98	
Receivables financing	Bills discounting	30,001,100.00	-27,553.95
<b>Total</b>		<b>207,438,602.98</b>	<b>-27,553.95</b>

The total carrying value of the bank acceptance bills endorsed by the Company to the supplier but not due and bank acceptance bills discounted to the bank but not due amounted to RMB233,133,020.16, of which the Company believed that the notes receivable with a carrying value of RMB207,438,602.98 (31 December 2024: RMB154,967,910.84) had transferred almost all risks and rewards at the time of endorsement or discounting, meeting the conditions for derecognition of financial assets. Therefore, the related notes receivable were derecognized. The maximum exposure to risk that continues to be associated with these derecognized notes receivable is equal to the undiscounted cash flows from the repurchase of the notes, which is

equal to the carrying value of the notes receivable. The Company does not consider the continued involvement in the fair value of the derecognized notes receivable to be material.

(3) Amount of assets and liabilities formed due to transfer of financial assets and continuous involvement

Item	Asset transfer methods	Amount of assets formed due to continuous involvement	Amount of liabilities formed due to continuous involvement
4. Notes receivable	Bills endorsement	25,694,417.18	25,694,417.18
<b>Total</b>		<b>25,694,417.18</b>	<b>25,694,417.18</b>

### XIII. Disclosure of Fair Value

#### 1. Ending fair value of assets and liabilities at fair value

Unit: RMB

Item	Closing fair value			Total
	Level-1 fair value measurement	Level-2 fair value measurement	Level-3 fair value measurement	
I. Consistent Fair Value Measurement	--	--	--	--
i. Held-for-trading financial assets		1,094,067,591.31		1,094,067,591.31
1. Financial assets at fair value through profit or loss		1,094,067,591.31		1,094,067,591.31
(1) Investment in debt instruments		684,327,576.29		684,327,576.29
(2) Equity investments		409,094,411.86		409,094,411.86
(3) Derivative financial assets		645,603.16		645,603.16
ii. Accounts receivable financing		10,335,302.96		10,335,302.96
iii. Other non-current financial assets			88,360,000.00	88,360,000.00
II. Non-continuous Fair Value Measurement	--	--	--	--

#### 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

Quoted prices in active markets for identical assets or liabilities (unadjusted).

#### 3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2

The Company determines the fair value of structural deposits and wealth management products based on the prospective earning rate as agreed in the contract.

The Company determines the fair value of fund products based on the changes in net value published by the private equity funds.

The Company determines the fair value of forward options based on bank forward foreign exchange quotations at the end of the period.

#### 4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3

For the unlisted equity investment, the Company adopts the comparable listed company comparison method, and the non-observable input value of the comparable listed company comparison method includes the liquidity discount.

The investment into Shandong Hongqiao Thermolectric Co., Ltd. made by Luqun Textile (the Company's subsidiary) is expected to be held in the long run for obtaining the discount on power purchase. As no revenue distribution right is vested in the investment, the invested unit's operating profit and loss are not shared or borne, and the equity transfer is not proposed, the Company regards it as the financial asset which shall be measured based on the fair value and whose variations are included in the current profit and loss, and the investment cost is deemed as the fair value of the financial asset.

For accounts receivables financing at fair value and the changes included in other comprehensive income, its fair value shall be determined by the discount cash flow method.

## 5. Reconciliation of Fair Value Measurements Classified in Level 3 of the Fair Value Hierarchy

Item (amount for the current period)	Balance at the beginning of the period	Transferred to Level 3	Transferred out of Level 3	Total gains or losses for the current period		Purchase, issuance, sale, and settlement				Ending balance	For assets held at the end of the reporting period, the change in unrealized gains or losses recognized in profit or loss for the current period
				Recognized as profit or loss	Recognized in other comprehensive income	Purchase	Issuance of	Sale	Settlement		
Held-for-trading financial assets:											
Debt instrument investment											
Equity instrument investment											
Other non-current financial assets	82,800,000.00			5,560,000.00						88,360,000.00	5,560,000.00
<b>Total</b>	<b>82,800,000.00</b>			<b>5,560,000.00</b>						<b>88,360,000.00</b>	<b>5,560,000.00</b>

The following is the information on gains and losses related to financial and non-financial assets included in the gains and losses recognized in profit or loss for the current period:

Item (amount for the current period)	Gains and losses related to financial assets	Gains and losses related to non-financial assets
Total gains or losses for the current period recognized in profit or loss	5,560,000.00	
For assets held at the end of the reporting period, the change in unrealized gains or losses recognized in profit or loss for the current period	5,560,000.00	

Item (Amount for the Previous	Balance at the beginning of the period	Transfer in	Transfer out	Total gains or losses for the current period	Purchase, issuance, sale, and settlement	Ending balance	For assets held at the end of the reporting
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Period)				Recognized as profit or loss	Recognized in other comprehensive income	Purchase	Issuance of	Sale	Settlement		period, the change in unrealized gains or losses recognized in profit or loss for the current period
Held-for-trading financial assets:											
Debt instrument investment											
Equity instrument investment											
Other non-current financial assets	88,750,000.00			5,950,000.00						82,800,000.00	-5,950,000.00
<b>Total</b>	<b>88,750,000.00</b>			<b>5,950,000.00</b>						<b>82,800,000.00</b>	<b>-5,950,000.00</b>

The following is the information on gains and losses related to financial and non-financial assets included in the gains and losses recognized in profit or loss for the previous period:

Item (Amount for the Previous Period)	Gains and losses related to financial assets	Gains and losses related to non-financial assets
Total gains or losses for the current period recognized in profit or loss	-5,950,000.00	
For assets held at the end of the reporting period, the change in unrealized gains or losses recognized in profit or loss for the current period	-5,950,000.00	

## 6. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and financial liabilities measured at amortized cost mainly include monetary assets, other non-current assets - time deposits, notes receivable, accounts receivable, other receivables, short-term loan, notes payable, accounts payables, other payables, current portion of long-term borrowings, current portion of bonds payable, long-term borrowings, and bonds payable.

## XIV. Related Party and Related-party Transactions

### 1. Information related to the company as the parent company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the parent company against the company (%)	Proportion of voting rights owned by the parent company against the company (%)
Lucheng Textile	Zibo	Textile, chemistry and investment	6326	17.17%	17.17%

Notes: information on the parent company

The final controllers of the Company are Mr. Liu Zibin and Mr. Liu Deming.

## 2. Subsidiaries of the Company

Refer to Note X-1.

## 3. Information on the joint ventures and associated enterprises of the Company

Refer to Note X-2.

## 4. Information on other related parties

Name	Relationship with the company
Zibo Limin Purified Water Co., Ltd. (hereinafter referred to as "Limin Purified Water")	Wholly-owned subsidiary of the Company as the parent
Zibo Luqun Land Co., Ltd (hereinafter referred to as "Luqun Land")	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as "Lurui Chemical")	Majority-owned subsidiary of the Company as the parent
Zibo Lujia Property Management Co., Ltd. (hereinafter referred to as "Lujia Property")	Wholly-owned subsidiary of the Company as the parent
Hong Kong Tung Hoi International Company Limited (hereinafter referred to as "Tung Hoi International")	Wholly-owned subsidiary of the Company as the parent
Zibo Chengshun Hosiery Co., Ltd. (hereinafter referred to as "Chengshun Hosiery")	Wholly-owned subsidiary of the Company as the parent
Zibo Chengshun Economic and Trade Co., Ltd. (hereinafter referred to as "Chengshun Economic and Trade")	Wholly-owned subsidiary of the Company as the parent
Chengshun Petrochemical (Zhoushan) Co., Ltd. (hereinafter referred to as "Chengshun Petrochemical")	Wholly-owned subsidiary of the Company as the parent
Zibo Lucheng Petrochemical Sales Co., Ltd. (hereinafter referred to as "Lucheng Petrochemical")	Wholly-owned subsidiary of the Company as the parent
Shanghai Hengjiu Textile New Materials Co., Ltd. (hereinafter referred to as "Hengjiu Textile")	Wholly-owned subsidiary of the Company as the parent
Shandong Xirui New Materials Co., Ltd. (hereinafter referred to as the "Xirui New Material")	Subsidiary of the parent company's subsidiary
Zibo Lumei Economic and Trade Co., Ltd. (hereinafter referred to as "Lumei Economic and Trade")	Wholly-owned subsidiary of the Company as the parent
Zibo Hesheng Chemical Trading Co., Ltd. (hereinafter referred to as "Hesheng Chemical Trading")	Subsidiary of the parent company's subsidiary
ZhiFeng (Vietnam) International Trading Co., Ltd. (hereinafter referred to as "ZhiFeng International")	Subsidiary of the parent company's subsidiary
Liu Zibin, Xu Zhinan, Xu Jianlv, Zheng Huisheng, Liu Deming, Zhang Zhanqi, Zhang Keming, Du Lixin, Zhu Beina, Yu Mingtao, Quan Yuhua, Wei Jian, Shang Chenggang, Yu Shouzheng, Liu Zilong, Dong Shibing, Guo Heng, Lv Wenquan, Xu Feng, Zheng Weiyin	Key management personnel

## 5. List of related-party transactions

### (1) Information on acquisition of goods and reception of labor service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Related party transaction	Amount accounted for in the current period	The approval trade credit	Whether exceed trade credit or not	Amount accounted for in the previous period
Chengshun Hosiery	Paper cores, socks, accessories, etc.	6,545,612.36	10,816,666.67	Not	7,391,882.48
Limin Purified Water	Recycled water, sewage treatment, etc.	25,515,029.96	30,580,000.00	Not	25,480,134.69
Lurui Chemical, Donghai International, Hesheng Industry and Trade	Auxiliaries	126,174,665.72	131,900,000.00	Not	113,904,742.76
Chengshun Economic and	Supermarket retail, service fees	2,575,123.31	3,760,000.00	Not	1,641,835.36

Trade					
Lucheng Petrochemical and Chengshun Petrochemical	Oil products, urea, natural gas	51,199,990.42	64,327,333.33	Not	52,370,735.70
Luqun Property	electrical	93,944.07			147,619.12

### Information of sales of goods and provision of labor service

Unit: RMB

Related party	Related party transaction	Amount accounted for in the current period	Amount accounted for in the previous period
Chengshun Hosiery	Materials, electricity, running water, heating, steam	222,131.71	265,162.23
Chengshun Hosiery	Yarn, garments, fabrics	318,190.31	390,647.37
Chengshun Economic and Trade	Materials, electricity, running water, yarn, garments, fabrics, food, heating, steam	353,615.70	443,521.90
Lucheng Petrochemical	electrical	16,322.41	14,652.32
Limin Purified Water	Materials, electricity, apparel, fabric, service fees, equipment	6,756,366.22	6,947,311.98
Limin Purified Water	Sludge treatment		943,396.23
Lurui Fine Chemical	Apparel, fabric, service fees, food	1,326,731.31	1,584,349.53
Lujia Property	Materials, heating	42,669.13	40,571.28
Xirui New Materials	Clothing	27,351.24	550.44
Xirui New Materials	Catering service, drinks, benefits	134,208.19	50,541.98

### (2) Information on related-party lease

The Company was lessor:

Unit: RMB

Name of lessee	Type of leased assets	Rental income recognized in the reporting period	The lease income confirmed in the same period of last year
Chengshun Economic and Trade	Rent of houses and buildings	65,164.00	55,478.67
Chengshun Hosiery	Rent of houses and buildings	16,800.00	16,800.00

The Company was lessee:

Unit: RMB

Name of lessor	Type of leased assets	Rental expense of simplified short-term leases and low-value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rental paid		Interest expenses on lease liabilities borne		Added right-of-use assets	
		Amount accounted for in the current period	Amount accounted for in the previous period	Amount accounted for in the current period	Amount accounted for in the previous period	Amount accounted for in the current period	Amount accounted for in the previous period	Amount accounted for in the current period	Amount accounted for in the previous period	Amount accounted for in the current period	Amount accounted for in the previous period
Lucheng Textile	Rent of land					3,614,857.20	3,614,857.20	848,685.23	974,130.19		
Lucheng Textile	Rent of gas station					233,142.84	233,142.84	93,358.18	99,697.35		
Lucheng Textile	Rent of buildings					11,022,228.60	11,022,228.60	1,621,268.14	2,122,455.64		
Luqun	Rent of					1,971,428.	1,971,428.52	1,045,979.6	1,087,948.3		

Property	land and buildings				52		2	9		
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### (3) Information on remuneration for key management personnel

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Remuneration for key management members	15,176,205.56	14,913,891.17

## 6. Accounts receivable and payable of related party

### (1) Accounts payable

Unit: RMB

Item	Related party	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Accounts payable	Lurui Fine Chemical	708,092.56	230,514.74
Accounts payable	Tung Hoi International	8,053,417.70	3,445,679.03
Accounts payable	Hesheng Trade	920,603.97	

## XV. Commitments and Contingencies

### 1. Significant Commitments

Significant commitments on balance sheet date

#### (1) Capital commitments

Commitments signed but hasn't been recognized in financial statements	Ending balance	Closing balance of last year
Commitment on constructing and purchasing long-lived assets (RMB'0,000)	9,328.14	3,244.50

### 2. Contingency

#### (1) Explanation shall be given even if there is no significant contingency for the Company to disclose

There was no significant contingency in the Company to disclose.

## XVI. Post-balance Sheet Matters

### 1. Distribution of Profit

Amount to be distributed for every ten shares (RMB)	1.50
Dividend shares to be distributed for every ten shares (share)	0
Number of shares to be converted into share capital for every ten shares (share)	0
Amount to be distributed for every ten shares after consideration and approval (RMB)	1.50
Dividend shares to be distributed for every ten shares after consideration and approval	0
Number of shares to be converted into share capital for every ten shares after consideration and approval (share)	0
Distribution of profit	On 15 April 2026, the eighth meeting of the Eleventh Board of Directors approved the 2025 Equity Distribution Plan: based on the total share capital of 817,525,607.00 shares as of the end of the convertible bond conversion period, the Company proposes to distribute RMB1.50 (tax

inclusive) per 10 shares, with total proposed cash dividends of RMB122,628,841.05. The above distribution plan will be implemented after it is submitted to the 2025 Annual General Meeting of Shareholders for consideration and approval.

## 2. Notes to other events after balance sheet date

As at April 15, 2026, the Company has no other events after balance sheet date that should be disclosed.

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

### 1. Accounts receivable

#### (1) Disclosure by aging

Unit: RMB

Aging	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Within one year (inclusive)	447,952,834.23	405,094,184.12
One to two years	2,058,512.47	1,507,926.77
Two to three years	798,993.21	550,870.00
More than three years	795,210.00	367,200.00
Three to four years	550,870.00	200,763.00
Four to five years	107,200.00	166,437.00
Over 5 years	137,140.00	
Total	451,605,549.91	407,520,180.89

#### (2) Disclosure by withdrawal methods for bad debts

Unit: RMB

Category	Ending balance					Balance at the beginning of the period				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Operating revenue	Proportion	Operating revenue	Withdrawal proportion		Operating revenue	Proportion	Operating revenue	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	2,675,133.33	0.59%	2,675,133.33	100.00%	0.00	1,380,525.86	0.34%	1,380,525.86	100.00%	
Including:										
Accounts receivable of bad debt provision by portfolio	448,930,416.58	99.41%	27,576,420.06	6.14%	421,353,996.52	406,139,655.03	99.66%	24,795,853.37	6.11%	381,343,801.66
Including:										
Group 1: Undue accounts (L/C)	58,751,484.97	13.01%			58,751,484.97	53,016,898.75	13.01%			53,016,898.75
Group 2: Undue accounts (excluding L/C)	337,021,632.71	74.63%	15,165,973.47	4.50%	321,855,659.24	309,799,759.34	76.02%	15,038,520.28	4.85%	294,761,239.06
Portfolio 3: Overdue amounts	53,157,298.90	11.77%	12,410,446.59	23.35%	40,746,852.31	43,322,996.94	10.63%	9,757,333.09	22.52%	33,565,663.85
Total	451,605,549.91	100.00%	30,251,553.39	6.70%	421,353,996.52	407,520,180.89	100.00%	26,176,379.23	6.42%	381,343,801.66

## Bad debt provision separately accrued: 2025

Unit: RMB

Name	Balance at the beginning of the period		Ending balance			
	Book value	Bad debt provision	Book value	Bad debt provision	Withdrawal proportion	Reasons for the provision
Customer 1	1,380,525.86	1,380,525.86	1,600,187.96	1,600,187.96	100.00%	Customer in financial difficulty
Customer 2			640,627.61	640,627.61	100.00%	Customer in financial difficulty
Customer 3			327,314.12	327,314.12	100.00%	Customer in financial difficulty
Customer 4			107,003.64	107,003.64	100.00%	Customer in financial difficulty
<b>Total</b>	<b>1,380,525.86</b>	<b>1,380,525.86</b>	<b>2,675,133.33</b>	<b>2,675,133.33</b>		

If adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable:

Applicable  Not applicable

**(3) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period**

Withdrawal of bad debt provision:

Unit: RMB

Category	Balance at the beginning of the period	Change in the reporting period				Ending balance
		Accrual	Reversed or recovered	Write-offs	Other	
Bad debt provision	26,176,379.23	3,853,109.32	-225,109.87	3,045.03		30,251,553.39
<b>Total</b>	<b>26,176,379.23</b>	<b>3,853,109.32</b>	<b>-225,109.87</b>	<b>3,045.03</b>		<b>30,251,553.39</b>

**(4) Accounts receivable written-off in the current period**

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	3,045.03

Notes to verification of accounts receivable:

There were no write-offs of significant accounts receivable.

**(5) Top 5 of the closing balance of the accounts receivable and the contract assets collected according to arrears party**

Unit: RMB

Name	Closing balance of accounts receivable	Closing balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to total closing balance of accounts receivable and contract assets	Closing balance of bad debt provision of accounts receivable and asset impairment provision for contract assets
Qiming Apparel Co., Ltd.	66,879,240.83		66,879,240.83	14.81%	3,009,565.84

Chenfeng (Jiangsu) Textile Co., Ltd.	60,080,047.64		60,080,047.64	13.30%	7,540,822.33
SH Company	28,928,376.98		28,928,376.98	6.41%	1,301,776.96
Vanguard Apparel Co., Ltd.	18,426,530.51		18,426,530.51	4.08%	829,193.87
Customer D	12,365,044.65		12,365,044.65	2.74%	8,222.44
<b>Total</b>	<b>186,679,240.61</b>		<b>186,679,240.61</b>	<b>41.34%</b>	<b>12,689,581.44</b>

## 2. Notes Receivable

Category	Ending balance			Closing balance of last year		
	Book value	Bad debt provision	Carrying amount	Book value	Bad debt provision	Carrying amount
Bank acceptance bills	19,476,548.19		19,476,548.19	34,575,445.32		34,575,445.32
Commercial acceptance bills	2,880,604.93	144,030.25	2,736,574.68	400,000.00	20,000.00	380,000.00
<b>Total</b>	<b>22,357,153.12</b>	<b>144,030.25</b>	<b>22,213,122.87</b>	<b>34,975,445.32</b>	<b>20,000.00</b>	<b>34,955,445.32</b>

(1) At the end of the period, the Company has no pledged receivables

(2) At the end of the period, the Company has endorsed or discounted receivables that are not yet due

Category	Derecognized amount at the end of the reporting period	Non-derecognized amount at the end of the reporting period
Bank acceptance bills		19,183,768.10
Commercial acceptance bills notes		190,000.00
<b>Total</b>		<b>19,373,768.10</b>

(3) Disclosure by withdrawal methods for Bad debt provision

Category	Ending balance					Closing balance of last year				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Operating revenue	Percentage (%)	Operating revenue	Expected credit loss rate (%)		Operating revenue	Percentage (%)	Operating revenue	Expected credit loss rate (%)	
Bad debt provision separately accrued										
Provision for bad debts by groupings	22,357,153.12	100	144,030.25	0.64	22,213,122.87	34,975,445.32	100	20,000.00	0.06	34,955,445.32
Including:										
Commercial acceptance bills	2,880,604.93	12.88	144,030.25	5	2,736,574.68	400,000.00	1.14	20,000.00	5	380,000.00
Bank acceptance bills with low credit ratings	19,476,548.19	87.12			19,476,548.19	34,575,445.32	98.86			34,575,445.32
<b>Total</b>	<b>22,357,153.12</b>	<b>100</b>	<b>144,030.25</b>		<b>22,213,122.87</b>	<b>34,975,445.32</b>	<b>100</b>	<b>20,000.00</b>		<b>34,955,445.32</b>

Receivables for which bad debt provisions are made on a portfolio basis Portfolio provision item: Bank acceptance bills with low credit ratings

Name	Ending balance		
	4. Notes receivable	Bad debt provision	Expected credit loss rate (%)
Bank acceptance bills with low credit ratings	19,476,548.19		

<b>Total</b>	<b>19,476,548.19</b>		
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Note: Based on the fact that the likelihood of loss on the notes receivable is minimal and the amount of expected credit losses on the notes receivable is not material, the Company has not provided for Bad debt provision on the notes receivable.

Item for which bad debt provision is accrued by portfolio: Commercial acceptance bills

Name	Ending balance			Closing balance of last year		
	4. Notes receivable	Bad debt provision	Expected credit loss rate (%)	4. Notes receivable	Bad debt provision	Expected credit loss rate (%)
Commercial acceptance bills	2,880,604.93	144,030.25	5.00	400,000.00	20,000.00	5.00
<b>Total</b>	<b>2,880,604.93</b>	<b>144,030.25</b>	<b>5.00</b>	<b>400,000.00</b>	<b>20,000.00</b>	<b>5.00</b>

#### (4) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

	Amount of Bad Debt Provision
Balance at the beginning of the period	20,000.00
Withdrawal of the Current Period	124,030.25
Recovery or transfer in the current period	
Write-off in the Reporting Period	
Ending balance	144,030.25

### 3. Other Receivables

Unit: RMB

Item	Ending balance	Balance at the beginning of the period
Other receivables	1,439,542,031.30	1,444,344,599.59
<b>Total</b>	<b>1,439,542,031.30</b>	<b>1,444,344,599.59</b>

#### (1) Other receivables

##### 1) Other receivables classified by nature

Unit: RMB

Nature	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Trading funds	1,429,802,870.14	1,438,423,895.04
Export rebates	2,938,078.95	
Payment on behalf	6,556,079.00	6,572,485.56
Guarantee deposit and cash deposit	1,793,585.03	2,109,217.68
Borrowings and petty cash	940,291.04	949,740.81
Other	3,958,251.59	2,656,594.02
<b>Total</b>	<b>1,445,989,155.75</b>	<b>1,450,711,933.11</b>

##### 2) Disclosure by aging

Unit: RMB

Aging	Closing Carrying Balance	Carrying Balance at the Beginning of the Period
Within one year (inclusive)	1,135,915,012.24	1,371,173,184.48
One to two years	237,366,753.23	27,700,512.72
Two to three years	26,699,785.22	13,105,000.00
More than three years	46,007,605.06	38,733,235.91
Three to four years	12,651,840.00	36,109,026.05
Four to five years	31,109,026.05	
Over 5 years	2,246,739.01	2,624,209.86
<b>Total</b>	<b>1,445,989,155.75</b>	<b>1,450,711,933.11</b>

### 3) Disclosure by withdrawal methods for bad debts

Unit: RMB

Category	Ending balance					Balance at the beginning of the period				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Operating revenue	Proportion	Operating revenue	Withdrawal proportion		Operating revenue	Proportion	Operating revenue	Withdrawal proportion	
Including:										
Provision for bad debts by groupings	1,445,989,155.75	100.00%	6,447,124.45	0.45%	1,439,542,031.30	1,450,711,933.11	100.00%	6,367,333.52	0.44%	1,444,344,599.59
Including:										
Bad debt provision in Stage 1	1,443,161,404.69	99.80%	4,957,335.34	0.34%	1,438,204,069.35	1,447,622,162.05	99.79%	4,775,185.04	0.33%	1,442,846,977.01
Bad debt provision in Stage 2	2,614,739.01	0.18%	1,276,777.06	48.83%	1,337,961.95	2,926,759.01	0.20%	1,429,136.43	48.83%	1,497,622.58
Bad debt provision in Stage 3	213,012.05	0.02%	213,012.05	100.00%	0.00	163,012.05	0.01%	163,012.05	100.00%	0.00
Total	1,445,989,155.75	100.00%	6,447,124.45	0.45%	1,439,542,031.30	1,450,711,933.11	100.00%	6,367,333.52	0.44%	1,444,344,599.59

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss of the next 12 months	Expected credit loss in the duration (credit impairment not occurred)	Expected credit loss in the duration (credit impairment occurred)	
Balance of January 1, 2025	4,775,185.04	1,429,136.43	163,012.05	6,367,333.52
Balance of January 1, 2025 in the current period				
Withdrawal of the Current Period	182,150.30	-152,359.37	51,262.55	81,053.48
Write-off in the Reporting Period			1,262.55	1,262.55
Balance on December 31, 2025	4,957,335.34	1,276,777.06	213,012.05	6,447,124.45

Basis of classification of stages and percentage of provision for Bad debt provision

Changes of book balance with significant amount changed of loss provision in the current period

Applicable  Not applicable

### 4) Bad Debt Provision Withdrawn, Reversed or Recovered in the Current Period

Withdrawal of bad debt provision:

Unit: RMB

Category	Balance at the beginning of the period	Change in the reporting period				Ending balance
		Accrual	Reversed or recovered	Charged-off/Verification	Other	
Bad debt provision	6,367,333.52	81,053.48		1,262.55		6,447,124.45
Total	6,367,333.52	81,053.48		1,262.55		6,447,124.45

### 5) Top 5 of the Ending balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name	Nature	Ending balance	Aging	Proportion to total closing balance of other receivables %	Ending balance of bad debt provision
WX Company	Intercompany transactions	829,191,768.74	Within one year; one to two years; two to three years; Over three years	57.34%	2,487,575.31
Shandong Lulian New Materials Co., Ltd.	Intercompany transactions	215,486,375.20	Within 1 year, 2 to 3 years and over 3 years	14.90%	646,459.13
XZ Company	Intercompany transactions	155,111,590.59	Within one year	10.73%	465,334.77
Zibo Xinsheng Thermal Power Co., Ltd.	Intercompany transactions	150,000,000.00	Within one year	10.37%	450,000.00
ZJ Company	Intercompany transactions	60,676,237.39	Within one year	4.20%	182,028.71
<b>Total</b>		<b>1,410,465,971.92</b>		<b>97.54%</b>	<b>4,231,397.92</b>

### 4. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book value	Provision for impairment losses	Carrying amount	Book value	Provision for impairment losses	Carrying amount
Investment in subsidiaries	3,766,117,944.25		3,766,117,944.25	3,776,326,276.50	10,209,050.00	3,766,117,226.50
Investment to joint ventures and associated enterprises	99,877,917.52		99,877,917.52	120,084,271.29		120,084,271.29
<b>Total</b>	<b>3,865,995,861.77</b>		<b>3,865,995,861.77</b>	<b>3,896,410,547.79</b>	<b>10,209,050.00</b>	<b>3,886,201,497.79</b>

#### (1) Investment to subsidiaries

Unit: RMB

Investee	Opening balance (carrying value)	Opening balance of the provision for impairment	Increase/decrease for the current period				Closing balance (carrying value)	Closing balance of the provision for impairment
			Increase in the investment	Reduced investment	Withdrawal of impairment provision	Other		
Xinsheng Thermal Power	176,340,737.93						176,340,737.93	
LuFeng Company	529,620,000.00						529,620,000.00	
Luqun Textile	171,784,550.00						171,784,550.00	
Luthai (Hong Kong)	128,771,800.00						128,771,800.00	

Shanghai Luthai	20,000,000.00						20,000,000.00	
Lu Thai (America)	0.00	10,209,050.00		10,209,050.00			0.00	
VACL	62,337,238.57		717.75				62,337,956.32	
Lulian New Materials	619,443,900.00						619,443,900.00	
Lujia Import & Export	10,000,000.00						10,000,000.00	
Lu Thai Occupational Training School	100,000.00						100,000.00	
Zhishu Consulting	2,000,000.00						2,000,000.00	
Huilin International	1,630,000,000.00						1,630,000,000.00	
Banyang Mountain Villa	5,000,000.00						5,000,000.00	
Tianyi Apparel	10,719,000.00						10,719,000.00	
Yuanhui Fund	400,000,000.00						400,000,000.00	
<b>Total</b>	<b>3,766,117,226.50</b>	<b>10,209,050.00</b>	<b>717.75</b>	<b>10,209,050.00</b>			<b>3,766,117,944.25</b>	

## (2) Investment to joint ventures and associated enterprises

Unit: RMB

Investee	Opening balance (carrying value)	Opening balance of the provision for impairment	Increase/decrease for the current period							Closing balance (carrying value)	Closing balance of the provision for impairment	
			Increase in the investment	Reduced investment	Profits or losses of investment recognized by the equity method	Changes in other comprehensive income	Changes in other equities	Cash dividends or profits declared to be distributed	Withdrawal of impairment provision			Other
I. Joint ventures												
II. Associated enterprises												
Haohong Investment	31,325,690.58			13,866,666.67	788,895.95						18,247,919.86	
Haoying Investment	88,758,580.71				-	7,128,583.05					81,629,997.66	
Subtotal	120,084,271.29			13,866,666.67	6,339,687.10	-					99,877,917.52	
Total	120,084,271.29			13,866,666.67	6,339,687.10	-					99,877,917.52	

The recoverable amount is determined based on the net amount of the fair value minus disposal costs

Applicable  Not applicable

The recoverable amount is determined by the present value of the forecasted future cash flow.

Applicable  Not applicable

## 5. Operating Revenue and Cost of Sales

Unit: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Income	Cost	Income	Cost
Main operations	2,733,349,517.79	2,100,360,528.26	2,943,776,911.86	2,279,103,044.60
Others	137,052,805.57	125,574,094.47	254,515,151.74	167,085,585.40
Total	2,870,402,323.36	2,225,934,622.73	3,198,292,063.60	2,446,188,630.00

## 6. Return on investment

Unit: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity investments income accounted by cost method	325,000,000.00	14,383,890.10
Long-term equity return on investment calculated by the equity method	-6,339,687.10	-23,453,208.48
Return on investment from disposal of long-term equity investment		-55,556,100.00
Return on investment from holding of held-for-trading financial asset	10,091,356.35	4,301,934.88
Return on investment from disposal of held-for-trading financial assets	238,915,600.71	-148,399.11
Interest income from debt investments during the holding period	65,546,922.58	4,176,585.64
Total	633,214,192.54	-56,295,296.97

## XVIII. Supplementary Materials

### 1. Items and amounts of exceptional gains and losses

 Applicable  Not applicable

Unit: RMB

Item	Operating revenue	Description
Gains and losses on disposal of non-current assets	460,280.01	
Government grants recognized in profit or loss for the current period (except for government grants closely related to the Company's normal operating business, in compliance with national policies and in accordance with defined criteria, and having a continuous impact on the Company's profit or loss)	18,280,408.27	
Gain/loss on changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains and losses arising from the disposal of financial assets and financial liabilities, other than effective hedging business related to the Company's normal operating business	210,985,834.37	
Non-operating revenue and expense other than the above	13,912,742.01	
Less: Income tax effects	36,751,642.67	
Non-controlling interests effects (after tax)	1,475,091.27	
Total	205,412,530.72	--

Particulars about other items that meet the definition of exceptional gain/loss:

 Applicable  Not applicable

There are no other gain and loss items in line with the definition of non-recurring gains and losses in the Company.

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses:

 Applicable  Not applicable

### 2. Return on equity and earnings per share

Profit as of the Reporting Period	Weighted average	EPS
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	ROE (%)	EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	6.16%	0.73	0.66
Net profit attributable to ordinary shareholders of the Company after deduction of exceptional gains and losses	4.03%	0.47	0.45

Lu Thai Textile Co., Ltd.

17 April 2026