



LU THAI TEXTILE CO., LTD.

ANNUAL REPORT 2021

April 2022

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Lu Thai Textile Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Liu Zibin, the Company’s legal representative, Zhang Hongmei, the Company’s Chief Accountant, and Zhang Keming, the Company’s Financial Manager hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

The Company is subject to the disclosure requirements for listed companies engaging in textile and apparel as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

In 2021, the unstable and uncertain global economic situation caused by COVID-19 has become more prominent. China's foreign trade environment has become more volatile due to the combination of COVID-19 and other multiple factors. Global industrial and supply chains have shown their vulnerability amid the pandemic. All unfavorable factors combined, such as the shortage of raw materials and power supply, the surging prices of production materials and ocean freight, and the appreciation of RMB, have posed great challenges to China's textile and garment exports. With the support and encouragement of China's effective prevention and control measures and policies to stabilize the economy and export, the textile and garment industry has overcome many difficulties, strengthened the upstream and downstream coordination of the industrial chain and supply chain, seized the opportunities of the window period of overseas order recovery and order backflow, and achieved growth in exports. With the rise in the COVID-19 vaccination rate, the spread of COVID-19 is slowing down, but there are still outbreaks in some areas and the vaccination rates in low-income countries are still low. Additionally, affected by geopolitical factors and high commodity prices, the trade situation in 2022 remains highly uncertain. For details, please refer to Part III Management Discussion and Analysis.

The Board has approved a final dividend plan as follows: based on 882,341,295 shares, a cash dividend of RMB0.70 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

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Documents Available for Reference

1. The financial statements signed and stamped by the Company's legal representative, Chief Accountant and Financial Manager;
2. The originals of all the Company's announcements and documents disclosed to the public during the Reporting Period on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao.

Definitions

Term	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	The Supervisory Committee of Lu Thai Textile Co., Ltd.
CSRC	The China Securities Regulatory Commission
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “Company Law”	The “Company Law of the People’s Republic of China”
The “Securities Law”	The “Securities Law of the People’s Republic of China”
The “Reporting Period” or “Current Period”	The period from 1 January 2021 to 31 December 2021

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	L TTC, L TTC-B	Stock code	000726, 200726
Changed stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	鲁泰纺织股份有限公司		
Abbr.	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	L TTC		
Legal representative	Liu Zibin		
Registered address	61 Luthai Boulevard, High-tech Development Zone, Zibo City, Shandong Province, P.R.China		
Zip code	255086		
Past changes of registered address	11 Mingbo Road, Zibo High-tech Development Zone, Shandong Province		
Office address	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China		
Zip code	255100		
Company website	www.lttc.com.cn		
Email address	lffc@lffc.com.cn		

II Contact Information

	Board Secretary	Securities Representative
Name	Zhang Keming	Zheng Weiyin and Li Kun
Address	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China
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III Media for Information Disclosure and Place where this Report Is Lodged

Stock exchange website where this Report is disclosed	Securities Times, Shanghai Securities News, China Securities Journal and
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	Ta Kung Pao (HK)
Media and website where this Report is disclosed	www.cninfo.com.cn
Place where this Report is lodged	The Securities Department of the Company

IV Change to Company Registered Information

Unified social credit code	91370300613281175K
Change to principal activity of the Company since going public (if any)	No change
Every change of controlling shareholder since incorporation (if any)	No change

V Other Information

The independent audit firm hired by the Company:

Name	Grant Thornton China
Office address	5th Floor, Scitech Palace 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Accountants writing signatures	He Feng and Cui Xiaoli

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

Name of sponsor	Office address of sponsor	Name of sponsor representative	Period of constant supervision
Guotai Junan Securities Co., Ltd.	Guotai Junan Plaza, 768 Nanjing West Road, Jing'an District, Shanghai	Ding Xiaowen and Wang Wenting	From 1 January 2021 to 31 December 2021

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	2021	2020	2021-over-2020 change (%)	2019
Operating revenue (RMB)	5,238,262,348.85	4,751,222,464.14	10.25%	6,801,381,448.94
Net profit attributable to the listed company's shareholders (RMB)	347,609,693.30	97,308,593.36	257.22%	952,386,011.49

Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	190,492,580.40	20,039,094.03	850.60%	662,416,013.00
Net cash generated from/used in operating activities (RMB)	348,137,005.48	593,535,922.89	-41.35%	1,086,110,575.51
Basic earnings per share (RMB/share)	0.39	0.11	254.55%	1.11
Diluted earnings per share (RMB/share)	0.36	0.11	227.27%	1.11
Weighted average return on equity (%)	4.44%	1.26%	3.18%	12.96%
	31 December 2021	31 December 2020	Change of 31 December 2021 over 31 December 2020 (%)	31 December 2019
Total assets (RMB)	12,987,221,271.63	12,129,903,960.65	7.07%	11,885,431,553.08
Equity attributable to the listed company's shareholders (RMB)	7,983,307,400.03	7,687,577,590.72	3.85%	7,697,135,324.92

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

Yes No

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	993,485,161.79	1,226,828,489.15	1,346,367,447.24	1,671,581,250.67
Net profit attributable to the listed company's shareholders	74,530,850.40	78,966,494.26	93,666,571.98	100,445,776.66
Net profit attributable to the listed company's shareholders before exceptional gains and losses	15,513,465.07	38,768,067.01	80,690,683.49	55,520,364.83
Net cash generated from/used in operating activities	-36,745,428.28	219,506,453.42	61,907,667.37	103,468,312.97

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2021	2020	2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	50,868,019.96	-3,265,763.83	-1,196,233.94	
Government subsidies charged to current profit or loss (exclusive of government subsidies consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	58,686,874.90	61,358,132.11	62,198,864.45	
Gain or loss on fair-value changes in held-for-trading financial assets and liabilities & income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial	77,620,424.02	46,684,051.43	241,537,682.90	

assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)				
Reversed portions of impairment allowances for receivables which are tested individually for impairment	6,198,745.44			
Non-operating income and expense other than the above	-1,700,653.34	2,373,569.56	-2,857,141.21	
Income from disposal of held-for-trading financial assets, financial liabilities and investments in debt obligations			14,162,405.95	
Less: Income tax effects	28,885,946.87	24,345,018.31	14,593,639.87	
Non-controlling interests effects (net of tax)	5,670,351.21	5,535,471.63	9,281,939.79	
Total	157,117,112.90	77,269,499.33	289,969,998.49	--

Particulars about other items that meet the definition of exceptional gain/loss:

Applicable Not applicable

No such cases for the Reporting Period.

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—Exceptional Gain/Loss Items:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

The Company is subject to the disclosure requirements for listed companies engaging in textile and apparel as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

In 2021, facing the triple pressure of demand contraction, supply shock, and weakening expectations, China's textile industry still showed a good development trend. According to the data of the China National Textile and Apparel Council, the revenue of textile enterprises above the designated size has increased by 12.3% year on year in 2021; total profits rose by 25.4 % year on year. In terms of export markets, China's textile and apparel exports hit a record high, totaling USD315.46 billion, up by 8.3% year on year. But the lack of demand is still imposing pressure on the textile and garment industry. Domestically, market demand has not fully recovered due to the impact of the pandemic. China's per capita spending on clothing accounts for 5.9% of the country's per capita spending in 2021, down 0.3 percentage points over 2019. The growth of online retail sales of apparel goods is significantly lower than the pre-pandemic level. At abroad, uncertainty occurs in China's textile and clothing export to developed economies, affected by factors such as protectionism and geopolitics. In addition, the high price volatility of global commodities has become a significant challenge to the smooth operation of the industry. There is still no fundamental change in problems of financing channels blockage, labor shortage and expensiveness.

II Principal Activity of the Company in the Reporting Period

The Company is subject to the disclosure requirements for listed companies engaging in textile and apparel as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

Since 2021, the Company has faced various challenges in production and management posed by intertwined disadvantages like recurrent global pandemic, China-US trade friction and rising price of commodities including cotton and coal. In face of challenges, the Company adhered to the "customer-focused" philosophy and continues to promote the strategies of "Improve Quality and Efficiency" and "Overall Internationalization". Under the premise of implementing pandemic prevention and control, the Company ensures an orderly advance in staff production and life, management and operation through expanding the market, adjusting the structure and building capabilities. During the Reporting Period, the product order and business performance have gradually recovered.

For the Reporting Period, the Company achieved operating revenue of RMB5,238 million, operating profit of RMB371 million, a net profit attributable to the Company as the parent of RMB348 million, and a net profit attributable to the Company as the parent before exceptional gains and losses of RMB190 million, respectively up 10.25%, 348.35%, 257.22% and 850.60% when compared to last year.

During the Reporting Period, the Company has been rated as the "Leader in the Cotton Textile Industry during the 13th Five Year Plan" by China Cotton Textile Association, as the "Top 30 Enterprises in 2021 in the Dyeing and Printing Industry" by China Dyeing and Printing Association, and as the "Top Hundred Companies in 2021 in China's Garment Industry" and the "Top 50 Business Suit Companies in China" by China National Garment Association. Besides, it has been acclaimed as the "Advanced Enterprise in Corporate Culture Development in 2020 by Shandong Textile and Apparel Association. The Company has prioritized the following aspects:

(I) Achieve business goals together as guided by strategies

Confronted by the complicated global economic situation, the recurrent pandemic situation and uncertainties of domestic economic environment, the management of the Company promoted measures to fight pandemic and ensure production, centered on customers

and focused expanding market, adjusting structure and building capabilities. We also tried to achieve increase both in revenue and profit, to keep overseas production and workforce steady and to unceasingly build our market.

(II) Promote targeted service and cooperation centered around customers

The Company consistently strengthened the market development with a development direction of becoming a globalized apparel solution provider with advanced fabrics as our pillar. Based on accurate grasp of market trend and customer demand, service upgrade was comprehensively achieved and win-win cooperation with customers realized; market structure was optimized constantly, product type increased actively, domestic market developed vigorously and business of career apparel promoted further; customer relations and stickiness were built by setting up mechanism of high-level connection and layered communication with strategic customers and advancing design service and customized development project based on customer demand. Facing complicated and volatile situation amid the pandemic, the Company kept tiding over the current difficulty with customers.

We stepped up product innovation, applied research of new materials, skill and craft, and cooperation of R&D among the upstream and downstream of industrial chain, colleges and universities and scientific research institutions. According to the industry trend of sustainable development and new demand for differentiated products of customers in the post-pandemic era, the Company carried out a series of key skill research and exploration of industrialization of relevant products, such as the development of one-way moisture permeability fabrics and pure-cotton recycled fabrics, and R&D of pure-cotton products that are durable, non-ironing, anti-virus and anti-microbial. It totally obtained 117 patents throughout the year, including 16 invention patents.

(III) Continue the process of "Improve Quality and Efficiency" and "Overall Internationalization", and complement links at home with links abroad for better development

The Company moved forward with its strategy of "Improve Quality and Efficiency" and "Overall Internationalization" backed by its product line, striving to achieve two-way development in both domestic and foreign market. During the Reporting Period, while managing to meet customers' differential needs by leveraging domestic and foreign advantages and with finer product specialization, the Company took steps to unleash one after another the vitality of six main product lines of yarn, yarn-dyed fabric, dyeing fabric, functional fabric, knitted fabric and apparel, and focused on areas such as quality assurance and upgrading, cost reduction, shorter delivery-day and higher efficiency. Efforts have been made to upgrade product lines such as Lulian functional fabric and knitted fabric, and to multiply the product mix, so as to provide various options for customers, from formal to casual, from comfy to stylish. During the Reporting Period, the Company has cooperated with Rhino Intelligent Manufacturing, a platform launched by Alibaba, and has applied intelligentization in the apparel factory in a comprehensive fashion at the beginning of the cooperation. This enables a digitalized and information-based apparel factory of higher efficiency and lower operating costs.

(IV) Carry forward the corporate culture and improve the brand image.

During the Reporting Period, the Company continued to uphold the principle of hard-working and deepened its corporate culture. Workers were mobilized to learn the history of the Party and engage in Party-themed activity in celebration of the 100th anniversary of the founding of the CPC, with an aim to lead to the enterprise's high-quality development supported by high-quality Party building. Various forms of activities were conducted like awarding exemplary and predominant workers, skill competition, and basketball and football leagues. Restricted share incentive scheme was carried out for workers to share the fruits of development. Each renovation and improvement took place in an overall manner, fostering an enabling working environment in which all employees were involved and pulled their wisdom together for business growth.

The Company, centered on producing mid- to high-end products, has been rated as the "Enterprise for Incubation of High-end Products in Shandong Province" for four consecutive years, and was named National Key Talent Project last year. In the meantime, its holding subsidiary Lufeng Co., Ltd. was also named "Enterprise for Incubation of High-end Products in Shandong Province" last year, and was selected as one of the critical projects of the major industry of transforming old growth driver into the new one.

III Core Competitiveness Analysis

1. The Company has a comprehensive vertical industrial chain and internationalized layout. It possesses the whole industrial chain

integrating spinning, bleaching and dyeing, neatening, testing, and garment making, as well as excellent quality control capabilities through various links of the production of high-end yarn-dyed fabrics. In order to leverage international resources, give play to the advantage of internationalized industrial distribution and reinforce the leading international status in manufacturing the yarn-dyed fabrics for shirts, the Company has built various production bases in Cambodia, Burma and Vietnam etc., and established the design agency in Italy, and the market service offices in the U.S. and Japan.

2. The Company has better integrated management capability and high-level management system architecture. Since 1995, the Company has successively passed the certification of ISO9001 quality management system, ISO14001 environmental management system, ISO45001 Occupation Health Safety Management System, SA8000 Social Responsibility Management System, The Worldwide Responsible Apparel Production Standard (WRAP), Sustainable Textile Production (STeP), Global Organic Textile Standard (GOTS), Global Recycle Standard (GRS) and China National Accreditation Service for Conformity Assessment (CNAS), and realized the internationalization, standardization and normalization of the corporate management. In order to make outstanding achievement in its operating management, better improve the Company's business performance and capabilities, the Company has introduced the GB/T19580 Criteria for Performance Excellence step by step, set up the "big quality" system, promoted the management innovation and guaranteed the management quality.

3. The Company establishes its high-level technical cooperation platform by virtue of strong R&D capability. In fact, the Company always insists on the independent innovation, enhances its technical cooperation with various research institutes, colleges and universities, strategic clients and important suppliers by relying on various technical platforms including the national enterprise technical center, the national industrial design center, the national demonstration base for introducing talents, the national post-doctoral scientific research station and Shandong Provincial Engineering Technology Research Center, dedicates itself to the cutting-edge technical research, and gradually transforms from technology research to integrated product development. Besides, the Company will also transform from the overcoming of key technical difficulties to the mastery of technical principles and the formulation of industrial standards, and from the focus on technical innovation to the dynamic integration of new technique exploration with model innovation, materialize the low-carbon, green and sustainable development.

IV Core Business Analysis

1. Overview

For the Reporting Period, the Company recorded operating revenue of RMB5,238 million (a 10.25% year-on-year increase); cost of sales of RMB4,153 million (a 11.1% year-on-year increase), selling expense of RMB120 million (a 4.64% year-on-year decline) and administrative expense of RMB335 million (a 7.01% year-on-year decrease); research and development expense of RMB253 million (a 9.36% year-on-year increase); and net cash generated from operating activities of RMB348 million (a 41.35% year-on-year drop).

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2021		2020		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	5,238,262,348.85	100%	4,751,222,464.14	100%	10.25%

By operating division					
Textile and apparel	4,915,654,282.18	93.84%	4,238,645,661.96	89.20%	15.97%
Personal protective equipment (PPE)	5,788,794.50	0.11%	184,669,256.67	3.89%	-96.87%
Cotton			1,943,648.71	0.04%	-100.00%
Electricity and steam	182,929,779.75	3.49%	182,709,470.17	3.85%	0.12%
Others	133,889,492.42	2.56%	143,254,426.63	3.02%	-6.54%
By product category					
Fabric products	4,033,321,318.13	77.00%	3,371,261,899.44	70.95%	19.64%
Shirts	882,332,964.05	16.84%	867,383,762.52	18.25%	1.72%
PPE	5,788,794.50	0.11%	184,669,256.67	3.89%	-96.87%
Cotton			1,943,648.71	0.04%	-100.00%
Electricity and steam	182,929,779.75	3.49%	182,709,470.17	3.85%	0.12%
Others	133,889,492.42	2.56%	143,254,426.63	3.02%	-6.54%
By operating segment					
Hong Kong	166,071,385.74	3.17%	189,971,723.94	4.00%	-12.58%
Japan And South Korea	254,482,374.29	4.86%	364,740,573.67	7.68%	-30.23%
Southeast Asia	1,523,121,466.68	29.08%	1,062,716,851.02	22.37%	43.32%
Europe and America	560,579,079.30	10.70%	575,125,583.72	12.10%	-2.53%
Others	306,457,017.82	5.85%	336,434,709.67	7.08%	-8.91%
Mainland China	2,427,551,025.02	46.34%	2,222,233,022.12	46.77%	9.24%
By sales model					
Direct sales	5,238,262,348.85	100.00%	4,751,222,464.14	100.00%	10.25%

(2) Operating Division, Product Category, Operating Segment or Sales Model Contributing over 10% of Operating Revenue or Operating Profit

Applicable Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes No

Operating division	Item	Unit	2021	2020	Change (%)
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Fabric	Unit sales	0,000 meters	20,123.11	16,769.7	20.00%
	Output	0,000 meters	22,271.95	18,808.22	18.42%
	Inventory	0,000 meters	4,844.58	4,375.76	10.71%
Apparel	Unit sales	0,000 pieces	1,443.99	1,809.67	-20.21%
	Output	0,000 pieces	1,444.92	1,889.1	-23.51%
	Inventory	0,000 pieces	171.99	156.09	10.19%
Electricity	Unit sales	000 KWH	123,065.87	149,646.34	-17.76%
	Output	000 KWH	424,085.59	409,893.45	3.46%
	Inventory	000 KWH			
Steam	Unit sales	ton	327,979.23	339,064.67	-3.27%
	Output	ton	1,193,199.66	1,082,057.31	10.27%
	Inventory	ton			

Any over 30% YoY movements in the data above and why:

Applicable Not applicable

(4) Execution Progress of Major Signed Sales and Purchase Contracts in the Reporting Period

Applicable Not applicable

(5) Breakdown of Cost of Sales

By operating division and product category

Unit: RMB

Operating division	Item	2021		2020		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Textile and apparel	Cost of sales	3,837,905,961.39	92.42%	3,329,872,586.97	89.08%	15.26%
PPE	Cost of sales	3,778,908.51	0.09%	127,124,669.03	3.40%	-97.03%
Cotton	Cost of sales			1,560,876.66	0.04%	-100.00%
Electricity and steam	Cost of sales	210,275,788.87	5.06%	161,892,710.06	4.33%	29.89%
Other	Cost of sales	101,020,417.08	2.43%	117,533,240.73	3.15%	-14.05%

Unit: RMB

Product category	Item	2021		2020		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	

Fabric products	Cost of sales	3,153,777,018.80	75.94%	2,670,531,996.56	71.44%	18.10%
Shirts	Cost of sales	684,128,942.59	16.48%	659,340,590.41	17.64%	3.76%
PPE	Cost of sales	3,778,908.51	0.09%	127,124,669.03	3.40%	-97.03%
Cotton	Cost of sales			1,560,876.66	0.04%	-100.00%
Electricity and steam	Cost of sales	210,275,788.87	5.06%	161,892,710.06	4.33%	29.89%
Other	Cost of sales	101,020,417.08	2.43%	117,533,240.73	3.15%	-14.05%

Note:

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2021	48.60%	17.47%	7.36%	17.45%	9.12%	100.00%
	2020	47.30%	18.05%	8.29%	16.10%	10.26%	100.00%
Shirts	2021	53.47%	34.50%	2.85%	1.23%	7.95%	100.00%
	2020	54.84%	35.16%	2.84%	1.34%	5.82%	100.00%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

During the year, the Company established new subsidiaries Hainan Huilin International Holdings Co., Ltd., Libra International Investment Pte. Ltd., and Zibo Banyang Villa Hotel Co., Ltd.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	856,767,149.72
Total sales to top five customers as % of total sales of the Reporting Period (%)	16.36%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
Total	--	856,767,149.72	16.36%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	935,235,608.03
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	23.95%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
Total	--	935,235,608.03	23.95%

Other information about major suppliers:

Applicable Not applicable

3. Expense

Unit: RMB

	2021	2020	Change (%)	Reason for any significant change
Selling expense	119,883,494.68	125,717,288.31	-4.64%	
Administrative expense	335,380,025.54	360,656,722.39	-7.01%	
Finance costs	44,988,908.41	109,546,654.83	-58.93%	Increased interest income and decreased exchange losses
R&D expense	252,912,911.63	231,265,031.12	9.36%	

4. Other Information Required by Information Disclosure Guide for Companies Engaged in Textile and Garment Services

(1) Capacity

The Company's own capacity

Industry Classification	Item	2021	2020
Fabrics	Total capacity (fabrics) (10,000 meters)	29,360.00	29,360.00
	Rate of capacity utilization	76%	64%
	Plants under construction	The Company's convertible bond	The Company's convertible

		fundraising projects: The "Functional Fabric Intelligent Eco-park Project (Phase I)" with an annual capacity of 35 million meters of high-grade functional fabrics and the "Production Line Project of High-grade Printed and Dyed Fabrics" with an annual capacity of 25 million meters of high-grade printed and dyed fabrics were in progress.	bond fundraising projects: The "Functional Fabric Intelligent Eco-park Project (Phase I)" with an annual capacity of 35 million meters of high-grade functional fabrics and the "Production Line Project of High-grade Printed and Dyed Fabrics" with an annual capacity of 25 million meters of high-grade printed and dyed fabrics were in progress.
Garment	Total capacity (garment) (10,000 pieces)	2,030.00	2,030.00
	Rate of capacity utilization	70%	80%
	Plants under construction		

Year-on-year change in the rate of capacity utilization above 10%: √Yes

Fabrics: The capacity utilization saw improvements due to foreign demand recovery and temporary rise of orders.

Garments: Product quantity experienced a year-on-year decrease, and the capacity utilization declined, following the restrictions on production in foreign manufacturing bases induced by the COVID-19 pandemic.

Overseas capacity: √Yes

Industry Classification	Item	Domestic	Overseas
Fabrics	Percentage of capacity	83%	17%
	Capacity layout	Mainly in Shandong Province	Mainly in Tây Ninh Province, Vietnam
	Rate of capacity utilization	78%	67%
Garment	Percentage of capacity	47%	53%
	Capacity layout	Mainly in Shandong Province	Mainly in Tỉnh An Giang, Vietnam; Svay Rieng Province, Cambodia; and Thilawa Special Economic Zone, Yangon, Myanmar
	Rate of capacity utilization	81%	54%

The Company's expansion plan on developing overseas production capacity

The Company will invest in constructions of production bases in T ây Ninh Province, Vietnam, to produce woven and knitted fabrics. For now, the projects are under preparation.

(2) Sales model and channels

Product sales channels and operation methods

a. Sales model

The Company adopted the order-based sales model. With the self-owned trademark "Luthai" for its fabric sales, it provided customers with development and design plans based on customer needs, fabrics and patterns leading the market, fashion and technology, functions and environmental protection. In addition, it engaged in brand operation of spot fabric on the new retail e-commerce platform. Shirts were mainly made according to the orders of customers at home and abroad, and sold by brand owners.

The Company's self-owned brand was operated through self-owned exclusive shops such as Lu Thai Exhibition and Sales Pavilion, counters of affiliated stores in malls and e-networking marketing. Meanwhile, the Company could provide customers with high-end customized shirts and customized business wear to meet the market demand of the high-end service industry.

b. Sales channels

Direct sales: The headquarters of the Company carried out direct investments and operation, and operated and managed a brand at the headquarters or by setting up a branch company in other regions to conclude transactions with customers offline.

Online sales: Through self-developed platforms and large third-party online shopping platforms, the Company concluded transactions with customers on the Internet and delivered goods to customers by express delivery services.

Unit: RMB

Sales channels	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
Online sales	4,947,854.11	1,610,250.89	67.46%	263,220.57	-73,158.43	3.39%
Direct sales	4,040,320,645.05	3,155,572,769.29	21.90%	661,297,015.92	481,167,795.85	1.05%
OEM/ODM	870,385,783.02	680,722,941.21	21.79%	15,448,383.73	26,938,737.00	-1.74%
Total	4,915,654,282.18	3,837,905,961.39	21.92%	677,008,620.22	508,033,374.42	0.48%

(3) Franchise and distribution

Franchisees and distributors recorded more than 30% of sales revenue

Yes No

(4) Online sales

Online sales recorded more than 30% of sales revenue

Yes No

Self-developed sales platforms

√ Yes □ No

Start of operation	30 March 2009
Number of registered users	140,073
Average number of active monthly users (AMU)	5,000
Return rate of main brands	3.00%
Return rate of main types	3.00%

Cooperation with third-party sales platforms

√ Yes □ No

Online sales channels opened or closed by the Company

□ Applicable √ Not applicable

Impact on the Company in the current period and subsequent periods:

Not applicable.

(5) Agency operation model

Agency operation model involved

□ Yes √ No

(6) Inventory

Inventory

Main products	Days of turnover of inventories	Quantity of inventory	Inventory age	Year-over-year change in inventory balance	Reason
Fabrics (10,000 meters)	86	3,824.1	Within 1 year	10.76%	
Fabrics (10,000 meters)		1,020.48	Over 1 year	10.54%	
Shirts (10,000 pieces)	34	111.63	Within 1 year	7.76%	
Shirts (10,000 pieces)		13.91	Over 1 year	203.71%	Increase in inventory as a result of the restricted customs clearance for Sino-US trade

Reserves for falling prices of inventory

Item	2021.12.31		
	Carrying amount	Falling price reserves or provision for	Carrying value

		impairment on contract performance cost	
Raw materials	928,078,106.34	17,925,640.41	910,152,465.93
Goods in process	611,695,332.97	2,538,846.30	609,156,486.67
Products on hand	939,550,089.36	143,767,058.72	795,783,030.64
Commissioned products	30,254,811.04		30,254,811.04
Total	2,509,578,339.71	164,231,545.43	2,345,346,794.28

Inventory information of retail channels such as franchised stores or distributors:

Not applicable.

(7) Brand building

Production and sales of brand clothing, apparel and home textile products

Yes No

Self-owned brands

Brand name	Trademark name	Main product types	Characteristics	Target consumer group	Price zone of main products	Main sales areas	City levels
LTGRFF	LTGRFF	Shirts and suits	Classic business attire	Business people	RMB500-3000	East China, South China and Southwest China	Provincial capital cities and other prefecture-level cities

Trademark ownership disputes

Applicable Not applicable

(8) Others

Engaged in business related to apparel design

Yes No

Whether the Company held meetings for the placement of orders

Yes No

5. R&D Investments

Applicable Not applicable

Names of main	Goals of projects	Progresses of projects	Intended goals	Estimated impact
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R&D projects				on future development of the Company
Development of one-way moisture permeability fabrics	This project is aimed at providing a comfortable dressing experience with the technology of one-way moisture permeability.	The outcomes of laboratory-scale experiment are satisfying, followed by a pilot-scale experiment.	The Company aims at setting standards and meeting customers' requirements.	This project is expected to improve core competence of the Company's products.
Development of recycled cotton fabrics	This project is aimed at reusing the waste materials so as to reduce the waste of resources and protect the environment.	The Company is still in its early stage of the technological research.	The Company aims at producing the recycled cotton with a spinnable average fiber length and meeting the goal of industrialization.	This project is expected to enhance the Company's brand influence and raise its status in the industry as a benchmark.
R&D of durable non-iron products with anti-virus and antibacterial functions	This project is aimed at reducing damages to the human body by viruses and bacteria and producing healthy and safe textiles easy to take care of.	The requirements for industrialization are met.	This project is aimed at producing DP3.5 3A antibacterial products enduring 50-time washing and resisting H1N1 virus with an activity value at no less than 2.0.	This project is expected to increase the Company's financial benefits with a huge market potential.

Details about R&D personnel:

	2021	2020	Change (%)
Number of R&D personnel	1,535	1,604	-4.30%
R&D personnel as % of total employees	14.00%	12.68%	1.32%
Educational background of R&D personnel	—	—	—
Bachelor's degree	206	190	8.42%
Master's degree	30	30	0.00%
Age structure of R&D personnel	—	—	—
Below 30	231	327	-29.36%
30~40	1,083	1,108	-2.26%
40 and beyond	221	169	30.77%

Details about R&D investments:

	2021	2020	Change (%)
R&D investments (RMB)	252,912,911.63	231,265,031.12	9.36%

R&D investments as % of operating revenue	4.83%	4.87%	-0.04%
Capitalized R&D investments (RMB)	0.00	0.00	0.00%
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	0.00%

Reasons for any significant change to the composition of R&D personnel and the impact:

Applicable Not applicable

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable Not applicable

Reason for any sharp variation in the percentage of capitalized R&D expense and rationale:

Applicable Not applicable

6. Cash Flows

Unit: RMB

Item	2021	2020	Change (%)
Subtotal of cash generated from operating activities	5,095,876,566.67	4,775,015,226.05	6.72%
Subtotal of cash used in operating activities	4,747,739,561.19	4,181,479,303.16	13.54%
Net cash generated from/used in operating activities	348,137,005.48	593,535,922.89	-41.35%
Subtotal of cash generated from investing activities	1,558,983,659.21	850,680,343.34	83.26%
Subtotal of cash used in investing activities	1,530,504,624.63	1,638,855,294.04	-6.61%
Net cash generated from/used in investing activities	28,479,034.58	-788,174,950.70	103.61%
Subtotal of cash generated from financing activities	1,711,261,939.49	3,622,339,439.58	-52.76%
Subtotal of cash used in financing activities	1,507,951,696.50	2,888,674,850.63	-47.80%
Net cash generated from/used in financing activities	203,310,242.99	733,664,588.95	-72.29%
Net increase in cash and cash equivalents	573,476,477.42	517,971,388.55	10.72%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

Net cash generated from operating activities amounted to RMB348,137,005.48 during the Reporting Period, down 41.35% year on year, primarily driven by the increased payments for goods; net cash generated from investing activities amounted to RMB28,479,034.58 during the Reporting Period, up 103.61% year on year, primarily driven by the disinvestment in wealth management products upon maturity and the decreased investments in fixed assets; and net cash generated from financing activities

amounted to RMB203,310,242.99 during the Reporting Period, down 72.29% year on year, primarily driven by the decreased borrowings obtained.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

Applicable Not applicable

V Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Recurrent or not
Return on investment	50,449,943.70	13.89%	Income from the disposal of held-for-trading financial assets	Not
Gain/loss on changes in fair value	16,415,304.41	4.52%	Gains on changes in the fair value of held-for-trading financial assets	Not
Asset impairments	-85,623,858.26	-23.57%	Inventory valuation allowances	Not
Non-operating income	5,417,119.07	1.49%	Income of non-operating compensation, etc	Not
Non-operating expense	13,424,054.88	3.69%	Losses on the damage and retirement of non-current assets, donations, etc.	Not

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2021		1 January 2021		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	1,999,712,889.35	15.40%	1,400,478,034.81	11.42%	3.98%	
Accounts receivable	647,277,198.51	4.98%	522,425,219.87	4.26%	0.72%	
Inventories	2,345,346,794.28	18.06%	1,988,968,681.64	16.22%	1.84%	
Investment property	21,362,302.03	0.16%	22,263,668.85	0.18%	-0.02%	
Long-term equity investments	169,443,106.66	1.30%	138,079,577.25	1.13%	0.17%	

Fixed assets	5,561,601,374.44	42.82%	5,637,980,006.69	45.99%	-3.17%	
Construction in progress	237,579,082.99	1.83%	356,273,197.49	2.91%	-1.08%	
Right-of-use assets	257,019,286.15	1.98%	269,362,245.88	2.20%	-0.22%	
Short-term borrowings	1,011,034,138.32	7.78%	930,871,008.19	7.59%	0.19%	
Contract liabilities	204,967,348.96	1.58%	141,339,705.62	1.15%	0.43%	
Long-term borrowings	684,962,473.24	5.27%	495,520,342.78	4.04%	1.23%	
Lease liabilities	121,357,658.41	0.93%	128,815,114.07	1.05%	-0.12%	

Indicate whether overseas assets account for a larger proportion of the total assets.

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk (yes/no)
Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	191,246,511.91	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	4,432,903.98	2.29%	No
Lu Thai (America) Textile Co., Ltd.	Incorporated	4,643,034.45	New York	Marketing	Main management personnel sent by the Company as the parent	-1,527,611.59	0.06%	No
Qiming Apparel Co., Ltd.	Incorporated	157,347,321.28	Svay Rieng	Manufacturing	Main management personnel sent by the Company as the parent	275,575.09	1.88%	No
Vanguard Apparel Co., Ltd.	Incorporated	89,438,343.06	Rangoon	Manufacturing	Main management personnel sent	-443,135.80	1.07%	No

					by the Company as the parent			
Continental Textile Co., Ltd.	Incorporated	2,403,192,122.53	Tay Ninh	Manufacturing	Main management personnel sent by the Company as the parent	127,900,171.61	28.72%	No
Lu An Garments Co., Ltd.	Incorporated	186,984,990.96	Anjian g. Vietnam	Manufacturing	Main management personnel sent by the Company as the parent	-6,025,605.81	2.23%	No
Libra International Investment Pte. Ltd.	Incorporated	395,142,781.79	Singapore	Investment	Main management personnel sent by the Company as the parent	1,441,904.47	4.72%	No

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative)	408,730,337.23	31,329,804.41				250,008,141.64		190,052,000.00

financial assets)								
2. Derivative financial assets	16,641,500.00	-14,914,500.00						1,727,000.00
Subtotal of financial assets	425,371,837.23	16,415,304.41				250,008,141.64		191,779,000.00
Others	55,150,926.34		-379,267.35				-20,108,587.11	34,663,071.88
Total of the above	480,522,763.57	16,415,304.41	-379,267.35			250,008,141.64	-20,108,587.11	226,442,071.88
Financial liabilities	0.00							0.00

Content of other change:

Changes in receivables financing.

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as at the Period-End

For details, see Part X. VII. 62. Assets with restricted ownership and using right in this Report.

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Related-party transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Commercial bank	Non-related	No	Forward exchange settlement	166,697.7	26 November 2020	30 December 2021	129,805.79	36,891.91	166,697.7		0		4,936.64
Commercial bank	Non-related	No	Foreign exchange option	144,646.46	22 October 2020	30 December 2022	62,150	82,496.46	106,638.46		38,008	4.54%	415.36
Commercial bank	Non-related	No	Forward exchange transactions	13,081.6	14 January 2021	1 April 2021	0	13,081.6	13,081.6		0		17.76
Total				324,425.76	--	--	191,955.79	132,469.97	286,417.76		38,008	4.54%	5,369.76
Capital source for derivative investment				The Company's own money									
Lawsuit (if applicable)				N/A									
Disclosure date of board of				30 April 2020									

directors announcement on approval of derivative investment (if any)	15 June 2021
Disclosure date of general meeting announcement on approval of derivative investment (if any)	
Analysis on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws and regulation.</p> <p>1. Market risk: When the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivative transactions of the Company. Precautions: The Company chooses financial instruments with simple structures, high liquidity and controllable risk and strictly controls the scale of derivative transactions, performing them by stages and in batches. Means such as extension and balance settlement can be adopted to ensure contract performance after the contract expires.</p> <p>2. Liquidity risk and credit risk: Credit risk arises when the Company or counterparties in transactions couldn't perform contracts due now, to liquidity or other factors that result in further economic loss. Precautions: The derivative transactions can only be done with financial institutions qualified for derivative transactions, as authorized by relevant national authorities or financial or foreign exchange authorities in the country or region where the Company operates. Derivative transactions with other institutions or individuals are not allowed so as to control related risk concerning counterparties.</p> <p>3. Internal risk control: Derivative transactions are highly specialized and complex. Therefore, there is a risk of loss in derivative transactions due to the imperfect internal control system when business is performed. Precautions: The Company should strictly implement <i>Management Policy for Investments in Securities and Derivative Transactions of Lu Thai Textile Co., Ltd.</i>, continuously optimize the business operation process and authorization management system, strengthen professional ethics education and business training for relevant personnel, clarify job responsibilities, engage in derivative transaction business strictly within the scope of authorization, and establish a timely reporting system for abnormal conditions to avoid operational risks.</p> <p>4. Risk of laws and regulation: Derivative transactions of the Company must be strictly in compliance with relevant national laws and regulations. Otherwise, signed contracts, commitments and other legal documents may entail compliance risk and regulatory risk in terms of effectiveness and enforceability. Precautions: The Company should strengthen the supervision and inspection of the standardization of derivative transactions, the effectiveness of internal control mechanism, and the authenticity of information disclosure to avoid possible legal risks. The Company has fulfilled relevant approval procedures for its derivative transactions business, which is in line with the relevant national laws,</p>

	regulations, the <i>Articles of Association</i> , the <i>Management Policy for the Transaction of Derivatives of Lu Thai</i> , the <i>Proposal on the Company's Derivative Transaction Plan</i> deliberated and adopted at the 13th meeting of the 9th session of the Board of Directors held on 28 April 2020, and the <i>Proposal on the Company's Derivative Transaction Plan</i> deliberated and adopted at the 25th meeting of the 9th session of the Board of Directors held on 11 June 2021, and fulfilled the relevant information disclosure obligations.
Changes of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	<p>1. As of 31 December 2021, the Company held 5 undue financial derivatives contracts, totaling USD60 million, all of which were forex option contracts.</p> <p>2. During 2021, the total amount of all settled financial derivatives of the Company was equivalent to USD441.5 million, generating gains of RMB53.6976 million, among which, gains of RMB49.3664 million were from the settlement of forward forex settlement contracts of USD250 million; gains of RMB4.1536 million were from the settlement of forex option contracts of USD171.5 million; gains of RMB0.1776 million were from the settlement of forward forex transactions of USD20 million.</p>
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the Reporting Period compared to the previous Reporting Period	No significant changes
Specific opinion from independent directors on the Company's derivatives investment and risk control	Independent directors Zhou Zhiji, Pan Ailing, Wang Xinyu and Qu Dongmei have issued the following professional advice on the Company's derivative transaction business: We believe that the Company's foreign exchange derivative transaction business is performed on the condition of ensuring normal operations. Transactions using its own funds are beneficial to avoiding the risk of exchange rate fluctuations, and are an effective tool to hedge exchange rate risk. By strengthening internal control, implementing stop-loss and risk prevention measures, the Company can improve its ability to resist exchange rate fluctuations and improve its management level. The derivative transaction plan proposed by the Board of Directors is feasible, necessary, and the risks are manageable. There is no damage to the interests of the Company and all the shareholders.

5. Use of Funds Raised

Applicable Not applicable

(1) Overall Use of Funds Raised

Applicable Not applicable

Unit: RMB'0,000

Raising year	Raising manner	Total of raised capital	Total of raised capital used in	Cumulative amount of raised	Total of raised capital which	Cumulative amount of raised	Ratio of cumulative amount	Total of raised capital unused	Purpose and direction of raised	Amount of raised capital

			this period	capital used	purpose is changed in the report period	capital which purpose is changed	which purpose is changed		capital unused	unused for two years
2020	Convertible bonds	138,800	13,662.54	80,162.47	0	0	0.00%	61,963.06	RMB 1.0397 billion, deposited in the special account for raised capital; RMB 618.5909 million, for purchasing financial products and deposit products (including the net income RMB 33.1994 million from interest income deducted handling charge)	0
Total	--	138,800	13,662.54	80,162.47	0	0	0.00%	61,963.06	--	0
General use situation of raised capital										
(I) Amount of actual raised capital and arrival date										
Upon approval by China Securities Regulatory Commission in the document "ZJXX [2020]299", the Company publically issued 14,000,000 convertible bonds on April 9, 2020 at par value RMB 100, the issued amount was RMB 1.4 billion, and the Company										

actually received the amount of raised capital RMB 1.388 billion after deducted the underwriting fee RMB 12 million. The above amount was remitted in cash in RMB. After deducted legal fee, accountant fee, credit rating fee, information disclosure fee, issuing commission and other costs RMB 2.54 million in total from the above actually raised capital, the net amount of raised capital was RMB 1385.46 million, which entered the account on April 15, 2020, and Grant Thornton International Ltd (Special General Partnership) issued the capital verification report with reference No. Grant Thornton Verification [2020] 371ZC0090 for it after verification.

(II) Use situation and balance of raised capital

By December 31, 2021, the Company directly invested RMB 801.6247 million in total from the raised capital for its capital raising projects, the unused amount was RMB 619.6306 million (including the net income RMB 33.1994 million from interest income deducted handling charge), the balance of the special raised capital account at the end of period was RMB 1.0397 million and the amount of raised capital not redeemed and used for purchasing financial products, deposit products from banks was RMB 618.5909 million.

(2) Commitments on Projects with Funds Raised

√ Applicable □ Not applicable

Unit: RMB'0,000

Committed investment projects and use direction of over raised capital	Whether the projects are changed (including partially changed projects)	Total of committed investment of raised capital	Total investment after modification (1)	Amount invested in this report period	Cumulative investment amount by the end of period (2)	Investment progress by the end of period (3) = (2)/(1)	Date when the project reached the intended available status	Benefit realized in this report period	Whether reached the expected benefit	Whether project feasibility changed significantly
Committed investment projects										
Functional fabric smart eco-park project (Phase 1)	No	85,000	85,000	11,341.17	47,348.68	55.70%	31 May 2023		N/A	No
High-end printing and dyeing fabric production line project	No	25,000	25,000	2,321.37	4,008.2	16.03%	31 October 2022		N/A	No
Supplement working capital	No	28,800	28,800		28,805.59	100.02%			N/A	No
Subtotal of	--	138,800	138,800	13,662.54	80,162.47	--	--		--	--

committed investment projects		0	0	54	47					
Use direction of over raised capital										
N/A										
Total	--	138,800	138,800	13,662.54	80,162.47	--	--	0	--	--
Situation and reasons that it did not reach the planned progress or expected return (based on specific projects)	In the Reporting Period, due to the impact of the COVID-19 epidemic, the capital raising projects “Functional fabric smart eco-park project (Phase 1)” and “High-end Printing and Dyeing Fabric Production Line Project” delayed in construction progress.									
Note for significant change of project feasibility	N/A									
Amount, purpose and use progress of over raised capital	N/A									
Change of implementation site of capital raising project	N/A									
Adjustment of implementation mode of capital raising project	N/A									
Advance investment and displacement of capital raising project	Applicable By 30 April 2020, the total amount of displaced capital was RMB 191.4288 million, including the amount RMB 189.8388 million invested in the project with the self-raised capital of the Company in advance, and payment of issuing cost RMB 1.59 million with its self-raised capital									
Temporary supplement to working capital with unused raised capital	N/A									
Balance of raised capital after implement of project and relevant reasons	N/A									
Purpose and use direction of unused	By 31 December 2021, RMB 1.0397 million in the unused raised capital was deposited in the raised capital account, and RMB 618.5909 million was used for cash management.									

raised capital	
Problems existing in use and information disclosure of raised capital or other situation	None

(3) Changes in Projects with Funds Raised

Applicable Not applicable

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

IX Major Subsidiaries

Applicable Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	706,160,000	1,885,678,911.54	1,249,487,228.93	1,400,185,935.63	-15,836,294.87	-7,534,683.42

Shandong Lulian New Materials Co., Ltd.	Subsidiary	Fabric	400,000,000	998,361,420.15	288,875,133.91	44,524,344.91	-77,012,952.17	-79,511,556.10
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Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Information about major majority- and minority-owned subsidiaries:

Lufeng Weaving & Dyeing Co., Ltd. (hereinafter called "Lufeng Weaving & Dyeing") is the holding subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.160 million. The mainly manufacturing and selling textile printing and dyeing products and the products of clothing and garments, and it were authenticated to be high-tech enterprise in October 2014. During the Reporting Period, due to the impact of the recurrent COVID-19 epidemic, Lufeng Weaving & Dyeing's export business and high value-added orders were reduced, which had a greater impact on performance. Lufeng Weaving & Dyeing achieved operating revenue of RMB 1.4 billion, up 6.84% year on-year and net profit of RMB -7.5347 million, down 134.15% year-on-year.

Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as "Lulian New Materials") is the holding subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB 400 million. It was established in April 2019 and mainly manufacturing and selling functional fabrics. During the Reporting Period, it is still under construction, and production of some products has begun. Lulian New Materials achieved operating revenue of RMB 44.5243 million, up 480.97% year on-year due to a low base comparison and net profit of RMB -79.5116 million, down 169.64% year-on-year.

X Structured Bodies Controlled by the Company

Applicable Not applicable

XI Prospects

1. Industry competition and development trend

The textile industry of China has certain strength in the global textile industry, mainly showing in industry chain, technology, labor efficiency and other aspects. The COVID-19 epidemic has impacted the economy and trade of various countries since 2020, but the competitive edge of the textile industry of China in the international market still remains. In recent years, when the domestic environmental protection requirements are becoming more stringent, production costs are going up and the transformation and upgrade policy is implemented in China, the textile industry in the post-epidemic era may face structural adjustment, and the demand to yarn-dyed fabric used for shirts will change as diversified products in small batch, functionality and leisure orientation.

2. Development strategy of the Company

The Company is a large-scale textile enterprise with a complete industrial chain integrating spinning, dyeing, weaving, post-treatment and garment manufacturing. It is the world's largest production base for yarn-dyed fabrics for shirts, providing blending of three major series of shirt fabrics of pure cotton and natural fiber, cotton and natural fiber as well as cotton and functional fiber. And the newly developed shirt knitted fabric and elastic fabric are also popular in markets. In order to maintain the outstanding advantages of the Company in global shirt-dyed fabrics, the Company is pushing intelligent manufacturing upgrades and integrating domestic and foreign advantageous resources to deepen internationalization of the Company with regional advantages. The Company combines

quality innovation and customer needs, and innovates the marketing model with advantages of resources in each channel. High-end shirt customization services are provided to meet various needs of customers. Furthermore, the Company increases investment in innovation to improve R&D and design and develop new fabrics. The Company holds the concept of low-carbon environmental protection for sustainable development.

3. Business plan (the following description does not constitute any commitment of the Company)

(1) In terms of corporate governance, in order to ensure the healthy, stable and sustainable development of the Company at the institutional level, the Company will establish an internal control system to improve organizational structure, corporate governance structure and risk prevention mechanism.

(2) In the aspect of market development, the Company actively develops emerging markets on the basis of maintaining the existing market, accurately understands market trend and customers' demand, and fully improves service capacity, so that the Company could be a global dress solution supplier based on leading fabric.

(3) In the aspect of business administration, the Company continually Implements the strategy of "quality and efficiency improvement" and "comprehensive internationalization", makes more efforts in developing market, adjusting structure and improving capacity, strengthens integrated product development (IPD), promotes innovation while meeting market demand and builds up a flexible, rapid response, efficient and traceable supply system chain with internal and external resources.

(4) In terms of industrial overall arrangement, in order to maintain the leading position of the Company in the global yarn-dyed industry, the Company rationally allocates domestic and foreign resources and improves production efficiency while keeping product quality relying on the advantages of U.S. companies, Milan and Japan Office in market development, design and R&D, customer service and talent development, and the cost advantages of Southeast Asian production bases.

4. Capital needs, sources and planning

Within the Reporting Period, the functional fabric intelligent ecological park project (phase I) of the Company's holding subsidiary Lulian New Materials and the high-end printing and dyeing fabrics production line project of Lufeng Weaving & Dyeing were under construction. Corresponding equipment installation and trial production will be arranged successively, and the project fund is from the raised fund of the A Share convertible bonds issued by the Company.

5. Risks that bring adverse impact to company development strategy and business objectives and countermeasures of the Company

(1) Impact of economic environment: under the enormous uncertainty risk of the international trade, the geopolitical risk and the impact of the recurrent COVID-19 epidemic, the Company will face more challenges. In addition, the economic development of China should be transformed and upgrade, therefore, the Company will continue to strictly execute coronavirus control measures, guarantee production and safety and further utilize various resources at home and abroad to develop domestic and overseas markets, so as to catch development opportunities after COVID-19 is controlled.

(2) Price fluctuation of raw materials: cotton is the major production material of the Company, and the price of cotton is impacted by market supply and demand, climate, policy, exchange rate, quota and other factors, therefore, based on the production orders and import quota, the Company seriously considers the information of global raw cotton market, properly works out procurement strategy and actively reduces cost and gross profit margin fluctuations arising from price change of raw cotton.

(3) Change of exchange rate: The import and export business takes up a large proportion in the Company's business. With greater fluctuations in RMB, the exchange rate fluctuations will place a remarkable impact on the Company's performance. In order to reduce adverse influence of exchange rate fluctuation, the Company has established a risk-neutral philosophy to deal with exchange rate fluctuations. Based on actual needs arising from production and operation, it will take appropriate measures at a proper timing to avoid the risk of currency fluctuations. Firstly, the Company appropriately conducted foreign exchange hedging, using forward FX sales and purchase, forward foreign exchange trading and option portfolios to avoid some risks Secondly, the Company made reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Thirdly, the Company adjusted the Renminbi and foreign-currency liabilities structure to prevent the transaction risks in a proactive manner. Fourthly, according to the trends of exchange rates, the Company properly adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company.

XII Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

√ Applicable □ Not applicable

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
31 March 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 20210401 disclosed on Cninfo by the Company on 1 April 2021
1 April 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 20210402 disclosed on Cninfo by the Company on 2 April 2021
13 April 2021	The Company's conference room	Other	Other	Institutional and individual investors	Annual results briefing	Results Briefing, Roadshow Information 20210413 disclosed on Cninfo by the Company on 14 April 2021
30 August 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 20210830 disclosed on Cninfo by the Company on 31 August 2021
2 September 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 20210904 disclosed on Cninfo by the Company on 4 September 2021
29 October 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 20211101 disclosed on Cninfo by the

						Company on 1 November 2021
29 December 2021	The Company's conference room	By phone	Institution	Institution investor	About basic information of the Company	Investor Relations Management Archive 2021129 disclosed on Cninfo by the Company on 30 December 2021

Part IV Corporate Governance

I General Information of Corporate Governance

During the Reporting Period, the Company strictly conforms to Company Law, Securities Law (Revised in 2019) and Governing Rules for Listed Company, Guideline No. 1 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies—Operation Compliance of Main Board Listed Companies as well as relevant stipulations and requirements from normative documents, continuously improves the corporate governance structure, safeguards the standardized and efficient operation of three Committees and one Management, forms a sound and effective internal control system so as to safeguard legitimate interests of the Company and investors. Within the Reporting Period, the Company amended *Articles of Association of Lu Thai Textile Co., Ltd.*, *Management Methods for External Investments of Lu Thai Textile Co., Ltd.*, *Management Rules for Authorization of Lu Thai Textile Co., Ltd.*

1. Shareholders and Shareholders' General Meeting

The Company shall convene and hold the shareholders meeting in strict accordance with the *Shareholders Meeting Procedural Rules*, and guarantee that all shareholders, especially the minority shareholders, could have equal status and fully execute their rights.

2. The relationship between the majority shareholders and the Company

The Company's majority shareholders acted according to relevant standards without directly or indirectly intervening the Company's decision-making and operating activities; the Company was independent with its majority shareholders in business, personnel, assets, organization, finance, and the Company's Board of Directors, Supervisory Committee and Internal Organs could completely independent to operate. There was no situation about annexing the assets or occupation of funds of the Company by principal shareholders or other events on infringing the interest of the Company and other shareholders.

3. The directors and Board of Directors

The Company's Board of Directors shall perform their duties in strict accordance with *Articles of Association* and the *Board of Directors Procedural Rules*. Under the Board of Directors, the Company established the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. Various specialized committees would fully perform their functions and further guarantee the high-efficient operation and the scientific decision-making of the Board of Directors.

4. Supervisors and Supervisory Committee

The Company's Supervisory Committee will perform their duties in strict accordance with *Articles of Association* and the *Supervisory Committee Procedural Rules*. The number of members and the composition of the Company's Supervisory Committee shall comply with applicable laws and regulations; the Company's supervisors shall strictly abide by relevant provisions, seriously execute their duties and supervise the Company's financial status and the legal execution of duties of the directors, president and other senior managers by adhering to the principle of being responsible for the shareholders and the listed company.

5. Information disclosure

The Company strictly, in accordance with the laws, regulations and the *Articles of Association*, disclosed relevant information in a true, accurate, complete and timely manner. The Company has formulated the Information Disclosure Management System, Information Insider Registration Management System and Investor Relations Management System, etc., to ensure the fairness, openness and fairness of information disclosure.

6. Investor relations management

During the Reporting Period, as required by Investor Relations Management System, to maintain good communication with investors, the Company accepted on-site investigations and consultations of investors through on-site investigations and telephone consultations, and promptly answered questions asked by investors on the SZSE Easy-IR.

Indicate by tick market whether there is any material non-compliance with the applicable laws, administrative regulations and the CSRC rules for the governance of listed companies.

Yes No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder and Actual Controller in Assets, Personnel, Financial Affairs, Organization and Business

1. As for the business: the Company shall establish its independent and complete business system with the market-oriented independent management ability. In the respect of business operation, the Company is completely separated from the controlling shareholders.
2. As for the personnel: the Company's labor, personnel and remuneration management departments shall be independent with their own sound systems, and separated from that of the substantial shareholder. The Company's senior managers are not allowed to simultaneously hold any office in any shareholder's unit.
3. As for the assets: the Company possesses the entire and independent legal person property right with independent and perfect the production system, auxiliary production systems and supporting facilities; and possesses the independent ownership of the intangible assets such as the industrial property, trademarks, non-patented technology.
4. As for the institution: the Company's Board of Directors, Supervisory Committee and other internal organization shall be sound and involved in independent operation. The substantial shareholder shall legally execute its rights, fulfill corresponding obligations and not surpass the shareholders meeting to directly or indirectly interfere the Company's business activities.
5. As for the finance: the Company possesses independent financial departments with normative financial accounting system and financial management system as well as internal control system with independent bank account.

III Horizontal Competition

Applicable Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Resolutions
The 2020 Annual General Meeting	Annual General Meeting	34.24%	20 April 2021	21 April 2021	It deliberated and approved: 1. Proposal on 2020 Annual Work Report of the Board of Directors; 2. Proposal on 2020 Annual Work Report of the Board of Supervisors; 3. Proposal on the Company's 2020 Annual Report and Its Abstracts; 4. Proposal on the Company's 2020 Annual Financial Accounting Report; 5. Proposal on the Company's Profit Distribution Plan for 2020; 6. Proposal on the Renewal of the Company's 2021 Annual Financial Audit and Internal Control Audit Institution.
The 1 st	Extraordinary	34.50%	13 May 2021	14 May 2021	It deliberated and approved: 1. Proposal on the

Extraordinary General Meeting of 2021	General Meeting					Company's 2021 Restricted Share Incentive Scheme (Draft) and Its Abstracts; 2. Proposal on the Company's Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme; 3. Proposal on Submitting the Authorization for the Board of Directors to Handle the Company's 2021 Restricted Share Incentive Scheme to the General Meeting of Shareholders.
The 2 nd Extraordinary General Meeting of 2021	Extraordinary General Meeting	31.69%	13 September 2021	14 September 2021		It deliberated and approved: 1. Proposal on Amending Relevant Articles of the Foreign Investment Regulations for Lu Thai Textile Co., Ltd.; 2. Proposal on Amending Relevant Articles of the Authorization Management System for Lu Thai Textile Co., Ltd.; 3. Proposal on Preparing the Remuneration Plan for Directors, Supervisors and Officers; 4. Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition.

2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V Directors, Supervisors and Senior Management

1. Basic Information

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)	Reason for change
Liu Zibin	Chairman and President	Incumbent	Male	57	6 June 2007	10 June 2022	148,290				148,290	
Xu Zhinan	Vice Chair	Incumbent	Male	92	6 May 2004	10 June						

	man					2022						
Fujiwara Hidetoshi	Director	Incumbent	Male	82	7 May 1998	10 June 2022						
Chen Ruimu	Director	Incumbent	Male	78	16 April 2000	10 June 2022						
Zeng Faching	Director	Incumbent	Male	71	6 June 2007	10 June 2022						
Liu Deming	Director, Vice Controller of Global Marketing Department	Incumbent	Male	32	12 May 2017	10 June 2022						
Qin Guilin	Director	Incumbent	Female	56	7 May 1998	10 June 2022	126,542				126,542	
Zhang Hongmei	Director and Chief Accountant	Incumbent	Female	52	6 June 2016	10 June 2022	92,500		300,000		392,500	Granted restricted shares
Zhou Zhiji	Independent Director	Incumbent	Male	59	10 March 2019	10 June 2022						
Pan Ailing	Independent Director	Incumbent	Female	57	6 June 2016	10 June 2022						
Wang Xinyu	Independent Director	Incumbent	Male	55	6 June 2016	10 June 2022						

Qu Dongmei	Independent Director	Incumbent	Female	53	10 June 2019	10 June 2022						
Zhang Shougang	Chairman of the Supervisory Committee	Incumbent	Male	52	18 February 2018	10 June 2022	73,100				73,100	
Liu Zilong	Supervisor	Incumbent	Male	54	6 June 2007	10 June 2022	10,000				10,000	
Dong Shibing	Supervisor, Manager of Logistics Management Department	Incumbent	Male	53	6 June 2007	10 June 2022	5,000				5,000	
Zhang Jianxiang	Counselor	Incumbent	Male	54	6 June 2007	10 June 2022	52,150				52,150	
Wang Jiabin	Chairman of the Labor Union, Security Controller	Incumbent	Male	59	6 June 2007	10 June 2022	83,700			300,000	383,700	Granted restricted shares
Zhang Zhanqi	Vice president, Controller of Global	Incumbent	Male	50	6 June 2007	10 June 2022	80,300			300,000	380,300	Granted restricted shares

	Market ing Depart ment											
Zhang Kemin g	Board Secret ary, Contro ller of Financ ial Manag ement Depart ment	Incum bent	Male	54	6 June 2007	10 June 2022	77,700			200,00 0	277,70 0	Grante d restrict ed shares
Li Wenji	Contro ller of Busine ss Manag ement Depart ment	Incum bent	Male	55	8 June 2016	10 June 2022	10,000			200,00 0	210,00 0	Grante d restrict ed shares
Zhang Wei	Assist ant to Chair man of the Board, Contro ller of Strateg y and Market Depart ment	Incum bent	Male	37	18 Januar y 2018	10 June 2022				200,00 0	200,00 0	Grante d restrict ed shares
Fujiwa ra Matsu zaka	GM of Japan Office	Incum bent	Male	49	9 Decem ber 2014	10 June 2022						

Yu Shouzheng	President Assistant, Controller of Energy and Environment Protection Department	Incumbent	Male	54	6 June 2007	10 June 2022	83,100			200,000	283,100	Granted restricted shares
Shang Chenggang	President Assistant, Controller of Garment Product Line	Incumbent	Male	49	6 June 2013	10 June 2022	30,000			200,000	230,000	Granted restricted shares
Du Lixin	Chief Engineer, Executive Dean of Lu Thai Engineering Technology Research Institute	Incumbent	Male	47	18 January 2018	10 June 2022				200,000	200,000	Granted restricted shares
Guo	Contro	Incum	Male	50	18	10				200,00	200,00	Grante

Heng	ller of Functi onal Fabric Produc t Line	bent			Januar y 2018	June 2022				0	0	d restrict ed shares
Fu Guann an	Presid ent Assist ant, Invest ment Direct or	Incum bent	Femal e	39	14 Decem ber 2020	10 June 2022				200,00 0	200,00 0	Grante d restrict ed shares
Wang Fangs hui	Direct or	Forme r	Male	61	7 May 1998	26 Februa ry 2021	146,75 3				146,75 3	
Bi Xiuli	Indepe ndent Direct or	Forme r	Femal e	55	6 June 2016	25 Februa ry 2021						
Wang Chang zhao	Execut ive Dean of Lu Thai Engine ering Techn ology Resear ch Institut e	Forme r	Male	48	6 June 2013	29 June 2021	22,500				22,500	
Total	--	--	--	--	--	--	1,041, 635	0	0	2,500, 000	3,541, 635	--

Indicate by tick mark whether any directors or supervisors left or any senior management were disengaged during the Reporting Period

√ Yes □ No

Bi Xiuli, an independent director of the Company, due to personal work arrangements, resigned as an independent director and a member of the Strategic Decision-making Committee of the Board of Directors, a member of the Nomination Committee and the Remuneration Committee of the Company on 25 February 2021, and no longer held any post in the Company; Wang Fangshui, a director of the Company, due to retirement, resigned as a director of the Company and a member of the Strategic Decision-making Committee of the Board of Directors on 26 February 2021, and no longer held any post in the Company; Wang Changzhao, an Executive Dean of the Company's Engineering Technology Research Institute, due to personal reasons, resigned as an officer on 29 June 2021, and no longer held any post in the Company.

Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Wang Fangshui	Director	Left	26 February 2021	Retirement
Bi Xiuli	Independent Director	Left	25 February 2021	Left for job arrangement
Wang Changzhao	Executive Dean of Lu Thai Engineering Technology Research Institute	Contract termination	29 June 2021	Left for personal reason

2. Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

1. Mr. Liu Zibin: Chairman and President of the Company, born in 1965, with a master degree. He served as the GM and chairman of Zibo Lucheng Textile Co., Ltd. And he currently serves as the chairman and president of Luthai Textile Co., Ltd., the chairman of Lufeng Textile Dyeing Co., Ltd., the chairman of Zibo Xinsheng Thermoelectric Co., Ltd., the chairman of Zibo Lu Qun Textile Co., Ltd., the chairman of Shanghai Luthai Textile and Garment Co., Ltd., the chairman of Luthai Textile (USA) Co., Ltd., the chairman of Luthai (Hong Kong) Co., Ltd., the chairman of Shanghai Zhinuo Textile New Materials Co., Ltd., the chairman of Shandong Lulian New Materials Co., Ltd., the chairman of Shandong Lujia Import and Export Co., Ltd. and the chairman of Hainan Huilin International Holdings Co., Ltd.
2. Mr. Xu Zhinan: Vice chairman of the Company, a Thailander born in 1930. He served as director and GM of Thailand Fiber Cloth Factory Co., Ltd., director of Thailand Fiber Co., Ltd., director of Thailand Fiber Printing and Co., Ltd., director and deputy GM of Luthai Textile Co., Ltd. And he currently serves as the director and deputy chairman of the Company and GM of Thailand Fiber Co., Ltd.
3. Mr. Fujiwara Hidetoshi: Director of the Company, a Japanese born in 1940. He served as director of Degang Weaving Factory in Japan, director and senior consultant of Luthai Textile Co., Ltd. He currently serves as a director of Luthai Textile Co., Ltd. and a director of Lufeng Textile Dyeing Co., Ltd.
4. Mr. Chen Ruimou: Director of the Company, born in 1944 with a university degree. He served as staff of Jinyuan Co., Ltd, staff of Nissin Shokai Co., Ltd., supervisor and director of Luthai Textile Co., Ltd. And he currently serves as a director of the Company.
5. Mr. Zeng Facheng: Director of the Company, a Thailander born in 1951. He is currently the chairman of GOLD MINE GARMENT CO., LTD. and BLOSSOM GARMENT MANUFACTURING (THAILAND) CO., LTD.; he also is the chairman of the Thai Shipping and Transportation Association, the chairman of the standing committee of the Thai Garment Industry Development Charity Foundation, the executive director of the Thai Chamber of Commerce, the Thai industry Director of the Association,

Chairman of the Thai Garment Industry Free Trade Association, and Director of Luthai.

6. Mr. Liu Deming: Director of the Company, vice director of global marketing department, born in 1990, with a master degree. Currently, he serves as chairman and GM of Zibo Lucheng Textile Investment Co., Ltd., director of Luthai Textile Co., Ltd. and vice director of global marketing department of the Luthai Textile Co., Ltd.

7. Ms. Qin Guiling: Director of the Company, born in 1966, with a master degree of business administration. He served as chief of planning department, manager of securities department, financial assistant to GM, deputy GM and secretary of board of directors of Luthai Textile Co., Ltd. In addition, he currently serves as a director of Luthai.

8. Ms. Zhang Hongmei: Director and chief accountant of the Company, born in 1970, with a master degree of business administration. She is a senior accountant. She served as chief of cost department, chief of accounting department and deputy chief accountant of Luthai Textile Co., Ltd., and currently serves as the director and chief accountant of the Company. He is also a supervisor of Shanghai Zhinuo Textile New Materials Co., Ltd.

9. Ms. Pan Ailing: Independent director of the Company, born in 1965, with a doctor degree of economics; and she serves as a postdoctor of financial management. She currently serves as a professor at the School of Management of Shandong University, a doctoral supervisor, a leader in accounting discipline, a director of the Investment and Financing Research Center of Shandong University, a non-practicing member of CICPA, a director of the Shandong Institute of Accounting, a managing director of the Shandong Institute of Comparative Management, a visiting professor at Soochow University in Taiwan, a visiting scholar at the UCONN, and a national candidate for the "New Century Talents Project". In addition, she is an outstanding talent of the Ministry of Education of the People's Republic of China in the new century and an expert specially posted by the State Council of the People's Republic of China.

10. Mr. Wang Xinyu: Independent director of the Company, born in 1967, with a master's degree. He is in possession of the certificates of CPA, CTA and CPV. He once taught at Jinan Vocational College, and successively worked as project manager & department manager of Shandong Zhengyuan Hexin Accounting Firm and Zhonglei Certified Public Accountants, and deputy GM of Shandong Branch. In addition, he currently serves as a senior partner of Reanda Certified Public Accountants LLP, Director of Shandong Branch, and independent director of the Company.

11. Mr. Zhou Zhiji: Independent director of the Company, born in 1963, with a bachelor degree. He is in possession of the certificates of CPA and senior accountant. He served as a cadre of Shandong Provincial Department of Finance, director of department of Shandong accounting firm, chief accountant of Shandong Zhengyuan Accounting Firm, director and manager of Shandong Yingshida Enterprise Management Consulting Co., Ltd., chairman of Shandong Jinheng Consulting Co., Ltd. Now, he serves as a supervisor of Shandong Jinheng Consulting Co., Ltd.

12. Ms. Qu Dongmei: Independent director of the Company, born in 1969, with a doctor degree of economic law. She currently serves as a professor at the School of Law of Shandong Normal University, a master's supervisor in Civil and Commercial Law, a director of the Western Returned Scholars Association, a lawyer of Grandall Law Firm (Jinan) and an arbitrator of Jinan Arbitration Commission. In addition, he holds the license of insurance broker in Illinois, USA.

13. Mr. Zhang Shougang: Chairman of the Board of Supervisors, born in 1970, with a master degree of business administration. He is in possession of a certificate of senior engineer. And he served as director of the weaving factory, manager of the weaving department, manager of the quality management department, manager of the garment production department, manager of the enterprise management department and Director of Human Resources Department of the Company.

14. Mr. Liu Zilong: Supervisor of the Company, born in 1968, with a master degree of business administration. In addition, he has served as the GM of Luthai (Hong Kong) since 2002.

15. Mr. Dong Shibing: Supervisor of the Company, born in 1969, with a diploma of technical secondary school. He once served as deputy director of the GM's office of the Company. Currently, he served as the manager of the Company's logistics management department and GM of Zibo Banyang Villa Hotel Co., Ltd.

16. Mr. Zhang Jianxiang: born in 1968, Counselor of the Company, with a master degree of business administration. He served as the head of the weaving section of Binzhou No.2 Cotton Mill, the director of the expansion office, the director of the weaving factory,

the deputy manager of the production department, the manager of the quality management department and the director of the fabric finishing factory of Luthai Textile Co., Ltd., the deputy director and the executive director of the Luthai Textile and Clothing Engineering Research Institute, Vice President and director of the Functional Fabric Product Line of the Company.

17. Mr. Wang Jiabin: Chairman of the Labor Union and safety director of the Company. Born in 1963, with a master degree of business administration, he served as workshop director of Zibo No. 1 Cotton Textile Mill, director of labor safety, weaving workshop director of Luthai Textile Co., Ltd., director of power, director of bleaching and dyeing factory, manager of bleaching and dyeing department, assistant to the GM, vice president and director of yarn-dyed fabric product line.

18. Mr. Zhang Zhanqi: Vice president of the Company, director of global marketing department and GM of LuFeng Company Limited, born in 1972, with a master degree of business administration. Also, he serves as a senior engineer, once was the factory director of fabric finishing factory and manager of quality management department of the Company.

19. Mr. Zhang Keming: Secretary of the board of directors of the Company, and director of Financial Management Department. Born in 1968, with a master degree of business administration, he is a senior accountant. Once he was deputy manager and manager of the financial department of the Company.

20. Mr. Li Wenji: Controller of the enterprise management department, born in 1967. Once he was a teacher of Shandong University of Finance. He once served as the manager of the Company's information department and CIO.

21. Mr. Zhang Wei: Assistant to Chairman of the Board, director of the strategy and marketing department of the Company, born in 1985, with a doctor degree. He served as a researcher of Guotai Junan Securities Co., Ltd. and China Asset Management Co, Ltd., manager of the strategic planning department of the Company; he also serves as the director of Shanghai Zhinuo Textile New Materials Co., Ltd.

22. Mr. Fujiwara Matsuzaka: GM of branch office in Japan, Japanese with a bachelor degree. He is a special foreign expert of the Company, and he once won the Qilu Friendship Award. In addition, he served as deputy manager of international business department, manager of No.1 international business department, manager of No.2 international business department and manager of clothing marketing department of Luthai Textile Co., Ltd.

23. Mr. Yu Shouzheng: President Assistant, Director of the energy and environmental protection department of the Company, GM of Zibo Xinsheng Thermal Power Co., Ltd., born in 1968, with a master degree of business administration. As an engineer, he once worked as the director of the power department and manager of the energy division of the Company.

24. Mr. Shang Chenggang: President Assistant and the director of clothing product line of the Company. Born in 1973, he served as deputy director, director, manager of GM department, management representative and manager of garment production department, director of garment manufacturing center & manager of garment production management department of the Company.

25. Mr. Du Lixin: Chief engineer of the Company and executive dean of Luthai Institute of Engineering and Technology. Born in 1975, he served as spinning operator, a weaver's planner, a deputy director of the production department's dispatching room, a weaver's factory director, a manager of the weaving department, and a deputy manager of the production department of Luthai, as well as GM of Continental Textile Co., Ltd.

26. Mr. Guo Heng: Controller of Functional Fabric Product Line. Born in 1972, he served as the deputy director of the spinning factory of Lu Thai, the deputy manager of the yarn business department, and the manager of the yarn business department and Director of enterprise management department of Luthai.

27. Ms. Fu Guannan: President Assistant and Investment Director of the Company, GM of Beijing Zhishu Management Consulting Co., Ltd. Born in 1983, with a master degree, she served as senior executive director of Investment Banking Department in Guotai Junan Securities Co., Ltd.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding

					entity
Liu Zibin	Zibo Lucheng Textile Investment Co., Ltd.	Director	26 February 1999		No
Xu Zhinan	Tailun (Thailand) Textile Co., Ltd.	GM	29 January 1985		No
Liu Deming	Zibo Lucheng Textile Investment Co., Ltd.	Chairman and GM	1 February 2017		No
Explanations about holding posts in shareholders' companies	Mr. Liu Zibin is the Director of Zibo Lucheng Textile Investment Co., Ltd., holding 4% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Zibin: Chinese, no right of residence in other countries or regions. Mr. Liu Deming holds the post of Chairman and GM of Zibo Lucheng Textile Investment Co., Ltd., holding 21% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Deming: Chinese, no right of residence in other countries or regions. Mr. Xu Zhinan is the sponsor of foreign capital of the Company, shareholder of Tailun (Thailand) Textile Co., Ltd. and Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder of the Company. Basic information about Mr. Xu Zhinan: Thai.				

Offices held concurrently in other entities:

√Applicable □Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Liu Zibin	Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Thermal Power Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd., Lu Thai (America) Textile Co., Ltd. Lu Thai (HK) Textile Co., Ltd, Shanghai Zhinuo Textile New Material Co., Ltd, Shandong Lulian New Materials Co., Ltd., Shandong Lujia Import and Export Co., Ltd., Hainan Huilin International Holdings Co., Ltd.	Chairman of the Board, Director, GM	7 December 2015		No
Liu Deming	LuFeng Company Limited, Zibo Luqun Textile Co., Ltd., Shandong Lulian New Materials Co., Ltd., Shanghai Zhinuo Textile New Materials Co., Ltd., Beijing Zhishu Management Consulting Co., Ltd.	Director	21 August 2017		No
Zhang Hongmei	Shanghai Zhinuo Textile New Materials Co., Ltd.	Supervisor	15 October 2018		No
Dong Shibing	Zibo Banyang Villa Hotel Co., Ltd.	GM	2 April 2021		No
Zhang Jianxiang	Shanghai Lu Thai Textile Garment Co., Ltd.	Supervisor	30 December 2010		No
Du Lixin	Continental Textile Co., Ltd., Lu Thai (Vietnam) Textile Co., Ltd.	Director	29 December 2015		No
Zhang Wei	Shanghai Zhinuo Textile New Materials	Director	15 October		No

	Co., Ltd.		2018		
Zhang Keming	Zibo Luqun Textile Co., Ltd., Shandong Lulian New Materials Co., Ltd.	Director, Supervisor	3 March 2022		No
Pan Ailing	Shandong University School of Management	Professor	1 July 1986		Yes
Wang Xinyu	Reanda Certified Public Accountants Shandong Branch	Head	1 August 2013		Yes
Zhou Zhiji	Shandong Jinheng Consulting Co., Ltd	Supervisor	1 October 2015		Yes
Qu Dongmei	Law School of Shandong Normal University	Professor	1 July 2003		Yes
Zhang Zhanqi	LuFeng Company Limited	GM	5 July 2014		No
Yu Shouzheng	Zibo Xinsheng Thermal Power Co., Ltd.	GM	13 April 2021		No
Guo Heng	Shandong Lulian New Materials Co., Ltd.	GM	28 August 2021		No
Fu Guannan	Beijing Zhishu Management Consulting Co., Ltd.	GM	9 March 2022		No
Explanations about holding posts in other entities	Except for independent directors, all other entities the Company's directors, supervisors and senior management hold posts are majority-owned subsidiaries of the Company.				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

The Remuneration and Appraisal Committee under the Board of Directors of the Company is liable to not only preparing appraisal criteria for directors and senior management of the Company and appraising them, but also preparing and reviewing remuneration policies and plans for directors and senior management of the Company, who is liable to the Board of Directors. The Remuneration and Appraisal Committee shall propose the remuneration amount of directors and senior management according to the Company's management condition and post performance results, and shall report to the Board of Directors for ratification after the approval by voting.

The Controller of Financial Management Department, the Corporate Management Department and the HR Department of the Company shall be liable to the preliminary preparation for the decision of the Remuneration and Appraisal Committee, including but not limited to providing information such as the Company's main financial indicators and the completion of management objectives. The Remuneration and Appraisal Committee shall confirm the annual appraisal results of directors and officers in accordance with the completion of the Company's performance and the remuneration criteria for officers, and shall report to the Board of Directors for

ratification after the approval by voting.

The number of incumbent directors, supervisors and senior executives is 27, among which there are 27 persons actually receiving remuneration from the Company. Till 31 December 2021, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB14.1556 million (before tax).

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liu Zibin	Chairman and President	Male	57	Incumbent	90.71	No
Xu Zhinan	Vice Chairman	Male	92	Incumbent	20.78	No
Fujiwara Hidetoshi	Director	Male	82	Incumbent	1.06	No
Chen Ruimou	Director	Male	78	Incumbent	20.78	No
Zeng Facheng	Director	Male	71	Incumbent	1.06	No
Liu Deming	Director, Vice Controller of Global Marketing Department	Male	32	Incumbent	57.7	No
Qin Guiling	Director	Female	56	Incumbent	69.54	No
Zhang Hongmei	Director and Chief Accountant	Female	52	Incumbent	77.61	No
Zhou Zhiji	Independent Director	Male	59	Incumbent	5.9	No
Pan Ailing	Independent Director	Female	57	Incumbent	5.9	No
Wang Xinyu	Independent Director	Male	55	Incumbent	5.9	No
Qu Dongmei	Independent Director	Female	53	Incumbent	5.9	No
Zhang Shougang	Chairman of the Supervisory Committee	Male	52	Incumbent	53.03	No
Liu Zilong	Supervisor	Male	54	Incumbent	59.96	No

Dong Shibing	Supervisor, Manager of Logistics Management Department	Male	53	Incumbent	57.98	No
Zhang Jianxiang	Counselor	Male	54	Incumbent	83.06	No
Wang Jiabin	Chairman of the Labor Union, Security Controller	Male	59	Incumbent	82.34	No
Zhang Zhanqi	Vice president, Controller of Global Marketing Department	Male	50	Incumbent	80.85	No
Zhang Keming	Board Secretary, Controller of Financial Management Department	Male	54	Incumbent	57.65	No
Li Wenji	Controller of Business Management Department	Male	55	Incumbent	60.12	No
Zhang Wei	Assistant to Chairman of the Board, Controller of Strategy and Market Department	Male	37	Incumbent	92.22	No
Fujiwara Matsuzaka	GM of Japan Office	Male	49	Incumbent	104.73	No
Yu Shouzhen g	President Assistant, Controller of Energy and Environment Protection Department	Male	54	Incumbent	57.54	No
Shang Chenggan g	President Assistant, Controller of Garment Product Line	Male	49	Incumbent	56.05	No
Du Lixin	Chief Engineer, Executive Dean of Lu Thai Engineering Technology Research Institute	Male	47	Incumbent	57.28	No
Guo Heng	Controller of Functional Fabric Product Line	Male	50	Incumbent	57.08	No
Fu Guannan	President Assistant, Investment Director	Female	39	Incumbent	92.83	No
Total	--	--	--	--	1,415.56	--

VI Performance of Duty by Directors in the Reporting Period

1. Board Meeting Convened during the Reporting Period

Meeting	Date of the meeting	Disclosure date	Meeting resolutions
20 th Meeting of the 9 th Board of Directors	2021-01-13	2021-01-15	It deliberated and approved: 1. <i>Proposal on Investing and</i>

			<p><i>Establishing “Hainan Huilin International Holdings Co. Ltd.”; 2. Proposal on Providing Joint and Several Liability Guarantee for the Wholly-owned Subsidiary Lu An Garments Co., Ltd. of Obtaining a Comprehensive Credit Limit of USD10 Million; 3. and Proposal on Routine Related Transactions.</i></p>
<p>21st Meeting of the 9th Board of Directors</p>	<p>2021-03-29</p>	<p>2021-03-31</p>	<p>It deliberated and approved: 1. <i>Proposal on 2020 Annual Work Report of the Board of Directors;</i> 2. <i>Proposal on 2020 Annual Work Report of the President;</i> 3. <i>Proposal on the Company's 2020 Annual Report and Its Abstracts;</i> 4. <i>Proposal on the Company's 2020 Annual Financial Accounting;</i> 5. <i>Proposal on the Company's 2021 Annual Financial Budget;</i> 6. <i>Proposal on the Company's 2020 Annual Profit Distribution Plan;</i> 7. <i>Proposal on the Company's 2020 Annual Appraisal Results of Officers;</i> 8. <i>Proposal on the Company's 2020 Annual Social Responsibility Report;</i> 9. <i>Proposal on the Company's 2020 Annual Assessment Report for Internal Control;</i> 10. <i>Proposal on the Renewal of the Company's 2021 Annual Financial Audit and Internal Control Audit Institution;</i> 11. <i>Proposal on Changing Part of the Accounting Policies;</i> 12. <i>Proposal on Applying for a</i></p>

			<p><i>Comprehensive Credit Limit of RMB200 Million from China Merchants Bank; 13. Proposal on Providing Joint and Several Liability Guarantee for the Wholly-owned Subsidiary Continental Textile Co., Ltd. of Obtaining a Comprehensive Credit Limit of USD60 Million; 14. Proposal on the Special Report of the 2020 Annual Deposit and Use of the Raised Funds; 15. Proposal on Investing and Establishing Zibo Banyang Mountain Villa Hotel Co., Ltd.; 16. Proposal on the Delay of the Production Line Project of High-grade Printed and Dyed Fabrics; 17. Proposal on Holding 2020 Annual General Meeting.</i></p>
22 nd Meeting of the 9 th Board of Directors	2021-04-12	2021-04-13	<p>It deliberated and approved: 1. <i>Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts;</i> 2. <i>Proposal on the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme';</i> 3. <i>Proposal on Submitting the Authorization for the Board of Directors to Handle the Company's 2021 Restricted Share Incentive Scheme to the General Meeting of Shareholders;</i> 4. <i>Proposal on Holding the 1st Extraordinary General Meeting of 2021.</i></p>

23 rd Meeting of the 9 th Board of Directors	2021-04-28	2021-04-30	It deliberated and approved: 1. <i>Proposal on the Full Text and Body of the 2021 First Quarter Report</i> ; 2. <i>Proposal on the Company's Using Part of the Idle Raised Funds for Cash Management.</i>
24 th Meeting of the 9 th Board of Directors	2021-05-17	2021-05-18	It deliberated and approved: 1. <i>Proposal on Adjusting the List of the Name and Number of Incentive Staff of 2021 Restricted Share Incentive Scheme</i> ; 2. <i>Proposal on Granting Restrictive Stocks to Incentive Staff for the First Time</i> ; 3. and <i>Proposal on Providing Guarantee for Continental Textile Co., Ltd. and Its Subsidiaries of Obtaining a Comprehensive Credit Limit of USD20.80 Million from the Ho Chi Minh City Branch of China Trust Commercial Bank Co, Ltd.</i>
25 th Meeting of the 9 th Board of Directors	2021-06-11	2021-06-15	It deliberated and approved: 1. <i>Proposal on the Company's Plan for Derivative Transaction</i> ; 2. <i>Proposal on Opening a Special Account for Foreign Exchange Purchase and Deposit of Raised Funds and Signing a Supervision Agreement on Raised Funds</i> ; 3. <i>Proposal on Amending Relevant Articles of the 'Articles of Incorporation' According to the Authorization of the General Meeting.</i>
26 th Meeting of the 9 th Board of Directors	2021-08-26	2021-08-28	It deliberated and approved: 1. <i>Proposal on the Company's Interim Report 2021 and Its Abstracts</i> ; 2. <i>Proposal on</i>

			<p><i>Using Idle Equity Funds for Cash Management; 3. Proposal on the Special Interim Report 2021 of the Deposit and Use of the Raised Funds; 4. Proposal on Amending Relevant Articles of the 'Foreign Investment Regulations for Lu Thai Textile Co., Ltd.'; 5. Proposal on Amending Relevant Articles of the Authorization Management System for Lu Thai Textile Co., Ltd.; 6. Proposal on Preparing the Remuneration Plan for Directors, Supervisors and Senior Management; 7. Proposal on the Additional Investment on Hainan Huilin International Holdings Co., Ltd.; 8. Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition; 9. Proposal on Holding the 2nd Extraordinary General Meeting of 2021.</i></p>
27 th Meeting of the 9 th Board of Directors	2021-10-27	2021-10-29	<p>It deliberated and approved: <i>Proposal on the 2021 Third Quarter Report.</i></p>
28 th Meeting of the 9 th Board of Directors	2021-12-13	2021-12-14	<p>It deliberated and approved: <i>1. Proposal on Amending Relevant Articles of the 'Articles of Incorporation' According to the Authorization of the General Meeting; 2. Proposal on Designedly Providing Pledge of Deposit of RMB40 Million to the Holding Subsidiary</i></p>

			<i>Shandong Lulian New Materials Co., Ltd. for Opening Letter of Credit ("L/C") for Import Equipment in Bank of Qingdao Co, Ltd.</i>
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2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Liu Zibin	9	9	0	0	0	No	3
Xu Zhinan	9	0	9	0	0	No	0
Fujiwara Hidetoshi	9	0	9	0	0	No	0
Chen Ruimou	9	0	9	0	0	No	0
Zeng Facheng	9	0	9	0	0	No	0
Wang Fangshui	1	1	0	0	0	No	0
Liu Deming	9	9	0	0	0	No	0
Qin Guiling	9	9	0	0	0	No	2
Zhang Hongmei	9	9	0	0	0	No	3
Bi Xiuli	1	0	1	0	0	No	0
Zhou Zhiji	9	1	8	0	0	No	2
Pan Ailing	9	1	8	0	0	No	0
Wang Xinyu	9	1	8	0	0	No	2
Qu Dongmei	9	1	8	0	0	No	0

Why any director failed to attend two consecutive board meetings:

Not applicable.

3. Objections Raised by Directors on Matters of the Company

Indicate by tick mark whether any directors raised any objections on any matter of the Company.

Yes No

No such cases in the Reporting Period.

4. Other Information about the Performance of Duty by Directors

Indicate by tick mark whether any suggestions from directors were adopted by the Company.

√ Yes □ No

Suggestions from directors adopted or not adopted by the Company

Naught

VII Performance of Duty by Specialized Committees under the Board in the Reporting Period

Committee	Members	Number of meetings convened	Convened date	Content	Important opinions and suggestions raised	Other information about the performance of duty	Details about issues with objections (if any)
Audit Committee under the Board	Wang Xinyu, Zhou Zhiji, Qin Guiling	7	2021-01-20	Mainly, the Company's financial statements submitted to Grant Thornton Certified Public Accountants LLP for preliminary audit were reviewed, written opinions were expressed, and communication with Leader of annual audit accountant project was conducted.	The opinions were as follows: (1) Preparing the Company's financial accounting statements in accordance with the Company's accounting policies and applying accounting policies properly, it carried out accounting estimate fully and reasonably, which conformed to the New Accounting Standard for Business Enterprises,		

					<p>accounting system for enterprises and the requirements of relevant provisions issued by the Ministry of Finance; (2) Unit statements of the Company's financial statements that were included in the scope of consolidation were complete, while the statement consolidation basis was accurate; (3) The financial statements of the Company were objective, true and accurate, without any major misstatement or omission; (4) And due to the fact that there still is a period of time from the</p>		
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					<p>day for review of the financial statements to the day for audit report and financial statement release, the Financial Management Department of the Company was submitted to focus on and cope with post balance sheet events, so as to ensure the fairness, authenticity and integrity of the financial statements.</p> <p>The Audit Committee thought that the financial accounting statements could be submitted to Annual Certified Public Accountant for audit according to annual audit plan.</p>		
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			2021-03-29	<p>The following matters were mainly audited: (1) The Company's 2020 Annual Financial Report audited by the accounting firm. (2) Conclusion Report on the Company's Audit Work for the 2020 Annual Financial Report conducted by Grant Thornton Certified Public Accountants LLP. (3) Proposal on the renewal of Grant Thornton Certified Public Accountants LLP As the Company's 2021 Annual Financial Audit and Internal Control Audit</p>	<p>The opinions were as follows: The procedure of financial statement preparation was reasonable and normative as the Company conformed to the New Accounting Standard for Business Enterprises and relevant provisions of the Company's financial system, which fairly reflected the Company's assets, liabilities, shareholders' equity and operating results by 31 December 2020, which were true, accurate and complete. The Audit Committee thought that the Company's 2020 Annual</p>		
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				Institution. (4) Special Report of the 2020 Annual Deposit and Use of the Raised Funds. (5) Report on the Implementation of the 2020 Annual Internal Audit Plan by the Company's Audit Department.	Financial Accounting Report that was preliminarily approved by Grant Thornton Certified Public Accountants LLP could be submitted to the 21st Meeting of the 9th Board of Directors for review.		
			2021-04-20	<i>Report on Implementation of Internal Audit Plan of 2021 First Quarter and Special Report of Deposit and Use of the Raised Funds of 2021 First Quarter by the Company's Audit Department were deliberated.</i>	The following proposals were adopted by voting at the meeting: <i>Report on Implementation of Internal Audit Plan of 2021 First Quarter and Special Report of Deposit and Use of the Raised Funds of 2021 First Quarter.</i>		
			2021-06-08	The Proposal on the Company's Plan for Derivative	The <i>Plan for Derivative Transaction of Lu Thai Textile Co.,</i>		

				<p>Transaction was mainly deliberated.</p>	<p><i>Ltd.</i> was audited and the following opinions were expressed: Facing the exchange rate fluctuation of RMB against USD in the foreign exchange market, the Financial Management Department of the Company proposed the Plan for Derivative Transaction, which was an effective tool to avoid exchange rate risk. By strengthening internal control and implementing stop-loss management and risk prevention measures, the management level could be improved, which was conducive to giving full</p>		
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					<p>play to the Company's competitive edge. On the premise of ensuring normal operation, the Company utilized equity funds to carry out derivative transactions, which was conducive to avoiding the risk of RMB exchange rate fluctuations, enhancing the ability to withstand exchange rate fluctuations and operating level, and giving full play to the Company's competitive edge, without damaging the interests of the Company and all shareholders. We think that the <i>Plan for Derivative Transaction</i></p>		
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					<p><i>is feasible, necessary and risk-controllable, and agree to submit the Plan for Derivative Transaction of Lu Thai Textile Co., Ltd. to the 25th Meeting of the 9th Board of Directors for deliberation.</i></p>		
			2021-08-16	<p>Mainly, the following matters were deliberated: (1) Special Interim Report 2021 of the Deposit and Use of the Raised Funds. (2) Interim Report 2021 on the Implementation of Internal Audit Plan.</p>	<p>The following proposals were adopted by voting at the meeting: <i>Special Interim Report 2021 of the Deposit and Use of the Raised Funds and Interim Report 2021 on the Implementation of Internal Audit Plan.</i></p>		
			2021-10-20	<p>Mainly, the following matters were deliberated at the meeting:</p>	<p>The following proposals were adopted by voting at</p>		

				(1) Special Report on the Deposit and Use of the Raised Funds of 2021 Third Quarter. (2) Report on the Implementation of Internal Audit Plan of 2021 Third Quarter.	the meeting: <i>Special Report on the Deposit and Use of the Raised Funds of 2021 Third Quarter and Report on the Implementation of Internal Audit Plan of 2021 Third Quarter.</i>		
			2021-11-11	The time arrangement for the Company's 2021 annual financial audit work was negotiated.	The time arrangement plan for 2021 annual financial audit work was unanimously determined at the meeting through the negotiation with the 2021 annual audit institution, Grant Thornton Certified Public Accountants LLP, of the Company.		
Remuneration Committee	Liu Zibin, Zhou Zhiji, Wang Xinyu,	4	2021-03-29	The main topic of the meeting was: Proposal on	The following proposal was deliberated		

	Pan Ailing			<p>2020 Annual Appraisal Results of the Company's Officers.</p>	<p>and approved by voting at the meeting: <i>Proposal on 2020 Annual Appraisal Results of the Company's Officers.</i> We agree to submit the above proposal to the 21st Meeting of the 9th Board of Directors of the Company for deliberation.</p>		
			2021-04-11	<p>The main topics of the meeting were: (1) the Proposal on the Company's 2021 <i>Restricted Share Incentive Scheme (Draft)</i> and Its Abstracts. (2) the Proposal on the Company's <i>Implementati on and Appraisal Regulations on 2021 Restricted</i></p>	<p>The following proposals were deliberated and approved through on-site voting and communication voting at the meeting: the <i>Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts</i> and the <i>Proposal on</i></p>		

				Share Incentive Scheme.	the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme'.		
			2021-05-13	The main topic of the meeting was: the Proposal on 2020 Annual Appraisal Results and Distribution Quota of Risk Funds.	The following proposal was deliberated and approved through on-site voting and communication voting at the meeting: the <i>Proposal on 2020 Annual Appraisal Results and Distribution Quota of Risk Funds.</i>		
			2021-08-16	The main topic of the meeting was: the Proposal on Preparing the Remuneration Plan for Directors, Supervisors and Senior Management .	The following proposal was deliberated and approved through on-site voting and communication voting at the meeting: the <i>Proposal on Preparing the</i>		

					<i>Remuneration Plan for Directors, Supervisors and Senior Management</i>		
Strategy Committee	Liu Zibin, Xu Zhinan, Chen Ruimou, Zeng Facheng, Fujiwara Hidetoshi, Liu Deming, Qin Guiling, Zhang Hongmei, Zhou Zhiji, Wang Xinyu, Pan Ailing, Qu Dongmei	1	2021-03-29	Deliberate the <i>Strategic Planning of Lu Thai Textile of 2021 to 2025.</i>	The following proposal was approved by voting at the meeting: the <i>Strategic Planning of Lu Thai Textile of 2021 to 2025.</i>		
Nomination Committee	Liu Zibin, Xu Zhinan, Zhou Zhiji, Wang Xinyu, Pan Ailing	0					

VIII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	8,807
Number of in-service employees of major subsidiaries at the	13,825

period-end	
Total number of in-service employees	22,632
Total number of paid employees in the Reporting Period	22,632
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production	16,877
Sales	515
Technical	4,581
Financial	107
Administrative	552
Total	22,632
Educational backgrounds	
Educational background	Employees
Doctor	5
Master	90
Bachelor	1,241
College	4,576
High school and below	16,720
Total	22,632

2. Employee Remuneration Policy

The Company has formulated a remuneration management system with its principle being “payment according to one’s work and more pay for more work”. Through post evaluation and through researches of Social salary levels carried out as multi-faceted, as well as the formulation of the reasonable salary management system, fully demonstrates the internal fairness, self-fairness and external fairness. It has greatly motivated the employees and enhanced the corporate management.

3. Employee Training Plans

Trainings will be carried out according to requirements of the Company’s strategic development planning, improvement of employees’ capability, performance management, employees’ career planning, etc. The annual training plan is determined by carrying out researches on training needs. And the training courses fall into three major categories, i.e. management, technical skills and general knowledge. Through these trainings, the Company will improve the knowledge structure of its employees, improve their job skills and increase their comprehensive quality to provide excellent human resources for the long-term, sustained and stable development of the Company.

4. Labor Outsourcing√ Applicable Not applicable

Total man-hours (hour)	412,473
Total rewards paid (RMB)	10,614,943.76

X Profit Distributions (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, was formulated, executed or revised in the Reporting Period:

 Applicable Not applicable

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to shareholders are positive.

 Applicable Not applicable

Final dividend plan for the Reporting Period

√ Applicable Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	0.70
Bonus issue from capital reserves (share/10 shares)	0
Total shares as the basis for the profit distribution proposal (share)	882,341,295
Cash dividends (RMB) (tax inclusive)	61,763,890.65
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	61,763,890.65
Distributable profit (RMB)	4,887,481,100.66
Total cash dividends (including those in other forms) as % of total profit distribution	100%
Cash dividend policy	
If the Company is in a mature development stage and has plans for any significant expenditure, in profit allocation, the ratio of cash dividends in the profit allocation shall be 40% or above.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
Based on 882,341,295 shares (including shares transferred from convertible bonds for the Reporting Period) on 31 December 2021, the cash allocated per 10 shares is RMB0.70(including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy	

for Cash Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for domestic individual shareholders, tax is paid pursuant to CS [2015] No. 101; for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China). Since the Company is in the period of transferring convertible bonds into shares, the profit distribution will be conducted based on the total share capital on the equity registration date for implementing this profit distribution plan with no change in the amount per share.

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

√ Applicable □ Not applicable

1. Equity Incentive

No.	Deliberation time	Relevant meeting	Overview of execution	Disclosure index
1	12 April 2021	The 22 nd Meeting of the 9 th Board of Directors	Deliberated and approved were <i>Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts, Proposal on the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme', and Proposal on Submitting the Authorization for the Board of Directors to Handle the Company's 2021 Restricted Share Incentive Scheme to the General Meeting of Shareholders</i> . The Company's independent directors expressed their independent opinions on this share incentive scheme.	Announcement of Resolution (No. 2021-024) published on http://www.cninfo.com.cn on 13 April 2021 and relevant documents
2	12 April 2021	The 13 th Meeting of the 9 th Supervisory Committee	Deliberated and approved were <i>Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts, Proposal on the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme', and Proposal on the Verification of the Company's Staff List of 2021 Restricted Share Incentive Scheme</i> .	Announcement of Resolution (No. 2021-025) published on http://www.cninfo.com.cn on 13 April 2021
3	16 April 2021 to 26 April 2021	-	The Company internally announced the names and positions on the list of incentive staff. During the publicity period, the Board of Supervisors has not received any objections related to the planned subjects of the incentive scheme.	-

4	8 May 2021	-	The Ninth Board of Supervisors issued the <i>Explanation of the Board of Supervisors on the Review and Publicity of the Staff List of 2021 Restricted Share Incentive Scheme</i> on the basis of the list review and publicity.	Relevant documents published on http://www.cninfo.co on 8 May 2021
5	13 May 2021	The First Extraordinary General Meeting of 2021	Deliberated and approved were <i>Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts, Proposal on the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme', and Proposal on Submitting the Authorization for the Board of Directors to Handle the Company's 2021 Restricted Share Incentive Scheme to the General Meeting of Shareholders. Self-inspection Report on the Company's 2021 Restricted Share Incentive Plan Insiders and Incentive Subjects' Trading of the Company's Shares</i> was disclosed.	Relevant announcements (No. 2021-035, 2021-036) published on http://www.cninfo.co on 14 May 2021
6	17 May 2021	The 24 th Meeting of the 9 th Board of Directors, the 15 th Meeting of the 9 th Supervisory Committee	Deliberated and approved were <i>Proposal on Adjusting the List of the Name and Number of Incentive Staff of 2021 Restricted Share Incentive Scheme and Proposal on Granting Restrictive Stocks to Incentive Staff</i> . The Board of Directors believed that the granting conditions specified in the incentive scheme had been fulfilled, and agreed to designate 17 May 2021 as the granting date. Except for 5 incentive staff who had been no longer qualified for the incentive due to resignation, and 47 incentive targets who had abandoned their subscription of all restricted stocks to be granted by the Company due to personal reasons, the number of incentive staff obtaining the first-granted restricted stocks were adjusted from 802 to 750, and the volume of the first restricted stocks from 25.965 million to 24.285 million shares. The independent directors consented independently to the matter. They believed that the qualification of granting incentive staff to some entities are legal and effective, and that the determined granting date complies with relevant regulations. The Board of Supervisors reviewed the list of incentive staff as of the grant date and expressed its verification opinions.	Relevant announcements (No. 2021-037, 2021-038, 2021-039, 2021-040) published on http://www.cninfo.co on 18 May 2021
7	7 June 2021	-	As audited and confirmed by Shenzhen Stock Exchange	Relevant

			and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, the registration of first-granted restricted stocks was completed.	announcements published on http://www.cninfo.com.cn on 4 June 2021
8	26 August 2021	The 26 th Meeting of the 9 th Board of Directors, 16 th Meeting of the 9 th Supervisory Committee	It deliberated and approved the <i>Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition</i> when agreeing to adjust the restricted share repurchase price according to the equity distribution plan, as well as repurchase and cancel authorized but unlocked restricted share of the incentive personnel not conforming to the incentive condition, while the Company's independent directors expressed independent opinions. The Supervisory Committee deliberated and approved the <i>Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition</i> and expressed its written review opinions.	Relevant announcements published on http://www.cninfo.com.cn on 28 August 2021
9	13 September 2021	The Second Extraordinary General Meeting of 2021	Deliberate and approve the <i>Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of Part of the Incentive Personnel</i> .	Relevant announcements (No.2021-061) published on http://www.cninfo.com.cn on 14 September 2021
10	27 November 2021	-	As audited and confirmed by Shenzhen Stock Exchange and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the procedures of repurchasing and canceling 80,000 shares of authorized and unlocked restricted share of the incentive personnel not conforming to the incentive condition were completed.	Relevant announcements (No.2021-068) published on http://www.cninfo.com.cn on 27 November 2021

Equity incentives for directors, supervisors and senior management in the Reporting Period:

√Applicable □Not applicable

Unit: share

Name	Office title	Share options held at the period -begin	Share options granted in the Reporting	Share fees exercisable during the	Share exercised during the	Exercise price of exercised shares during	Share options held at the period -end	Market price at the period -end (RMB /share	Number of restricted shares held at the period	Number of released shares for the Reporting	Number of restricted shares newly granted	The grant price of restricted shares (RMB	Number of restricted shares held at the period

			Period	Reporting Period	Period	g the Reporting Period (RMB /share))	-begin	ting Period	during the Reporting Period	/share)	-end
Zhang Hongmei	Director and Chief Accountant								0		300,000	3.31	300,000
Zhang Zhanqi	Vice president								0		300,000	3.31	300,000
Wang Jiabin	Senior management								0		300,000	3.31	300,000
Zhang Keming	Board Secretary, Senior management								0		200,000	3.31	200,000
Yu Shouzheng	Senior management								0		200,000	3.31	200,000
Shang Chenggang	Senior management								0		200,000	3.31	200,000

Li Wenji	Senior management								0		200,000	3.31	200,000
Zhang Wei	Senior management								0		200,000	3.31	200,000
Du Lixin	Senior management								0		200,000	3.31	200,000
Guo Heng	Senior management								0		200,000	3.31	200,000
Fu Guan	Senior management								0		200,000	3.31	200,000
Total	--	0	0	0	0	--	0	--	0	0	2,500,000	--	2,500,000

Appraisal of and incentive for senior management

Within Reporting Period, the Remuneration Committee of the Board of Directors researched and prepared the *Remuneration Plan for Directors, Supervisors and Senior Management of Lu Thai Textile Co., Ltd.* in accordance with relevant systems such as *Articles of Incorporation* and *Working Instructions of Remuneration and Appraisal Committee of the Board of Directors*, which was implemented as deliberated and approved through the Company's 2nd Extraordinary General Meeting of 2021 held on 13 September 2021. During the Reporting Period, the Company constantly improved the performance evaluation mechanism and made the evaluation and incentive of the Senior Executives concerned with the Company's performances and the individual working results. According to the overall development strategy and the annual operating target of the Company at the period-begin, the Company confirms the annual performance comprehensive indication and the management duty of each Senior Executives, and executes the performance examination and the redemption of the rewards and punishment for the Senior Executives by the Remuneration and Examination Committee affiliated to the Board of Directors at the year-end. The Company will constantly improve the evaluation and incentive mechanism that to tightly concern the salary of the Senior Executives with the management level and the operating performance so that to fully mobilize and inspire the initiative and creativity of them.

2. Implementation of Employee Stock Ownership Plans

Applicable Not applicable

3. Other Incentive Measures for Employees

Applicable Not applicable

On 7 June 2021, the Company completed the first-granted registration of restricted share incentive scheme, and also granted 21,785,000 restricted shares to 739 middle management and core members in addition to the above directors and senior management.

XII Establishment and Execution of the Internal Control System for the Reporting Period

1. Establishment and Execution of the Internal Control System

According to *Fundamental Norms for Internal Control of Enterprises*, *Supporting Guidelines for Internal Control of Enterprises* and relevant provisions prescribed by securities regulators for the internal control establishment of listed companies, combining the actual status of the Company's business, the Company established the internal control system that covers all stages including production and management, as well as adapts to the Company's management requirements and development needs. It is relatively normative and complete, for which its organization is complete and reasonably designed, its implementation is basically effective, and there is no substantial omission, so as to ensure that the Company's operation and management is legal and compliant, the assets are safe, and the financial reports and related information are true and complete, and maintain the fundamental interests of all shareholders of the Company.

Within Reporting Period, relevant systems and procedures were timely streamlined and optimized and the sound operation of risk management and internal control system was ensured by the Company in line with the change of all business procedures and audit results, without any violation of laws, regulations or Articles of Incorporation.

2. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

XIII Management and Control over Subsidiaries by the Company for the Reporting Period

Subsidiary	Integration plan	Integration progress	Problem	Countermeasures taken	Settlement progress	Follow-up settlement plan
-	-	-	-	-	-	-

XIV Internal Control Self-Evaluation Report or Independent Auditor's Report on Internal Control

1. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	29 April 2022
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Index to the disclosed internal control self-evaluation report	For details, please refer to the Self-appraisal Report on Internal Control of Lu Thai Textile Co., Ltd. simultaneously disclosed on www.cninfo.com.cn with the 2021 Annual Report of the Company.	
Evaluated entities' combined assets as % of consolidated total assets		89.33%
Evaluated entities' combined operating revenue as % of consolidated operating revenue		91.99%
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	Great defect: malpractices of the Directors, Supervisors and Senior Executives; the Company revised the published financial report; the CPA founded the current financial report occurred significant misstatement while during the operating process of the internal control could not founded the misstatement; the supervision of the Audit Committee and the internal audit institution of the Company on the internal control was invalid. Significant defeat: had not abide by the generally accepted accounting principles to choose and apply the accounting policies; had not built up the anti-fraud and significant counterbalance mechanism and control measures; during the financial report process, there occurred single or multiple defects which not reached the recognition standard of the significant defeat but influenced the true and accurate target of the financial report. General defect: other internal control defect which had not constructed as the great defeat, significant defect.	Great defect: violated the national laws and regulations; the decision-making of the enterprise was not scientific that led to the mistakes of itself; outflow of the management personnel or the technician personnel was serious; frequently appeared the negative news from the Media; the significant business lacked of systematic control or the systematic control was invalid; the result of the internal control assessment which was the great defect event had not been revised. Significant defeat: violated the enterprise internal regulations that caused rather serious losses; significant business lacked of systematic control; outflow of the rather important personnel was serious; the Media reported the negative news that caused rather serious negative influence; rather important business lacked of systematic control or the systematic control was invalid; the results of the internal control assessment which as the significant defect had not been revised. General defect: other internal control defect which had not constructed as the great defeat, significant defect.
Quantitative standard	Great defect: misstatement \geq 2% of the total profits amount; misstatement \geq 0.3% of the	Great defect: the direct financial losses were RMB6 million and above

	total assets amount; misstatement \geq 0.3% of the total operating income; misstatement \geq 0.4% of the total owners' equities amount. Significant defect: 1% of the total profits amount \leq misstatement $<$ 2% of the total profits amount; 0.15% of the total assets amount \leq misstatement $<$ 0.3% of the total assets amount; 0.15% of the total operating amount \leq misstatement $<$ 0.3% of the total operating amount; 0.2% of the total owners' equities amount \leq misstatement $<$ 0.4% of the total owners' equities amount. General defect: misstatement $<$ 1% of the total profits amount; misstatement $<$ 0.15% of the total assets amount; misstatement $<$ 0.15% of the total operating income; misstatement $<$ 0.2% of the total owners' equities amount.	Significant defect: RMB3 million (including RMB3 million)-RMB6 million General defect: RMB0.5 million (including RMB0.5 million)-RMB 3 million
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

2. Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control
<p>All shareholders of Lu Thai Textile Co., Ltd.:</p> <p>According to Audit Guidelines for Enterprise Internal Control and the relevant requirements of Auditing Standards for Chinese Certified Public Accountants, we have audited the effectiveness of internal control in the financial report of Lu Thai Textile Co., Ltd. (Hereinafter referred to as "Lu Thai Textile") by 31 December 2021.</p> <p>I. Responsibilities of Lu Thai Textile for internal control</p> <p>The Board of Directors of Lu Thai Textile is responsible for establishing, improving and implementation the internal controls and evaluating its effectiveness in accordance with Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control, Enterprise Internal Control Audit Guidelines.</p>

<p>II. Responsibilities of certified public accountants</p> <p>It is our responsibility to issue an audit opinion on the effectiveness of internal controls in financial report on the basis of the implementation of the audit, and to disclose significant deficiencies in the internal controls of non-financial reports that have been noted.</p>	
<p>III. Inherent limitations of internal control</p> <p>Internal control has inherent limitations, and there is a possibility that misreporting cannot be prevented. In addition, because the change of circumstances may cause the internal control to become inappropriate or the degree of compliance with the control policies and procedures is reduced, it is risky to infer the effectiveness of the future internal control based on the audit results of the internal control.</p>	
<p>IV. Audit Opinion on Internal Control in Financial Report</p> <p>We believe that Lu Thai Textile Co., Ltd. kept effectively internal control on financial reporting in all respects according to Enterprise Internal Control Basic Specification and the relevant provisions on 31 December 2021.</p>	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	29 April 2022
Index to such report disclosed	For details, please refer to the Auditor's Report on Internal Control on www.cninfo.com.cn at the same time of disclosing the Company's 2021 Annual Report.
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes No

XV Rectifications of Problems Identified by Self-inspection in the Special Action for Listed Company Governance

Not applicable.

Part V Environmental and Social Responsibility

I Major Environmental Issues

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China.

√ Yes □ No

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Lu Thai Textile Co., Ltd	COD and ammonia nitrogen	Continuous discharge	2	Chief discharge outlet of Huangjiapu Industrial Park ; chief discharge outlet of East Zone	COD \leq 200mg/L; ammonia nitrogen \leq 20mg/L	Emission standard of water pollutants in textile dyeing and finishing industry GB 4287-2012	COD: 345.04t; ammonia nitrogen: 7.93t	COD: 1495.08t; ammonia nitrogen: 149.51t	No
LuFeng Company Limited	COD and ammonia nitrogen	Continuous discharge	1	Chief discharge outlet of LuFeng Company Limited	COD \leq 200mg/L; ammonia nitrogen \leq 20mg/L	Emission standard of water pollutants in textile dyeing and finishing industry GB 4287-2012	COD: 250.75t; ammonia nitrogen: 8.15t	COD is 653.53t; ammonia nitrogen is 65.3t	No
Zibo Xinsheng Thermal Power Co., Ltd.	SO ₂ , NQx, and PM	Organized continuous discharge	4	Production plant	SO ₂ : \leq 35mg/m ³ ; NQx: \leq 50mg/m ³ ; PM: \leq 5mg/m ³	Emission standard of air pollutants of Thermal	SO ₂ : 39.87t, NQx : 143.1t, PM: 5.42t	SO ₂ is 236.13t/a, NQx : 674.63t/a, PM: 67.47t/a.	No

						Power Plant in Shandong Province DB37/66 4-2019			
Continental Textile Co., Ltd.	Sewage	Discharge into the ecological pond in the park district after treatment	1	Beside sewage plant	COD≤50 mg/L; ammonia nitrogen≤1.0mg/L	QCVN40 : 2011/BT NMT	Sewage discharge is 1,273,400 t	/	No
Continental Textile Co., Ltd.	Exhaust gas	Direct discharge after treatment	2	Beside boiler room	/	QCVN19 : 2009/BT NMT	Gas emission is 285 million m ³	/	No

Construction of pollution prevention equipment and operation condition

Lu Thai Textile Co., Ltd. (hereinafter referred to as “the Company”) and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. (hereinafter referred to as “Lufeng Weaving & Dyeing”) strictly implement the “Three Simultaneous” management system for environmental protection in project constructions. The companies are equipped with complete facilities for waste gas and waste water treatment. Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. carried out the waste water treatment system transformation project to improve the treated water quality by systematic and comprehensive reform, further improving the river water quality and local ecological environment. The Company and Lufeng Weaving & Dyeing centralizedly collected and coped with the dyeing and finishing waste gas, so as to greatly reduce the pollutant emission concentration. Online supporting monitoring facilities were built, whose data was uploaded to the government environmental monitoring system, to comprehensively monitor the Company's emission pollutants such as waste water and waste gas. Support teams were set up to be responsible for daily operation maintenance and inspection to guarantee the normal operation of facilities. Both the exhaust emission and waste water discharge meet the emission standards. In terms of energy saving, the Company won the Ministry of Industry and Information Technology's 2020 Water Efficiency Leader in Key Water-using Enterprises, China National Textile and Apparel Council's 2020 Textile Industry Water-saving Enterprise Award and Benchmarking Unit of Water-Saving in Shandong Province in 2021, making outstanding contributions to the company's energy-saving development.

The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. (hereinafter referred to as “Xinsheng Thermal Power”) enforces the “Three Simultaneous” management system for environmental protection in extension project construction in accordance with the government requirements, and adopts the “limestone-gypsum method” to reduce emission concentration of sulfur dioxide, the “Low-nitrogen combustion + SNCR” and “SNCR+SCR method” to reduce emission concentration of nitrogen oxides, and the “electric-bag electrostatic precipitator + wet electrostatic precipitator” to reduce soot emission concentration. The overall system works well.

The waste water treatment project of the wholly-owned subsidiary Continental Textile Co., Ltd. (hereinafter referred to as “Continental Textile”), located in the KCN Phuoc Dong, Tay Ninh, Vietnam, is designed to treat 6,500 tons of sewage water daily,

among which, sewage plan I is designed to treat 3,000 tons of sewage water daily, and the sewage plant II is designed to treat 3,500 tons of sewage water daily. Continental Textile adopts a comprehensive treatment process of “pre-materialization + A2O biochemistry + post-materialization + ozone oxidation+ active sand filtration” for waste water treatment, and the treated water quality is better than the QCVN 40: 2011/BTNMT A-level emission standards stipulated by the Vietnam government. The treated waste water is all discharged to the ecological pond in the park. Treated water quality analysis for 2021: The COD (mean value) was 48.1 mg/L, the chrominance (mean value) was 26, the ammonia nitrogen (mean value) was 0.16 mg/L, and the total phosphorus (mean value) was 0.15 mg/L. All the parameters met the A-level emission standards set in the “Regulations on Parameters of Industrial Drainage in Vietnam” (QCVN40: 2011/BTNMT). Waste water discharge in the whole year met the standards without violation. The total amount of waste water discharged in 2021 was 1,273,400 tons, among which, the chemical oxygen demand (COD) was 61.19 tons, ammonia nitrogen (NH₃-N) was 0.197 tons and total phosphorus (TP) was 0.173 ton. Continental Textile is equipped with multi-pipe and water film dust-separation devices to process the exhaust gas discharged from boilers. In 2021, all the equipment was in normal operation, and the exhaust gas inspection parameters were lower than the QCVN19: 2009/BTNMT emission standards set by Vietnam government. In 2021, the total amount of sulfur dioxide emissions was 50.05 tons, and the total amount of nitrogen oxides emissions was 47.5 tons.

Project Environmental Impact Assessment and Other Administrative Permission for Environmental Protection

In 2021, the “Lu Thai Textile Co., Ltd. Intelligent Technology Upgrading Project of 25 million-meter High-grade Fabric Production Line”, the “Engineering Technology Research Institute Project”, the “Technology Upgrading Project of High-end Printing and Dyeing Fabric Finishing Production Process” and the “Technology Upgrading Project of Regenerated Fibre Production Line and Colored Spun Yarn Production Line” has completed the acceptance check. The “Lufeng Weaving and Dyeing’s High-end Printing and Dyeing Fabric Production Line Project” of the holding subsidiary Lufeng Weaving and Dyeing Co., Ltd. has been approved and is under construction. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. obtained the “Response of the Environmental Impact Report of the Shandong Provincial Department of Environmental Protection on the Extension Project of Zibo Xinsheng Thermal Power” (Luhuanjian [2015] No. 241), the phase II of the expansion project has been completed and been put into production. The wholly-owned subsidiary Continental Textile’s Spinning Phase I and Dyeing Park Phase I environmental protection projects have been completed and accepted for confirmation. The spinning phase II and yarn dyeing park Phase II environmental assessment reports have been approved.

Emergency plan for environmental incidents

In order to prevent environmental pollution accidents, the Company and the holding subsidiary Lufeng Weaving & Dyeing respectively prepared the *Emergency Plan for Environmental Incidents*, which were filed with Zibo Environmental Protection Bureau Zichuan Branch. The Plan includes contents such as environmental risk sources identification and risk assessment, prevention and early warning mechanism, emergency security, and supervision and management.

The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has formulated the “Emergency Plan for Environmental Incidents” and filed it with the ecological and environmental management department. The identification and risk assessment of environmental risk sources, prevention and early warning mechanisms, emergency protection and supervision and management were included in the plan.

The wholly-owned subsidiary Continental Textile Co., Ltd. has prepared emergency plans for different environmental incidents to reduce their impacts.

Environmental self-monitoring program

In accordance with the requirements of the competent environment authorities, the Company and the holding subsidiary Lufeng Weaving & Dyeing observed the requirements of the superior environmental protection department to install automatic wastewater monitoring facilities and achieve real-time monitoring of wastewater discharge. Besides, the automatic environment monitoring plan was prepared. In addition, they invited a qualified testing institution quarterly to conduct tests on sewage and waste gas according to the self-monitoring plan, duly disclosed the monitoring data to the Shandong Pollution Source Self-monitoring Sharing System, and submitted the test reports to the competent environment authorities ensuring the monitoring data is true and valid.

The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has implemented online real-time monitoring of environmental data in accordance with the requirements of the superior environmental protection department, and has achieved emission standards.

The wholly-owned subsidiary Continental Textile Co., Ltd. installs automatic sewage sampling and water quality automatic online monitoring devices, real-time automatic sampling and online monitoring of sewage effluent water quality; while the automatic online waste gas monitoring system was installed to monitor waste gas emission in real-time after debugging. The company invites external qualified testing institutions to conduct sewage, sludge and exhaust gas quarterly Test and submit the test report to the environmental supervision department.

Administrative penalties imposed for environmental issues during the Reporting Period

Name	Reason	Case	Result	Influence on production and operation	Rectification measures
-	-	-	-	-	-

Other environment information that should be disclosed

No

Measures taken to decrease carbon emission in the Reporting Period and corresponding effects

Applicable Not applicable

The annual coal consumption for power generation of the wholly-owned subsidiary Xinsheng Thermal Power in 2021 was reduced from 283g/kWh in 2020 to 262g/kWh through operation mode adjustment, energy conservation improvement and unit efficiency enhancement. At the end of the Reporting Period, which was the heating season, Xinsheng Thermal Power, who independently cut emission by 13% on the basis of benchmarking the lowest pollutant emission over the years, dug deeply into contributing to green environmental protection and energy conservation and emission reduction.

Other related environment protection information

No

The Company shall abide by relevant disclosure requirements of the *Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies No.3 - Industry Information Disclosure* on textile and garment industry.

Environmental protection conformity situation of the Company in the report period

The Company and its majority-owned subsidiary Lufeng Weaving & Dyeing strictly implement the “Three Simultaneous” management system for environmental protection in project construction. The companies are equipped with complete facilities for waste gas and waste water treatment, wastewater is treated with hydrolysis and acidification technique + AO treatment process and finally discharged according to GB4287-2012 the Discharge Standard of Water Pollutants for Dyeing and Finishing of Textile Industry; the boiler exhaust is treated with low nitrogen combustion technology and meets DB37/2374-2018 the Emission Standards of Air Pollutants for Boilers in Shandong Province. The spray + electrostatic technology is adopted in the waste gas treatment, which meets the requirement in *Regional Comprehensive Standards for the Discharge of Air Pollutants DB37/2376-2019* and *Volatile Organic Emission Standard of Shandong Province: Part 7 - Other Industries DB37/2801.7-2019*. Temporary storage room of common solid waste and hazardous waste is constructed in accordance with environmental protection requirements, and the Company signs hazardous waste disposal contracts with third party qualified companies every year to dispose the hazardous waste of the Company on basis of conformity. The Company strictly observes environmental protection laws and regulations, and its projects have complete formalities and its environmental protection facilities are in normal operation; in 2021, the environmental protection departments of governments at various levels checked the Company more than 30 times but nonconformity was found.

Zibo Xinsheng Thermal Power utilizes neutralization basin to treat acidic and alkali wastewater, and reduces pH value to 6-9 after precipitation and neutralization. The treated wastewater and reverse osmosis water are used as desulfurizing water, coal feeding

system rinsing water, road sprinkling water and coal yard water. Desulfurizing wastewater is treated with flocculation sedimentation purification process and the design output of wastewater treatment system is 10m³/h, and the water quality after treatment will meet the requirements of Discharge Standard of Wastewater from Limestone-gypsum Flue Gas Desulfurization System In Fossil Fuel Power Plant DL/T997-2006, and also meet the wastewater recycling requirement of the plant. The treated wastewater is used for damping dry dust. The stove ash generating from coal burning and gypsum generating from ultralow emission in Zibo Xinsheng Thermal Power. are general solid waste, the Company signs boiler ash and desulfurized gypsum supply and distribution agreements with building material factory, cement factory for full comprehensive utilization.

Intercontinental Textile uses the comprehensive treatment process “pre-materialization +A2O biochemistry + post-materialization + ozone treatment + activated sand filtration” to treat the industrial wastewater of the Company, and the relevant equipment has been properly operated for six years after installation, and the discharged wastewater meets the level A discharge standard in the Technical Specifications of Vietnam on Industrial Wastewater Discharge (QCVN40: 2011/BTNMT). the boiler exhaust of the Company is treated with heat exchange and temperature reduction, dust separation, spraying, water film dust collection, absorption, chemical reaction and etc. Now the equipment has been installed and properly operated for six years. Exhaust discharge meets the discharge standard of Vietnam, “State Technical Specifications on Discharge of Industrial Inorganic Substances and Dust” (Circular 36/2015/TT-BTNMT). Hazardous waste and industrial waste warehouses are built up for separated storage of hazardous waste and industrial waste in accordance with the Vietnamese regulations, Regulations on Administration of Hazardous Waste (Circular 36/2015/TT-BTNMT) and Decision on Administration of Waste (Decree 38/2015/NĐ-CP), and waste transportation and disposal contracts are signed with local qualified treatment organizations, and relevant treatment records of waste are reported the environmental protection authority of Vietnam annually.

II Social Responsibility

The Company has prepared the Sustainability Report 2021, and for more details, please refer to the Sustainability Report 2021 simultaneously disclosed with the Annual Report 2021.

III Consolidation and Expansion of Poverty Alleviation Outcomes, and Rural Revitalization

Not applicable

Part VI Significant Events

I Fulfillment of Commitments

1. Commitments of the Company's De Facto Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Entities Fulfilled in the Reporting Period or Ongoing at the Period-End

√ Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform						
Commitments made in acquisition documents or shareholding alteration documents						
Commitments made in time of asset restructuring						
Commitments made in time of IPO or refinancing	Controlling shareholder, actual controller	Dilution of at sight returns on public offering A-share convertible corporate bonds	1. Not intervene the Company's operation and management beyond the authority and not occupy the Company's interests. 2. From the issuance date of this commitment to the	23 May 2019	From 23 May 2019 to 8 April 2026	On-going

			<p>completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, the company / I promise to issue supplementary commitment then in accordance with the</p>			
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			<p>latest regulations of CSRC. 3. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by the company / me. If the company / I violate(s) such commitment and cause(s) losses to the Company or investors, the company / I will bear the compensation responsibility to the Company or investors in accordance with the law.</p>			
	Directors and senior	Dilution of at sight	1. Com	23 May 2019	From 23 May 2019 to	On-going

	<p>managemen t of the Company</p>	<p>returns on public offering A-share convertible corporate bonds</p>	<p>mitment is made not to transfer benefits to other units or individuals free of charge or under unfair conditions, and no other ways damaging the interests of the Company will be taken. 2. I will strictly abide by the budget managemen t of the Company, and accept the strict supervision and managemen t of the Company to avoid waste or excessive consumptio n. Any position-rela ted</p>		<p>8 April 2026</p>	
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			<p>consumption behaviors of me will occur within the scope necessary for the performance of my duties. 3. Commitment is made not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties. 4. Commitment is made that the remuneration system developed by the Board of Directors or the Remuneration Committee is linked to</p>			
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			<p>the implementation of the Company's remedial measures for returns.</p> <p>5. Commitment is made that the conditions for exercising the Equity Incentive Plan to be issued in the future will be linked to the implementation of the Company's remedial measures for returns.</p> <p>6. From the issuance date of this commitment to the completion of the implementation of the Company's public</p>			
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			<p>offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 7. Commitment is made to fulfill the Company's</p>			
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			relevant remedial measures for returns and any commitment made herein by me. If I violate such commitment and causes losses to the Company or investors, I will bear the compensation responsibility to the Company or investors in accordance with the law.			
Equity incentive commitments						
Other commitments made to minority interests						
Executed on time or not	Not					

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

Applicable Not applicable

II Occupation of the Company's Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

IV Explanations Given by the Board of Directors Regarding the Latest “Modified Opinion” on the Financial Statements

Applicable Not applicable

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's “Modified Opinion” on the Financial Statements of the Reporting Period

Applicable Not applicable

VI YoY Changes to Accounting Policies, Estimates or Correction of Material Accounting Errors

Applicable Not applicable

No such cases in the Reporting Period.

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

During the Reporting Period, three subsidiaries were newly established by the Company. They are Hainan Huilin International Holdings Co., Ltd., Libra International Investment Pet. Ltd. and Zibo Banyang Villa Hotel Co., Ltd.

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Grant Thornton China (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'0,000)	173.5
How many consecutive years the domestic independent auditor has provided audit service for the Company	3
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Cui Xiaoli, He Feng
How many consecutive years the certified public accountants have provided audit service for the Company	2

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable Not applicable

The Company held the 2020 Annual General Meeting on 20 April 2021 and approved the Proposal on Renewal Engagement of the 2021 Financial Audit and Internal Control Auditor and decided to renew the contract with Grant Thornton China (Special General Partnership) for 2021 financial audit and internal control affairs and paid RMB1.735 million in total for 2020 financial report audit and the internal control audit.

IX Possibility of Delisting after Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XI Major Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

XIII Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable Not applicable

XIV Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Transactions with Related Finance Companies

Applicable Not applicable

The Company did not make deposits in, receive loans or credit from and was not involved in any other finance business with any related finance company or any other related parties.

6. Transactions with Related Parties by Finance Companies Controlled by the Company

Applicable Not applicable

The finance company controlled by the Company did not make deposits, receive loans or credit from and was not involved in any other finance business with any related parties.

7. Other Major Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major guarantees

√ Applicable □ Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Continental Textile Co., Ltd.	25 January 2017	10,201.12	20 January 2017	993.95	Joint-liability			Five years since the approval of the board of the Company	No	Yes
Continental Textile Co., Ltd.	25 January 2017	17,533.18	20 January 2017	0	Joint-liability			Five years since the approval of the	No	Yes

								shareholders meeting of the Company		
Continental Textile Co., Ltd.	27 October 2017	26,777.94	25 October 2017	6,658.79	Joint-liability			Five years since the approval of the shareholders meeting of the Company	No	Yes
Continental Textile Co., Ltd.	22 August 2018	7,013.27	20 August 2018	2,681.92	Joint-liability			Three years since the approval of the board of the Company	No	Yes
Continental Textile Co., Ltd.	29 March 2019	3,825.42	27 March 2019	3,825.42	Joint-liability			Three years since the approval of the board of the Company	No	Yes

								ny		
Continent al Textile Co., Ltd./ Lu Thai (Tan Chau) Textile Co., Ltd.	17 May 2021	11,986.32	17 May 2021	8,666.16	Joint-liab ility			Three years since the approva l of the board of the Compa ny	No	Yes
Lu Thai (Tan Chau) Textile Co., Ltd.	28 Septembe r 2019	6,375.7	27 Septembe r 2019	0	Joint-liab ility			Three years since the approva l of the board of the Compa ny	No	Yes
Continent al Textile Co., Ltd.	28 Septembe r 2019	10,838.6 9	27 Septembe r 2019	0	Joint-liab ility			Three years since the approva l of the board of the Compa ny	No	Yes
Continent al Textile Co., Ltd.	28 Septembe r 2019	2,869.07	27 Septembe r 2019	0	Joint-liab ility			Three years since the approva l of the	No	Yes

								board of the Company		
Continental Textile Co., Ltd.	28 August 2020	12,751.4	26 August 2020	0	Joint-liability			Three years since the approval of the board of the Company	No	Yes
Lu Thai (Tan Chau) Textile Co., Ltd.	15 December 2020	8,925.98	14 December 2020	938.51	Joint-liability			Four years since the approval of the board of the Company	No	Yes
Lu Thai (Tan Chau) Textile Co., Ltd.	15 December 2020	3,825.42	14 December 2020	0	Joint-liability			Three years since the approval of the board of the Company	No	Yes
Lu An Garments Co., Ltd.	15 January 2021	3,187.85	13 January 2021	112.15	Joint-liability			Two years since	No	Yes

									the approval of the board of the Company		
Shandong Lulian New Materials Co., Ltd.	14 December 2021	4,000	13 December 2022	3,020.72	Joint-liability				One year since the approval of the board of the Company	No	Yes
Total approved line for such guarantees in the Reporting Period (B1)		19,174.17		Total actual amount of such guarantees in the Reporting Period (B2)		64,500.33					
Total approved line for such guarantees at the end of the Reporting Period (B3)		130,111.36		Total actual balance of such guarantees at the end of the Reporting Period (B4)		26,897.62					
Guarantees provided between subsidiaries											
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not	
Total guarantee amount (total of the three kinds of guarantees above)											
Total guarantee line approved in the Reporting Period (A1+B1+C1)		19,174.17		Total actual guarantee amount in the Reporting Period (A2+B2+C2)		64,500.33					

Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	130,111.36	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	26,897.62
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		3.37%	
Of which:			
Balance of guarantees provided for shareholders, actual controller and their related parties (D)			0
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)			0
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)			0
Total of the three amounts above (D+E+F)			0
Joint responsibilities possibly borne or already borne in the Reporting Period for undue guarantees (if any)	N/A		
Explanation about external guarantee violating established procedure (if any)	N/A		

Compound guarantees:

The Company shall abide by relevant disclosure requirements of the *Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies No.3 - Industry Information Disclosure* on textile and garment industry.

Whether the Company provides guarantees or financial assistance for dealers

Yes No

3. Cash Entrusted for Wealth Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount	Overdue amount with provision for impairment
Bank financial	Raised funds	69,954	0	0	0

products					
Bank financial products	Self-owned funds	52,143	0	0	0
Brokerage financial products	Raised funds	5,990	0	0	0
Brokerage financial products	Self-owned funds	3,000	0	0	0
Total		131,087	0	0	0

Particulars of entrusted cash management with single significant amount or low security and bad liquidity

√ Applicable □ Not applicable

RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Method of payment determination	Annual yield for reference	Estimate profit (if any)	Amount of actual profits or losses in Reporting Period	Actual recovery of profits or losses in Reporting Period	Amount withdrawn impairment provision (if any)	Whether through statutory procedures	Whether the management and related index for inquiry (if any) or not	
Agricultural Bank of China	Bank	Principal-protected	10,000	Raised funds	2020/07/02	2021/01/08	Commodity and financial	One-off repayment of principal	3.50%	171.88	171.88	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement

a							deri vati ve asse ts	and inter ests at mat urity								oun cem ent (No .: 202 0-0 51) disc lose d on Cni nfo on 23 Ma y 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	5,00 0	Rais ed fund s	202 0/10 /16	202 1/01 /14	Cre dit asse ts	One -off repa yme nt of prin cipal and inter ests at mat urity	3.50 %	40.7 1	40.7 1	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 51) disc lose d on Cni

																Information on 23 May 2020
Qishang Bank	Bank	Principal-protected	2,754	Raised funds	2020/12/10	2021/03/11	Credit assets	One-off repayment of principal and interests at maturity	3.50%	22.67	22.67	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No. 2020-051) disclosed on Cninfo on 23 May 2020
Qishang Bank	Bank	Principal-protected	5,000	Raised funds	2020/12/10	2021/03/11	Credit assets	One-off repayment of principal	3.50%	41.16	41.16	Recovery on schedule	0	Yes	Not yet	Refer to the related

								cipal and interests at maturity									ed announcement (No.: 2020-051) disclosed on Cninfo on 23 May 2020
Agri cultural Bank of China	Bank	Principal-protected	10,000	Raised funds	2020/12/31	2021/03/25	Commodity and financial derivative assets	One-off repayment of principal and interests at maturity	3.15%	68.39	68.39	Recovery on schedule	0	Yes	Not yet		Refer to the related announcement (No.: 2020-051) disclose

																d on Cni nfo on 23 Ma y 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	2,50 0	Rais ed fund s	202 1/03 /19	202 1/06 /22	Cre dit asse ts	One -off repa yme nt of prin cipa l and inter ests at mat urity	3.70 %	22.7 1	22.7 1	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 51) disc lose d on Cni nfo on 23 Ma y 202 0
Agri cult ural	Ban k	Princ ipal- prote	10,0 00	Rais ed fund	202 1/01 /22	202 1/04 /16	Co mm odit	One -off repa	3.30 %	71.6 5	71.6 5	Rec over y on	0	Yes	Not yet	Ref er to

Ban k of Chin a		cted		s			y and fina ncia l deri vati ve asse ts	yme nt of prin cipa l and inter ests at mat urity				sche dule				the relat ed ann oun cem ent (No .: 202 0-0 51) disc lose d on Cni nfo on 23 Ma y 202 0
Agri cult ural Ban k of Chin a	Ban k	Princ ipal- prote cted	10,0 00	Rais ed fund s	202 1/03 /30	202 1/06 /25	Co mm odit y and fina ncia l deri vati ve asse ts	One -off repa yme nt of prin cipa l and inter ests at mat urity	3.70 %	83.2	83.2	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 51)

																disc lose d on Cni nfo on 23 Ma y 202 0
Agri cult ural Ban k of Chin a	Ban k	Princ ipal- prote cted	5,00 0	Rais ed fund s	202 1/03 /30	202 1/06 /25	Co mm odit y and fina ncia l deri vati ve asse ts	One -off repa yme nt of prin cipa l and inter ests at mat urity	3.70 %	41.6	41.6	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 51) disc lose d on Cni nfo on 23 Ma y 202 0
Agri	Ban	Princ	9,70	Rais	202	202	Co	One	3.50	76.3	76.3	Rec	0	Yes	Not	Ref

cultural Bank of China	Principal-protected	0	ed funds	1/04/27	1/07/23	mmmodity and financial derivative assets	-off repayment of principal and interests at maturity	%	4	4	overly on schedule			yet	er to the related announcement (No. 2020-051) disclosed on Cninfo on 23 May 2020
Zhongta Securities Co., Ltd.	Principal-protected	1,500	Raised funds	2021/08/26	2021/10/25	Other	One-off repayment of principal and interests at maturity	4.25%	9.89	9.89	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No. 2021-033)

																disclosed on Cninfo on 30 April 2021
Zhongta Securities Co., Ltd.	Securities	Principal-protected	1,500	Raised funds	2021/08/26	2021/11/23	Other	One-off repayment of principal and interests at maturity	3.95%	13.63	13.63	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No.: 2021-033) disclosed on Cninfo on 30 April 2021
Zhongta Securities Co., Ltd.	Securities	Principal-protected	1,490	Raised funds	2021/08/26	2021/10/25	Other	One-off repayment of principal	4.25%	9.82	9.82	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement

Ltd.								l and interests at maturity								ouncement (No. 2021-033) disclosed on Cninfo on 30 April 2021
Zhongta Securities Co., Ltd.	Securities	Principal-protected	1,500	Raised funds	2021/08/26	2021/11/23	Other	One-off repayment of principal and interests at maturity	3.95%	13.63	13.63	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No. 2021-033) disclosed on Cninfo on 30 April 2021

																1
Qishang Bank	Bank	Principal-protected	3,000	Self-owned funds	2020/10/16	2021/01/14	Credit assets	One-off repayment of principal and interests at maturity	3.50%	24.42	24.42	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No.: 2020-059) disclosed on Cninfo on 14 August 2020
Qishang Bank	Bank	Principal-protected	5,000	Self-owned funds	2020/11/04	2021/02/02	Credit assets	One-off repayment of principal and interests at maturity	3.50%	40.71	40.71	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No.: 2020-059) disclosed

																Information on 14 August 2020
Qishang Bank	Bank	Principal-protected	5,000	Self-owned funds	2020/11	2021/02/09	Credit assets	One-off repayment of principal and interests at maturity	3.50%	40.71	40.71	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No. : 2020-059) disclosed on Information on 14 August 2020
Qishang Bank	Bank	Principal-protected	6,246	Self-owned funds	2020/12/10	2021/03/11	Credit assets	One-off repayment of principal and	3.50%	51.42	51.42	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement

								inter ests at mat urity								ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	3,00 0	Self -ow ned fund s	202 0/12 /11	202 1/01 /20	Cre dit asse ts	One -off repa yme nt of prin cipal and inter ests at mat urity	3.40 %	10.5 5	10.5 5	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0

Everbright Bank	Bank	Principal-protected	5,000	Self-owned funds	2020/12/18	2021/01/18	Commodity and financial derivative assets	One-off repayment of principal and interests at maturity	2.70%	10.61	10.61	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No.: 2020-059) disclosed on Cninfo on 14 August 2020
Qishang Bank	Bank	Principal-protected	2,600	Self-owned funds	2021/01/07	2021/02/19	Credit assets	One-off repayment of principal and interests at maturity	3.40%	9.82	9.82	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No.: 2020-059) disclosed on

																Cni nfo on 14 Aug ust 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	2,00 0	Self -ow ned fund s	202 1/01 /27	202 1/03 /03	Cre dit asse ts	One -off repa yme nt of prin cipa l and inter ests at mat urity	3.40 %	6.15	6.15	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	3,69 7	Self -ow ned fund s	202 1/02 /09	202 1/05 /18	Cre dit asse ts	One -off repa yme nt of prin cipa l and inter	3.50 %	32.7 8	32.7 8	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent

								ests at mat urity								(No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	7,00 0	Self -ow ned fund s	202 1/02 /24	202 1/06 /29	Cre dit asse ts	One -off repa yme nt of prin cipa l and inter ests at mat urity	3.60 %	81.4 2	81.4 2	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Qish	Ban	Princ ipal-	2,60	Self -ow	202 1/02	202 1/03	Cre dit	One -off	3.50	8.23	8.23	Rec over	0	Yes	Not	Ref er

Bank	Bank	protected	0	ned funds	/24	/31	assets	repayment of principal and interests at maturity	%			on schedule			yet	to the related announcement (No. : 2020-059) disclosed on Cninfo on 14 August 2020
Qishang Bank	Bank	Principal-protected	2,000	Self-owned funds	2021/03/11	2021/06/15	Credit assets	One-off repayment of principal and interests at maturity	3.60%	17.87	17.87	Recovery on schedule	0	Yes	Not yet	Refer to the related announcement (No. : 2020-059) disclosed on Cninfo

																on 14 Aug ust 202 0
Qish ang Ban k	Ban k	Princ ipal- prote cted	5,00 0	Self -ow ned fund s	202 1/03 /19	202 1/06 /22	Cre dit asse ts	One -off repa yme nt of prin cipal and inter ests at mat urity	3.70 %	45.4 3	45.4 3	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Zho ngta i Secu ritie s Co., Ltd.	Secu rities	Princ ipal- prote cted	1,90 0	Self -ow ned fund s	202 1/07 /02	202 1/08 /02	Oth er	One -off repa yme nt of prin cipal and inter ests at	2.50 %	3.92	3.92	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .:

								mat urity								202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Zho ngta i Secu ritie s Co., Ltd.	Secu rities	Princ ipal- prote cted	1,10 0	Self -ow ned fund s	202 1/07 /02	202 1/09 /28	Oth er	One -off repa yme nt of prin cipa l and inter ests at mat urity	4.35 %	11.0 1	11.0 1	Rec over y on sche dule	0	Yes	Not yet	Ref er to the relat ed ann oun cem ent (No .: 202 0-0 59) disc lose d on Cni nfo on 14 Aug ust 202 0
Total			131, 087	--	--	--	--	--	--	1,08 2.33	1,08 2.33	--	0	--	--	--

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVI Other Significant Events

Applicable Not applicable

No such cases in the Reporting Period.

XVII Significant Events of Subsidiaries

Applicable Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percent age (%)	New issues	Shares as dividen d convert ed from profit	Shares as dividen d convert ed from capital reserves	Other	Subtotal	Shares	Percent age (%)
I. Restricted shares	119,038,937	13.87%	24,285,000			-118,318,700	-94,033,700	25,005,237	2.83%
1. Shares held by State									
2. Shares held by state-owned legal person									
3. Shares held by other domestic investors	806,537	0.09%	24,285,000			-86,300	24,198,700	25,005,237	2.83%
Among which: Shares held by domestic legal person									
Shares held by domestic natural person	806,537	0.09%	24,285,000			-86,300	24,198,700	25,005,237	2.83%
4. Shares held by other foreign investors	118,232,400	13.78%				-118,232,400	-118,232,400		
Among which: Shares held by foreign corporations	118,232,400	13.78%				-118,232,400	-118,232,400		
Shares held by foreign natural person									
II. Unrestricted shares	739,093,385	86.13%				118,242,673	118,242,673	857,336,058	97.17%
1. RMB ordinary shares	561,275	65.41%				10,273	10,273	561,285,273	63.61%

	,069							5,342	
2. Domestically listed foreign shares	177,818,316	20.72%				118,232,400	118,232,400	296,050,716	33.55%
3. Overseas listed foreign shares									
4. Other									
III. Total shares	858,132,322	100.00%	24,285,000			-76,027	24,208,973	882,341,295	100.00%

Reasons for share changes:

Applicable Not applicable

- ① According to its 2021 restricted share incentive scheme, the Company have firstly granted 24,285,000 restricted ordinary A shares that were directly issued to the incentive staff on 7 June 2021.
- ② Due to the fact that the Company had issued convertible A-share bonds on 9 April 2020, convertible bonds were converted to 3,973 shares in the period from the beginning of 2021 to 31 December 2021.
- ③ 80,000 shares of equity incentive restricted stock were repurchased and canceled.
- ④ The Company's restricted B shares held by Tailun (Thailand) Textile Co., Ltd., with a volume of 118,232,400 shares, were amended and registered as tradable B shares on 12 July 2021.
- ⑤ Due to the retirement of directors and the resignation of executives, the shares held by former directors or executives will be unlocked and adjusted in accordance with relevant regulations on the executive share management.

Approval of share changes:

Applicable Not applicable

- ① On 13 May 2021, the first Extraordinary General Meeting of this year was held in the Company. Deliberated and approved were *Proposal on the Company's '2021 Restricted Share Incentive Scheme (Draft)' and Its Abstracts*, *Proposal on the Company's 'Implementation and Appraisal Regulations on 2021 Restricted Share Incentive Scheme'*, and *Proposal on Submitting the Authorization for the Board of Directors to Handle the Company's 2021 Restricted Share Incentive Scheme to the General Meeting of Shareholders*. *Self-inspection Report on the Company's 2021 Restricted Share Incentive Plan Insiders and Incentive Subjects' Trading of the Company's Shares* was disclosed. On 17 May 2021, the Company convened the 24th Meeting of the 9th Board of Directors and the 15th Meeting of the 9th Supervisory Committee. Deliberated and approved were *Proposal on Adjusting the List of the Name and Number of Incentive Staff of 2021 Restricted Share Incentive Scheme* and *Proposal on Granting Restrictive Stocks to Incentive Staff*. The Board of Directors believed that the granting conditions specified in the incentive scheme had been fulfilled, and agreed to designate 17 May 2021 as the granting date. 24,285,000 restricted shares were effectively granted to 750 incentive staff.
- ② On 26 August 2021, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of Part of the Incentive Personnel* was deliberated and approved at the 26th Meeting of the 9th Board of Directors of the Company, as four of the incentive personnel of the 2021 restricted share incentive scheme resigned due to personal reasons, who no longer met the condition of being incentive personnel. The restricted shares held by the four personnel with a volume of 80,000 shares, which were authorized but not lifted from restricted sales, shall be repurchased and canceled by the Company in accordance with the *2021 Restricted Share Incentive Scheme* and relevant provisions of laws and regulations. The aforesaid matters were deliberated and approved at the 2nd Extraordinary General Meeting of the Company in 2021 that was held on 13 September 2021.
- ③ 118,232,400 shares of non-listed foreign share of the Company held by the shareholder and sponsor of foreign capital Tailun (Thailand) Textile Co., Ltd. were amended and registered as restricted B shares at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 30 June 2020, whose restricted term was one year and expiration was on 29 June 2021. As examined and approved by Shenzhen Stock Exchange, the Company's restricted B shares held by Tailun (Thailand) Textile Co., Ltd.,

with a volume of 118,232,400 shares, were amended and registered as tradable B shares at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 12 July 2021.

Transfer of share ownership:

Applicable Not applicable

On 7 June 2021, the first-granted restricted shares in the Company's 2021 Restricted Share Incentive Scheme were registered, as audited and confirmed by Shenzhen Stock Exchange and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited. The Company completed the procedures of repurchasing and canceling 80,000 shares of restricted share at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 27 November 2021.

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

See relevant contents of "VI Key Financial Information" under "Part II Corporate Information and Key Financial Information".

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares increased of the period	Restricted shares relieved of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
Tailun (Thailand) Textile Co., Ltd.	118,232,400		118,232,400	0	Restricted shares relieved before the IPO	12 July 2021
Liu Zibin	111,217			111,217	Locked public shares held by senior management	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure
Wang Fangshui	110,065			110,065	Locked public shares held by senior	The Company shall implement the

					management	provisions on restricted sale by directors, supervisors and senior management
Qin Guiling	94,906			94,906	Locked public shares held by senior management	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure
Zhang Hongmei	69,375	300,000		369,375	Locked public shares held by senior management: 69375 shares; restricted shares from equity incentive: 300000 shares	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Wang Jiabin	62,775	300,000		362,775	Locked public shares held by senior management:	The Company shall implement the provisions on

					62775 shares; restricted shares from equity incentive: 300000 shares	restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Yu Shouzheng	62,325	200,000		262,325	Locked public shares held by senior management: 62325 shares; restricted shares from equity incentive: 200000 shares	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Zhang Zhanqi	60,225	300,000		360,225	Locked public shares held by senior management: 60225 shares; restricted shares from equity	The Company shall implement the provisions on restricted sale by directors, supervisors and senior

					incentive: 300000 shares	management within tenure, and lift the lock-up in batches according to the share incentive scheme
Zhang Keming	58,275	200,000		258,275	Locked public shares held by senior management: 58275 shares; restricted shares from equity incentive: 200000 shares	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Zhang Shougang	54,825			54,825	Locked public shares held by senior management	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure
Zhang Jianxiang	39,112			39,112	Locked public	The Company

					shares held by senior management	shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure
Lyu Yongchen	25,312		6,300	19,012	Locked public shares held by senior management	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management
Shang Chenggang	22,500	200,000		222,500	Locked public shares held by senior management: 22500 shares; restricted shares from equity incentive: 200000 shares	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Wang Changzhao	16,875			16,875	Locked public shares held by	The Company shall

					senior management	implement the provisions on restricted sale by directors, supervisors and senior management
Li Wenji	7,500	200,000		207,500	Locked public shares held by senior management: 7500 shares; restricted shares from equity incentive: 200000 shares	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure, and lift the lock-up in batches according to the share incentive scheme
Liu Zilong	7,500			7,500	Locked public shares held by senior management	The Company shall implement the provisions on restricted sale by directors, supervisors and senior management within tenure
Dong Shibing	3,750			3,750	Locked public shares held by senior	The Company shall implement the

					management	provisions on restricted sale by directors, supervisors and senior management within tenure
Du Lixin		200,000		200,000	Restricted shares from equity incentive	Lift the lock-up in batches according to the share incentive scheme
Zhang Wei		200,000		200,000	Restricted shares from equity incentive	Lift the lock-up in batches according to the share incentive scheme
Fu Guannan		200,000		200,000	Restricted shares from equity incentive	Lift the lock-up in batches according to the share incentive scheme
Guo Heng		200,000		200,000	Restricted shares from equity incentive	Lift the lock-up in batches according to the share incentive scheme
Other subjects of first-granted incentive of restricted share incentive scheme in 2021		21,705,000		21,705,000	Restricted shares from equity incentive	Lift the lock-up in batches according to the share incentive scheme

Total	119,038,937	24,205,000	118,238,700	25,005,237	--	--
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II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable Not applicable

Name of Stock and derivative securities thereof	Issue date	issue price (interest)	Issue amount	Listing date	Approved amount for listing	Termination date for trading	Disclosure index	Disclosure date
Stock								
LTTC	7 June 2021	3.31	24,285,000	7 June 2021	24,285,000		Refer to the announcement (No.: 2021-040) disclosed on http://www.cninfo.com.cn/ on 4 June 2021.	4 June 2021
Convertible corporate bonds, convertible corporate bonds separately traded and corporate bonds								
Other derivative securities								

Notes:

The *2021 Restricted Share Incentive Scheme* and relevant proposals were deliberated and approved through the 22nd Meeting of the 9th Supervisory Committee, the 13th Meeting of the 9th Board of Supervisors and the 1st Extraordinary General Meeting in 2021. On 7 June 2021, as audited and confirmed by Shenzhen Stock Exchange and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the registration of granting 24,285,000 shares of restricted share to 750 incentive personnel was completed. For details, see relevant announcement disclosed on *Securities Times*, *Shanghai Securities News*, *China Securities Journal*, *Ta Kung Pao* and the cninfo website (www.cninfo.com.cn).

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

At the beginning of 2021, the Company possessed 858,132,322 shares in total (561,894,181 A shares and 296,238,141 B shares inclusive). 24,285,000 restricted ordinary A shares issued directly to the incentive personnel were firstly granted and completed by the Company on 7 June 2021. As convertible bonds of Lu Thai were converted to 3,973 A shares cumulatively from 1 January 2021 to 31 December 2021, the repurchasing and canceling 80,000 shares of equity incentive restricted stock was completed on 27 November 2021. By 31 December 2021, the Company possessed 882,341,295 shares in total (586,103,154 A shares and 296,238,141

B shares inclusive), which had no significant impact on the Company's assets and liability structure.

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Total Number of Shareholders and Their Shareholdings

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge, marked or frozen	
							Status	Shares
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	15.91%	140,353,583	0		140,353,583		
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.40%	118,232,400	0		118,232,400		
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.25%	19,884,100	-431,200		19,884,100		
National Social	Domestic	1.11%	9,810,000	360,000		9,810,000		

Security Fund Portfolio 413	non-state-owned legal person		51	0		51		
Zhong Ou China Securities Asset Management Plan	Other	0.59%	5,235,900	0		5,235,900		
Dacheng China Securities Asset Management Plan	Other	0.59%	5,235,900	0		5,235,900		
Harvest China Securities Asset Management Plan	Other	0.59%	5,235,900	0		5,235,900		
GF China Securities Asset Management Plan	Other	0.59%	5,235,900	0		5,235,900		
Yinhua China Securities Asset Management Plan	Other	0.59%	5,235,900	0		5,235,900		
Liao Cuimeng	Domestic natural person	0.58%	5,142,200	5,142,200		5,142,200		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	Naught							
Related or acting-in-concert parties among the shareholders above	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. All of other shareholders are people holding public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.							
Above shareholders involved in Entrusting/being entrusted voting rights and giving up voting rights	Naught							
Special account for share repurchases (if any) among the top 10 shareholders (see note 10)	Naught							
Top 10 unrestricted shareholders								
Name of shareholder	Unrestricted shares held at the period-end					Shares by type		

		Type	Shares
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB ordinary share	140,353,583
Tailun (Thailand) Textile Co., Ltd.	118,232,400	Domestically listed foreign shares	118,232,400
Central Huijin Assets Management Co., Ltd.	19,884,100	RMB ordinary share	19,884,100
National Social Security Fund Portfolio 413	9,810,051	RMB ordinary share	9,810,051
Zhong Ou China Securities Asset Management Plan	5,235,900	RMB ordinary share	5,235,900
Dacheng China Securities Asset Management Plan	5,235,900	RMB ordinary share	5,235,900
Harvest China Securities Asset Management Plan	5,235,900	RMB ordinary share	5,235,900
GF China Securities Asset Management Plan	5,235,900	RMB ordinary share	5,235,900
Yinhua China Securities Asset Management Plan	5,235,900	RMB ordinary share	5,235,900
Liao Cuimeng	5,142,200	RMB ordinary share	5,142,200
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. All of other shareholders are people holding public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A		

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a natural person

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Zibo Lucheng Textile Investment Co., Ltd.	Liu Deming	25 September 1998	91370303164200391J	Investment on textile, electricity and chemical; purchase, process and sale of cotton; retail service etc.
Particulars about shareholding of controlling shareholders controlling and holding shares of other listed companies during the Reporting Period	N/A			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Its Acting-in-Concert Parties

Nature of the actual controller: Domestic natural person

Type of the actual controller: natural person

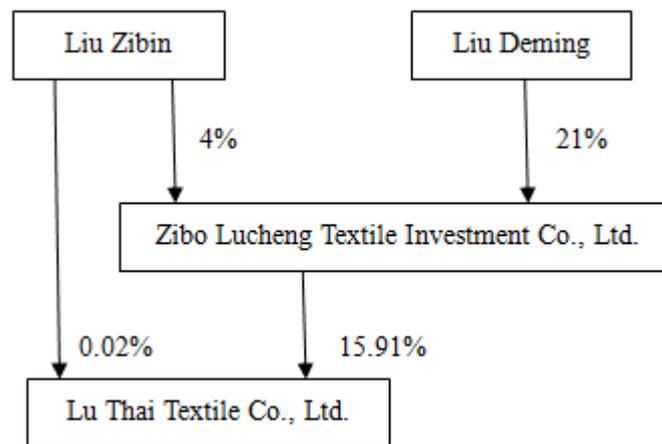
Name of the actual controller	Relations with the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
Liu Zibin	In person	China	No
Liu Deming	Concerted action (including agreement, relatives, and same control)	China	No
Professions and titles	Liu Zibin is the Chairman of the Board and President of Lu Thai Textile Co., Ltd. , Liu Deming is the Chairman of the Board and GM of Zibo Lucheng Textile Investment Co., Ltd.		
Particulars about listed companies with shares ever held by the actual controller over the past 10 years	N/A		

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. Number of Accumulative Pledged Shares held by the Company's Controlling Shareholder or the Largest Shareholder as well as Its Acting-in-Concert Parties Accounts for 80% of all shares of the Company held by Them

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

6. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

IV Specific Implementation of Share Repurchase during the Reporting Period

Progress on any share repurchase

Applicable Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable Not applicable

Part VIII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Part IX Bonds

Applicable Not applicable

I Enterprise Bonds

Applicable Not applicable

No enterprise bonds in the Reporting Period.

II Corporate Bonds

Applicable Not applicable

No corporate bonds in the Reporting Period.

III Debt Financing Instruments of Non-financial Enterprises

Applicable Not applicable

No such cases in the Reporting Period.

IV Convertible Corporate Bonds

Applicable Not applicable

1. Previous Adjustments of Conversion Price

On 9 April 2020, the Company publicly issued 14 million A-share convertible corporate bonds (short name: Lu Thai Convertible Bonds, bond code: 127016) on Shenzhen Stock Exchange with an issue price of RMB100 per share and a share conversion price of RMB9.01 per share. The bonds were listed on Shenzhen Stock Exchange on 13 May 2020. In accordance with related terms of the “Prospectus for the Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd.”, as well as the regulations of China Securities Regulatory Commission on the public offering of convertible corporate bonds, if the Company has any distribution of share dividends, conversion into share capital, additional issue of new shares (excluding share capital increase due to conversion into shares from the convertible corporate bonds issued this time), share allotment and distribution of cash dividends after the issue of “Lu Thai Convertible Bonds”, adjustment shall be made to the share conversion price.

On 21 May 2020, the Company held the Annual General Meeting of 2019, where the “Proposal on the Company’s Profit Distribution Plan for 2019” was considered and approved. According to the Proposal, a cash amount of RMB 1.00 (inclusive of tax) would be distributed to every 10 shares, with the 858,121,541 shares of share capital on 31 December 2019 as the base. The share registration date for the Company’s equity distribution of 2019 was 8 July 2020 and the ex-rights and ex-dividend date was 9 July 2020. Therefore, the share conversion price of “Lu Thai Convertible Bonds” was adjusted from RMB9.01 per share to RMB8.91 per share, and the new

price after the adjustment took effect on and as of 9 July 2020 (the ex-rights and ex-dividend date).

On 3 June 2021, the Company completed the registration of first-granted restricted stocks of restricted share incentive scheme at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (China Clear). 7 June 2021 is designated as the listing date of first-granted restricted stocks of the Company in 2021. The Company grants 750 subjects of incentive 24,285,000 restricted shares at a price of RMB3.31 per share, accounting for 2.83% of total share capital of the Company. The source of the stock is RMB A-share ordinary shares issued by the Company to subjects of incentive. Therefore, the conversion price of Lu Thai Convertible Bond will be adjusted from RMB8.91 per share to RMB8.76 per share, with the adjusted conversion price coming into force from 7 June 2021.

The 2020 annual general meeting convened on 20 April 2021 deliberated on and adopted the *Company's Proposal on Profit Appropriation Plan in 2020*, which distributes cash of RMB0.50 per 10 shares (including tax) with total share capital at the record date of this distribution scheme as base. The record date of the Company's interest distribution in 2020 is set on 17 June 2021. The ex-date is set on 18 June 2021. Therefore, the conversion price of Lu Thai Convertible Bond will be adjusted from RMB8.76 per share to RMB8.71 per share, with the adjusted conversion price coming into force from 18 June 2021 (the ex-date).

2. Accumulative Conversion

√ Applicable □ Not applicable

Abbreviation	Start date	Total circulation (piece)	Total amount	Accumulative amount converted (RMB)	Accumulative shares converted (share)	Converted shares as % of total shares issued by the Company before the start date of conversion	Unconverted amount (RMB)	Unconverted amount as % of total amount
Lu Thai Convertible Bonds	15 October 2020	14,000,000	1,400,000,000.00	131,400.00	14,754	0.00%	1,399,868,600.00	99.99%

3. Top 10 Convertible Bond Holders

Unit: share

No.	Name of holders	Nature of holders	Number of convertible bonds held at the period-end (share)	Amount of convertible bonds held at the period-end (RMB)	As % of convertible bonds held at the period-end
1	ICBC Credit	Other	675,551	67,555,100.00	4.83%

	Suisse Tianxiang Hybrid Pension Products-Industrial and Commercial Bank of China				
2	National Social Security Fund Portfolio 1005	Domestic non-state-owned legal person	665,778	66,577,800.00	4.76%
3	Industrial and Commercial Bank of China – China Universal Convertible Bond Securities Investment Fund	Other	647,295	64,729,500.00	4.62%
4	Guosen Securities Co., Ltd.	State-owned legal person	568,528	56,852,800.00	4.06%
5	National Social Security Fund Portfolio 1002	Domestic non-state-owned legal person	493,247	49,324,700.00	3.52%
6	Shanghai Pudong Development Bank – E Fund Yuxiang Return Bond Securities Investment Fund	Other	492,427	49,242,700.00	3.52%
7	ICBC Credit Suisse Ruixi Fixed Benefit Pension Product-Bank of China	Other	456,604	45,660,400.00	3.26%
8	Fullgoal Fuyi Progressive Fixed Benefit Pension Product- Industrial and Commercial Bank of China	Other	444,112	44,411,200.00	3.17%
9	Agricultural Bank of China-Essence Target Income Bond Securities	Other	439,291	43,929,100.00	3.14%

	Investment Fund				
10	Genertec Investment Management Co., Ltd.	State-owned legal person	434,645	43,464,500.00	3.10%

4. Significant Changes in Profitability, Assets Condition and Credit Status of Guarantors

Applicable Not applicable

5. The Company's Liabilities, Credit Changes at the Period-end and Cash Arrangements to Repay Debts in Future Years

For the relevant indicators, please refer to the Part IX Bonds- VIII The Major Accounting Data and the Financial Indicators of the Recent 2 Years of the Company up the Period-end.

The credit rating of the Company's convertible bonds for the Reporting Period is AA+, which has not changed compared with that of the same period of last year.

V Losses of Scope of Consolidated Financial Statements during the Reporting Period Exceeding 10% of Net Assets up the Period-end of Last Year

Applicable Not applicable

VI Matured Interest-bearing Debt excluding Bonds up the Period-end

Applicable Not applicable

VII Whether there was any Violation of Rules and Regulations during the Reporting Period

Yes No

VIII The Major Accounting Data and the Financial Indicators of the Recent 2 Years of the Company up the Period-end

Unit: RMB'0,000

Item	Period-end	The end of last year	Increase/decrease
Current ratio	2.62	2.68	-2.24%
Asset-liability ratio	35.57%	33.29%	2.28%
Quick ratio	1.49	1.62	-8.02%
	Reporting Period	Same period of last year	YoY increase/decrease

Net profit after deducting non-recurring profit or loss	19,049.26	2,003.91	850.60%
Debt/EBITDA ratio	28.94%	22.44%	6.50%
Interest cover (times)	4.49	1.84	144.02%
Cash-to-interest cover (times)	4.03	7.37	-45.32%
EBITDA interest coverage ratio	9.39	7.81	20.23%
Rate of redemption	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

Part X Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	27 April 2022
Name of the independent auditor	Grant Thornton China (Special General Partnership)
Name of the certified public accountants	He Feng, Cui Xiaoli

Text of the Independent Auditor's Report

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

I 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 31 December 2021, 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 31 December 2021, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. 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-26 and the Note V-44 of the financial report.

1. Item description

The businesses of Lu Thai Textile Co., Ltd. mainly are production and sales of yarn-dyed fabrics and shirts. The operation revenue of the Company in 2021 was RMB 5,238,262,300, 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 manipulates income to achieve specific goals or expectations, therefore, we identify income recognition as a key audit item.

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 enterprise accounting standards;
- (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) Check the supporting evidence such as sales contract, product delivery order, invoice, customs declaration, shipping order, and signing receipt;
- (5) Select samples to verify the balance and transaction amount;
- (6) Select samples and conduct spot checks on relevant information such as export sales revenue, export tax rebate declaration forms, and China electronic port export data;
- (7) 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, shipping 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-12 and the Note V-8 of the financial report.

1. Item description

As of 31 December 2021, the inventory balance of Lu Thai Textile Co., Ltd. was RMB2,509,578,300 and the inventory depreciation reserve was RMB164,231,500. 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 item.

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 10 and Note V 2, 13 and 52) for details about relevant information disclosure.

1. Event Description

Up to 31 December 2021, the balance of financial asset measured based on the fair value whose variations were included the current profit and loss of Lu Thai Textiles was RMB191.779 million, of which, the fair value of financial asset classified into the tier-2 input value by adopting the observable input value was RMB1.727 million, and the fair value of financial asset classified into the tier-3 input value by adopting the non-observable input value was RMB190.052 million. Considering that the financial asset's fair value variations had significant impact on the profit and loss of Lu Thai Textiles in 2021, and Lu Thai Textiles adopted the valuation technique to determine its fair value (usually, the valuation technique involves various assumptions and estimations based on subjective judgment, and huge difference in the estimated fair value of financial instrument may be caused by adopting different valuation techniques or assumptions), we recognized the event as the key audit event.

2. Audit response

Our audit procedures geared to the evaluation of the 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 2021 Annual Report other than the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this 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 (hereinafter referred to as the "Management") is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, 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 reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS 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 CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine

that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton China
(Special General Partnership)

Chinese CPA
(Engagement Partner):

Chinese CPA:

Beijing · China

27 April 2022

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.

31 December 2021

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary assets	1,999,712,889.35	1,400,478,034.81
Held-for-trading financial assets	1,727,000.00	268,456,216.98
Notes receivable	227,740,247.89	182,994,110.86
Accounts receivable	647,277,198.51	522,425,219.87
Accounts receivable financing	34,663,071.88	55,150,926.34
Prepayments	54,545,954.20	19,611,775.28
Other receivables	74,191,613.22	105,710,818.69
Including: Interest receivable		
Dividends receivable	47,025,975.44	75,488,652.49
Inventories	2,345,346,794.28	1,988,968,681.64
Contract assets		

Held-for-sale assets		
Current portion of non-current assets		45,750,018.30
Other current assets	55,992,522.81	433,432,258.63
Total current assets	5,441,197,292.14	5,022,978,061.40
Non-current assets:		
Long-term receivables		41,053,183.15
Long-term equity investment	169,443,106.66	138,079,577.25
Other equity instrument investment		
Other non-current financial assets	190,052,000.00	156,915,620.25
Investment property	21,362,302.03	22,263,668.85
Fixed assets	5,561,601,374.44	5,661,592,991.66
Construction in progress	237,579,082.99	356,273,197.49
Right-of-use assets	257,019,286.15	
Intangible assets	363,130,978.14	373,543,480.84
Development costs		
Goodwill	20,563,803.29	20,563,803.29
Long-term deferred expenses	672,601.04	118,340,494.60
Deferred income tax assets	138,516,136.50	122,865,841.69
Other non-current assets	586,083,308.25	95,434,040.18
Total non-current assets	7,546,023,979.49	7,106,925,899.25
Total assets	12,987,221,271.63	12,129,903,960.65
Current liabilities:		
Short-term borrowings	1,011,034,138.32	930,871,008.19
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	335,401,371.30	243,262,473.69
Advances from customers		
Contract liabilities	204,967,348.96	141,339,705.62
Payroll payable	272,014,296.09	265,648,198.38
Taxes payable	29,457,702.72	36,468,978.77
Other payables	97,200,565.31	17,587,470.79

Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities	8,877,404.52	43,149,400.13
Other current liabilities	120,434,721.81	192,574,674.68
Total current liabilities	2,079,387,549.03	1,870,901,910.25
Non-current liabilities:		
Long-term borrowings	684,962,473.24	495,520,342.78
Bonds payable	1,395,480,652.71	1,350,171,526.97
Lease liabilities	121,357,658.41	
Long-term payables		
Long-term payroll payable	57,384,062.39	62,137,656.00
Provisions		
Deferred income	188,958,133.78	173,862,983.31
Deferred income tax liabilities	92,571,310.14	85,633,161.44
Other non-current liabilities		
Total non-current liabilities	2,540,714,290.67	2,167,325,670.50
Total liabilities	4,620,101,839.70	4,038,227,580.75
Owners' equity:		
Share capital	882,341,295.00	858,132,322.00
Other equity instruments	71,384,656.84	71,386,451.81
Capital reserves	340,587,387.65	255,912,488.01
Less: Treasury stock	78,908,300.00	
Other comprehensive income	-36,423,748.37	1,308,922.89
Specific reserve		
Surplus reserves	1,215,124,336.54	1,154,017,457.79
General reserve		
Retained earnings	5,589,201,772.37	5,346,819,948.22
Total equity attributable to owners of the Company as the parent	7,983,307,400.03	7,687,577,590.72
Non-controlling interests	383,812,031.90	404,098,789.18
Total owners' equity	8,367,119,431.93	8,091,676,379.90
Total liabilities and owners' equity	12,987,221,271.63	12,129,903,960.65

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary assets	977,713,296.25	729,437,231.33
Held-for-trading financial assets	1,286,000.00	163,636,075.34
Derivative financial assets		
Notes receivable	132,028,322.80	108,863,689.79
Accounts receivable	425,711,738.27	326,166,935.10
Accounts receivable financing	29,361,263.86	48,764,088.05
Prepayments	31,580,697.18	13,059,806.74
Other receivables	2,060,180,025.87	1,500,882,682.19
Including: Interest receivable		
Dividends receivable	94,525,975.44	75,488,652.49
Inventories	1,230,487,585.69	1,097,438,610.46
Contract assets		
Available-for-sale assets		
Current portion of non-current assets		45,750,018.30
Other current assets	205,568.38	247,860,882.02
Total current assets	4,888,554,498.30	4,281,860,019.32
Non-current assets:		
Long-term receivables		41,053,183.15
Long-term equity investments	2,818,047,993.16	2,555,150,859.13
Investments in other equity instruments		
Other non-current financial assets	178,052,000.00	144,915,620.25
Investment property	65,888,260.77	29,734,239.22
Fixed assets	2,305,059,429.29	2,471,686,117.72
Construction in progress	12,268,416.12	48,694,822.74

Right-of-use assets	116,279,075.24	
Intangible assets	209,970,392.83	225,128,308.75
Development costs		
Goodwill		
Long-term deferred expenses	672,601.04	1,406,347.76
Deferred income tax assets	56,003,944.38	65,729,304.26
Other non-current assets	366,112,002.79	7,936,745.28
Total non-current assets	6,128,354,115.62	5,591,435,548.26
Total assets	11,016,908,613.92	9,873,295,567.58
Current liabilities:		
Short-term borrowings	615,181,318.98	332,466,931.13
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	146,714,973.77	132,231,596.74
Advances from customers		
Contract liabilities	58,280,121.24	56,841,289.66
Payroll payable	190,277,420.32	202,694,515.93
Taxes payable	15,288,956.94	21,896,035.49
Other payables	92,914,225.42	79,668,657.80
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities	8,605,336.67	4,000,000.00
Other current liabilities	64,202,247.99	166,257,466.30
Total current liabilities	1,191,464,601.33	996,056,493.05
Non-current liabilities:		
Long-term borrowings	684,962,473.24	495,520,342.78
Bonds payable	1,395,480,652.71	1,350,171,526.97
Lease liabilities	118,780,465.67	
Long-term payables		
Long-term payroll payable	57,384,062.39	62,137,656.00
Provisions		

Deferred income	125,360,026.35	131,546,549.87
Deferred income tax liabilities	67,488,141.18	58,927,115.71
Other non-current liabilities		
Total non-current liabilities	2,449,455,821.54	2,098,303,191.33
Total liabilities	3,640,920,422.87	3,094,359,684.38
Owners' equity:		
Share capital	882,341,295.00	858,132,322.00
Other equity instruments	71,384,656.84	71,386,451.81
Capital reserves	401,967,421.89	317,292,522.25
Less: Treasury stock	78,908,300.00	
Other comprehensive income	-293,580.24	-424,313.33
Specific reserve		
Surplus reserves	1,212,015,596.90	1,150,908,718.15
Retained earnings	4,887,481,100.66	4,381,640,182.32
Total owners' equity	7,375,988,191.05	6,778,935,883.20
Total liabilities and owners' equity	11,016,908,613.92	9,873,295,567.58

3. Consolidated Income Statement

Unit: RMB

Item	2021	2020
1. Revenue	5,238,262,348.85	4,751,222,464.14
Including: Operating revenue	5,238,262,348.85	4,751,222,464.14
2. Costs and expenses	4,965,632,056.69	4,631,408,764.38
Including: Cost of sales	4,152,981,075.85	3,737,984,083.45
Taxes and surcharges	59,485,640.58	66,238,984.28
Selling expense	119,883,494.68	125,717,288.31
Administrative expense	335,380,025.54	360,656,722.39
Development cost	252,912,911.63	231,265,031.12
Finance costs	44,988,908.41	109,546,654.83
Including: Interest expense	65,526,817.38	67,914,115.97
Interest income	40,686,077.22	25,174,851.32
Add: Other income	58,686,029.71	59,711,274.11
Return on investment ("-" for loss)	50,449,943.70	145,968,403.88
Including: Share of profit or loss of joint ventures and	-10,755,175.91	-5,146,737.73

associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	16,415,304.41	-107,002,594.56
Credit impairment loss (“-” for loss)	1,590,092.00	-21,892,753.70
Asset impairment loss (“-” for loss)	-85,623,858.26	-113,460,308.96
Asset disposal income (“-” for loss)	57,175,147.62	-317,803.17
3. Operating profit (“-” for loss)	371,322,951.34	82,819,917.36
Add: Non-operating income	5,417,119.07	6,466,024.36
Less: Non-operating expense	13,424,054.88	4,468,911.08
4. Profit before tax (“-” for loss)	363,316,015.53	84,817,030.64
Less: Income tax expense	35,993,079.51	-4,273,027.75
5. Net profit (“-” for net loss)	327,322,936.02	89,090,058.39
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	327,322,936.02	89,090,058.39
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to shareholders of the Company as the parent	347,609,693.30	97,308,593.36
5.2.2 Net profit attributable to non-controlling interests	-20,286,757.28	-8,218,534.97
6. Other comprehensive income, net of tax	-37,732,671.26	-90,369,605.96
Attributable to owners of the Company as the parent	-37,732,671.26	-90,317,648.86
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by re-measurements on defined benefit schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value arising from changes in own credit risk		

6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	-37,732,671.26	-90,317,648.86
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements	-37,716,717.19	-90,065,261.51
6.2.7 Other	-15,954.07	-252,387.35
Attributable to non-controlling interests		-51,957.10
7. Total comprehensive income	289,590,264.76	-1,279,547.57
Attributable to owners of the Company as the parent	309,877,022.04	6,990,944.50
Attributable to non-controlling interests	-20,286,757.28	-8,270,492.07
8. Earnings per share		
8.1 Basic earnings per share	0.39	0.11
8.2 Diluted earnings per share	0.36	0.11

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 Hongmei

Financial Manager: Zhang Keming

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2021	2020
1. Operating revenue	3,647,402,509.21	3,275,667,055.94
Less: Cost of sales	2,824,451,867.80	2,594,772,449.08
Taxes and surcharges	39,686,908.16	43,852,034.14
Selling expense	85,257,586.04	90,924,780.86
Administrative expense	212,434,986.88	223,829,705.58

R&D expense	178,176,401.25	155,781,784.46
Finance costs	14,374,893.63	63,053,311.41
Including: Interest expense	33,309,727.39	29,507,836.33
Interest income	33,021,266.87	12,603,128.63
Add: Other income	33,778,765.18	40,725,385.28
Return on investment (“-” for loss)	298,576,196.15	438,956,821.28
Including: Share of profit or loss of joint ventures and associates	-10,755,175.91	-5,146,737.73
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	20,786,304.41	-111,822,736.20
Credit impairment loss (“-” for loss)	3,935,670.51	-20,099,155.46
Asset impairment loss (“-” for loss)	-34,971,247.79	-78,930,638.97
Asset disposal income (“-” for loss)	57,897,322.56	-557,994.15
2. Operating profit (“-” for loss)	673,022,876.47	371,724,672.19
Add: Non-operating income	4,866,312.90	4,554,095.15
Less: Non-operating expense	11,591,362.60	1,671,120.09
3. Profit before tax (“-” for loss)	666,297,826.77	374,607,647.25
Less: Income tax expense	55,229,039.28	7,106,585.68
4. Net profit (“-” for net loss)	611,068,787.49	367,501,061.57
4.1 Net profit from continuing operations (“-” for net loss)	611,068,787.49	367,501,061.57
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	130,733.09	-424,313.33
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by re-measurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss	130,733.09	-424,313.33

5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other	130,733.09	-424,313.33
6. Total comprehensive income	611,199,520.58	367,076,748.24
7. Earnings per share		
7.1 Basic earnings per share	0.71	0.43
7.2 Diluted earnings per share	0.64	0.41

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2021	2020
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	4,877,137,793.95	4,549,188,241.18
Tax rebates	118,978,037.24	106,212,520.44
Cash generated from other operating activities	99,760,735.48	119,614,464.43
Subtotal of cash generated from operating activities	5,095,876,566.67	4,775,015,226.05
Payments for commodities and services	3,075,758,673.05	2,382,593,861.18
Cash paid to and for employees	1,394,301,069.51	1,443,277,224.36
Taxes paid	139,250,588.74	144,996,754.22
Cash used in other operating activities	138,429,229.89	210,611,463.40
Subtotal of cash used in operating activities	4,747,739,561.19	4,181,479,303.16
Net cash generated from/used in operating activities	348,137,005.48	593,535,922.89
2. Cash flows from investing activities:		
Proceeds from disinvestment	1,318,751,294.68	460,131,152.08
Return on investment	41,433,282.80	149,130,790.55
Net proceeds from the disposal of fixed assets, intangible assets	4,645,043.40	102,560,031.90

and other long-lived assets		
Net proceeds from the disposal of subsidiaries and other business units	95,860,000.00	76,625,459.68
Cash generated from other investing activities	98,294,038.33	62,232,909.13
Subtotal of cash generated from investing activities	1,558,983,659.21	850,680,343.34
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	430,591,025.71	580,156,640.57
Payments for investments	760,870,000.00	1,052,215,000.00
Cash used in other investing activities	339,043,598.92	6,483,653.47
Subtotal of cash used in investing activities	1,530,504,624.63	1,638,855,294.04
Net cash generated from/used in investing activities	28,479,034.58	-788,174,950.70
3. Cash flows from financing activities:		
Capital contributions received	80,122,550.00	50,000,000.00
Including: Capital contributions by non-controlling interests to subsidiaries		50,000,000.00
Borrowings raised	1,631,139,389.49	3,398,339,439.58
Cash generated from other financing activities		174,000,000.00
Subtotal of cash generated from financing activities	1,711,261,939.49	3,622,339,439.58
Repayment of borrowings	1,359,634,451.98	2,529,112,565.20
Interest and dividends paid	84,499,928.33	199,362,285.43
Including: Dividends paid by subsidiaries to non-controlling interests		59,618,853.07
Cash used in other financing activities	63,817,316.19	160,200,000.00
Subtotal of cash used in financing activities	1,507,951,696.50	2,888,674,850.63
Net cash generated from/used in financing activities	203,310,242.99	733,664,588.95
4. Effect of foreign exchange rates changes on cash and cash equivalents	-6,449,805.63	-21,054,172.59
5. Net increase in cash and cash equivalents	573,476,477.42	517,971,388.55
Add: Cash and cash equivalents, beginning of the period	1,396,530,407.47	878,559,018.92
6. Cash and cash equivalents, end of the period	1,970,006,884.89	1,396,530,407.47

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2021	2020
1. Cash flows from operating activities:		

Proceeds from sale of commodities and rendering of services	3,312,220,027.60	3,132,082,316.96
Tax rebates	24,444,047.02	37,614,591.44
Cash generated from other operating activities	51,752,143.18	77,891,597.93
Subtotal of cash generated from operating activities	3,388,416,217.80	3,247,588,506.33
Payments for commodities and services	2,128,657,555.64	2,217,942,543.44
Cash paid to and for employees	837,615,352.93	889,963,420.68
Taxes paid	83,471,328.14	79,127,361.47
Cash used in other operating activities	97,694,765.19	154,885,854.59
Subtotal of cash used in operating activities	3,147,439,001.90	3,341,919,180.18
Net cash generated from/used in operating activities	240,977,215.90	-94,330,673.85
2. Cash flows from investing activities:		
Proceeds from disinvestment	587,311,294.68	514,020,256.94
Return on investment	255,233,323.75	316,780,237.87
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	6,091,843.79	114,941,392.08
Net proceeds from the disposal of subsidiaries and other business units	263,014,351.00	
Cash generated from other investing activities	970,377,365.78	1,484,210,870.85
Subtotal of cash generated from investing activities	2,082,028,179.00	2,429,952,757.74
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	68,414,055.96	70,577,315.74
Payments for investments	640,977,947.65	955,125,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	1,729,113,808.44	2,085,396,649.29
Subtotal of cash used in investing activities	2,438,505,812.05	3,111,098,965.03
Net cash generated from/used in investing activities	-356,477,633.05	-681,146,207.29
3. Cash flows from financing activities:		
Capital contributions received	80,122,550.00	
Borrowings raised	800,983,356.71	2,225,619,549.50
Cash generated from other financing activities	58,215,720.00	168,980,600.00
Subtotal of cash generated from financing activities	939,321,626.71	2,394,600,149.50
Repayment of borrowings	312,407,315.63	791,236,980.16
Interest and dividends paid	75,954,642.88	112,547,531.31
Cash used in other financing activities	182,836,702.32	236,619,700.00

Subtotal of cash used in financing activities	571,198,660.83	1,140,404,211.47
Net cash generated from/used in financing activities	368,122,965.88	1,254,195,938.03
4. Effect of foreign exchange rates changes on cash and cash equivalents	-3,255,947.76	-9,693,224.69
5. Net increase in cash and cash equivalents	249,366,600.97	469,025,832.20
Add: Cash and cash equivalents, beginning of the period	728,346,695.28	259,320,863.08
6. Cash and cash equivalents, end of the period	977,713,296.25	728,346,695.28

7. Consolidated Statements of Changes in Owners' Equity

Item	2021														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	858,132,322.00			71,386,451.81	255,912,488.01		1,308,922.89		1,154,017,457.79		5,346,819,948.22		7,687,577,590.72	404,098,789.18	8,091,676,379.90
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	858,132,322.00			71,386,451.81	255,912,488.01		1,308,922.89		1,154,017,457.79		5,346,819,948.22		7,687,577,590.72	404,098,789.18	8,091,676,379.90

3. Increase/ decrease in the period (“-” for decrease)	24,208,973.00			-1,794.97	84,674,899.64	78,908,300.00	-37,732,671.26		61,106,878.75		242,381,824.15		295,729,809.31	-20,286,757.28	275,443,052.03
3.1 Total comprehensive income							-37,732,671.26				347,609,693.30		309,877,022.04	-20,286,757.28	289,590,264.76
3.2 Capital increased and reduced by owners	24,208,973.00			-1,794.97	84,674,899.64	78,908,300.00							29,973,777.67		29,973,777.67
3.2.1 Ordinary shares increased by shareholders	24,208,973.00				55,949,334.21								80,158,307.21		80,158,307.21
3.2.2 Capital increased by holders of other equity instruments													0.00		
3.2.3 Share-based payments included in owners' equity					28,325,788.60								28,325,788.60		28,325,788.60
3.2.4 Other				-1,794.97	399,776.83	78,908,300.00							-78,510,318.14		-78,510,318.14
3.3 Profit distribution									61,106,878.75		--105,227,869.15		-44,120,990.40		-44,120,990.40
3.3.1 Appropriation to									61,106,878.75		-61,106,878.75				

surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-44,120,990.40		-44,120,990.40		-44,120,990.40
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained															

earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balances as at the end of the period	882,341,295.00			71,384,656.84	340,587,387.65	78,908,300.00	-36,423,748.37		1,215,124,336.54		5,589,201,772.37		7,983,307,400.03	383,812,031.90	8,367,194,319.93

2020

Unit: RMB

Item	2020														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
Preferred shares		Perpetual bonds	Other												

1. Balances as at the end of the prior year	858,121,541.00				258,046,245.42		91,626,571.75		1,117,267,351.63		5,372,073,615.12		7,697,135,324.92	602,169,223.52	8,299,304,548.44
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	858,121,541.00				258,046,245.42		91,626,571.75		1,117,267,351.63		5,372,073,615.12		7,697,135,324.92	602,169,223.52	8,299,304,548.44
3. Increase/ decrease in the period (“-” for decrease)	10,781.00			71,386,451.81	-2,133,757.41		-90,317,648.86		36,750,106.16		-25,253,666.90		-9,557,734.20	-198,070,434.34	-207,628,168.54
3.1 Total comprehensive income							-90,317,648.86				97,308,593.36		6,990,944.50	-8,270,492.07	-1,279,547.57
3.2 Capital increased and reduced by owners	10,781.00			71,386,451.81	-2,133,757.41								69,263,475.40	-74,628,239.47	-5,364,764.07

3.2.1 Ordinary shares increased by shareholders	10,78 1.00				86,234. 48								97,015. 48	50,000,0 00.00	50,097,01 5.48
3.2.2 Capital increased by holders of other equity instruments													0.00		
3.2.3 Share-based payments included in owners' equity													0.00		
3.2.4 Other				71,38 6,451. 81	-2,219,9 91.89								69,166, 459.92	-124,628, 239.47	-55,461,7 79.55
3.3 Profit distribution								36,750, 106.16		-122,56 2,260.26			-85,812, 154.10	-115,171, 702.80	-200,983, 856.90
3.3.1 Appropriation to surplus reserves								36,750, 106.16		-36,750, 106.16			0.00		
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)										-85,812, 154.10			-85,812, 154.10	-115,171, 702.80	-200,983, 856.90
3.3.4 Other															

3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in															

the period															
3.5.2 Used in the period															
3.6 Other															
4. Balances as at the end of the period	858,132,322.00			71,386,451.81	255,912,488.01		1,308,922.89		1,154,017,457.79		5,346,819,948.22		7,687,577,590.72	404,098,789.18	8,091,676,379.90

8. Statements of Changes in Owners' Equity of the Company as the Parent

2021

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	858,132,322.00			71,386,451.81	317,292,522.25		-424,313.33		1,150,908,718.15	4,381,640,182.32		6,778,935,883.20
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous												

errors												
Other adjustments												
2. Balances as at the beginning of the year	858,132,322.00			71,386,451.81	317,292,522.25		-424,313.33		1,150,908,718.15	4,381,640,182.32		6,778,935,883.20
3. Increase/ decrease in the period (“-” for decrease)	24,208,973.00			-1,794.97	84,674,899.64	78,908,300.00	130,733.09		61,106,878.75	505,840,918.34		597,052,307.85
3.1 Total comprehensive income							130,733.09			611,068,787.49		611,199,520.58
3.2 Capital increased and reduced by owners	24,208,973.00			-1,794.97	84,674,899.64	78,908,300.00						29,973,777.67
3.2.1 Ordinary shares increased by shareholders	24,208,973.00				55,949,334.21							80,158,307.21
3.2.2 Capital increased by holders of other equity instruments												

3.2.3 Share-based payments included in owners' equity					28,325,788.60							28,325,788.60
3.2.4 Other				-1,794.97	399,776.83	78,908,300.00						-78,510,318.14
3.3 Profit distribution									61,106,878.75	-105,227,869.15		-44,120,990.40
3.3.1 Appropriation to surplus reserves									61,106,878.75	-61,106,878.75		
3.3.2 Appropriation to owners (or shareholders)										-44,120,990.40		-44,120,990.40
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												

4. Balances as at the end of the period	882,341,295.00			71,384,656.84	401,967,421.89	78,908,300.00	-293,580.24		1,212,015,596.90	4,887,481,100.66		7,375,988,191.05
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2020

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	858,121,541.00				317,206,232.47				1,114,158,611.99	4,136,701,381.01		6,426,187,766.47
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	858,121,541.00				317,206,232.47				1,114,158,611.99	4,136,701,381.01		6,426,187,766.47
3. Increase/ decrease in the period ("-" for decrease)	10,781.00			71,386,451.81	86,289.78		-424,313.33		36,750,106.16	244,938,801.31		352,748,116.73

shareholders)												
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												

3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	858,132,322.00			71,386,451.81	317,292,522.25		-424,313.33		1,150,908,718.15	4,381,640,182.32		6,778,935,883.20

III Company Profile

Lu Thai Textile Co., Ltd. (hereinafter referred to as the “Company”) is a joint venture invested by Zibo Lucheng Textile Investment Co., Ltd (originally named Zibo Lucheng Textile Co., Ltd, hereinafter referred to as Lucheng Textile) and Thailand Tailun Textile Co., Ltd. On 3 February 1993, the Company is approved by the former Ministry of Foreign Trade and Economy of the State (1993) in WJMZEHZ No. 59 to convert into a joint-stock enterprise. Zibo Administration for Industry and Commerce issued the Company corporate business license with the registration No. of QGLZZZ No. 000066.

In July 1997, the Company is approved by the Securities Committee of the Department of the State in the ZWF (1997) No. 47 to issue 80 million shares of domestically listed foreign share(B-shares) at the price of RMB 1.00 per share. Upon approved by Shenzhen Stock Exchange with No. (1997) 296 Listing Notice, the Company is listed on the Shenzhen Stock Exchange on 19 August 1997 with B-shares stock code of 200726. On 24 November 2000, approved by ZJGSZ [2000] No.199 by CSRC, the Company increased publication of 50 million shares of general share (A-shares) at the book value of RMB 1.00, which are listed on the Shenzhen Stock Exchange on 25 December 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice.

As approved by 2000 Annual General Meeting in May 2001, the Company carried out the distribution plan that 10 shares of capital public reserve are converted to 3 more shares for each 10 shares.

As approved by Resolutions of 2001 Annual General Meeting in June 2002, the Company implemented the distribution plan that 10 shares of capital public reserve are converted 3 more shares for each 10 shares again.

As approved by 2002 Annual General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees’ shared increased to 40.56 million shares. As examined and approved by ZJGSZ No. [2000] 199 of CSRC, the inner employees’ shares will start circulation 3 years later since listing on the A-share market. On 25 December 2003, the inner employees’ shares reach 3 years since listing on the A-share stock market, and they set out circulation on 26 December 2003.

As approved by the Annual General Meeting 2006 held in June 2007, the Company implemented the plan on converting 10 shares to all its shareholders with capital reserves for every 10 shares. After capitalization, the registered capital of the Company was RMB 844.8648 million.

The Company, in accordance with the official reply on approving Lu Thai Textile Co., Ltd. to issue additional shares (ZJXK [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 December 2008.

According to the relevant resolution of the 2nd Special Extraordinary General Meeting of 2011, the relevant resolution of the 15th Meeting of the 6th Board of Directors, the Opinion of China Securities Regulatory Commission on the Restricted Share Incentive Plan of Lu Thai Textile Co., Ltd. (Shang-Shi-Bu-Han [2011] No. 206), the Company applied for a registered capital increment of RMB 14.09 million, which was contributed by restricted share incentive receivers with monetary funds.

In accordance with the resolution of Proposal on Repurchasing and Canceling Partial Restricted Shares already Granted for the Original Incentive Targets not Reaching the Incentive Conditions made at the 23rd Session of the 6th Board of Directors on 13 August 2012, the

Company canceling a total of 60,000.00 shares already granted for the original incentive targets not reaching the incentive conditions.

According to the second temporary resolution of Proposal on counter purchase of part of the domestic listed foreign share (B share) on 25 June 2012, the Company counter purchase domestic listed foreign share (B share) 48,837,300 shares.

According to the Proposal on Repurchase and Cancel Part of Unlocked Restricted Share of the Original Incentive Personnel not Conforming to the Incentive Condition, Proposal on Repurchase and Cancel unlocked Restricted Share in Second Unlocked Period of all the Incentive Personnel reviewed and approved by the 26th Meeting of the 6th Board of Directors on 27 March 2013, the Company repurchase and cancel 4,257,000 shares owned by original people whom to motivate.

According to the Proposal on Repurchase and Write-off of Partly of the Original Incentive Targets Not Met with the Incentive Conditions but Granted Restricted Shares approved on the 11th Meeting of the 7th Board of Directors on 11 June 2014, to execute repurchase and write-off of the whole granted shares of 42,000 shares of the original incentive targets not met with the incentive targets of the Company.

As per the Proposal on Buy-back of Some A- and B-shares considered and approved as a resolution at the 1st special meeting of shareholders on 5 August 2015, the Company repurchased 33,156,200 domestically listed foreign shares (B-shares).

As per the Proposal on Buy-back of Some B-shares considered and approved as a resolution at the 2nd Extraordinary General Meeting on 23 March 2018, the Company repurchased 64,480,800 domestically listed foreign shares (B-shares).

There were 10,800 shares of the Company which were converted from the convertible bonds in 2020.

In line with the resolution of the 1st Extraordinary General Meeting of the Company on 13 May 2021 and the resolution of the 24th Meeting of the 9th Board of Directors on 17 May 2021, the Company implemented the restricted share incentive scheme and applied for a registered capital increment of RMB24,285,000 which was contributed by restricted share incentive receivers with monetary funds.

In conformity with the resolution of the 26th Meeting of the 9th Board of Directors of the Company on 26 August 2021, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition*, the Company applied for a registered capital decrease of RMB80,000.

There were 4,000 shares of the Company which were converted from the convertible bonds in 2021.

As of 31 December 2021, the registered capital of the Company was RMB882.3413 million.

The Company's registered address: No. 61, Luthai Avenue, Hi-tech Development Zone, Zibo, Shandong

The Company's unified social credit code: 91370300613281175K

The Company's legal representative: Liu Zibin

The Company establishes the corporate governance structure consisting of the shareholders meeting, the Board of Directors and the Supervisory Committee. At present, the Company has set up various departments including the Yarn-dyed Fabric Product Line, Garment Product Line, the Clothing Marketing Department, the Global Marketing Department, the Supply Chain Department, Lu Thai Engineering Technology Institute, the Enterprise Management Department, the Financial Management Department and the Strategy and Market Department etc.

The scope of business of the Company and its subsidiaries shall include general projects: Fabric textile processing; fabric printing and dyeing processing; garment manufacturing; the sales of textiles and raw materials; clothing wholesale; clothing retail; Internet

sales (except for the sale of goods requiring a license); the production of Class I medical devices; the production of routine masks (non-medical); the production of labour protection appliances; software development; technical services, development of technology, technology consulting, technical exchange, technology transfer and technology promotion; the sales of textile special equipment; the sales of mechanical and electrical equipment; the procurement of primary agricultural products; business training (trainings that require approval such as educational training and vocational skill training exclusive); housing lease; the lease of non-residential real estate; the lease of land usage right; the sales of special chemical products (dangerous chemicals exclusive); and the sales of building materials. It shall also include licensed projects (business activities can be carried out legally and independently with business license in addition to projects that must be approved by law): Inspection and testing service; catering service; power generation business, power transmission business, and power supply (distribution) business. (For projects that must be approved by law, the business activities can only be carried out upon approval by the relevant departments, and the specific business projects shall be subject to the approval document or license of relevant departments)

The Company's financial statements and Notes thereof have been approved by the 32nd Meeting of the 9th Board of Directors held on 27 April 2022.

There were 19 subsidiaries included into the consolidation scope of the Company in 2021, and for the details, please refer to Note VIII. "Changes of Consolidation Scope" and Notes IX. "Equities among Other Entities".

IV Basis for Preparation of Financial Statements

1. Preparation Basis

This financial statement is prepared in accordance with the accounting standards for business enterprises, and the application guide, interpretation and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance. 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 Report (revised in 2014) 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 presented on the basis of continuing operations.

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 31 December 2021, business results and cash flows for 2021, and other relevant information.

2. Fiscal Year

The Company's fiscal year starts on 1 January and ends on 31 December 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 HK Dollar and US Dollar as the recording currency according to 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. 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, except for adjustments due to different accounting policies, 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

In specific financial statements, the share of book value of the net assets of the combined party that shall be enjoyed in the combined financial statements of the final control party on the combination date as calculated according to the shareholding ratio of the combination date is regarded as the initial investment cost of the investment; the difference between the initial investment cost and the sum of book value of investment held before combination plus the book value of the consideration newly paid on the combination date is used for adjusting the capital reserve (capital stock premium), and if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

In the combined financial statements, the assets and liabilities of the combined party acquired by the combining party in the combination, except for adjustments due to different accounting policies, shall be measured at the book 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 book value of investment held before combination plus the book value newly paid on the combination date, and the book value of the net assets acquired in combination, is used for adjusting the capital reserve (capital stock premium), and if the capital reserve (capital stock premium) is insufficient to offset, the retained earnings shall be adjusted. The long-term equity investment held by the combining party before acquiring the control right of the combined party, if relevant gains and losses, other comprehensive revenues and changes in other owner's equity have been confirmed from the date of acquiring equity and the date when the combining party and the combined party under the final control of the same party, whichever is later, to the combination date, shall offset the retained earnings at the beginning or current profits and losses in the period of comparing statements.

(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

In specific financial statements, the sum of book value of the acquired party's equity investment held before the purchase date and the investment cost newly paid on the purchase date is regarded as the initial investment cost of the investment. The other comprehensive income recognized by using the equity method of accounting of the equity investment held before the purchase date, is not disposed on the purchase date, and the same basis as the direct disposal of relevant assets or liabilities of the investee is used to conduct accounting treatment when disposing the investment; the owner's equity recognized as a result of the changes of the other owner's equity except for the net profit and loss of the investee, other comprehensive income and profit distribution shall be transferred to the current profit and loss during the disposal period when disposing the investment. If the equity investment held before the purchase date is measured at fair value, the accumulative changes in fair value originally included in other comprehensive income shall be transferred to retained earnings when accounting by cost method.

In consolidated financial statements, 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 income. 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, except for other comprehensive income caused by changes in net liabilities or net assets of the income plan remeasured and reset by the investee.

(3) Treatment of transaction costs in business combinations

Intermediary expenses such as auditing, legal services, evaluation and consulting and other related management expenses incurred for the business combination shall be included in the current profit and loss when incurred. The transaction costs 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.

6. Preparation of the Consolidated Financial Statements

(1) Consolidation scope

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. Subsidiaries refer to the entities controlled by the Company (including enterprises, divisible parts of invested entities, structured entities, etc.).

(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 relevant materials. When preparing the consolidated financial statements, the accounting policies and accounting fiscal of the Company and those of subsidiaries shall be consistent and the large transactions and intercourse balance among companies shall be 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 born 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 of subsidiaries

As for the difference between the cost of a long-term equity investment newly acquired due to the purchase of the minority shares and the share of net assets of the subsidiary continuously accounted from the purchase date or combination date the Company shall enjoy based on the new shareholding ratio and the difference between the disposal price of partial equity investments in the subsidiary under the premise of remaining the control power and the share of net assets of the subsidiary continuously accounted from the purchase date or combination date the Company shall enjoy and corresponding to the disposal of long-term equity investments, the capital reserve (capital stock premium) in the consolidated balance sheet shall be adjusted and when the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

(4) Treatment of loss of control over subsidiaries

If the control over the original subsidiary is lost due to the disposal of partial equity investments or other reasons, the residual equity shall be remeasured at the fair value on the date of losing the control power; the balance of the sum of the consideration obtained from equity disposal and the fair value of residual equity after deducting the sum of the share of the carrying value of net assets in the original subsidiary continuously accounted from the purchase date the Company shall enjoy based on the original shareholding ratio and the goodwill shall be recorded into the investment income of the period when the control power is lost. The other comprehensive income related to the equity investments in the original subsidiary shall be transferred to the current profit or loss when the control power is lost except for the other comprehensive income arising from changes in net liabilities or net assets due to the remeasurement of defined benefit plan by the investee.

7. 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 Standard 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.

8. 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.

9. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Foreign currency business

The Company's foreign currency business is translated into the amount of the recording currency at the spot exchange rate on the transaction date.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate 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 exchange rate on the day the transaction occurs; for foreign currency non-monetary items measured at fair value, the translation adopts the spot exchange rate 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 exchange rate on the balance sheet date. Other items of shareholders' equity except for "undistributed profits" shall be converted at the spot exchange rate on the occurrence date.

Income and expense items in the income statement shall be converted using the spot exchange rate on the transaction date.

All items in the cash flow statement are converted according to the spot exchange rate on the occurrence date of cash flow. The impact of exchange rate changes on cash is taken as a reconciling item, and the item "impact of exchange rate 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.

10. 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 liability when it becomes a party of the relevant financial instrument contract.

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

- ① The contractual rights for collecting the cash flow of the said financial asset are terminated;
- ② 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 measured at fair value and whose changes are included in current profit and loss.

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 and whose changes are included in current profit and 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 and whose changes are included in current profit and 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 exchange gains and 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 measured at fair value and whose changes are included in current profit and loss

Except for the above financial assets measured at amortized cost and at fair value with changes included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value with changes included in current profit and 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.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value and whose changes are included in current profit and 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.

(3) Classification and measurement of financial liabilities

The Company's financial liabilities are classified upon initial recognition as: financial liabilities measured at fair value and whose changes are included in current profit and 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 transaction costs are included in the initial recognition amount.

Financial liabilities measured at fair value and whose changes are included in current profit and loss

Financial liabilities measured at fair value and whose changes are included in current profit and loss include transactional financial liabilities and financial liabilities designated as measured at fair value upon initial recognition and whose changes are included in current profit and 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:

- ① The contractual obligation to deliver cash or other financial assets to other parties.
- ② The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- ③ 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.
- ④ 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. 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 and their changes are included in current profit and loss.

(5) Fair value of financial instruments

See Note V(11) for the method of determining the fair value of financial assets and liabilities.

(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 creditors' investments measured at fair value and whose changes are included in other comprehensive income;

Contract assets defined in the Accounting Standards for Business Enterprises No. 14-Revenue;

Lease receivables;

Financial guarantee contracts (except those that are measured at fair value and whose changes are included in current profit and loss, the transfer of financial assets does not meet the conditions for derecognition or continue to involve in the transferred financial assets).

Measurement of expected credit loss

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. 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).

The Company calculates interest income based on the book balance before deducting impairment provisions and the effective interest rate for financial instruments in the first and second stages and with low credit risk. The interest income shall be calculated according to their book balance minus the amortized cost after impairment provision and the effective interest rate for financial instruments in the third stage.

Notes receivable, accounts receivable and contract assets

The Company always measures its loss reserves at an amount equivalent to the expected credit loss during the entire duration for notes receivable, contract assets and accounts receivable, regardless of whether there is any significant financing component.

If a single financial asset cannot be used to evaluate the expected credit loss information at a reasonable cost, the Company will divide the notes receivable and accounts receivable into portfolio on the basis of the credit risk features, and calculate the expected credit loss based on the portfolio. The basis for determining the portfolio is as follows:

A. Notes receivable

Notes receivable portfolio 1: bank acceptance bills and L/C

Notes receivable portfolio 2: commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: payment not overdue (with credit insurance)

Accounts receivable portfolio 2: payment not overdue (without credit insurance)

Accounts receivable portfolio 3: payment overdue (with credit insurance)

Accounts receivable portfolio 4: payment overdue (without credit insurance)

C. Contract assets

Contract assets portfolio 1: product sales

Contract assets portfolio 2: engineering construction

For notes receivable and contract assets 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.

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/overdue days of accounts receivable and the expected credit loss rate over the entire duration, and has calculated the expected credit loss.

Other receivables

The Company divides other receivables into several portfolios based on the features of credit risk, and calculates the expected credit losses on the basis of the combination. The basis for determining the portfolio is as follows:

Other receivables portfolio 1: Receivables from related parties within the scope of consolidation

Other receivables portfolio 2: Tax refund receivable

Other receivables portfolio 3: Deposit receivable and security deposit

Other receivables portfolio 4: other receivables

For other receivables that are divided into portfolios, the Company calculates the expected credit loss with the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

Creditors' investment and other creditors' investment

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. The observable information below can be treated as evidence for credit impairment to financial assets:

The issuer or debtor is caught in a serious financial difficulty;

The debtor breaches the agreement of contract, such as default or overdue payment of interest or principal, or other default;

Due to economic or contractual considerations related to the debtor's financial difficulties, the Company gives concessions to the debtor; and the concessions will not be made under any other circumstances;

There lies a great probability of bankruptcy or other financial restructuring for the debtor;

The issuer or debtor is caught in financial difficulties, which leads to the disappearance of the active market of 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.

11. Measurement of Fair Value

Fair value refers to the price that market participants can receive from sales of a 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.

12. Inventory

(1) Classification

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

(2) Valuation method of inventories acquiring and issuing

Inventories shall be measured at actual cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other costs. 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 for determining net realizable value of inventories and provision methods for decline in value of inventories

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 post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined by the difference of the cost of individual item less its realizable value. After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) The perpetual inventory system is maintained for stock system.

(5) Amortization method of the low-value consumption goods and packing articles

For the Low-value consumption goods and the packing articles should be amortized by one-off amortization method when consuming.

13. 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 corporate accounting standards and meets the following conditions, the Company will regard it as contract performance cost and confirm it as an asset:

- ① 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;
- ② The cost increases the resources of the Company that will be used for performance of contract obligations in the future;
- ③ 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 book value of an asset related to contract cost is higher than the difference between the following two items, the Company accrues provision for impairment to the excessive part and confirms it as impairment loss:

- ① The remaining consideration that the Company expects to acquire from transfer of goods or services related to the asset;
- ② The cost that will occur for transfer of such related goods or services as estimated.

The contract performance cost confirmed as asset, if amortization term does not exceed one year or a normal business cycle at the time of initial confirmation, is listed in the item of “inventory”; if amortization term exceeds one year or a normal business cycle at the time

of initial confirmation, is listed in the item of “other non-current assets”.

The contract acquiring cost that is confirmed as asset, if amortization term does not exceed one year or a normal business cycle at the time of initial confirmation, is listed in the item of “other current assets”; if amortization term exceeds one year or a normal business cycle at the time of initial confirmation, is listed in the item of “other non-current assets”.

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 book 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 and loss confirmation method

Investment in subsidiaries is accounted for using the cost method unless the investment meets the conditions for holding for sale; investment in associates and joint ventures is 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 investment income 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 investment income 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 accounting period, 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 associates 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 impairment losses of the transferred assets and shall not be offset.

(3) Determine the basis for joint control and significant influence on the invested unit

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. 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 owns more than 20% (including 20%) but less than 50% of the voting shares of the invested unit, it is generally considered to have a significant impact on the invested unit, unless there is clear evidence that such circumstances cannot 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% (excluding) voting rights of the invested unit, it generally does not consider it to have a significant impact on the invested unit unless there is clear evidence that Under these circumstances, it can participate in the production and operation decisions of the invested unit and have a significant impact.

(4) Impairment test method and impairment provision method

For the investments in subsidiaries, associates and joint ventures, the method of accruing asset impairment is shown in the Note V-22.

15. Investment Property

Measurement model of investment real estate

Costing method measurement

Depreciation or amortization method

The investment real estate 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 real estate 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 real estate, see the Note V-22 for the method of withdrawing asset impairment provision.

The difference between the disposal income of investment real estate 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 book value of the replaced part shall be terminated.

(2) Test Method of Impairment of Fixed Assets and Method of Impairment Provision

Please refer to Note V-22 for details.

(3) Depreciation Methods

Category of fixed assets	Method	Useful life	Salvage value (%)	Annual depreciation (%)
Housing and building	Average method of useful life	5-30	0-10	20.00-3.00
Machinery equipments	Average method of useful life	10-18	0-10	10.00-5.00

Transportation vehicle	Average method of useful life	5	0-10	20.00-18.00
Electronic equipments and others	Average method of useful life	5	0-10	20.00-18.00

(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 book value and related taxes is included in the current profit and loss.

17. Construction in Progress

Construction in process 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 costs.

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

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

18. Engineering Materials

Engineering materials of the Company refer to various materials prepared for projects under construction, 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 project under construction, 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 "project under construction" item.

19. Borrowing Costs

(1) Confirmation principle of Capitalized Borrowing Expense

The borrowing expenses 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 expenses are confirmed as expense according to its amount at the time of occurrence and included in the current profits and losses. If the borrowing expenses meet the following conditions, capitalization starts:

① Assets expenditure has occurred, and asset expenditure includes the expenditure occurring in the form of payment in cash, transferring noncash asset or assuming interest bearing debt for acquiring, constructing or producing the assets meeting capitalization

conditions;

② Borrowing expenses have occurred;

③ The acquisition, construction or production activities required for making assets usable or saleable as intended have started.

(2) Capitalization period of borrowing expenses

When the Company acquires, constructs or produces assets, which meet capitalization conditions and reach the intended usable or saleable status, the borrowing expenses stop capitalization. The borrowing expenses 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 expenses suspends; the borrowing expenses in the normal interruption period are continually capitalized.

(3) Capitalization rate of borrowing expenses 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. 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: a) the initial measurement amount of lease obligations; b) the lease payment amount paid on or prior to the inception of the lease (less the related amount of lease incentives already enjoyed if any); c) the initial direct cost incurred by the lessee; and d) 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. 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 straight-line method 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.

21. Intangible Assets

(1) Pricing Method, Useful Life and Impairment Test

The intangible assets of the Company include land use right, patent right, etc.

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 straight-line method 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	Note
Land use right	Stipulated in the land certificate	Method of line	
Patent use right	10 years	Method of line	
Software use right	1-3 years	Method of line	
Brand use right	10 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 impairment on intangible assets was stated in the Note V-22.

(2) Accounting Policy for Internal Research and Development Expenditures

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: ① It is feasible technically to finish intangible assets for use or sale; ② It is intended to finish and use or sell the intangible assets; ③ 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; ④ 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; ⑤ 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. Impairment of Long-term Assets

For long term equity investment in subsidiaries, associated enterprises and joint ventures, investment real estate which follow-up measurement is carried out by cost pattern, fixed assets, construction in progress, right-of-use assets, intangible assets, business reputation, etc. (excluding inventory, investment property measured at fair value, 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 serviceable state 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 business reputation, the carrying amount of business reputation 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 business reputation, first, impairment test shall be carried out on the asset group or combination of asset groups not containing business reputation, 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 business reputation to compare the carrying amount with the recoverable amount. If the recoverable amount is lower than the carrying amount, the impairment loss of business reputation shall be recognized.

Once the impairment loss of assets is recognized, it will not be reversed in the future accounting period.

23. Long-term Deferred Expenses

The long-term 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 expenses to be amortized, the amortized value that cannot benefit the future accounting period shall be included in the current profit and loss.

24. Payroll

(1) Accounting Treatment of Short-term Compensation

During the accounting period in which employees provide services, the Company recognizes the actual employee wages, bonuses, social insurance premiums such as medical insurance premiums, industrial injury insurance premiums, and maternity insurance premiums and housing provident funds 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. If the liability is not expected to be fully paid within twelve months after the end of the annual reporting period for employees to provide related services, and the financial impact is significant, the liability will be measured at the discounted amount.

(2) Accounting Treatment of the Welfare after Departure

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

contribution plan.

Set withdrawal plan

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

During the accounting period 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.

Define a benefit plan

For the defined benefit plan, an independent actuary performs an actuarial valuation on the annual balance sheet date, and the cost of providing benefits is determined by the expected cumulative benefit unit method. The employee compensation cost caused by the Company's defined benefit plan includes the following components:

- ① Service cost, including current service cost, past service cost and settlement gains or losses. Among them, the current service cost refers to the increase in the present value of the defined benefit plan obligations caused by the employees providing services in the current period; the past service cost refers to the defined benefit related to the employee services in the previous period caused by the modification of the defined benefit plan. An increase or decrease in the present value of plan obligations.
- ② The net interest of the net liabilities or net assets of the defined benefit plan, including the interest income of the plan assets, the interest expense of the defined benefit plan obligations and the interest affected by the asset ceiling.
- ③ Re-measure the changes caused by the net liabilities or net assets of the defined benefit plan.

Unless other accounting standards require or allow employee benefit costs to be included in the cost of assets, the Company will include the above items ① and ② into the current profit and loss; item ③ is included in other comprehensive income and will not be transferred back to profit or loss in the subsequent accounting period. When the defined benefit plan is terminated, all the parts originally included in other comprehensive income are carried forward to undistributed profits within the scope of equity.

(3) Accounting Treatment of the Demission Welfare

The Company relieves the labor relation with the employees before the due date of the labor contracts 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.

Regarding the implementation of internal retirement plan of the employees, the economic compensation before the official retirement date belongs to the dismissal welfare. From the date when the employees stop providing services to the normal retirement date, the wages and social insurance premiums to be paid to the early retired employees shall be included in the current profit and loss at one time. Financial compensation (such as normal pension) after the official retirement date shall be handled as welfare after separation.

(4) Accounting Treatment of the Welfare of Other Long-term Staffs

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

25. Provisions

If the obligation related to contingency meets the following conditions at the same time, the Company will recognize it as a provision.

- (1) The obligation is the current obligation assumed by the Company;
- (2) The performance of the obligation is likely to cause an outflow of economic benefits of the Company;
- (3) The amount of the obligation can be measured reliably.

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 book value of the provisions on the balance sheet date and adjusts the book 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 fees 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 fees 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 fees 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 fees 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 fees 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 canceled (except for the cancellation due to non-market conditions that do not meet the feasible conditions), the Company shall treat the canceled 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.

27. Revenue

Accounting policies adopted for the recognition and measurement of revenue

(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:

- ① While the Company is performing the contract, the customer acquires and consumes the economic benefit arising from performance by the Company.
- ② The customer can control the goods in construction in the course of performance by the Company.
- ③ 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:

- ①The Company enjoys the current collection right to the goods or services, i.e. the customer undertakes current payment obligation to the goods.
- ②The Company has transferred the legal ownership of the goods to the customer, that is, the customer has owned the legal ownership of the goods.
- ③The Company has transferred the kind of the goods to the customer, namely, the customer has possessed the good in kind.
- ④The 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.
- ④The customer has accepted the goods or services.
- ⑤Other indications showing that the customer has acquired the control right to the goods.

The Company has transferred goods or services and has the right to collect consideration (and the right depends on factors other than time elapse) as contract assets, and contract asset is accrued impairment on the basis of expected credit loss (refer to Note V 10(6)). The right of the Company, unconditionally (only depending on time elapse) charging consideration from the customer, is listed as receivable. The obligation of the Company that shall transfer goods or services to the customer for the consideration that has been or shall be collected is liability to the contract.

The contract assets and contract liabilities under the same contract are listed in net amount. If net amount is debit balance, it is listed in the items “contract asset” or “other non-current asset” according to its fluidity; if net amount is credit balance, it is listed in the items “contract liability” or “other non-current liability” according to its fluidity.

(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 accounting policies for revenue recognition due to different business models of the same type of business

28. 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 shall be measured by fair value, and they shall be measured by the nominal amount of RMB1 if the fair value cannot be obtained reliably. 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 costs 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 subsidy 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-business income.

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 value 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 loan 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.

29. 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 business reputation arising from business merger, 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 amount 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.

For all taxable temporary differences, related deferred income tax liabilities are recognized, unless the taxable temporary differences are generated in the following transactions:

- (1) The initial recognition of business reputation or the initial recognition of assets or liabilities arising from transactions with the following characteristics: The transaction is not a business merger, and does not affect the accounting profit or taxable income when it occurs;
- (2) Regarding the taxable temporary difference related to the investment of subsidiaries, joint ventures and associated enterprises, the time of reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in subsequent years, the Company is likely to obtain the future taxable income as the limit to offset the deductible temporary differences, deductible losses and tax credits, in which way to recognize the deferred income tax assets arising from the deductible temporary differences, deductible losses and tax credits, unless the deductible temporary differences are generated in the following transactions:

- (1) The transaction is not a business merger, and does not affect the accounting profit nor taxable income when it occurs;
- (2) The corresponding deferred income tax assets shall be recognized if the deductible temporary differences related to the investment of subsidiaries, joint ventures and associated enterprises meet the following conditions simultaneously: The temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to deduct the deductible temporary differences is likely to be obtained in the future.

On the date of the balance sheet, 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 book value of deferred income tax assets shall be reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the book 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 taxable income will be available.

30. Lease

(1) 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-20.

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 straight-line method.

Low-value asset lease

A low-value asset lease refers to a lease where the value is lower than RMB40,000 and a single leased asset is a new asset.

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 straight-line method.

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 cope 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.

(2) 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 finance leases, and leases other than finance leases as operating leases.

Financial lease

In a finance lease, the Company recognizes the net lease investment as the book value of finance 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. 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 finance lease receivables in accordance with the provisions of the *Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* and the *Accounting Standard for Business Enterprises No.23 - Transfer of Financial Assets*.

Operating leases

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 straight-line method. The initial direct costs 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 finance 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 cope 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 finance 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 finance lease, the Company will carry out accounting treatment in accordance with the provisions on modification or renegotiation of a contract of the *Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

31. Repurchase of Shares

Before the shares repurchased by the Company are cancelled or transferred, they are managed as treasury shares, and all expenditures for the repurchase of shares are transferred to the cost of treasury shares. Consideration and transaction costs paid in share repurchase reduce shareholders' 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 undistributed profits 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 undistributed profits if capital reserves are insufficient to offset.

32. 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 (share capital 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.

33. Changes in Main Accounting Policies and Estimates

(1) Significant Changes in Accounting Policies

√ Applicable □ Not applicable

Contents of changes in accounting policies and reasons thereof	Approval procedures	Note
<p>The Ministry of Finance issued the Accounting Standards for Business Enterprise No.21-Leases (Revised) in 2018 and required that those enterprises that are listed both at home and abroad and those enterprises that are listed overseas and adopt the International Financial Reporting Standards or the Accounting Standards for Business Enterprises for preparation of financial statements should implement it from 1 January 2019; the other enterprises that adopt the Accounting Standards for Business Enterprises should implement it from 1 January 2021. Main changes are: 1. Under the New Lease Standards, except for short-term leases and low-value asset leases, the lessees will no longer distinguish finance leases from operating leases. All leases are subject to the same accounting treatment, and the right-of-use assets and lease liabilities must be both recognized; 2. For the right-of-use assets, if the lessee reasonably recognizes that it can obtain the ownership of the leased assets at the</p>	<p>The Company held the 21st Meeting of the 9th Board of Directors on 29 March 2021 and approved the implementation of the new standards governing leases since 1 January 2021 and adjusted related contents of accounting policies.</p>	<p>Refer to Note V. 20 and 30 for details about new accounting policies.</p>

<p>expiration of the lease term, the depreciation shall be accrued within the remaining service life of the leased assets. If it is impossible to reasonably recognize that the right-of-use of the leased asset can be obtained at the expiration of the lease term, the depreciation shall be accrued within the lease term or the remaining service life, whichever is shorter. At the same time, the lessee shall recognize whether the right-of-use assets are impaired and account for the identified impairment losses; 3. For lease liabilities, the lessee shall calculate the interest expense of the lease liabilities in each period of the lease term and count it into the current profit and loss; 4. In accordance with the requirements of the New Leasing Standards and Listing Rules, the relevant contents of the leasing business should be adjusted in the disclosed financial statements. According to the New Leasing Standards and from 1 January 2021, except for short-term leases and low-value asset leases whose treatment is chosen to be simplified, the Company will recognize the right-of-use assets and lease liabilities for all leased assets with the present value of the minimum lease payment based on the future rent payable, and recognize the depreciation and unrecognized financing expenses respectively. The information of comparable periods will not be adjusted.</p>		
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For contracts that have existed before the first execution date, the Company chooses not to re-evaluate whether they are leases or leases inclusive on the first execution date. For contracts that are signed or changed after the first execution date, the Company evaluates whether they are leases or leases inclusive in conformity with the definition of lease in the New Leasing Standards.

The definition of lease in the New Leasing Standards does not have a material impact on the scope of the Company's contracts that meet the definition of lease.

As a lessee

The New Leasing Standards requires that the lessor shall recognize right-of-use assets and lease liabilities of all leases, except for simplified short-term leases and low-value asset leases, and ensure depreciation and interest expenses separately.

The New Leasing Standards allows the lessor to select one of the following methods for bridging accounting treatment of the lease.

In accordance with the provisions of the *Accounting Standard for Business Enterprises No.28 - Accounting Policies, Accounting Estimated Changes and Error Correction* (hereinafter referred to as "the Standard"), the retrospective adjustment method is adopted for treatment.

The retained earnings at the beginning of the year and the amount of relevant projects of financial statements for the first execution of the Standard are adjusted based on the cumulative impact of the first execution of the Standard, without adjusting comparable period information.

The difference between the New Leasing Standards and the current leasing standards on the first execution date is included in the retained earnings at the beginning of 2021 through retroactive adjustment by the Company, in accordance with the provisions of the New Leasing Standards. Simultaneously, it does not adjust the data of comparable financial statements.

For finance leases before the first execution date, it respectively measures the right-of-use assets and lease liabilities in line with the original book value of the finance lease assets and the finance lease payables.

For operating leases before the first execution date, when measuring the lease liabilities in conformity with the present value of the residual lease payments discounted by the incremental borrowing rate on the first execution date, with the amount of all leases being equivalent to lease liabilities, it necessarily adjusts and measures the right-of-use assets according to the advance rental payments.

On the first execution date, the Company carries out impairment test and corresponding accounting treatment for the right-of-use assets in line with Note V-20.

For operating leases in which the lease assets are low-value assets before the first execution date or operating leases to be completed within 12 months, the Company adopts simplified treatment without recognizing the right-of-use assets or lease liabilities.

For operating leases before the first execution date, it adopts the following simplified treatment:

The same discount rate is utilized for leases with similar features when measuring lease liabilities, where the used incremental borrowing rates are 3.85% and 4.65%; the measurement for right-of-use assets does not include the initial direct fees.

Where there is renewal option or termination option, the lease term is determined by the Company based on the actual exercise of option and the latest other status before the first execution date.

As the substitute for the impairment test of right-of-use assets, the Company evaluates whether the contract containing lease is a loss-making contract before the first execution date, and adjusts the right-of-use assets in conformity with the loss reserve amount included in the balance sheet before the first execution date.

The accounting treatment is implemented for the lease change before the first execution date according to the final arrangement of the lease change.

The impact of exercising the New Leasing Standards on the project of consolidated balance sheet is as follows:

Item	Carrying amount before adjustment (31 December 2020)	Reclassified	Remeasured	Carrying amount after adjustment (1 January 2021)
Assets:				
Fixed assets	23,612,984.97	-23,612,984.97		
Right-of-use assets	—	140,547,131.81	128,815,114.07	269,362,245.88
Long-term prepaid expense	116,934,146.84	-116,934,146.84		
Total assets	140,547,131.81		128,815,114.07	269,362,245.88
Liabilities:				
Lease liabilities	—		128,815,114.07	128,815,114.07
Total liabilities			128,815,114.07	128,815,114.07

For the minimum lease payment unpaid under a significant operating lease in the 2020 annual financial statements, the Company adjusts the minimum operating lease payment unpaid under the original lease standards to the reconciliation statement of lease liabilities recognized under the New Leasing Standards at the incremental borrowing rate of 1 January 2021 as a lessee, as follows:

Minimum lease payments under significant operating leases on 31 December 2020	A	181,920,500.41
Less: Simplified short-term lease payments	B	
Less: Simplified low-value asset leases	C	
Add (or less): Adjustment of minimum lease payments due to re-evaluation of lease terms	D	
Add (or less): Adjustment of variable lease payments depending on index or ratio	E	
Subtotal	F=A-B-C+/-D+/-E	181,920,500.41
Less: VAT	G	8,662,880.97
Adjusted commitments on operating leases	H=F-G	173,257,619.44
Present value of operating lease payments on 1 January 2021	I	128,815,114.07
Add: Financing lease payable on 31 December 2020	J	
Lease liabilities on 1 January 2021	K=I+J	128,815,114.07
Of which: Current portion of non-current liabilities		

The composition of carrying value of right-of-use assets on 1 January 2021 is as follows:

Item	1 January 2021
Right-of-use assets:	
Right-of-use assets recognized from the operating lease before the first execution date	269,362,245.88
Financing lease assets recognized based on original lease standards	
Total:	269,362,245.88

Influence of implementation of the new lease standards on items of financial statements for 2021 is as follows:

Consolidated balance sheet	31 December 2021	Based on original lease standards assumed	Increase/decrease (-)
Assets:			
Fixed assets	5,559,649,164.65	5,581,837,140.31	-22,187,975.66
Right-of-use assets	257,019,286.15	--	257,019,286.15
Long-term prepaid expense	672,601.04	121,424,154.46	-120,751,553.42
Total assets	12,994,654,820.09	12,880,575,063.02	114,079,757.07
Liabilities:			
Current portion of non-current liabilities	8,877,404.52	8,500,000.00	377,404.52
Lease liabilities	121,357,658.41		121,357,658.41

Total liabilities	4,621,177,426.73	4,499,442,363.80	121,735,062.93
Consolidated income statement	2021	Based on original lease standards assumed	Increase/decrease (-)
Finance costs	44,988,908.41	39,524,885.66	5,464,022.75
Administrative expense	335,380,025.54	333,188,742.43	2,191,283.11

As a lessor

In accordance with the New Leasing Standards, it is not necessary for the Company to adjust its lease as a lessor according to the bridging provisions, but it is necessary to conduct accounting treatment in line with the New Leasing Standards on the first execution date for the New Leasing Standards.

(2) Significant Changes in Accounting Estimates

Applicable Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Leases since 2021

Applicable Not applicable

Whether need to adjust items of balance sheet at the beginning of the year

Yes No

Consolidated balance sheet

Unit: RMB

Item	31 December 2020	1 January 2021	Adjusted
Current assets:			
Monetary assets	1,400,478,034.81	1,400,478,034.81	
Held-for-trading financial assets	268,456,216.98	268,456,216.98	
Derivative financial assets			
Notes receivable	182,994,110.86	182,994,110.86	
Accounts receivable	522,425,219.87	522,425,219.87	
Accounts receivable financing	55,150,926.34	55,150,926.34	
Prepayments	19,611,775.28	19,611,775.28	
Other receivables	105,710,818.69	105,710,818.69	
Including: Interest receivable			
Dividends receivable	75,488,652.49	75,488,652.49	
Financial assets purchased under resale agreements			

Inventories	1,988,968,681.64	1,988,968,681.64	
Contract assets			
Assets held for sale			
Current portion of non-current assets	45,750,018.30	45,750,018.30	
Other current assets	433,432,258.63	433,432,258.63	
Total current assets	5,022,978,061.40	5,022,978,061.40	
Non-current assets:			
Long-term receivables	41,053,183.15	41,053,183.15	
Long-term equity investments	138,079,577.25	138,079,577.25	
Investments in other equity instruments			
Other non-current financial assets	156,915,620.25	156,915,620.25	
Investment property	22,263,668.85	22,263,668.85	
Fixed assets	5,661,592,991.66	5,637,980,006.69	-23,612,984.97
Construction in progress	356,273,197.49	356,273,197.49	
Right-of-use assets		269,362,245.88	269,362,245.88
Intangible assets	373,543,480.84	373,543,480.84	
Development costs			
Goodwill	20,563,803.29	20,563,803.29	
Long-term prepaid expense	118,340,494.60	1,406,347.76	-116,934,146.84
Deferred income tax assets	122,865,841.69	122,865,841.69	
Other non-current assets	95,434,040.18	95,434,040.18	
Total non-current assets	7,106,925,899.25	7,235,741,013.32	128,815,114.07
Total assets	12,129,903,960.65	12,258,719,074.72	128,815,114.07
Current liabilities:			
Short-term borrowings	930,871,008.19	930,871,008.19	
Notes payable			
Accounts payable	243,262,473.69	243,262,473.69	
Advances from customers			
Contract liabilities	141,339,705.62	141,339,705.62	
Employee benefits payable	265,648,198.38	265,648,198.38	
Taxes payable	36,468,978.77	36,468,978.77	

Other payables	17,587,470.79	17,587,470.79	
Including: Interest payable			
Dividends payable	441,113.64	441,113.64	
Current portion of non-current liabilities	43,149,400.13	43,149,400.13	
Other current liabilities	192,574,674.68	192,574,674.68	
Total current liabilities	1,870,901,910.25	1,870,901,910.25	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	495,520,342.78	495,520,342.78	
Bonds payable	1,350,171,526.97	1,350,171,526.97	
Lease liabilities		128,815,114.07	128,815,114.07
Long-term payables			
Long-term employee benefits payable	62,137,656.00	62,137,656.00	
Provisions			
Deferred income	173,862,983.31	173,862,983.31	
Deferred income tax liabilities	85,633,161.44	85,633,161.44	
Other non-current liabilities			
Total non-current liabilities	2,167,325,670.50	2,296,140,784.57	128,815,114.07
Total liabilities	4,038,227,580.75	4,167,042,694.82	128,815,114.07
Owners' equity:			
Share capital	858,132,322.00	858,132,322.00	
Other equity instruments	71,386,451.81	71,386,451.81	
Capital reserves	255,912,488.01	255,912,488.01	
Less: Treasury stock			
Other comprehensive income	1,308,922.89	1,308,922.89	
Specific reserve			
Surplus reserves	1,154,017,457.79	1,154,017,457.79	
General reserve			
Retained earnings	5,346,819,948.22	5,346,819,948.22	
Total equity attributable to owners of the Company as the parent	7,687,577,590.72	7,687,577,590.72	
Non-controlling interests	404,098,789.18	404,098,789.18	

Total owners' equity	8,091,676,379.90	8,091,676,379.90	
Total liabilities and owners' equity	12,129,903,960.65	12,258,719,074.72	128,815,114.07

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2020	1 January 2021	Adjusted
Current assets:			
Monetary assets	729,437,231.33	729,437,231.33	
Held-for-trading financial assets	163,636,075.34	163,636,075.34	
Derivative financial assets			
Notes receivable	108,863,689.79	108,863,689.79	
Accounts receivable	326,166,935.10	326,166,935.10	
Accounts receivable financing	48,764,088.05	48,764,088.05	
Prepayments	13,059,806.74	13,059,806.74	
Other receivables	1,500,882,682.19	1,500,882,682.19	
Including: Interest receivable			
Dividends receivable	75,488,652.49	75,488,652.49	
Inventories	1,097,438,610.46	1,097,438,610.46	
Contract assets			
Assets held for sale			
Current portion of non-current assets	45,750,018.30	45,750,018.30	
Other current assets	247,860,882.02	247,860,882.02	
Total current assets	4,281,860,019.32	4,281,860,019.32	
Non-current assets:			
Investments in debt obligations			
Investments in other debt obligations			
Long-term receivables	41,053,183.15	41,053,183.15	
Long-term equity investments	2,555,150,859.13	2,555,150,859.13	
Investments in other equity instruments			
Other non-current financial assets	144,915,620.25	144,915,620.25	

Investment property	29,734,239.22	29,734,239.22	
Fixed assets	2,471,686,117.72	2,471,686,117.72	
Construction in progress	48,694,822.74	48,694,822.74	
Right-of-use assets		130,978,971.80	130,978,971.80
Intangible assets	225,128,308.75	225,128,308.75	
Development costs			
Goodwill			
Long-term prepaid expense	1,406,347.76	1,406,347.76	
Deferred income tax assets	65,729,304.26	65,729,304.26	
Other non-current assets	7,936,745.28	7,936,745.28	
Total non-current assets	5,591,435,548.26	5,722,414,520.06	130,978,971.80
Total assets	9,873,295,567.58	10,004,274,539.38	130,978,971.80
Current liabilities:			
Short-term borrowings	332,466,931.13	332,466,931.13	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	132,231,596.74	132,231,596.74	
Advances from customers			
Contract liabilities	56,841,289.66	56,841,289.66	
Employee benefits payable	202,694,515.93	202,694,515.93	
Taxes payable	21,896,035.49	21,896,035.49	
Other payables	79,668,657.80	79,668,657.80	
Including: Interest payable			
Dividends payable	441,113.64	441,113.64	
Liabilities directly associated with assets held for sale			
Current portion of non-current liabilities	4,000,000.00	4,000,000.00	
Other current liabilities	166,257,466.30	166,257,466.30	
Total current liabilities	996,056,493.05	996,056,493.05	
Non-current liabilities:			
Long-term borrowings	495,520,342.78	495,520,342.78	

Bonds payable	1,350,171,526.97	1,350,171,526.97	
Lease liabilities		130,978,971.80	130,978,971.80
Long-term payables			
Long-term employee benefits payable	62,137,656.00	62,137,656.00	
Provisions			
Deferred income	131,546,549.87	131,546,549.87	
Deferred income tax liabilities	58,927,115.71	58,927,115.71	
Other non-current liabilities			
Total non-current liabilities	2,098,303,191.33	2,229,282,163.13	130,978,971.80
Total liabilities	3,094,359,684.38	3,225,338,656.18	130,978,971.80
Owners' equity:			
Share capital	858,132,322.00	858,132,322.00	
Other equity instruments	71,386,451.81	71,386,451.81	
Capital reserves	317,292,522.25	317,292,522.25	
Less: Treasury stock			
Other comprehensive income	-424,313.33	-424,313.33	
Specific reserve			
Surplus reserves	1,150,908,718.15	1,150,908,718.15	
Retained earnings	4,381,640,182.32	4,381,640,182.32	
Total owners' equity	6,778,935,883.20	6,778,935,883.20	
Total liabilities and owners' equity	9,873,295,567.58	10,004,274,539.38	130,978,971.80

(4) Retroactive Adjustments to Comparative Data of Prior Years when First Execution of any New Standards Governing Leases since 2021

Applicable Not applicable

34. 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 amounts 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.

The following main judgments exist in assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangements:

Whether the time distribution or amount of the principal amount during the duration may change due to early repayment or for other reasons; whether the interest includes only the time value of money, credit risk, other basic 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

We shall assess whether there is impairment of goodwill at least annually. 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.

VI Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable income	13%、9%、6%、5%、3%、0
Urban maintenance and construction tax	Turnover tax payable	7%、5%
Enterprise income tax	Income tax payable	0、8.5%、15%、16.5%、17%、20%、25%

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

Taxpayer	Income tax rate
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The Company	15%
Lufeng Weaving & Dyeing	15%
Lu Thai Hong Kong	16.50%
Luqun Textile	25%
Xinsheng Power	25%
Shanghai Lu Thai	20%
Shanghai Zhinuo	20%
Lulian New Materials	25%
Lujia Import & Export	20%
Zhishu Trading	20%
Lu Thai Vocational Training School	0%
Banyang Villa	20%
Huilin International	15%
Libra International	17%
Qiming Apparel	20%
Vanguard Apparel	0%
Continental Textile	0%
Lu Thai Tan Chau	0%
Lu An Garments	8.5%

2. Tax Preference

In accordance with the Reply on Filing of the Second Batch of Hi-tech Enterprises of Shandong Province in 2020 with Reference No. Guo Ke Huo Zi [2021]25, the Company was identified as a hi-tech enterprise and the certificate issuing date was December 8, 2020; in accordance with the Notice for Announcing the First Batch of Hi-tech Enterprise Identification List of Shandong Province in 2020 with reference No. Lu Ke Zi [2020]136, the majority-owned subsidiary Lufeng Weaving & Dyeing was identified as a hi-tech enterprise, and the certificate issuing date was August 17, 2020. Pursuant to Article 28 of *the Law of the PRC on Enterprise Income Tax* and the No. 23 Announcement revised and published by the State Administration of Taxation in 2018, namely *Management of Preferential Policy on Corporate Income Tax*, the *Measures for the Administration of the Recognition of High and New Technological Enterprises* (GKFH [2016] No. 195) revised and published by the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, the Company and the holding subsidiary Lufeng Weaving & Dyeing enjoy a corporate income tax rate of 15%.

According to *Announcement of the State Taxation Administration on Issues Concerning the Implementation of the Inclusive Income Tax Reduction and Exemption Policy for Small and Low-profit Enterprises* (Announcement No. 2 [2019] of the State Taxation Administration) and *Announcement of the State Taxation Administration on Issues Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small and Low-profit Enterprises and Individual Businesses* (Announcement No. 8 [2021] of the State Taxation Administration), the portion of annual taxable income of within RMB1 million of the wholly-owned

subsidiaries of the Company, including Shanghai Luthai, Shanghai Zhinuo Textile New Materials Co., Ltd., Lu Jia Import & Export Co., Ltd., Beijing Zhishu Trading Co., Ltd. and Zibo Banyang Villa Hotel Co., Ltd. shall be included in taxable income by reduction of 12.5% based on the enterprise income tax rate of 20%; for the portion exceeding RMB1 million but within RMB3 million, it shall be included in taxable income by reduction of 50% based on the enterprise income tax rate of 20%.

Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refers as Lu Thai (Hong Kong) Textile), the wholly-owned subsidiary company 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 Vanguard Apparel, according to the Burma's Special Economic Zone Law issued by Pyidaungsu Hluttaw, Vanguard Apparel enjoys tax preference on corporate 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 25%. Year 2021 is the sixth year of tax holiday.

The wholly-owned subsidiary Continental Textile shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Tay Ninh Industrial Zone Management Committee, and it will enter into 2 years' duty-free term if it is profitable within 3 years' starting term. Continental Textile shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2021 is the fourth year of the duty-free term.

The wholly-owned subsidiary of Continental Textile, Lu Thai Tan Chau, shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Tay Ninh Investment Planning Office, and it will enter into 2 years' duty-free term if it is profitable within 3 years' starting term. The Company shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2021 is the first year of the duty-free term.

Lu Thai America, the wholly-owned subsidiary of the Company registered in New York, America, was imposed the federal enterprise income tax at fixed tax rate of 21%, and imposed the New York Enterprise income tax at the fixed tax rate of 6.5%. If the tax payable exceeds USD5 million, the tax rate is 7.25%.

The wholly-owned subsidiary Lu Thai Vocational Training School Co., Ltd. enjoys the preferential policy for non-profit organization income exemption from corporate income tax according to Article 26, Item 4 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 84 and Article 85 of *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China and CS (2018) No. 13*.

The Wholly-owned subsidiary Huilin International, which is registered in Hainan Pilot Free Zone and operates the encouraged industry, pays corporate income tax at a reduced tax rate of 15% according to Announcement of the *Ministry of Finance and the State Taxation Administration on the Corporate Income Tax Preferential Policies of Hainan Pilot Free Zone* (Announcement No.31 [2020] of the Ministry of Finance and the State Taxation Administration)

The Wholly-owned subsidiary Libra International of Huilin International is registered in Singapore and pays the corporate income tax at a rate of 17%.

The enterprise income tax rate of Qiming Apparel, the wholly-owned subsidiary of Libra International, is 20% based on the provisions of the Tax Law of Kingdom of Cambodia on income tax.

The wholly-owned subsidiary of Libra International-Lu An Garments Co., Ltd. shall enjoy the preference of enterprise income tax at 3 years' starting term + 2 years' duty-free term + 4 years' half-tax term according to the investment license issued by Vietnamese Anjiang Province Economic Zone Management Committee, and it will enter into duty-free term if the profitability is realized at any year within 3 years' starting term. The Company shall enjoy 17% of the preference tax rate within 10 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2021 is the first year of the halving collection period.

VII. Notes to Major Items in the Consolidated Financial Statements of the Company

1. Monetary capital

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	3,475,164.56	7,009,891.16
Bank deposits	1,994,544,688.81	1,390,809,492.44
Other monetary capital	1,693,035.98	2,658,651.21
Total	1,999,712,889.35	1,400,478,034.81
Of which: The total amount deposited overseas	124,950,227.06	131,075,580.22

Other notes

(1) On December 31, 2021, the monetary capital with restricted ownership was RMB1,693,035.98, which included USD6,750.00 (RMB43,035.98) L/C guarantee deposit for the Company's subsidiary Continental Textile Co., Ltd., RMB550,000.00 L/C guarantee deposit and RMB1.1 million guarantee deposit of long-term settlement of exchange for the Company's subsidiary Lulian New Materials Co., Ltd.

(2) The interest receivable in bank deposits was RMB519,369.56.

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	1,727,000.00	268,456,216.98
Of which:		
Debt instrument investment		251,814,716.98
Derivative financial assets	1,727,000.00	16,641,500.00
Of which:		
Total	1,727,000.00	268,456,216.98

3. Notes receivable

(1) Notes receivable listed by category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	129,359,621.79	141,168,447.70
Trade acceptance bill	121,492.55	
L/C	98,259,133.55	41,825,663.16

Total	227,740,247.89	182,994,110.86
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Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Of which:										
Notes receivable of bad debt provision withdrawn by groups	227,746,642.23	100.00%	6,394.34		227,740,247.89	182,994,110.86	100.00%			182,994,110.86
Of which:										
Commercial acceptance bill	127,886.89	0.06%	6,394.34	5.00%	121,492.55					
Bank acceptance bill and L/C	227,618,755.34	99.94%			227,618,755.34	182,994,110.86	100.00%			182,994,110.86
Total	227,746,642.23	100.00%	6,394.34		227,740,247.89	182,994,110.86	100.00%			182,994,110.86

If the bad debt provision for notes receivable was withdrawn in accordance with the general model of expected credit losses, information related to bad debt provision shall be disclosed by reference to the disclosure method of other receivables:

Applicable Not applicable

(2) Bad debt provision withdrawn, reversed or collected during the Reporting Period

Bad debt provision withdrawn in the Reporting Period:

Unit: RMB

Category	Beginning balance	Changes in the reporting period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Commercial acceptance bill	0.00	6,394.34	0.00	0.00	0.00	6,394.34
Total	0.00	6,394.34	0.00	0.00	0.00	6,394.34

Of which significant amount of reversal or recovery bad debt provision in the Reporting Period:

Applicable Not applicable

(3) 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 period-end	Non-derecognized amount at the period-end
Bank acceptance bill	0.00	112,995,745.69
Trade acceptance bill	0.00	0.00
Total	0.00	112,995,745.69

4. Accounts receivable**(1) Accounts receivable classified by category**

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable of bad debt provision separately accrued	2,179,970.77	0.31%	2,179,970.77	100.00%		8,378,716.21	1.48%	8,378,716.21	100.00%	
Of which:										
Accounts receivable of bad debt provision withdrawn by groups	692,042,157.38	99.69%	44,764,958.87	6.47%	647,277,198.51	558,478,267.74	98.52%	36,053,047.87	6.46%	522,425,219.87
Of which:										
Group 1: Undue accounts (credit insurance insured)	99,484,489.32	14.33%	1,044,587.17	1.05%	98,439,902.15	166,997,706.03	29.46%	1,753,475.92	1.05%	165,244,230.11
Group 2: Undue accounts (no credit insurance)	508,102,078.32	73.19%	25,405,103.98	5.00%	482,696,974.34	269,999,707.80	47.63%	13,499,985.39	5.00%	256,499,722.41
Group 3: Overdue accounts (credit insurance insured)	20,932,298.93	3.02%	2,239,755.99	10.70%	18,692,542.94	46,514,806.33	8.21%	4,977,084.28	10.70%	41,537,722.05

Group 4: Overdue accounts (no credit insurance)	63,523,290.81	9.15%	16,075,511.73	25.31%	47,447,779.08	74,966,047.58	13.22%	15,822,502.28	21.11%	59,143,545.30
Total	694,222,128.15	100.00%	46,944,929.64	6.76%	647,277,198.51	566,856,983.95	100.00%	44,431,764.08	7.84%	522,425,219.87

Bad debt provision separately accrued: Y2021

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Provision reason
Customer 1	1,347,066.83	1,347,066.83	100.00%	Customer filed for bankruptcy protection
Customer 2	273,384.76	273,384.76	100.00%	Customer filed for bankruptcy protection
Other customer	559,519.18	559,519.18	100.00%	Customer financial difficulties or filed for bankruptcy protection
Total	2,179,970.77	2,179,970.77	--	--

Bad debt provision separately accrued: Y2020

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Provision reason
Customer 1	4,493,505.62	4,493,505.62	100.00%	Customer filed for bankruptcy protection
Customer 2	1,944,326.18	1,944,326.18	100.00%	Customer filed for bankruptcy protection
Other customer	1,940,884.41	1,940,884.41	100.00%	Customer financial difficulties or filed for bankruptcy protection
Total	8,378,716.21	8,378,716.21	--	--

Bad debt provision withdrawn by groups: Y2021

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	99,484,489.32	1,044,587.17	1.05%
Group 2: Undue accounts (no credit insurance)	508,102,078.32	25,405,103.98	5.00%

Group 3: Overdue accounts (credit insurance insured)	20,932,298.93	2,239,755.99	10.70%
Group 4: Overdue accounts (no credit insurance)	63,523,290.81	16,075,511.73	25.31%
Total	692,042,157.38	44,764,958.87	--

Bad debt provision withdrawn by groups: Y2020

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	166,997,706.03	1,753,475.92	1.05%
Group 2: Undue accounts (no credit insurance)	269,999,707.80	13,499,985.39	5.00%
Group 3: Overdue accounts (credit insurance insured)	46,514,806.33	4,977,084.28	10.70%
Group 4: Overdue accounts (no credit insurance)	74,966,047.58	15,822,502.28	21.11%
Total	558,478,267.74	36,053,047.87	--

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	680,519,446.98
1 to 2 years	5,246,083.66
2 to 3 years	7,459,352.83
Over 3 years	997,244.68
3 to 4 years	704,998.61
4 to 5 years	292,246.07
Total	694,222,128.15

(2) Bad debt provision withdrawn, reversed or collected during the Reporting Period

Bad debt provision withdrawn in the Reporting Period:

Unit: RMB

Category	Beginning	Changes in the reporting period	Ending balance
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	balance	Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision	44,431,764.08	4,661,497.52	0.00	2,148,331.96	0.00	46,944,929.64
Total	44,431,764.08	4,661,497.52	0.00	2,148,331.96	0.00	46,944,929.64

(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Unit: RMB

Item	Amount
Accounts receivable actually verified	2,148,331.96

(4) Top 5 of accounts receivable of ending balance collected by arrears party

Unit: RMB

Name of Entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Aggregate amount of top 5 of accounts receivable of ending balance collected by arrears party	207,105,932.07	29.83%	12,168,821.23
Total	207,105,932.07	29.83%	

5. Accounts receivable financing

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	35,042,339.23	55,508,978.63
Less: Other comprehensive income - changes in fair value	-379,267.35	-358,052.29
Total	34,663,071.88	55,150,926.34

Changes in accounts receivable financing and fair value in the Reporting Period

 Applicable Not applicable

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable financing.

 Applicable Not applicable

Other notes:

There was no bank acceptance bill for which bad debt provision accrued separately in the Company. On 31 December 2021, 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) Notes receivable endorsed by the Company or discounted and not due on the balance sheet date at the period-end

Category	Derecognized amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill	335,172,057.08	
Trade acceptance bill		
Total	335,172,057.08	

The bank acceptance bill used for discount is accepted by a bank with high credit grade, the credit risk and deferred payment risk are low, and the interest rate risk related to the bill has been transferred to the bank. It can be judged that the main risk and reward on the ownership of the bill have been transferred, so the bank acceptance bill was derecognized at the period-end.

6. Prepayment

(1) List by aging analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	54,395,566.77	99.73%	19,462,310.59	99.24%
1 to 2 years	80,046.79	0.15%	113,434.12	0.58%
2 to 3 years	57,065.73	0.10%	36,030.57	0.18%
Over 3 years	13,274.91	0.02%		
Total	54,545,954.20	--	19,611,775.28	--

(2) Top 5 of the ending balance of the prepayment collected according to the prepayment target

The advances to suppliers from the top five of prepaid parties classified based on the ending balance totals RMB36,049,753.17 in the current period, accounting for 66.90% of the total ending balance of the advances to suppliers.

7. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	47,025,975.44	75,488,652.49
Other receivables	27,165,637.78	30,222,166.20
Total	74,191,613.22	105,710,818.69

(1) Dividends receivable**1) Category of dividends receivable**

Unit: RMB

Item (or Investee)	Ending balance	Beginning balance
Sanchang Fengshou Cotton Industry Co., Ltd. (hereinafter referred to as "Fengshou Cotton")	49,501,026.78	79,461,739.46
Less: Bad debt provision	-2,475,051.34	-3,973,086.97
Total	47,025,975.44	75,488,652.49

2) Significant dividends receivable aging over 1 year

Unit: RMB

Item (or investee)	Ending balance	Aging	Reason	Whether occurred impairment and its judgment basis
Fengshou Cotton	49,501,026.78	1 to 2 years	Collect in accordance with agreed dividend payment plan	Not past due
Total	49,501,026.78	--	--	--

3) Withdrawal of bad debt provision

√ Applicable □ Not applicable

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2021	3,973,086.97			3,973,086.97
Balance of 1 January 2021 in the Reporting Period	—	—	—	—
Withdrawal of the current period	-1,498,035.63			-1,498,035.63
Balance of 31 December 2021	2,475,051.34			2,475,051.34

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

□ Applicable √ Not applicable

Other notes:

The Company did not have dividends receivable in the second and third stages at the Period-end.

(2) Other receivables

1) Other receivables classified by category

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export rebates	1,384,112.79	
VAT to be returned	8,486,685.52	9,341,623.77
Payment on behalf	11,917,827.00	13,868,814.75
Guarantee deposit and cash deposit	6,586,697.20	5,163,865.78
Borrowings and petty cash	1,051,186.48	4,483,805.85
Other	402,457.40	218,743.34
Total	29,828,966.39	33,076,853.49

2) Withdrawal of bad debt provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2021	1,516,853.79	1,337,833.50		2,854,687.29
Balance of 1 January 2021 in the Reporting Period	—	—	—	—
Withdrawal of the current period	-159,090.16	-32,268.52		-191,358.68
Balance of 31 December 2021	1,357,763.63	1,305,564.98		2,663,328.61

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	24,927,281.70
1 to 2 years	745,274.93

2 to 3 years	273,773.82
Over 3 years	3,882,635.94
3 to 4 years	164,144.98
4 to 5 years	0.00
Over 5 years	3,718,490.96
Total	29,828,966.39

3) Bad debt provision withdrawn, reversed or collected during the Reporting Period

Bad debt provision withdrawn in the Reporting Period:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Expected credit loss in the next 12 months in the first stage	1,516,853.79	-159,090.16				1,357,763.63
Expected loss in the duration (credit impairment not occurred) in the second stage	1,337,833.50	-32,268.52				1,305,564.98
Expected loss in the duration (credit impairment occurred) in the third stage						
Total	2,854,687.29	-191,358.68				2,663,328.61

4) Top 5 of the ending balance of the other receivables collected according to the arrears party

Unit: RMB

Name of entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables	Ending balance of bad debt provision

VAT receivable to be returned from Polaris Apparel	Input VAT	4,849,187.44	Within 1 year	16.26%	242,459.37
VAT receivable to be returned from Lu Thai Tan Chau	Input VAT	3,637,498.08	Within 1 year	12.20%	181,874.89
Withheld personal endowment insurance	Advance payments	4,642,678.84	Within 1 year	15.56%	232,133.94
Receivable export rebates	Export rebates	1,384,112.79	Within 1 year	4.64%	69,205.64
Zibo Customs, People's Republic of China	Margin	1,182,146.29	Within 1 year	3.96%	59,107.31
Total	--	15,695,623.44	--	52.62%	784,781.15

8. Inventory

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

Not

(1) Category of inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves of inventory or depreciation reserves of contract performance cost	Carrying amount	Carrying amount	Falling price reserves of inventory or depreciation reserves of contract performance cost	Carrying amount
Raw materials	928,078,106.34	17,925,640.41	910,152,465.93	849,455,158.83	2,547,151.31	846,908,007.52
Goods in process	611,695,332.97	2,538,846.30	609,156,486.67	393,404,083.58	5,437,464.35	387,966,619.23
Inventory goods	939,550,089.36	143,767,058.72	795,783,030.64	877,507,714.63	136,403,191.01	741,104,523.62
Assigned processing products	30,254,811.04		30,254,811.04	12,989,531.27		12,989,531.27

Total	2,509,578,339.7 1	164,231,545.43	2,345,346,794. 28	2,133,356,488. 31	144,387,806.67	1,988,968,681. 64
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(2) Falling price reserves of inventory and depreciation reserves of contract performance cost

Unit: RMB

Item	Beginning balance	Increased amount of the period		Decreased amount of the period		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	2,547,151.31	15,378,489.10				17,925,640.41
Goods in process	5,437,464.35	2,538,846.30		5,437,464.35		2,538,846.30
Inventory goods	136,403,191.01	66,275,284.27		58,911,416.56		143,767,058.72
Total	144,387,806.67	84,192,619.67		64,348,880.91		164,231,545.43

9. Current portion of non-current assets

Unit: RMB

Item	Ending balance	Beginning balance
Long-term accounts receivable due within 1 year		45,750,018.30
Total		45,750,018.30

10. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Input tax	53,076,859.19	69,924,309.37
Prepaid income tax	2,589,285.09	8,268,591.39
Other prepaid taxes	126,618.09	3,161,080.82
Short-term debt investments		351,379,736.36
Convertible bond fractional share funds	199,760.44	199,858.61
Short-term prepaid expense		498,682.08
Total	55,992,522.81	433,432,258.63

11. Long-term receivables

(1) List of long-term receivables

Unit: RMB

Item	Ending balance			Beginning balance			Interval of discount rate
	Carrying amount	Bad debt provision	Carrying amount	Carrying amount	Bad debt provision	Carrying amount	
Equity transfer fee receivable				91,371,791.00	4,568,589.55	86,803,201.45	3.85%
Less: Long-term accounts receivable due within one year				-48,157,914.00	-2,407,895.70	-45,750,018.30	
Total				43,213,877.00	2,160,693.85	41,053,183.15	--

Impairment of bad debt provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2021	4,568,589.55			
Balance of 1 January 2021 in the Reporting Period	—	—	—	—
Withdrawal of the current period	-4,568,589.55			
Balance of 31 December 2021	0.00			

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

 Applicable Not applicable

12. Long-term equity investment

Unit: RMB

Investee	Beginning	Increase/decrease								Ending balance	Ending balance
		Addition	Reduced	Gains	Adjustm	Changes	Cash	Withdra	Other		

	balance (carrying value)	al investme nt	investme nt	and losses recogniz ed under the equity method	ent of other compreh ensive income	of other equity	bonus or profits announc ed to issue	wal of impairm ent provision		(carrying value)	of depreciat ion reserve
I. Joint ventures											
II. Associated enterprises											
Ningbo Meishan Bonded Port Area Haohong Equity Investme nt Partnersh ip (L.P.) (hereinaf ter referred to as "Haohon g Investme nt")	88,329,9 22.16		7,881,29 4.68	-12,791, 000.83						67,657,6 26.65	
Haohong Equity Investme nt Partnersh ip (L.P.) (hereinaf ter referred to as "Haohon g Investme nt")	49,749,6 55.09	50,000,0 00.00		2,035,82 4.92						101,785, 480.01	
Subtotal	138,079,	50,000,0	7,881,29	-10,755,						169,443,	

	577.25	00.00	4.68	175.91						106.66	
Total	138,079,577.25	50,000,000.00	7,881,294.68	-10,755,175.91						169,443,106.66	

13. Other non-current financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Debt instrument investment		
Equity instrument investment	178,052,000.00	144,915,620.25
Financial assets designated to be measured at fair value with the changes in fair value included in current profits and losses	12,000,000.00	12,000,000.00
Other		
Total	190,052,000.00	156,915,620.25

14. 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. Beginning balance	33,577,852.12			33,577,852.12
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer from inventories/fixed assets/construction in progress				
(3) Enterprise combination increase				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	33,577,852.12			33,577,852.12

II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	11,314,183.27			11,314,183.27
2. Increased amount of the period	901,366.82			901,366.82
(1) Withdrawal or amortization	901,366.82			901,366.82
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	12,215,550.09			12,215,550.09
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	21,362,302.03			21,362,302.03
2. Beginning carrying value	22,263,668.85			22,263,668.85

(2) Investment property adopting the fair value measurement mode

Applicable Not applicable

15. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	5,559,649,164.65	5,600,022,186.24
Proceeds from disposal of fixed assets	1,952,209.79	37,957,820.45

Total	5,561,601,374.44	5,637,980,006.69
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(1) List of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value					
1. Beginning balance	3,300,178,588.71	6,830,302,709.90	53,794,437.30	129,442,986.01	10,313,718,721.92
2. Increased amount of the period	143,776,655.08	302,038,943.88	1,885,548.07	5,456,406.98	453,157,554.01
(1) Purchase	71,188.12	264,071,138.32	1,885,548.07	5,456,406.98	271,484,281.49
(2) Transfer from construction in progress	143,705,466.96	37,967,805.56			181,673,272.52
(3) Enterprise combination increase					
3. Decreased amount of the period	42,958,593.06	128,195,630.23	7,014,364.59	4,747,895.57	182,916,483.45
(1) Disposal or scrap	11,116,914.87	102,893,321.05	6,797,297.62	4,618,814.53	125,426,348.07
(2) Transferred to construction in progress	11,406,001.81				11,406,001.81
(3) Other decreases	20,435,676.38	25,302,309.18	217,066.97	129,081.04	46,084,133.57
4. Ending balance	3,400,996,650.73	7,004,146,023.55	48,665,620.78	130,151,497.42	10,583,959,792.48
II. Accumulative depreciation					
1. Beginning balance	995,997,040.59	3,533,778,199.66	36,975,373.50	97,668,147.56	4,664,418,761.31
2. Increased amount of the	111,658,120.66	307,490,406.98	4,594,796.87	13,355,956.78	437,099,281.29

period					
(1) Withdrawal	111,658,120.66	307,490,406.98	4,594,796.87	13,355,956.78	437,099,281.29
3. Decreased amount of the period	16,854,384.20	82,885,340.86	5,758,817.75	4,241,291.43	109,739,834.24
(1) Disposal or scrap	3,599,754.43	77,115,764.67	5,638,899.45	4,144,702.28	90,499,120.83
(2) Transferred to construction in progress	9,101,573.57				9,101,573.57
(3) Other decreases	4,153,056.20	5,769,576.19	119,918.30	96,589.15	10,139,139.84
4. Ending balance	1,090,800,777.05	3,758,383,265.78	35,811,352.62	106,782,812.91	4,991,778,208.36
III. Depreciation reserves					
1. Beginning balance	1,574,730.45	47,619,177.12	5,671.30	78,195.50	49,277,774.37
2. Increased amount of the period		1,429,523.09		1,715.50	1,431,238.59
(1) Withdrawal		1,429,523.09		1,715.50	1,431,238.59
3. Decreased amount of the period	1,145,314.29	17,018,765.51		12,513.69	18,176,593.49
(1) Disposal or scrap	1,145,314.29	17,018,765.51		12,513.69	18,176,593.49
(2) Other decreases					
4. Ending balance	429,416.16	32,029,934.70	5,671.30	67,397.31	32,532,419.47
IV. Carrying value					
1. Ending carrying value	2,309,766,457.52	3,213,732,823.07	12,848,596.86	23,301,287.20	5,559,649,164.65
2. Beginning carrying value	2,326,219,802.64	3,248,905,333.12	16,813,392.50	31,696,642.95	5,623,635,171.21

(2) Fixed assets leased out by operation lease

Unit: RMB

Item	Ending carrying value
Houses and buildings	3,707,101.82

(3) Fixed assets failed to accomplish certification of property

Unit: RMB

Item	Carrying amount	Reason of certificate of titles have not yet been obtained
Lufeng weaving dye gray yarn warehouse	10,857,920.88	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments
Yarn dyeing workshop of Lulian New Materials Co., Ltd.	45,875,873.52	Ditto
Slashing workshop of Lulian New Materials Co., Ltd.	11,662,166.57	Ditto
Dyeing and finishing workshop of Lulian New Materials Co., Ltd.	44,211,118.84	Ditto
Power workshop of Lulian New Materials Co., Ltd.	22,914,071.91	Ditto

(4) Proceeds from disposal of fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Zhangdian Industrial Park houses and buildings		37,957,820.45
Boiler and ancillary equipment	1,952,209.79	
Total	1,952,209.79	37,957,820.45

16. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	157,651,325.17	201,339,271.24
Engineering materials	79,927,757.82	154,933,926.25

Total	237,579,082.99	356,273,197.49
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(1) List of construction in progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying amount	Carrying amount	Depreciation reserve	Carrying amount
Reform project of Xinsheng Thermal Power	33,240,957.43		33,240,957.43	15,024,257.20		15,024,257.20
Expansion project of Xinsheng Thermal Power (Phase II)				24,901,015.93		24,901,015.93
Dormitory project of Lu Thai (Vietnam)				19,083,725.35		19,083,725.35
Spinning project of Lu Thai (Tan Chau)				5,296,923.55		5,296,923.55
Functional Fabric Intelligent Ecological Park Project (Phase I)	84,984,974.35		84,984,974.35	95,803,812.78		95,803,812.78
Other sporadic projects	39,425,393.39		39,425,393.39	41,229,536.43		41,229,536.43
Total	157,651,325.17		157,651,325.17	201,339,271.24		201,339,271.24

(2) Changes in significant construction in progress during the Reporting Period

Unit: RMB

Item	Budget	Beginning balance	Increased amount of the period	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investm	Job schedule	Accumulated amount of interest	Including: Amount of capitaliz	Capitalization rate of interests for the	Capital resources
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							ent in construc tions to budget		capitaliz ation	ed interests for the reportin g period	reportin g period		
Reform project of Xinshen g Thermal Power	54,380, 000.00	15,024, 257.20	21,679, 011.56	3,462,3 11.33			33,240, 957.43	67.49%	67.49			Other	
Expansi on project of Xinshen g Thermal Power (Phase II)	110,690 ,000.00	24,901, 015.93	1,260,1 27.41	26,161, 143.34				116.00 %	100			Other	
Dormito ry project of Lu Thai (Vietna m)	21,626, 200.00	19,083, 725.35	6,406,0 53.04	25,280, 363.93	209,414 .46			117.00 %	100			Other	
Spinnin g project of Lu Thai (Tan Chau)	153,470 ,000.00	5,296,9 23.55	4,126,4 73.87	9,364,4 08.54	58,988. 88			95.00%	100			Other	
Function al Fabric Intellige nt Ecologi cal Park	217,211 ,000.00	95,803, 812.78	70,865, 083.91	81,683, 922.34			84,984, 974.35	120.00 %	93	30,996, 506.59	15,968, 307.04	3.68%	Public offering fund

Project (Phase I)												
Other sporadic projects		41,229,536.43	34,422,827.72	35,721,123.04	505,847.72	39,425,393.39						Other
Total	557,377,200.00	201,339,271.24	138,759,577.51	181,673,272.52	774,251.06	157,651,325.17	--	--	30,996,506.59	15,968,307.04		--

(3) Engineering materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying amount	Carrying amount	Depreciation reserve	Carrying amount
Special materials						
Special equipment	79,927,757.82		79,927,757.82	154,933,926.25		154,933,926.25
Total	79,927,757.82		79,927,757.82	154,933,926.25		154,933,926.25

17. Right-of-use assets

Unit: RMB

Item	Houses and buildings	Land use right	Total
I. Original carrying value			
1. Beginning balance	72,833,229.83	196,529,016.05	269,362,245.88
2. Increased amount of the period		9,729,395.18	9,729,395.18
(1) Rent		9,729,395.18	9,729,395.18
(2) Lease liabilities adjustment			
3. Decreased amount of the period	96,330.54	3,435,058.49	3,531,389.03
(1) Sublease is a financial lease			
(2) Transfer or hold for sale			
(3) Other decreases	96,330.54	3,435,058.49	3,531,389.03
4. Ending balance	72,736,899.29	202,823,352.74	275,560,252.03
II. Accumulative depreciation			
1. Beginning balance			
2. Increased amount of the period	11,237,313.49	7,352,272.48	18,589,585.97

(1) Withdrawal	11,237,313.49	7,352,272.48	18,589,585.97
(2) Other increases			
3. Decreased amount of the period	10,227.12	38,392.97	48,620.09
(1) Disposal			
(2) Other decreases	10,227.12	38,392.97	48,620.09
4. Ending balance	11,227,086.37	7,313,879.51	18,540,965.88
III. Depreciation reserves			
1. Beginning balance			
2. Increased amount of the period			
(1) Withdrawal			
3. Decreased amount of the period			
(1) Disposal			
4. Ending balance			
IV. Carrying value			
1. Ending carrying value	61,509,812.92	195,509,473.23	257,019,286.15
2. Beginning carrying value	72,833,229.83	196,529,016.05	269,362,245.88

18. Intangible assets

(1) List of intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patent technology	Software use right	Total
I. Original carrying value					
1. Beginning balance	470,338,494.00			3,627,343.66	473,965,837.66
2. Increased amount of the period		409,550.00		300,088.49	709,638.49
(1) Purchase		409,550.00		300,088.49	709,638.49
(2) Internal R&D					
(3) Enterprise combination increase					
3. Decreased amount of the period				1,796,044.79	1,796,044.79

(1) Disposal					
(2) Invalid and recognition terminated portion				1,792,749.64	1,792,749.64
(3) Other decreases				3,295.15	3,295.15
4. Ending balance	470,338,494.00	409,550.00		2,131,387.36	472,879,431.36
II. Accumulated amortization					
1. Beginning balance	98,250,066.12			2,172,290.70	100,422,356.82
2. Increased amount of the period	10,096,399.24	30,716.28		992,423.65	11,119,539.17
(1) Withdrawal	10,096,399.24	30,716.28		992,423.65	11,119,539.17
3. Decreased amount of the period				1,793,442.77	1,793,442.77
(1) Disposal					
(2) Invalid and recognition terminated portion				1,792,749.64	1,792,749.64
(3) Other decreases				693.13	693.13
4. Ending balance	108,346,465.36	30,716.28		1,371,271.58	109,748,453.22
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	361,992,028.64	378,833.72		760,115.78	363,130,978.14
2. Beginning	372,088,427.88			1,455,052.96	373,543,480.84

carrying value					
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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%.

19. Development costs

Unit: RMB

Item	Beginning balance	Increased amount of the period		Decreased amount of the period		Ending balance
		Internal development	Other	Recognized as intangible assets	Transfer to current gains and losses	
Product R&D		252,912,911.63			252,912,911.63	
Total		252,912,911.63			252,912,911.63	

20. Goodwill

(1) Original carrying value of goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Beginning balance	Increase	Decrease	Ending balance
		Formed by business combination	Disposal	
Xinsheng Power	20,563,803.29			20,563,803.29
Total	20,563,803.29			20,563,803.29

21. Long-term prepaid expense

Unit: RMB

Item	Beginning balance	Increased amount of the period	Amortization amount of the period	Other decreased amount	Ending balance
Renovation costs	1,406,347.76		733,746.72		672,601.04
Total	1,406,347.76		733,746.72		672,601.04

22. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets that had not been off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Depreciation reserves of assets	211,902,261.84	32,571,574.68	232,609,684.18	37,624,855.86
Unrealized profit of internal transactions	154,652,429.83	23,546,803.59	109,437,547.23	17,073,399.27
Deductible losses	125,211,374.31	23,469,558.56	80,123,710.98	16,776,355.64
One-time listed decoration expenses			93,446.60	23,361.65
Payroll payable	62,871,779.73	9,443,195.07	118,015,305.73	17,802,836.18
Deferred income	188,769,454.53	31,627,668.49	173,862,983.31	27,188,106.81
Contract liability	50,555,810.44	12,638,952.61	16,596,721.35	4,149,180.34
Changes in the fair value of other non-current financial assets	160,000.00	24,000.00	14,493,587.33	2,174,038.10
Changes in fair value of receivable financing	379,267.35	58,968.83	358,052.29	53,707.84
Operating leases	3,105,101.78	486,827.11		
Restricted stock incentive fees	30,990,583.74	4,648,587.56		
Total	828,598,063.55	138,516,136.50	745,591,039.00	122,865,841.69

(2) Deferred income tax liabilities had not been off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	462,125,128.72	74,185,425.08	417,366,245.56	67,382,126.00
Changes in fair value of trading assets	1,727,000.00	259,050.00	18,456,216.98	2,768,432.55
Changes in the fair value of other non-current financial assets	120,845,567.06	18,126,835.06	102,042,774.64	15,306,416.20

Accrued interests on creditors' investment			1,174,577.93	176,186.69
Total	584,697,695.78	92,571,310.14	539,039,815.11	85,633,161.44

(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		138,516,136.50		122,865,841.69
Deferred income tax liabilities		97,442,412.65		85,633,161.44

(4) List of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	9,031,432.71	16,884,024.75
Deductible losses	73,702,292.27	586,187.49
Total	82,733,724.98	17,470,212.24

(5) Deductible losses of unrecognized deferred income tax assets will due in the following years

Unit: RMB

Years	Ending amount	Beginning amount	Note
Y2022			
Y2023			
Y2024	1,344.62	1,344.62	
Y2025	584,842.87	584,842.87	
Y2026	73,116,104.78		
Total	73,702,292.27	586,187.49	--

23. Other non-current assets

Unit: RMB

Item	Ending balance	Beginning balance
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	Carrying amount	Depreciation reserve	Carrying amount	Carrying amount	Depreciation reserve	Carrying amount
Prepaid land transfer fee	214,131,583.94		214,131,583.94	86,515,839.05		86,515,839.05
Prepayment of equipment	11,691,427.91		11,691,427.91	6,195,947.23		6,195,947.23
Term deposits over 1 year	351,000,000.00		351,000,000.00			
Interest receivable from term deposits over 1 year	9,260,296.40		9,260,296.40			
Land use rights to be recovered by the government				2,722,253.90		2,722,253.90
Total	586,083,308.25		586,083,308.25	95,434,040.18		95,434,040.18

24. Short-term borrowings

(1) Category of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Pledged borrowings		11,763,977.73
Guaranteed borrowings	238,770,866.65	550,258,596.41
Credit borrowings	772,263,271.67	368,848,434.05
Total	1,011,034,138.32	930,871,008.19

Notes of short-term borrowings category:

- (1) The period-end guaranteed borrowing is the guarantee provided by the Company for the bank borrowings of its subsidiaries Continental Textile Co., Ltd., Lu Thai (Tan Chau) and Lu An Garments. Refer to Note XIV-2 for details.
- (2) The short-term borrowing includes interest payable of RMB764,283.57.

25. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	217,076,555.49	137,003,680.16
Payment for engineering equipment	73,998,453.07	80,349,348.21
Other	44,326,362.74	25,909,445.32
Total	335,401,371.30	243,262,473.69

26. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Proceeds from sale received in advance	218,008,930.11	152,333,217.97
Less: Contract liabilities included in other current liabilities	-13,041,581.15	-10,993,512.35
Total	204,967,348.96	141,339,705.62

27. Payroll payable**(1) List of payroll payable**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	265,648,198.38	1,312,885,066.50	1,307,364,468.10	271,168,796.78
II. Post-employment benefit-defined contribution plans		127,587,983.68	126,742,484.37	845,499.31
III. Termination benefits		212,789.00	212,789.00	
Total	265,648,198.38	1,440,685,839.18	1,434,319,741.47	272,014,296.09

(2) List of short-term salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance and subsidy	202,510,898.31	1,164,539,273.15	1,153,327,689.71	213,722,481.75
2. Employee welfare		52,568,401.16	52,568,401.16	
3. Social insurance	24,203.32	62,831,450.23	62,415,264.01	440,389.54
Including: Medical insurance premiums	17,079.14	56,722,725.72	56,340,808.78	398,996.08
Work-related injury insurance	6,854.60	6,103,154.04	6,068,927.64	41,081.00
Maternity insurance	269.58	5,570.47	5,527.59	312.46
4. Housing fund		10,658,244.20	10,658,244.20	
5. Labor union budget and employee education budget	63,113,096.75	22,287,697.76	28,394,869.02	57,005,925.49

Total	265,648,198.38	1,312,885,066.50	1,307,364,468.10	271,168,796.78
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(3) List of defined contribution plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		121,808,946.14	120,998,491.93	810,454.21
2. Unemployment insurance		5,779,037.54	5,743,992.44	35,045.10
Total		127,587,983.68	126,742,484.37	845,499.31

28. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	5,534,817.32	12,077,311.75
Corporate income tax	8,173,413.58	11,531,626.63
Personal income tax	607,463.91	422,663.35
Urban maintenance and construction tax	3,645,871.40	3,390,064.57
Stamp duty	320,584.10	441,946.14
Property tax	5,200,898.00	4,868,121.51
Land use tax	2,651,253.23	900,240.84
Education surcharge	1,585,262.09	1,338,871.23
Local education surcharge	1,056,841.39	876,371.30
Local water conservancy facility construction fund		218,962.12
Resources tax	179,258.00	70,554.00
Environmental protection tax	502,039.70	332,245.33
Total	29,457,702.72	36,468,978.77

29. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	441,113.64	441,113.64
Other Payables	96,759,451.67	17,146,357.15

Total	97,200,565.31	17,587,470.79
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(1) Dividends payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable to individual shareholders	441,113.64	441,113.64
Total	441,113.64	441,113.64

Other notes, including significant dividends payable unpaid for over 1 year, the unpaid reason shall be disclosed:

The cash dividend of the previous year not received by individual shareholders

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

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	4,544,176.56	5,571,490.73
Withholding costs	3,148,636.19	1,266,624.26
Intercourse funds		73,371.05
Restricted stock repurchase obligations	78,908,300.00	
Other	10,158,338.92	10,234,871.11
Total	96,759,451.67	17,146,357.15

30. Current portion of non-current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Current portion of long-term borrowings	8,500,000.00	43,149,400.13
Current portion of lease liabilities	377,404.52	
Total	8,877,404.52	43,149,400.13

31. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Taxes to be written off	13,041,581.15	10,993,512.35

Relocation compensation received		95,751,465.00
Endorsed and undue notes that have not been terminated recognition	107,393,140.66	85,829,697.33
Total	120,434,721.81	192,574,674.68

32. Long-term borrowings

(1) Category of long-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed borrowings		39,149,400.13
Credit borrowings	693,462,473.24	499,520,342.78
Less: Current portion of long-term borrowings	-8,500,000.00	-43,149,400.13
Total	684,962,473.24	495,520,342.78

Notes to the category of long-term borrowings:

The long-term borrowing includes interest payable of RMB732,473.24.

Other notes, including the interval of interest rate:

Item	Ending balance	Rate range (%)	Beginning balance	Rate range (%)
Guaranteed borrowings			39,149,400.13	2.89-3.10
Credit borrowings	693,462,473.24	3.06-3.65	499,520,342.78	3.06-3.50

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Ending balance	Beginning balance
Convertible corporate bond	1,395,480,652.71	1,350,171,526.97
Total	1,395,480,652.71	1,350,171,526.97

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

Unit: RMB

Bonds name	Par value	Issuing date	Duration	Issuing amount	Beginning	The curren	Withdrawal of interest	Amortization of	Repayment in the	Transferred shares	Ending balance
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					balance	t issue	by par value	premium and depreciation	reporting period	in reporting period	
Lu Thai Convertible Bonds (127016)	1,400,000,000.00	9 April 2020	6 years	1,400,000,000.00	1,350,171,526.97		7,272,210.68	42,271,841.48	4,199,726.42	35,200.00	1,395,480,652.71
Total	--	--	--	1,400,000,000.00	1,350,171,526.97		7,272,210.68	42,271,841.48	4,199,726.42	35,200.00	1,395,480,652.71

(3) Notes to the conditions and time of the shares transfer of the convertible corporate bonds

Based on the *Reply on Approving Luthai Textile Co., Ltd. to Issue Convertible Bonds to the Public* (ZJXK (2020) No. 299) of CSRC, the Company issued 14 million convertible corporate bonds, each with a par value of RMB100, with a total amount of RMB1.4 billion and a duration of 6 years, from 9 April 2020 to 8 April 2026.

The coupon rates of convertible corporate bonds issued by the Company are 0.3%, 0.6%, 1%, 1.5%, 1.8% and 2% in the first six periods, with an annually paid interest. The conversion period starts on 15 October 2020 (including the same day), the first trading day six months after the issuance date, and ends on the trading day before the due date of corporate convertible bonds (8 April 2026) (including the same day). The holder may apply for bond conversion within the conversion period.

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 8 July 2020. After the Company implemented the restricted stock incentive plan in 2021, the price was adjusted to RMB8.76 per share accordingly since 7 June 2021. Upon the implementation of the 2020 profit sharing agreement by the Company on 18 June 2021, it was adjusted to RMB8.71 per share accordingly again since 18 June 2021.

34. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	160,713,545.55	173,257,619.44
Unrecognized financing costs	-38,978,482.62	-44,442,505.37
Less: Current portion of lease liabilities	-377,404.52	
Total	121,357,658.41	128,815,114.07

Other notes

The amount of interest expense on lease liabilities accrued in 2021 was RMB5,464,022.75, which was included in financial costs - interest expense.

35. Long-term payroll payable**(1) List of long-term payroll payable**

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	57,384,062.39	62,137,656.00
Total	57,384,062.39	62,137,656.00

36. Deferred income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidy	173,862,983.31	40,581,979.25	25,486,828.78	188,958,133.78	Government subsidy
Total	173,862,983.31	40,581,979.25	25,486,828.78	188,958,133.78	--

37. Share capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Capital reserve transferred into share capital	Other	Subtotal	
The sum of shares	858,132,322.00	24,285,000.00			-76,027.00	24,208,973.00	882,341,295.00

Other notes:

(1) In line with the resolution of the first Extraordinary General Meeting of the Company on 13 May 2021 and the resolution of the 24th session of the Ninth Board of Directors on 17 May 2021, the Company implemented the restricted share incentive scheme to increase its share capital by RMB24,285,000. This change in share capital has been audited by Zhitong Accounting Firm (Special General Partnership) and the capital verification report ZTYZ (2021) No. 371C000287 was issued on 30 May 2021.

(2) In conformity with the resolution of the 26th session of the Ninth Board of Directors of the Company on 26 August 2021, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition*, all the 80,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and canceled. This change in share capital has been audited by Zhitong Accounting Firm (Special General Partnership) and the capital verification report ZTYZ (2021) No. 371C000779 was issued on 16 November 2021.

(3) A total of 3,973.00 shares of convertible bonds of the Company can be converted in the Reporting Period.

38. Other equity instruments

(1) Basic information about other outstanding financial instruments such as preferred shares and perpetual bonds at the period-end

On 9 April 2020, the Company publicly issued 14 million A-share convertible corporate bonds (short name: Luthai Convertible Bonds, bond code: 127016) on Shenzhen Stock Exchange with an issue price of RMB100 per share. The bonds were listed on Shenzhen Stock Exchange on 13 May 2020.

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

Unit: RMB

Outstanding financial instruments	Period-beginning		Increase		Decrease		Period-end	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
Convertible debt to equity		71,386,451.81				1,794.97		71,384,656.84
Total		71,386,451.81				1,794.97		71,384,656.84

Other notes:

The decrease in other equity instruments in the current period was due to the conversion of convertible bonds.

39. Capital reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	197,695,880.68	56,130,134.21	180,800.00	253,645,214.89
Other capital reserves	58,216,607.33	28,725,565.43		86,942,172.76
Total	255,912,488.01	84,855,699.64	180,800.00	340,587,387.65

Other notes: including increase and decrease in the Reporting Period and the reasons for changes:

(1) In line with the resolution of the first Extraordinary General Meeting of the Company on 13 May 2021 and the resolution of the 24th session of the Ninth Board of Directors on 17 May 2021, the Company implemented the restricted share incentive scheme to increase its share capital by RMB24,285,000.00 and increase its capital reserve-capital premium by RMB56,098,350.00. In conformity with the resolution of the 26th session of the Ninth Board of Directors of the Company on 26 August 2021, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition*, all the 80,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and canceled, reducing the capital reserve-capital premium by RMB180,800.00.

(2) In terms of the restricted stock incentive fees in the Reporting Period, the capital reserves-other capital reserves increased by RMB28,325,788.60. As for deferred income tax assets arising from the restricted stock incentive fees, the capital reserves-other capital reserves increased by RMB399,719.27.

(3) The capital reserves—capital premium arising from the conversion of convertible bonds increased by RMB31,784.21 in the Reporting Period.

40. Treasury stocks

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Restricted stock repurchase		78,908,300.00		78,908,300.00
Total		78,908,300.00		78,908,300.00

Other notes: including increase and decrease in the Reporting Period and the reasons for changes:

The Company recognized the restricted stock repurchase obligations and increased the treasury stocks by RMB78,908,300.00.

41. Other comprehensive income

Unit: RMB

Item	Beginning balance	Reporting period						Ending balance
		Income before taxation in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	1,308,922.89	-37,737,932.25			-5,260.99	-37,732,671.26		-36,423,748.37
Differences arising from translation of foreign currency-denominated financial statements	1,561,310.24	-37,716,717.19				-37,716,717.19		-36,155,406.95

Changes in fair value of receivable financing	-252,387.35	-21,215.06			-5,260.99	-15,954.07		-268,341.42
Total of other comprehensive income	1,308,922.89	-37,737,932.25			-5,260.99	-37,732,671.26		-36,423,748.37

42. Surplus reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	1,150,675,885.21	61,106,878.75		1,211,782,763.96
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	1,154,017,457.79	61,106,878.75		1,215,124,336.54

Notes, including increase and decrease in the Reporting Period and the reasons for changes:

According to the *Company Law* and Articles of Association, the Company has withdrawn the statutory surplus reserves on the basis of 10% of net profit.

43. Retained profits

Unit: RMB

Item	Reporting period	Same period of last year
Beginning balance of retained profits before adjustments	5,346,819,948.22	5,372,073,615.12
Beginning balance of retained profits after adjustments	5,346,819,948.22	5,372,073,615.12
Add: Net profit attributable to owners of the Company as the parent	347,609,693.30	97,308,593.36
Less: Withdrawal of statutory surplus reserves	61,106,878.75	36,750,106.16
Dividend of ordinary shares payable	44,120,990.40	85,812,154.10
Ending retained profits	5,589,201,772.37	5,346,819,948.22

List of adjustment of beginning retained profits:

- 1) RMB0.00 beginning retained profits was affected by retrospective adjustment conducted according to the *Accounting Standards* for Business Enterprises and relevant new regulations.
- 2) RMB0.00 beginning retained profits was affected by changes in accounting policies.
- 3) RMB0.00 beginning retained profits was affected by correction of significant accounting errors.
- 4) RMB0.00 beginning retained profits was affected by changes in combination scope arising from same control.
- 5) RMB0.00 beginning retained profits was affected totally by other adjustments.

44. Operating revenue and cost of sales

Unit: RMB

Item	Reporting period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	5,104,372,856.43	4,051,960,658.77	4,617,041,425.50	3,626,523,021.96
Other operations	133,889,492.42	101,020,417.08	134,181,038.64	111,461,061.49
Total	5,238,262,348.85	4,152,981,075.85	4,751,222,464.14	3,737,984,083.45

Whether the lower of the audited net profit before and after deduction of non-recurring gains and losses was negative

 Yes No

Other notes

Not applicable

45. Taxes and surtaxes

Unit: RMB

Item	Reporting period	Same period of last year
Urban maintenance and construction tax	14,381,696.21	16,267,317.58
Education surcharge	6,290,701.80	7,130,143.42
Resources tax	549,706.00	505,772.00
Property tax	20,100,901.40	20,777,433.63
Land use tax	9,909,346.19	10,840,949.57
Vehicle and vessel usage tax	76,140.82	117,267.16
Stamp duty	2,859,516.00	3,613,573.57
Local education surcharge	4,193,801.19	4,753,426.83
Local water conservancy facility construction fund		1,160,401.18
Environmental protection tax	1,123,830.97	1,072,699.34
Total	59,485,640.58	66,238,984.28

Other notes:

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

46. Selling expense

Unit: RMB

Item	Reporting period	Same period of last year
Salary	57,662,873.54	50,666,138.45

Sales service fee	21,639,487.21	20,798,085.79
Advertising expense	14,810,042.91	18,067,874.04
Depreciation charge	5,622,896.50	6,780,645.30
Repair material consumption	4,215,335.36	7,360,671.96
Business entertainment expenses	2,902,178.36	1,145,955.38
Insurance	1,725,564.05	1,392,889.17
Travel expense	1,450,850.24	2,313,778.38
Office expense	1,317,861.12	2,030,701.54
Other	8,536,405.39	15,160,548.30
Total	119,883,494.68	125,717,288.31

47. Administrative expense

Unit: RMB

Item	Reporting period	Same period of last year
Salary	131,684,437.04	133,834,030.11
Depreciation charge	39,245,353.92	35,613,188.28
Warehouse funding	37,711,640.44	33,864,462.81
Travel expense	25,162,377.20	21,654,390.78
Labor-union expenditure	12,176,204.31	11,783,103.47
Amortization of intangible assets	10,997,114.25	12,415,037.36
Business entertainment expenses	8,995,348.15	9,403,372.91
Employee education budget	8,570,709.45	8,330,662.45
Vehicle costs	6,771,148.79	5,896,177.70
Labor cost	6,249,981.95	10,480,835.36
Energy cost	6,042,018.37	4,051,585.48
Office expense	5,690,554.65	7,536,785.41
Environmental protection cost	3,139,516.50	7,005,973.46
Audit and assessment fees	3,110,755.89	2,987,938.06
Security and firefighting fees	3,100,553.74	3,663,515.33
Information development cost	2,987,855.62	3,578,952.66
Repair material consumption	2,874,837.88	4,610,678.89
Decoration & repair expenses	2,789,399.86	2,863,836.66
Insurance	2,729,563.84	4,219,512.50
Rental charges		13,250,044.64

Other	15,350,653.69	23,612,638.07
Total	335,380,025.54	360,656,722.39

48. R&D expense

Unit: RMB

Item	Reporting period	Same period of last year
Labor cost	150,169,732.63	119,008,873.85
Material expense	71,155,134.23	90,657,026.38
Depreciation charge	12,291,606.38	12,610,517.42
Other	19,296,438.39	8,988,613.47
Total	252,912,911.63	231,265,031.12

49. Financial costs

Unit: RMB

Item	Reporting period	Same period of last year
Interest expense	95,549,947.27	82,942,315.52
Less: Capitalized interest expense	30,023,129.89	15,028,199.55
Interest income	53,773,124.16	25,174,851.32
Add: Capitalized interest income	13,087,046.94	
Foreign exchange gains or losses	12,488,479.34	59,912,996.06
Less: Capitalized foreign exchange gains or losses		
Commission charge and other	7,659,688.91	6,894,394.12
Total	44,988,908.41	109,546,654.83

Other notes:

The amount of interest capitalization has been included in the construction. The capitalization rate used to calculate and determine the capitalization amount of borrowing expenses during the period was 3.68%.

50. Other income

Unit: RMB

Sources	Reporting period	Same period of last year
Subsidies for the price of heating coal	11,000,000.00	
Strengthen the enterprise government subsidy	10,822,100.00	13,321,100.00
Subsidies for work-based training	4,055,500.00	38,000.00

Preferential policy subsidy of developing local enterprises	3,613,100.00	3,048,500.00
Subsidies for multi-purpose pavilions	3,600,000.00	
Transformation subsidy of garden greens	3,329,374.13	6,530,776.86
Subsidies for key technology projects for the preparation of high-conformity textiles	2,745,000.00	
Vocational training subsidies	2,477,050.00	
Post subsidies	1,988,888.91	4,970,305.36
New enterprise apprenticeship training subsidy	1,306,800.00	2,118,480.00
Subsidies for key technology and application projects for the preparation of moisture-wicking, cool and comfortable fabric	1,030,000.00	
Talent incentive funds	900,000.00	
One-off absorption of employment subsidies for college graduates	822,158.52	208,000.00
Special subsidies for green factory	500,000.00	
Refund of withholding tax handling fee	494,750.80	903,449.95
Tax relief	431,893.85	680,073.81
Special subsidies for 2020 National Water Efficiency Frontrunner	300,000.00	
2019 Provincial Technological Innovation Demonstration Enterprise Award Fund	250,000.00	
Special funds for the conversion of new and old industrial kinetic energy in 2019	240,000.00	336,600.00
2019 Provincial Innovation Platform Award Fund	200,000.00	500,000.00
Prize for winning projects in the 2020 Science and Technology Awards	200,000.00	
Second prize of Shandong Province Science and Technology Awards	200,000.00	
Probation subsidy of youth	164,717.00	
Shandong Province financial development subsidy in 2021	140,000.00	
Subsidy for order skilled talents training	120,000.00	
R&D subsidy	87,050.00	19,750.00
Social insurance subsidy	71,053.81	954,720.99
Special fund of Zibo Talents Plan	60,000.00	400,000.00
Taishan effective declaration area support subsidy	50,000.00	
Occupational skills appraisal subsidy	30,430.00	
Subsidy for scrapped trucks with China III Emission Standard	25,600.00	
Banyang Talent Program Subsidy	20,000.00	40,000.00
Employment and apprenticeship subsidy fund	19,508.04	500,038.00

Prize for the Best Eco-friendly Award	5,000.00	
Foreign trade premium stand subsidy	2,400.00	
Unemployment dynamic monitoring subsidy	1,200.00	1,200.00
Special awards and subsidies for stabilizing employment		4,837,950.00
Freight allowance of cotton yarn		4,054,494.88
Rewards for R&D projects		1,700,000.00
Electricity fee subsidy		1,168,761.00
Reward for key technologies of high-quality textiles		1,150,000.00
2019 National and Provincial Science and Technology Awards Supporting Funds		1,000,000.00
2019 State Science and Technology Award supporting subsidies		800,000.00
Subsidy for leading persons project of Mount Tai industry		850,000.00
2019 Municipal Special Fund Subsidy in the Field of Commerce		289,900.00
Municipal subsidy for overseas engineer introduction project		270,000.00
Provincial subsidies for commercial development and market development		256,300.00
Talent subsidy		200,000.00
Central Foreign Trade and Economic Development Fund		198,000.00
One-off subsidy for new employment		196,000.00
Special fund subsidy for the conversion of new and old industrial kinetic energy in 2019		180,000.00
Vocational Skills Subsidy Fund		160,000.00
Subsidies and awards for patent funding		152,000.00
The 2019 State Science and Technology Award		150,000.00
Award of the 3rd "Governor Cup" Industrial Design Competition		150,000.00
Municipal Foreign Economic and Trade Development Special Fund		123,400.00
Subsidy for the new enterprise apprenticeship in 2020		99,000.00
Workstation subsidy to the payment to technicians		80,000.00
Subsidy award of project research and development		67,300.00
Supporting funds and government subsidies for Zibo Talents Program		60,000.00
Employee training subsidy		58,316.18
2019 Municipal Special Funds for Commercial Fields		55,500.00
2019 provincial special fund for business development and market expansion		53,100.00

Shandong Province Enterprise Research and Development Financial Subsidy Funds in 2020		31,000.00
Excellent system innovation subsidy		30,000.00
Talent project support subsidies		30,000.00
Support funds for domestic private enterprises		20,000.00
"Top Ten Technologies" Prize		3,000.00
Land subsidies	1,354,251.84	1,380,189.20
Low-torque high energy-saving and high-quality new spinning projects	349,473.60	349,473.60
Intelligent dyeing production and energy and water conservation renovation projects	2,081,140.68	1,941,303.27
Recycled water reuse project	451,376.16	451,376.16
Technical transformation project of high grade yarn-dyed fabric	112,144.32	112,144.32
Technical transformation project of high-grade grey cloth production line	587,840.49	176,767.71
Support funds for sewage treatment and reuse of recycled water	103,083.72	103,083.72
Technical improvement project of bobbin yarn dyeing	593,406.60	593,406.60
Subsidy for public rental housing	48,231.48	48,231.48
Subsidy of green power	1,022,818.80	1,022,818.80
Subsidies for ultra-low emission technical upgrading projects	105,109.44	105,109.44
Hu sheep subsidies		56,666.64
Subsidy of cotton seed reproduction		46,666.64
Technical Transformation Project of Garment Automation Equipment	38,814.66	15,589.98
Subsidy for investment in technical renovation equipment	262,162.86	263,429.52
Investment subsidy	272,600.00	
Total	58,686,029.71	59,711,274.11

51. Investment income

Unit: RMB

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by equity method	-10,755,175.91	-5,146,737.73
Investment income from disposal of long-term equity investment		-2,571,504.38
Investment income from holding of trading	5,196,411.23	6,793,854.87

financial assets		
Investment income from disposal of trading financial assets	52,737,594.16	144,480,875.90
Interest income from debt investment during the holding period	3,271,114.22	2,411,915.22
Total	50,449,943.70	145,968,403.88

52. Gain on changes in fair value

Unit: RMB

Sources	Reporting period	Same period of last year
Trading financial assets	16,415,304.41	-107,002,594.56
Of which: Income from changes in fair value generated by derivative financial instruments	-14,914,500.00	16,641,500.00
Total	16,415,304.41	-107,002,594.56

53. Credit impairment loss

Unit: RMB

Item	Reporting period	Same period of last year
Bad debt loss of other receivables	191,358.68	718,398.77
Bad debt loss of long-term receivables	4,568,589.55	-4,633,230.30
Bad debt loss of notes receivable ("-" indicates loss)	-6,394.34	
Bad debt loss of accounts receivable ("-" indicates loss)	-4,661,497.52	-14,004,835.20
Bad debt loss of dividends receivable ("-" indicates loss)	1,498,035.63	-3,973,086.97
Total	1,590,092.00	-21,892,753.70

54. Asset impairment loss

Unit: RMB

Item	Reporting period	Same period of last year
II. Inventory falling price loss and impairment provision for contract performance costs	-84,192,619.67	-112,327,808.51
V. Impairment loss on fixed assets	-1,431,238.59	-1,132,500.45
Total	-85,623,858.26	-113,460,308.96

55. Asset disposal income

Unit: RMB

Sources	Reporting period	Same period of last year
Fixed asset disposal income ("-" for loss)	37,736,401.52	-317,803.17
Intangible asset disposal income ("-" for loss)	19,438,746.10	
Total	57,175,147.62	-317,803.17

56. Non-operating income

Unit: RMB

Item	Reporting period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Government subsidy	845.19		845.19
Claim income	3,882,284.18	5,032,951.79	3,882,284.18
Other	1,533,989.70	1,433,072.57	1,533,989.70
Total	5,417,119.07	6,466,024.36	5,417,119.07

Government subsidies recorded into current profit or loss:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting period	Same period of last year	Related to assets/related to income
Labor safety and health incentives	People's Committee of An Giang Province, Vietnam	Reward		Not	Not	845.19		Related to income

57. Non-operating expense

Unit: RMB

Item	Reporting period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donations	5,427,805.35	1,752,876.18	5,427,805.35
Losses from damage and scrap of non-current assets	6,307,127.66	376,456.28	6,307,127.66
Other	1,689,121.86	2,339,578.62	1,689,121.86

Total	13,424,054.88	4,468,911.08	13,424,054.88
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58. Income tax expense

(1) List of income tax expense

Unit: RMB

Item	Reporting period	Same period of last year
Current income tax expense	44,300,245.37	38,469,209.70
Deferred income tax expense	-8,307,165.86	-42,742,237.45
Total	35,993,079.51	-4,273,027.75

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

Unit: RMB

Item	Reporting period
Profit before taxation	363,316,015.53
Current income tax expense accounted at statutory/applicable tax rate	54,497,402.33
Influence of applying different tax rates by subsidiaries	-15,238,189.47
Influence of income tax before adjustment	820,327.33
Influence of non-taxable income	-17,138,395.05
Influence of not deductible costs, expenses and losses	15,399,653.28
Influence of deductible losses of unrecognized deferred income tax assets at the beginning of the Reporting Period	-2,436,584.32
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets at the beginning of the Reporting Period	24,611,274.88
Profit/loss of associated enterprises and joint ventures accounted by equity method	1,613,276.39
Influence of additional deduction of R&D expenses (filled in with "-")	-26,061,699.54
Influence of other expense deduction (filled in with "-")	-73,986.32
Income tax expense	35,993,079.51

59. Other comprehensive income

Refer to Note VII. 41 for details.

60. Cash flow statement**(1) Cash generated from other operating activities**

Unit: RMB

Item	Reporting period	Same period of last year
Government subsidy	73,782,025.37	80,076,898.17
Claim income	1,868,220.21	3,931,883.43
Recovery of employee borrowings, petty cash and deposit	17,533,544.43	19,948,308.54
Collection for employees	3,269,342.35	15,442,855.96
Other	3,307,603.12	214,518.33
Total	99,760,735.48	119,614,464.43

(2) Cash used in other operating activities

Unit: RMB

Item	Reporting period	Same period of last year
Business travel charges	27,609,515.01	24,029,920.48
Insurance	5,399,989.92	3,271,534.17
Audit advisory announcement fee	6,968,624.27	10,381,102.45
Decoration & repair expenses	2,551,270.42	8,348,948.84
Donation	5,427,805.35	1,752,876.18
Pre-payment	2,540,000.00	10,400,000.00
Payment of employee borrowings, petty cash and deposit	20,293,286.72	15,750,161.05
Agency service fee	6,934,810.71	9,055,676.53
Advertising expense	837,155.92	1,540,564.49
Freight and miscellaneous charges		51,802,597.09
Rental charges		15,537,996.80
Other	59,866,771.57	58,740,085.32
Total	138,429,229.89	210,611,463.40

(3) Cash generated from other investing activities

Unit: RMB

Item	Reporting period	Same period of last year
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Interest income	40,794,225.34	26,063,185.14
Income from forward foreign exchange	52,737,594.16	6,312,453.22
Cash deposit of L/C for purchasing equipment	1,515,615.23	28,897,270.77
Recovery of intercourse funds	3,246,603.60	
Option cost		960,000.00
Total	98,294,038.33	62,232,909.13

(4) Cash used in other investing activities

Unit: RMB

Item	Reporting period	Same period of last year
Forward settlement exchange loss		3,825,002.26
Term deposit	338,493,598.92	
Payment of deposit for the L/C of equipment purchase	550,000.00	1,558,651.21
Payment of forward settlement deposit		1,100,000.00
Total	339,043,598.92	6,483,653.47

(5) Cash generated from other financing activities

Unit: RMB

Item	Reporting period	Same period of last year
Return of loan guarantees		14,000,000.00
Recovery of intercourse accounts		160,000,000.00
Total		174,000,000.00

(6) Cash used in other financing activities

Unit: RMB

Item	Reporting period	Same period of last year
Repayment of lease liabilities and prepaid rent	23,817,316.19	
Time deposit certificates pledged	40,000,000.00	
Payment for intercourse accounts		160,000,000.00
Payment of convertible bond fractional stock funds		200,000.00
Total	63,817,316.19	160,200,000.00

61. Supplemental information for cash flow statement**(1) Supplemental information for cash flow statement**

Unit: RMB

Supplementary materials	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	327,322,936.02	89,090,058.39
Add: Provision for impairment of assets	84,033,766.26	135,353,062.66
Depreciation of fixed assets, oil-gas assets, and productive living assets	438,000,648.11	457,209,289.42
Depreciation of right-of-use assets	18,589,585.97	
Amortization of intangible assets	11,119,539.17	15,282,546.20
Amortization of long-term prepaid expenses	733,746.72	7,623,370.94
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-57,175,147.62	317,803.17
Losses from scrap of fixed assets (gains: negative)	6,307,127.66	376,456.28
Losses from changes in fair value (gains: negative)	-16,415,304.41	107,002,594.56
Finance costs (gains: negative)	35,591,822.80	101,349,136.17
Investment loss (gains: negative)	-50,449,943.70	-145,968,403.88
Decrease in deferred income tax assets (gains: negative)	-15,245,314.55	-35,935,040.48
Increase in deferred income tax liabilities (“-” means decrease)	6,938,148.70	-6,807,196.97
Decrease in inventory (gains: negative)	-376,221,851.40	183,611,561.73
Decrease in accounts receivable generated from operating activities (gains: negative)	-183,550,625.67	-59,283,977.32
Increase in accounts payable used in operating activities (decrease: negative)	118,557,871.42	-255,685,337.98
Other		
Net cash generated from/used in operating activities	348,137,005.48	593,535,922.89
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net increase/decrease of cash and cash equivalent:	--	--

Ending balance of cash	1,970,006,884.89	1,396,530,407.47
Less: Beginning balance of cash	1,396,530,407.47	878,559,018.92
Add: ending balance of cash		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	573,476,477.42	517,971,388.55

(2) Cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,970,006,884.89	1,396,530,407.47
Including: Cash on hand	3,475,164.56	7,009,891.16
Bank deposit on demand	1,966,531,720.33	1,389,520,516.31
III. Ending balance of cash and cash equivalents	1,970,006,884.89	1,396,530,407.47

62. Assets with restricted ownership or right to use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	1,693,035.98	Margin
Other Non-current Assets	40,000,000.00	Time deposit certificates pledge
Total	41,693,035.98	--

63. Foreign currency monetary items**(1) Foreign currency monetary items**

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital	--	--	
Of which: USD	55,572,448.31	6.3757	354,313,258.69
EUR	503,879.03	7.2197	3,637,855.43
HKD	4,855,897.76	0.8176	3,970,182.01
JPY	1,064,347.00	0.0554	58,964.82
GBP	1,957.18	8.6064	16,844.27
CHF	14,787.87	6.9776	103,183.84

Dong	109,127,146,496.00	0.00028	30,443,218.78
MMK	657,459,135.18	0.0036	2,357,571.56
Riel	30,482,639.00	0.0016	47,704.51
Notes receivable:			
Of which: USD	15,411,505.22	6.3757	98,259,133.55
Accounts receivable	--	--	
Of which: USD	67,838,770.47	6.3757	432,519,648.89
EUR	310,320.35	7.2197	2,240,419.83
HKD			
Dong	12,700,133,886.00	0.00028	3,542,958.53
MMK	14,108,400.00	0.0036	50,591.07
Other receivables:			
Of which: USD	1,675,733.86	6.3757	10,683,976.37
JPY	1,395,040.00	0.0554	77,285.22
HKD	140,749.00	0.8176	115,076.38
Dong	22,790,000.00	0.00028	6,357.73
GBP	7,250.00	8.6064	62,396.40
MMK	1,200,000.00	0.0036	4,303.06
Accounts payable:			
Of which: USD	30,120,694.27	6.3757	192,040,510.46
JPY	14,210,028.00	0.0554	787,235.55
EUR	500,208.06	7.2197	3,611,352.13
CHF	20,100.00	6.9776	140,249.76
Dong	24,704,657,463.00	0.00028	6,891,862.53
MMK	8,439,074.40	0.0036	30,261.53
Other payables:			
Of which: USD	5,448.60	6.3757	34,738.64
Dong	1,078,493,475.00	0.00028	300,867.51
MMK	1,030,000.00	0.0036	3,693.46
Short-term borrowings:			
Of which: USD	145,926,410.93	6.3757	930,383,018.17
Dong	93,763,475,075.00	0.00028	26,231,805.75

(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 subsidiaries Lu Thai (Hong Kong), Vanguard Apparel, Lu Thai (America) and Continental Textile, as well as the sub-subsidiaries Lu Thai Tan Chau, Libra International, Polaris Apparel and Lu An Garment Co., Ltd. were Hong Kong, Burma, America, Vietnam, Vietnam, Singapore, Cambodia and Vietnam respectively, and the recording currency was HKD for Lu Thai (Hong Kong), and USD for other overseas companies.

64. Government subsidy

(1) Basic information on government subsidy

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Equipment subsidy	7,293,300.00	Deferred income	5,707,371.33
R&D subsidy	288,679.25	Deferred income	3,775,000.00
Subsidies for the price of heating coal	33,000,000.00	Deferred income	11,000,000.00
Strengthen the enterprise government subsidy	10,822,100.00	Other income	10,822,100.00
Subsidies for work-based training	4,055,500.00	Other income	4,055,500.00
Preferential policy subsidy of developing local enterprises	3,613,100.00	Other income	3,613,100.00
Subsidies for multi-purpose pavilions	3,600,000.00	Other income	3,600,000.00
Vocational training subsidies	2,477,050.00	Other income	2,477,050.00
Post subsidies	1,988,888.91	Other income	1,988,888.91
New enterprise apprenticeship training subsidy	1,306,800.00	Other income	1,306,800.00
Talent incentive funds	900,000.00	Other income	900,000.00
One-off absorption of employment subsidies for college graduates	822,158.52	Other income	822,158.52
Special subsidies for green factory	500,000.00	Other income	500,000.00

Refund of withholding tax handling fee	494,750.80	Other income	494,750.80
Tax relief	431,893.85	Other income	431,893.85
Special subsidies for 2020 National Water Efficiency Frontrunner	300,000.00	Other income	300,000.00
2019 Provincial Technological Innovation Demonstration Enterprise Award Fund	250,000.00	Other income	250,000.00
Special funds for the conversion of new and old industrial kinetic energy in 2019	240,000.00	Other income	240,000.00
2019 Provincial Innovation Platform Award Fund	200,000.00	Other income	200,000.00
Prize for winning projects in the 2020 Science and Technology Awards	200,000.00	Other income	200,000.00
Second prize of Shandong Province Science and Technology Awards	200,000.00	Other income	200,000.00
Probation subsidy of youth	164,717.00	Other income	164,717.00
Shandong Province financial development subsidy in 2021	140,000.00	Other income	140,000.00
Subsidy for order skilled talents training	120,000.00	Other income	120,000.00
R&D subsidy	87,050.00	Other income	87,050.00
Social insurance subsidy	71,053.81	Other income	71,053.81
Special fund of Zibo Talents Plan	60,000.00	Other income	60,000.00
Taishan effective declaration area support subsidy	50,000.00	Other income	50,000.00
Occupational skills appraisal subsidy	30,430.00	Other income	30,430.00
Subsidy for scrapped trucks with China III Emission Standard	25,600.00	Other income	25,600.00
Panyang Talent Program	20,000.00	Other income	20,000.00

Subsidy			
Employment and apprenticeship subsidy fund	19,508.04	Other income	19,508.04
Prize for the Best Eco-friendly Award	5,000.00	Other income	5,000.00
Foreign trade premium stand subsidy	2,400.00	Other income	2,400.00
Unemployment dynamic monitoring subsidy	1,200.00	Other income	1,200.00
Labor safety and health incentives	845.19	Non-operating Income	845.19
Total	73,782,025.37		53,682,417.45

(2) Return of government subsidy

Applicable Not applicable

VIII. Change of Consolidation Scope

1. Other reasons for changes of consolidation scope

Note to changes in combination scope for other reasons (such as newly establishment or liquidation of subsidiaries, etc.) and relevant information:

The newly-established subsidiaries of the Company in the Reporting Period included Hainan Huilin International Holdings Co., Ltd., Libra International Investment Pet. Ltd. and Zibo Banyang Mountain Villa Hotel Co., Ltd.

IX. Equity in Other Entities

1. Equity in subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Lufeng Company Limited	Zibo	Zibo	Manufacturing industry	75.00%		Set-up

Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Shanghai Zhinuo	Shanghai	Shanghai	Technology development, technical consultancy and transfer of technologies	100.00%		Set-up
Lulian New Materials	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Lujia Import & Export	Zibo	Zibo	Import and export trade	100.00%		Set-up
Zhishu Trading	Beijing	Beijing	Wholesale and retail industry	100.00%		Set-up
Lu Thai Occupational Training School	Zibo	Zibo	Skill training	100.00%		Set-up
Banyang Mountain Villa	Zibo	Zibo	Catering services	100.00%		Set-up
Huilin International	Wenchang	Wenchang	Modern service industry	100.00%		Set-up
Libra International (sub-subsidiary)	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Set-up
Polaris Apparel (sub-subsidiary)	Cambodia	Cambodia	Manufacturing industry		100.00%	Set-up
Vanguard Apparel	Burma	Burma	Manufacturing industry	100.00%		Set-up
Lu Thai (America)	America	America	Wholesale and retail industry	100.00%		Set-up
Continental Textile	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up
Lu Thai Tan	Vietnam	Vietnam	Manufacturing		100.00%	Set-up

Chau (sub-subsidiary)			industry			
Lu An Garments (sub-subsidiary)	Vietnam	Vietnam	Manufacturing industry		100.00%	Set-up

Notes to holding proportion in subsidiary different from voting proportion:

Not applicable.

Basis of holding half or less voting rights but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

Not applicable

Significant structural entities and controlling basis in the scope of combination:

Not applicable.

Basis of determining whether the Company is the agent or the principal:

Not applicable.

(2) Significant non-wholly-owned subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
LuFeng Company Limited	25.00%	-593,259.31		311,408,857.37
Lulian New Materials	25.00%	-19,693,497.97		72,403,174.53

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

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Lufeng Company Limited	1,126,316,837.35	759,362,074.19	1,885,678,911.54	586,526,434.78	49,665,247.83	636,191,682.61	900,603,950.86	765,771,111.19	1,666,375,062.05	365,567,492.89	43,982,357.41	409,549,850.30
Lulian New	474,526,303.81	523,835,116.34	998,361,420.15	706,300,975.36	3,185,310.88	709,486,286.24	508,510,155.05	414,671,978.33	923,182,133.38	551,639,028.01	3,156,415.36	554,795,443.37

Materials												
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Unit: RMB

Name	Reporting period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Lufeng Company Limited	1,400,185,935.63	-7,534,683.42	-7,337,982.82	-186,015,899.52	1,310,505,310.08	22,061,576.93	21,853,748.55	-11,925,802.56
Lulian New Materials	44,524,344.91	-79,511,556.10	-79,511,556.10	-54,085,659.40	7,663,754.58	-29,488,362.76	-29,488,362.76	-62,887,712.36

2. Equity in joint ventures or associated enterprises

(1) Significant joint ventures or associated enterprises

Name	Main operating place	Registration place	Nature of business	Holding 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

	Ending balance/reporting period		Beginning balance/the same period of last year	
	Haohong Investment	Haoying Investment	Haohong Investment	Haoying Investment
Current assets	206,401,708.32	214,686,791.30	265,506,727.38	104,472,061.07

Non-current assets				
Total assets	206,401,708.32	214,686,791.30	265,506,727.38	104,472,061.07
Current liabilities	3,433,167.13		517,461.99	
Non-current liability				
Total liabilities	3,433,167.13		517,461.99	
Net assets	202,968,541.19	214,686,791.30	264,989,265.39	104,472,061.07
Equity of non-controlling interests				
Equity attributable to shareholders of the Company as the parent	202,968,541.19	214,686,791.30	264,989,265.39	104,472,061.07
Net assets shares calculated at the shareholding proportion	67,657,626.65	102,231,850.02	88,329,922.16	49,749,655.09
Adjusted items				
- Goodwill				
- Unrealized profit of internal transactions				
- Others		-446,370.01		
Carrying value of investment to associated enterprises	67,657,626.65	101,785,480.01	88,329,922.16	49,749,655.09
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating revenue				
Net profit	-38,376,840.16	5,214,730.23	-17,110,725.89	-525,713.80
Total comprehensive income	-38,376,840.16	5,214,730.23	-17,110,725.89	-525,713.80

X. The Risk Related to Financial Instruments

The Company's major financial instruments include monetary capital, notes receivable, accounts receivable, accounts receivable financing, other receivables, other current assets, trading financial assets, investment in debt obligations, other non-current financial assets, long-term receivables, notes payable, accounts payable, other payables, short-term borrowings, current portion of non-current liabilities, long-term borrowings, bonds payable, and lease liabilities. Details of various financial instruments are disclosed in relevant Notes. Possible risks related to these financial instruments and various risk management policies implemented to reduce these risks are described as follows. The Company's management has controlled and monitored these risk exposures in order to control the above-mentioned risks within the limited scope.

1. Risk management objectives and policies

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

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 counter party'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 long-term accounts receivable.

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

For notes receivable, accounts receivable, other accounts receivable and long-term 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. In addition, the Company will regularly monitor the client's credit record. For clients with poor credit records, the Company will issue the written Reminder Notice, shorten the credit period or cancel the credit period to guarantee the Company's overall credit risk under control.

The hugest credit risk exposure borne by the Company is the book value of each financial asset reflected in the balance sheet, and the Company also faces credit risk due to the provision of financial guarantee, as detailed in Note XII 2.

In terms of accounts receivable, the top 5 customers in accounts receivable were accounted for 29.83% of the total amount of accounts receivable of the Company (29.49% in 2020). As for other receivables, the top 5 of the ending balance according to the arrears party was accounted for 52.62% of the total amount of other receivables of the Company (65.27% in 2020).

Investment in debt obligations

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 (Unit: RMB'0,000).

	31 December 2021	31 December 2020
Trading financial assets		25,181.47
Available-for-sale financial assets		35,137.97
Total		60,319.44

(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 Group'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 Group with sufficient reserve funds in order to satisfy the short-term and long-term fund demand. The Group shall raise its working capital based on the capital generated from business operations and bank loans.

(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 and the exchange rate risk.

Interest rate risk

Interest rate risk refers to the fluctuation risk of fair value of financial instrument or future cash flow caused by the changes of market interest rate. 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 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 liabilities held by the Company are as follows (Unit: RMB'0,000):

Item	Amount of current year	Amount of last year
Financial liabilities with fixed interest rate		
Of which: Short-term borrowings	101,026.99	34,385.82
Current portion of long-term borrowings	850.00	400.00
Long-term borrowings	58,523.00	20,000.00
Bonds payable	139,548.07	135,017.15
Total	299,948.05	189,802.97
Financial liabilities with floating interest rate		
Of which: Short-term borrowings		58,452.36
Current portion of long-term borrowings		3,914.94
Long-term borrowings	9,900.00	29,500.00
Total	9,900.00	86,029.29

On 31 December 2021, 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 RMB990,000.

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 rate. The foreign exchange rate was originated from the financial instruments denominated in foreign currencies other than the recording currency.

On 31 December 2021, 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	Beginning balance	Ending balance	Beginning balance
USD	112,245.83	100,434.65	89,577.60	54,643.66
EUR	361.14	136.74	587.83	894.96
JPY	78.72	195.5	13.63	64.2
HKD		29.49	408.53	328.79
GBP			7.92	8.19
CHF	14.02	24.32	10.32	5.18
SEK			0.00	0.06
Dong	3,342.45	1,583.90	3,399.25	3,110.91
MMK	3.40	28.21	241.25	30.99
Riel			4.77	46.39
Total	116,045.56	102,432.81	94,251.09	59,133.34

The Group pays close attention on the influence of foreign exchange risk due to the changes in exchange rate. At the end of each reporting periods, for the monetary capital, notes receivable, accounts receivable, accounts payable, short-term borrowings and long-term borrowings denominated in foreign currency, if renminbi to foreign currency up or down 10% with other variables unchanged, the influence on the shareholders' equity and net profit of the Company is as follows (Unit: RMB'0,000):

Exchange rate changes	Reporting period		Same period of last year	
	Influence on the profits	Influence on shareholders' equity	Influence on the profits	Influence on shareholders' equity
Up 10% against RMB	2,179.45	2,179.45	4,329.95	4,329.95
Down 10% against RMB	-2,179.45	-2,179.45	-4,329.95	-4,329.95

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 31 December 2021, the asset-liability ratio was 35.57% of the Company (33.29% on 31 December 2020).

XI. The Disclosure of Fair Value

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

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
i. Trading financial assets		1,727,000.00		1,727,000.00
(3) Derivative financial assets		1,727,000.00		1,727,000.00
vi. Accounts receivable financing			34,663,071.88	34,663,071.88
vii. Other non-current financial assets			190,052,000.00	190,052,000.00
The total amount of assets consistently measured at fair value		1,727,000.00	224,715,071.88	226,442,071.88
II. Non-consistent fair value measurement	--	--	--	--

2. 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 forward foreign exchange settlement based on the bank's forward foreign exchange quotation at the end of the period.

3. 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 Thermoelectric 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.

XII. Related Party and Related-party Transactions

1. Information related to the company as the parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the company as the parent against the company (%)	Proportion of voting rights owned by the company as the parent against the company (%)
Lucheng Textile	Zibo	Textile, chemistry and investment	6,326	15.91%	15.91%

Notes: information on the Company as the parent

The final controllers of the Company are Mr. Liu Zibin and Mr. Liu Deming.

2. Subsidiaries of the Company

Refer to Note IX-1.

3. Information on the joint ventures and associated enterprises of the Company

Refer to Note IX-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")	Wholly-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
Shandong Chengshun Petrochemical Co., Ltd. (hereinafter referred to as "Chengshun Petro")	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	Wholly-owned subsidiary of the Company as the parent

referred to as "Chengshun Economic and Trade")	
Chengshun Petrochemical (Zhejiang 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 Material Co., Ltd. (hereinafter referred to as "Xirui New Material")	Wholly-owned subsidiary of the parent company's wholly-owned 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

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	Content	Reporting period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Limin Purified Water	Recycled water, sewage treatment, materials and equipment	26,328,581.68	33,374,000.00	Not	28,125,943.88
Lurui Fine Chemical	Auxiliaries	91,043,342.61	103,500,000.00	Not	72,807,066.89
Chengshun Hosiery	Paper core, hosiery, hosiery processing fees, purchase of hosiery, accessories and other materials	8,979,576.69	14,100,000.00	Not	7,770,989.74
Chengshun Trading	Supermarket retail	2,013,167.16	3,580,000.00	Not	2,333,060.60
Lucheng Petrochemical	Oils	3,338,571.42	5,140,000.00	Not	2,232,371.95
Chengshun Petrochemical	Natural gas and oil products	40,436,209.23	49,755,000.00	Not	31,169,896.80
Xirui New	Fabrics and face	829,157.05		Not	6,187.61

Materials	masks				
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Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting period	Same period of last year
Lucheng Textile	Tap water	1,093.19	
Chengshun Hosiery	Materials, electricity, running water, heating, steam	280,543.32	152,705.47
Chengshun Hosiery	Grey yarn, dyed yarn and garments	682,514.98	331,813.72
Chengshun Hosiery	Processing fee for woven towels		1,031.86
Chengshun Trading	Materials, electricity, tap water, garments, steamed buns and heat charges	133,676.54	131,430.59
Lucheng Petrochemical	Electricity, garments and materials	16,228.55	22,952.62
Limin Purified Water	Materials, garments, lunch components and electricity	3,483,636.46	2,155,963.97
Lurui Fine Chemical	Garments, shell fabric, yarn, water & electricity, lunch components and materials	158,981.84	164,690.07
Lujia Property	Reclaimed water, materials and heat charges	141,800.60	151,056.88
Xirui New Materials	Fabric, material, isolation clothing, etc.	1,169,150.35	45,881,242.54
Xirui New Materials	Catering service fees and sales of alcoholic beverages	13,854.72	1,024.38
Lumei Economic and Trade	Garments and computer supplies	123.36	
Luqun Property	Apparel	38.62	
Luqun Property	Copy paper, etc.		652.26
Luqun Property	Heating facilities supporting fee		1,720,174.32

(2) Information on related-party lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in the reporting period	The lease income confirmed in the same period of last year
Chengshun Trading	Houses and buildings	36,108.00	36,108.00
Lurui Fine Chemical	Houses and buildings		6,819.70

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in the reporting period	The lease fee confirmed in the same period of last year
Lucheng Textile	Rent of land	3,614,857.20	3,614,857.20
Lucheng Textile	Rent of gas station	233,142.84	233,142.84
Lucheng Textile	Rent of buildings	11,022,228.60	11,022,228.60
Luqun Property	Rent of land and buildings	1,971,428.52	1,971,428.52

The right-of-use assets newly added by the Company as a lessee in the current year:

Name of lessor	Category of leased assets	Increase	Increase in previous period
Lucheng Textile	Rent of land	29,675,587.49	
Lucheng Textile	Rent of gas station	2,589,219.21	
Lucheng Textile	Rent of buildings	62,292,894.06	
Luqun Property	Rent of land and buildings	26,379,793.30	

Interest expense on lease liabilities borne by the Company as a lessee in the current year:

Name of lessor	Category of leased assets	Interest expense in the reporting period	Interest expense in the last period
Lucheng Textile	Rent of land	1,317,351.96	
Lucheng Textile	Rent of gas station	117,041.60	
Lucheng Textile	Rent of buildings	2,551,333.93	
Luqun Property	Rent of land and buildings	1,202,776.50	

(3) Information on remuneration for key management personnel

Unit: RMB

Item	Reporting period	Same period of last year
Remuneration for key management personnel	14,155,635.36	17,485,446.61

6. Accounts receivable and payable of related party

(1) Accounts payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Chengshun Trading		7,720.00
Accounts payable	Lurui Fine Chemical	6,022,580.15	988,293.00

Contract liability	Luqun Property	649,676.55	649,676.55
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XIII. Stock Payment

1. The overall situation of share-based payments

Applicable Not applicable

Unit: RMB

The total amount of equity instruments granted by the Company for the current period	24,205,000.00
The total amount of the Company's equity instruments exercised for the current period	0.00
The total amount of equity instruments of the Company losing efficacy for the current period	0.00

2. Equity-settled share-based payments

Applicable Not applicable

Unit: RMB

Methods for determining the fair value of equity instruments on the grant date	Difference between the market price of the stock and the grant price on the grant date
Basis for determining the number of feasible right equity instruments	Optimal estimation of expected feasible right in the future
Reasons for the significant discrepancy between the current period estimates and the previous estimates	No
Accumulated amount of equity-settled share-based payment included in capital reserves	28,325,788.60
The total amount of the expense recognized for the current period paid on equity-settled shares	28,325,788.60

XIV. Commitments and Contingency

1. Significant commitments

Significant commitments on balance sheet date

(1) Capital commitments

Commitments signed but have not been recognized in financial statements	31 December 2021	31 December 2020
Commitment on constructing and purchasing long-lived assets (RMB'0,000)	10,006.86	9,864.22

2. Contingency

(1) Significant contingency on balance sheet date

(1) Contingent liabilities formed by the debt guarantee provided to other entities and the financial impact

As at 31 December 2021, the Company provided guarantee to loans of the following entities:

Name	Item	Currency	Foreign currency amount	Amount converted to RMB	Start date	Due date	Note
I. Subsidiary							
Continental Textile	Short-term borrowings	USD	933,705.38	5,953,025.39	9 July 2021	6 January 2022	
Continental Textile	Short-term borrowings	USD	450,190.40	2,870,278.93	15 July 2021	11 January 2022	
Continental Textile	Short-term borrowings	USD	1,062,314.44	6,772,998.18	16 August 2021	12 February 2022	
Continental Textile	Short-term borrowings	USD	446,578.71	2,847,251.88	17 August 2021	13 February 2022	
Continental Textile	Short-term borrowings	USD	236,300.76	1,506,582.76	18 August 2021	14 February 2022	
Continental Textile	Short-term borrowings	USD	1,227,876.98	7,828,575.26	18 August 2021	14 February 2022	
Continental Textile	Short-term borrowings	USD	371,427.46	2,368,110.06	23 August 2021	19 February 2022	
Continental Textile	Short-term borrowings	USD	297,239.42	1,895,109.37	27 August 2021	23 February 2022	
Continental	Short-term	USD	250,841.66	1,599,291.17	7 September	7 March	

Textile	m borrowin gs					2021	2022	
Continental Textile	Short-ter m borrowin gs	USD	200,235.73	1,276,642.94		7 September 2021	7 March 2022	
Continental Textile	Short-ter m borrowin gs	USD	584,194.94	3,724,651.68		15 September 2021	14 March 2022	
Continental Textile	Short-ter m borrowin gs	USD	217,805.53	1,388,662.72		15 September 2021	14 March 2022	
Continental Textile	Short-ter m borrowin gs	USD	455,548.00	2,904,437.38		27 September 2021	26 March 2022	
Continental Textile	Short-ter m borrowin gs	USD	1,413,237.83	9,010,380.43		4 October 2021	2 April 2022	
Continental Textile	Short-ter m borrowin gs	USD	410,431.44	2,616,787.73		5 October 2021	4 April 2022	
Continental Textile	Short-ter m borrowin gs	USD	241,460.00	1,539,476.52		22 October 2021	20 April 2022	
Continental Textile	Short-ter m borrowin gs	USD	289,667.93	1,846,835.82		22 October 2021	20 April 2022	
Continental Textile	Short-ter m borrowin gs	USD	201,452.56	1,284,401.09		27 October 2021	25 April 2022	
Continental Textile	Short-ter m borrowin gs	USD	161,021.67	1,026,625.86		26 November 2021	25 May 2022	

Continental Textile	Short-term borrowings	USD	754,945.56	4,813,306.41	16 December 2021	14 June 2022	
Continental Textile	Short-term borrowings	USD	1,040,488.12	6,633,840.11	12 July 2021	8 January 2022	
Continental Textile	Short-term borrowings	USD	838,942.30	5,348,844.42	14 July 2021	10 January 2022	
Continental Textile	Short-term borrowings	USD	449,323.01	2,864,748.71	14 July 2021	10 January 2022	
Continental Textile	Short-term borrowings	USD	925,498.63	5,900,701.62	4 November 2021	3 May 2022	
Continental Textile	Short-term borrowings	USD	322,819.69	2,058,201.50	5 November 2021	4 May 2022	
Continental Textile	Short-term borrowings	USD	171,821.68	1,095,483.49	5 November 2021	4 May 2022	
Continental Textile	Short-term borrowings	USD	1,097,387.49	6,996,613.42	23 November 2021	22 May 2022	
Continental Textile	Short-term borrowings	USD	378,408.20	2,412,617.16	26 November 2021	25 May 2022	
Continental Textile	Short-term borrowings	USD	1,095,757.42	6,986,220.58	1 December 2021	30 May 2022	
Continental Textile	Short-term borrowings	USD	1,099,357.33	7,009,172.53	3 December 2021	1 June 2022	

	gs						
Continental Textile	Short-term borrowings	USD	1,111,971.83	7,089,598.80	6 December 2021	4 June 2022	
Continental Textile	Short-term borrowings	USD	615,700.19	3,925,519.70	7 December 2021	5 June 2022	
Continental Textile	Short-term borrowings	USD	201,753.39	1,286,319.09	7 December 2021	5 June 2022	
Continental Textile	Short-term borrowings	USD	1,094,786.56	6,980,030.67	14 December 2021	12 June 2022	
Continental Textile	Short-term borrowings	USD	1,577,491.36	10,057,611.66	20 July 2021	20 January 2022	
Continental Textile	Short-term borrowings	USD	303,367.65	1,934,181.13	23 July 2021	23 January 2022	
Continental Textile	Short-term borrowings	USD	749,535.00	4,778,810.30	29 July 2021	25 January 2022	
Continental Textile	Short-term borrowings	USD	1,039,901.84	6,630,102.16	3 August 2021	30 January 2022	
Continental Textile	Short-term borrowings	USD	1,324,222.00	8,442,842.21	4 August 2021	31 January 2022	
Continental Textile	Short-term borrowings	USD	151,960.00	968,851.37	5 August 2021	1 February 2022	
Continental Textile	Short-term	USD	446,282.00	2,845,360.15	6 August 2021	2 February 2022	

	borrowings						
Continental Textile	Short-term borrowings	USD	627,475.38	4,000,594.78	10 August 2021	6 February 2022	
Continental Textile	Short-term borrowings	USD	2,102,632.54	13,405,754.29	10 August 2021	6 February 2022	
Continental Textile	Short-term borrowings	USD	392,468.62	2,502,262.18	11 August 2021	7 February 2022	
Continental Textile	Short-term borrowings	Dong	28,492,025,317.00	7,971,091.86	5 July 2021	7 January 2022	
Continental Textile	Short-term borrowings	Dong	5,010,041,160.00	1,401,637.75	28 July 2021	24 January 2022	
Continental Textile	Short-term borrowings	Dong	5,100,504,313.00	1,426,946.24	27 August 2021	23 February 2022	
Continental Textile	Short-term borrowings	Dong	1,265,060,542.00	353,920.57	23 September 2021	22 March 2022	
Continental Textile	Short-term borrowings	Dong	2,680,197,866.00	749,827.48	24 September 2021	23 March 2022	
Continental Textile	Short-term borrowings	Dong	4,208,289,534.00	1,177,335.13	11 October 2021	8 April 2022	
Continental Textile	Short-term borrowings	Dong	6,087,019,685.00	1,702,939.42	21 October 2021	19 April 2022	
Continental Textile	Short-term borrowings	Dong	4,914,041,560.00	1,374,780.36	27 October 2021	25 April 2022	

Textile	m borrowings					2021	2022	
Continental Textile	Short-term borrowings	Dong	6,262,630,846.00	1,752,069.40		29 October 2021	27 April 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	1,043,907.65	6,655,642.00		2 August 2021	29 January 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	260,231.78	1,659,159.76		4 November 2021	3 May 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	167,878.80	1,070,344.87		16 November 2021	15 May 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	186,483.00	1,188,959.66		13 July 2021	9 January 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	186,627.00	1,189,877.76		22 July 2021	18 January 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	125,059.44	797,341.47		3 August 2021	30 January 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	422,099.00	2,691,176.59		4 August 2021	31 January 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	202,284.00	1,289,702.10		5 August 2021	1 February 2022	
Lu Thai Tan Chau	Short-term borrowings	USD	1,039,223.81	6,625,779.25		17 August 2021	13 February 2022	

Lu Thai Tan Chau	Short-term borrowings	USD	159,989.50	1,020,045.06	23 September 2021	22 March 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	8,679,496,797.00	2,428,225.65	5 July 2021	7 January 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	1,426,118,356.00	398,979.02	22 July 2021	22 January 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	4,039,940,300.00	1,130,236.79	29 July 2021	4 February 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	1,427,162,237.00	399,271.07	23 August 2021	23 February 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	1,013,341,681.00	283,498.26	23 September 2021	23 March 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	3,532,199,220.00	988,188.24	23 September 2021	23 March 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	3,375,788,790.00	944,429.97	29 September 2021	29 March 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	5,334,234,404.00	1,492,335.91	4 October 2021	4 April 2022	
Lu Thai Tan Chau	Short-term borrowings	Dong	915,382,467.00	256,092.63	26 October 2021	26 April 2022	
Lu An Garments	Short-term borrowings	USD	120,974.78	771,298.90	29 October 2021	26 February 2022	

	gs						
Lu An Garments	Short-term borrowings	USD	54,895.55	349,997.56	13 December 2021	12 April 2022	
Total				238,768,844.34			

As at 31 December 2021, there was no other significant contingency in the Company to disclose.

XV. Events after Balance Sheet Date

1. Significant non-adjustment matters

Unit: RMB

Item	Contents	Influence number to the financial position and operating results	Reason of inability to estimate influence number
Issuance of stocks and bonds	On 18 February 2022, the <i>Proposal on Granting the Reserved Restricted Shares under the 2021 Incentive Plan to the Incentive Personnel</i> was deliberated and approved at the 30th session of the Ninth Board of Directors of the Company. The grant date of the reserved shares was 18 February 2022, and 5.838 million reserved restricted shares were granted to the incentive personnel who met the grant conditions at the grant price of RMB3.56 per share.	13,423,520.33	

2. Profit distribution

Unit: RMB

Profits or dividends to be distributed	61,763,890.65
Profits or dividends announced to be distributed after the approval	61,763,890.65

3. Notes to other events after balance sheet date

As at 27 April 2022, the Company has no other events after balance sheet date that should be disclosed.

XVI. Notes of Main Items in the Financial Statements of the Company as the Parent**1. Accounts receivable****(1) Accounts receivable classified by category**

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable of bad debt provision separately accrued	1,788,432.20	0.39%	1,788,432.20	100.00%		5,730,132.44	1.60%	5,730,132.44	100.00%	
Of which:										
Accounts receivable of bad debt provision withdrawn by groups	453,937,579.34	99.61%	28,225,841.07	6.22%	425,711,738.27	352,666,401.84	98.40%	26,499,466.74	7.51%	326,166,935.10
Of which:										
Group 1: Undue accounts (credit insurance insured)	45,299,117.13	9.94%	475,640.73	1.05%	44,823,476.40	29,328,670.49	8.18%	307,951.04	1.05%	29,020,719.45
Group 2: Undue accounts (no credit insurance)	366,082,322.24	80.33%	18,304,116.12	5.00%	347,778,206.12	242,017,947.74	67.53%	12,100,897.39	5.00%	229,917,050.35
Group 3: Overdue accounts (credit insurance insured)	11,631,278.80	2.55%	1,244,546.83	10.70%	10,386,731.97	23,520,765.79	6.56%	2,516,721.94	10.70%	21,004,043.85
Group 4: Overdue accounts (no credit insurance)	30,924,861.17	6.79%	8,201,537.39	26.52%	22,723,323.78	57,799,017.82	16.13%	11,573,896.37	20.02%	46,225,121.45
Total	455,726,011.54	100.00%	30,014,273.27	6.59%	425,711,738.27	358,396,534.28	100.00%	32,229,599.18	8.99%	326,166,935.10

Bad debt provision separately accrued: Y2021

Unit: RMB

Name	Ending balance
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	Carrying amount	Bad debt provision	Withdrawal proportion	Provision reason
Customer 1	967,724.98	967,724.98	100.00%	Customer filed for bankruptcy protection
Customer 2	273,384.76	273,384.76	100.00%	Customer filed for bankruptcy protection
Other customer	547,322.46	547,322.46	100.00%	Customer financial difficulties or filed for bankruptcy protection
Total	1,788,432.20	1,788,432.20	--	--

Bad debt provision separately accrued: Y2020

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Provision reason
Customer 1	3,410,632.89	3,410,632.89	100.00%	Customer filed for bankruptcy protection
Customer 2	1,565,397.64	1,565,397.64	100.00%	Customer filed for bankruptcy protection
Other customer	754,101.91	754,101.91	100.00%	Customer financial difficulties or filed for bankruptcy protection
Total	5,730,132.44	5,730,132.44	--	--

Bad debt provision withdrawn by groups: Y2021

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	45,299,117.13	475,640.73	1.05%
Group 2: Undue accounts (no credit insurance)	366,082,322.24	18,304,116.12	5.00%
Group 3: Overdue accounts (credit insurance insured)	11,631,278.80	1,244,546.83	10.70%
Group 4: Overdue accounts (no credit insurance)	30,924,861.17	8,201,537.39	26.52%
Total	453,937,579.34	28,225,841.07	--

Bad debt provision withdrawn by groups: Y2020

Unit: RMB

Name	Ending balance
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	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	29,328,670.49	307,951.04	1.05%
Group 2: Undue accounts (no credit insurance)	242,017,947.74	12,100,897.39	5.00%
Group 3: Overdue accounts (credit insurance insured)	23,520,765.79	2,516,721.94	10.70%
Group 4: Overdue accounts (no credit insurance)	57,799,017.82	11,573,896.37	20.02%
Total	352,666,401.84	26,499,466.74	--

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	447,209,201.62
1 to 2 years	2,511,805.71
2 to 3 years	5,264,224.44
Over 3 years	740,779.77
3 to 4 years	448,533.70
4 to 5 years	292,246.07
Total	455,726,011.54

(2) Bad debt provision withdrawn, reversed or collected during the Reporting Period

Bad debt provision withdrawn in the Reporting Period:

Unit: RMB

Category	Beginning balance	Changes in the reporting period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision	32,229,599.18	-2,015,565.96		199,759.95		30,014,273.27
Total	32,229,599.18	-2,015,565.96		199,759.95		30,014,273.27

(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Unit: RMB

Item	Amount
Accounts receivable actually verified	199,759.95

(4) Top 5 of accounts receivable of ending balance collected by arrears party

Unit: RMB

Name of entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Customer A	46,292,727.15	10.16%	2,650,707.30
Customer B	37,055,066.08	8.13%	2,874,415.80
Customer C	25,674,099.30	5.63%	1,329,121.55
Customer D	24,860,977.60	5.46%	1,243,048.88
Customer E	22,441,812.72	4.92%	1,122,090.64
Total	156,324,682.85	34.30%	--

2. Notes receivable

Notes Category	31 December 2021			31 December 2020		
	Carrying amount	Bad debt provision	Carrying amount	Carrying amount	Bad debt provision	Carrying amount
Bank acceptance bill	70,946,803.29		70,946,803.29	75,987,373.12		75,987,373.12
Commercial acceptance bill	127,886.89	6,394.34	121,492.55			
L/C	60,960,026.96		60,960,026.96	32,876,316.67		32,876,316.67
Total	132,034,717.14	6,394.34	132,028,322.80	108,863,689.79		108,863,689.79

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

Category	Derecognized amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill		59,223,996.79
Trade acceptance bill		
Total		59,223,996.79

If the bank acceptance bill used for endorsement and discount is accepted by a bank with low credit grade, the endorsement and discount do not affect the right of recourse, and the credit risk and deferred payment risk related to the bill have not been transferred, so the bank acceptance bill was not derecognized at the period-end.

Category	31 December 2021				Carrying amount
	Carrying amount		Bad debt provision		
	Amount	Proportion	Amount	Expected	

		(%)		credit loss rate (%)	
Bad debt provision separately accrued					
Bad debt provision withdrawn by groups	132,034,717.14	100.00	6,394.34		132,028,322.80
Of which:					
Commercial acceptance bill	127,886.89	0.10	6,394.34	5	121,492.55
Bank acceptance bill and L/C	131,906,830.25	99.90			131,906,830.25
Total	132,034,717.14	100.00	6,394.34		132,028,322.80

Category	31 December 2020				
	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Bad debt provision separately accrued					
Bad debt provision withdrawn by groups	108,863,689.79	100.00			108,863,689.79
Of which:					
Commercial acceptance bill					
Bank acceptance bill and L/C	108,863,689.79	100.00			108,863,689.79
Total	108,863,689.79	100.00			108,863,689.79

(3) Bad debt provision withdrawn, reversed or collected during the Reporting Period

	Amount of bad debt provision
31 December 2020	
Withdrawal of the current period	6,394.34
Reversal or recovery in the Reporting Period	
Amount written-off for the Reporting Period	
Write-off in the current period	
Other	
31 December 2021	6,394.34

3. Other accounts receivable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	94,525,975.44	75,488,652.49
Other receivables	1,965,654,050.43	1,425,394,029.70
Total	2,060,180,025.87	1,500,882,682.19

(1) Dividends receivable**1) Category of dividends receivable**

Unit: RMB

Item (or investee)	Ending balance	Beginning balance
Fengshou Cotton	49,501,026.78	79,461,739.46
Luqun Textile	50,000,000.00	
Less: Bad debt provision	-4,975,051.34	-3,973,086.97
Total	94,525,975.44	75,488,652.49

2) Significant dividends receivable aging over 1 year

Unit: RMB

Item (or investee)	Ending balance	Aging	Reason	Whether occurred impairment and its judgment basis
Fengshou Cotton	49,501,026.78	1 to 2 years	Collect in accordance with agreed dividend payment plan	Not past due
Total	49,501,026.78	--	--	--

3) Withdrawal of bad debt provision

√ Applicable □ Not applicable

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2021	3,973,086.97			3,973,086.97
Balance of 1 January 2021 in	—	—	—	—

the Reporting Period				
Withdrawal of the current period	1,001,964.37			1,001,964.37
Balance of 31 December 2021	4,975,051.34			4,975,051.34

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

Applicable Not applicable

(2) Other receivables

1) Other receivables classified by category

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	1,958,920,668.29	1,415,868,182.84
Payment on behalf	9,591,346.65	11,567,504.63
Guarantee deposit and cash deposit	3,764,642.06	3,119,958.81
Borrowings and petty cash	737,517.66	859,406.80
Other	399,089.06	98,063.62
Total	1,973,413,263.72	1,431,513,116.70

2) Withdrawal of bad debt provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2021	4,905,594.37	1,213,492.63		6,119,087.00
Balance of 1 January 2021 in the Reporting Period	—	—	—	—
Withdrawal of the current period	1,563,716.47	76,409.82		1,640,126.29
Balance of 31 December 2021	6,469,310.84	1,289,902.45		7,759,213.29

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	1,304,815,450.41
1 to 2 years	665,685,512.92
2 to 3 years	270,396.40
Over 3 years	2,641,903.99
3 to 4 years	164,144.98
Over 5 years	2,477,759.01
Total	1,973,413,263.72

3) Top 5 of the Ending Balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables	Ending balance of bad debt provision
Lulian New Materials	Intercourse funds	678,605,801.54	Within 1 year and 1 to 2 years	34.39%	2,035,817.40
Continental Textile	Intercourse funds	606,806,381.11	Within 1 year and 1 to 2 years	30.75%	1,820,419.14
Lufeng Company Limited	Intercourse funds	344,179,136.19	Within 1 year and 1 to 2 years	17.44%	1,032,537.41
Lu Thai Tan Chau	Intercourse funds	217,039,055.64	Within 1 year	11.00%	651,117.17
Lu An Garments	Intercourse funds	92,240,293.81	Within 1 year	4.67%	276,720.88
Total	--	1,938,870,668.29	--	98.25%	5,816,612.00

4. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciated on reserve	Carrying amount	Carrying amount	Depreciated on reserve	Carrying amount
Investment to Subsidiaries	2,648,604,886.50		2,648,604,886.50	2,417,071,281.88		2,417,071,281.88
Investment to Joint Ventures and Associated	169,443,106.66		169,443,106.66	138,079,577.25		138,079,577.25

Enterprises						
Total	2,818,047,993.16		2,818,047,993.16	2,555,150,859.13		2,555,150,859.13

(1) Investment to subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Withdrawal of impairment provision	Other		
Xinsheng Power	176,340,737.93					176,340,737.93	
Lufeng Company Limited	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	
Polaris Apparel	108,242,335.38	2,947.65	108,245,283.03				
Lu Thai (America)	10,209,050.00					10,209,050.00	
Vanguard Apparel	62,337,238.57					62,337,238.57	
Continental Textile	834,936,510.00					834,936,510.00	
Lu An Garments	64,229,060.00		64,229,060.00				
Lulian New Materials	300,000,000.00					300,000,000.00	
Lujia Import & Export	10,000,000.00					10,000,000.00	
Lu Thai Occupational Training School	100,000.00					100,000.00	
Shanghai Zhinuo		5,000.00				5,000.00	
Zhishu Trading	500,000.00	500,000.00				1,000,000.00	
Huilin International		400,000,000.00				400,000,000.00	
Banyang Mountain Villa		3,500,000.00				3,500,000.00	
Total	2,417,071,281.88	404,007,947.65	172,474,343.03			2,648,604,886.50	

(2) Investment to joint ventures and associated enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Haohong Investment	88,329,922.16		7,881,294.68	-12,791,000.83						67,657,626.65	
Haoying Investment	49,749,655.09	50,000,000.00		2,035,824.92						101,785,480.01	
Subtotal	138,079,577.25	50,000,000.00	7,881,294.68	-10,755,175.91						169,443,106.66	
Total	138,079,577.25	50,000,000.00	7,881,294.68	-10,755,175.91						169,443,106.66	

5. Operating revenue and cost of sales

Unit: RMB

Item	Reporting period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	3,452,380,376.61	2,643,956,373.18	3,097,396,791.67	2,431,256,287.15
Other operations	195,022,132.60	180,495,494.62	178,270,264.27	163,516,161.93
Total	3,647,402,509.21	2,824,451,867.80	3,275,667,055.94	2,594,772,449.08

6. Investment income

Unit: RMB

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method	274,015,922.61	247,438,173.08

Long-term equity investment income accounted by equity method	-10,755,175.91	-5,146,737.73
Investment income from disposal of long-term equity investment	-5,319,992.03	43,068,687.97
Investment income from holding of trading financial assets	1,974,280.18	6,793,854.87
Investment income from disposal of trading financial assets	36,259,900.00	144,809,578.16
Interest income from debt investment during the holding period	2,401,261.30	1,993,264.93
Total	298,576,196.15	438,956,821.28

XVII. Supplemental Information

1. Items and amounts of non-recurring profit or loss

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of non-current assets	50,868,019.96	
Government grants recorded in the current profit or loss (except for those acquired in the ordinary course of company's business, or granted at certain quotas or amounts continuously in line with national policies and regulations)	58,686,874.90	
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities as well as financial assets available for sale, other than valid hedging related to the Company's common businesses	77,620,424.02	
Reversal of provision for impairment of receivables separately tested for impairment	6,198,745.44	
Other non-operating income and expense other than the above	-1,700,653.34	
Investment income from disposal of trading financial assets, financial liabilities and investment in debt obligations		
Less: Income tax effects	28,885,946.87	
Non-controlling interests effects	5,670,351.21	
Total	157,117,112.90	--

Details of other profit and loss items in line with the definition of non-recurring gains and losses:

Applicable Not applicable

There are no other profit and loss items in line with the definition of non-recurring gains and losses in the Company.

Note to define the non-recurring profit and loss items listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses* as recurring profit and loss items.

Applicable Not applicable

2. Return on equity and earnings per share

Profit as of reporting period	Weighted average roe (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	4.44%	0.39	0.36
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	2.44%	0.21	0.21

3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

Applicable Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable Not applicable

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

29 April 2022