比音勒芬服饰股份有限公司

BIEM.L.FDLKK Garment Co., LTD.

2021 Annual Report

April 2022

Section I Important Notice, Contents and Definitions

The Board of Directors and the Board of Supervisors of the Company and its directors, supervisors and senior management warrant that the information contained in this annual report is true, accurate and complete without any false records, misleading statements or material omissions, and severally and jointly accept legal liability thereof.

Xie Bingzheng, the person in charge of the Company, Tang Xinqiao, the person in charge of accounting of the Company, and Chen Shaobing, the person in charge of the accounting department of the Company, have declared that they warrant the truthfulness, accuracy and completeness of the financial statements set out in this annual report.

All directors of the Company attended the Board meeting on which this report was reviewed.

The forward-looking statements in this annual report, including development strategies and business plans, do not constitute substantive commitments of the Company to investors. Investors and related personnel should remain vigilant and understand the differences between plans, forecasts and commitments. Investors should be aware of the investment risks.

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3*

***for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.**

The Company has described potential risks it may face in the future in "Section III Discussion and Analysis of the Management" and "Section XI Future Development Prospects of the Company". Investors should be aware of the investment risks.

The Board meeting has deliberated and approved the following profit distribution proposal: Distribute a cash dividend of RMB3.00 (tax inclusive) for every 10 shares to all shareholders based on a total share capital of 570,707,084 shares as at March 31, 2022; no bonus shares will be issued and no capital reserve will be converted into share capital.

Contents

Documents Available for Inspection

(1) Financial statements affixed with official stamps and the signatures of the Company's responsible person, the person in charge of accounting, and the person in charge of accounting department of the Company;

(2) Original of the audit report affixed with the stamp of the accounting firm as well as stamps and signatures of the certified public accountants;

(3) All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed on websites designated by the CSRC during the reporting period;

(4) Place for document inspection: Office of the Board of Directors.

Terms and Definitions

Term		Definition
Issuer, Company, the Company, joint-stock company, BIEM.L.FDLKK		BIEM.L.FDLKK Garment Co., Ltd.
Controlling shareholder, actual controller		Xie Bingzheng and Feng Lingling, who are a couple
Persons acting in concert		Xie Bingzheng, Feng Lingling and Xie Ting
Articles of Association		Articles of Association of BIEM.L.FDLKK Garment Co., Ltd.
A shares		RMB-denominated ordinary shares with a par value of RMB1.00 per share
RMB		Official currency of PRC
Company Law		The Company Law of the People's Republic of China
Securities Law		The Securities Law of the People's Republic of China
CSRC		China Securities Regulatory Commission
SZSE		Shenzhen Stock Exchange
Huaxing		Huaxing Certified Public Accountants LLP
Garment		A general term for articles that decorate the human body, including clothes, shoes, hats, socks, gloves, scarves, ties, bags, etc.
Direct sale		A model where the Company opens direct retail terminals, is responsible for the management of the terminal stores and bears all channel costs
Franchise		A model where the Company signs a franchise contract with enterprises or individuals up to certain certifications, granting them the right to run the Company's branded clothes by opening franchise stores within a certain period of time and region, while the Company provides corresponding guidance and support. The franchisee is responsible for the management and operation of the terminal store and bears channel expenses.
Joint operation		A model where the Company signs an agreement with the joint operation party (shopping malls, airports, golf clubs) who provides the business premise, collects payments from and issues invoices to consumers, and settles with the Company after deducting a certain percentage from the sales revenue. This model is also called "store-within-a-store" in the industry, and the joint operation party allows the Company to renovate and display based on its own styles for brand image presentation and promotion.
Garment factory		Manufacturing enterprises that process fabrics and accessories into

		garments
Supplier		A collective term for fabric suppliers, accessory suppliers and garment factories

Section II Company Profile and Key Financial Indicators

I. Company Information

Stock abbreviation	BYLF	Stock code	002832
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Chinese name of the Company	比音勒芬服饰股份有限公司		
Abbreviation of Chinese name of the Company	比音勒芬		
English name of the Company (if any)	BIEM.L.FDLKK GARMENT CO., LTD.		
Abbreviation of English name of the company (if any)	BIEM		
Legal Representative of the Company	Xie Bingzheng		
Registered address	No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City		
Postal code of registered address	511442		
Historical changes of the Company's registered address	Date of first registration: January 2, 2003; Registered address: Room 3001, Tianyu Garden, No. 138 Linhe Middle Road, Tianhe District, Guangzhou; Date of registration change: November 28, 2007; Registered address: All of No. 309 Xingye Avenue, Nancun Town, Panyu District, Guangzhou; Date of registration change: March 18, 2020; Registered address: No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City.		
Office address	No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City		
Postal code of office address	511442		
Company website	www.biemlf.com		
Email	investor@biemlf.com		

II. Contact Persons and Contact Methods

	Sectary to the Board	Representative of securities affairs
Name	Chen Yang	Chen Haihua
Address	No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City	No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City
Tel	020-39952666	020-39952666

Fax	020-39958289	020-39958289
Email	investor@biemlf.com	investor@biemlf.com

III. Information Disclosure and Location for Inspection of Documents

Websites on which the annual report is published as required by the stock exchange	Shenzhen Stock Exchange (http://www.szse.cn)
Media on which the annual report is published	*Securities Times*, *Shanghai Securities News*, *China Securities Journal*, *Securities Daily*, and http://www.cninfo.com.cn
Location for inspection of the annual report	Shenzhen Stock Exchange, Office of the Board of Directors

IV. Historical Changes of the Company's Registration Information

Organization code	914401017462725710
Changes in the Company's main businesses since listing (if any)	None
Changes of controlling shareholder (if any)	None

V. Other Relevant Information

Accounting firm engaged by the Company

Name	Huaxing Certified Public Accountants LLP
Office address	Floor 7-9, Block B, Zhongshan Building, No. 152 Hudong Road, Gulou District, Fuzhou City, Fujian Province
Name of signing accountants	Hong Wenwei, He Ting

Sponsor engaged by the Company to fulfill continuous supervision obligation during the reporting period

√ Applicable □ Not applicable

Name of sponsor	Office address of sponsor	Name of sponsor representative	Period of continuous supervision
Guotai Junan Securities Co., Ltd.	Room 2506, R&F Center, No. 10 Huaxia Road, Zhujiang New Town, Guangzhou	Fang Zilong, Liu Xiangmao	Until December 31, 2021

Financial advisor engaged by the Company to fulfill continuous supervision obligation during the reporting period

□ Applicable √ Not applicable

VI. Main Accounting Data and Financial Indicators

Whether the Company needs to perform retrospective adjustment or restatement of accounting data for previous years

□ Yes √ No

	2021	2020	Changes over last year	2019
Revenue (RMB)	2,719,989,257.14	2,303,326,211.84	18.09%	1,825,516,844.69
Net profit attributable to shareholders of the listed company (RMB)	624,541,483.00	498,822,424.55	25.20%	406,606,998.01
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (RMB)	580,283,266.50	463,280,686.95	25.26%	388,974,096.92
Net cash flow from operating activities (RMB)	897,523,638.07	636,849,599.20	40.93%	333,469,113.65
Basic earnings per share (RMB/share)	1.15	0.95	21.05%	0.78
Diluted earnings per share (RMB/share)	1.15	0.94	22.34%	0.78
Weighted average return on net assets	21.73%	22.97%	-1.24%	22.86%
	End of 2021	End of 2020	Changes over end of last year	End of 2019
Total assets (RMB)	4,862,956,852.42	3,748,598,697.97	29.73%	2,524,364,584.28
Net assets attributable to shareholders of the listed company (RMB)	3,245,441,596.49	2,416,825,789.61	34.29%	1,957,377,185.61

The lower of the net profits before and after deducting the non-recurring profit and loss in the most recent three accounting years is all negative, and the audit report of the most recent year shows that the Company’s ability to continue operations is uncertain.

□ Yes √ No

The lower of the net profits before and after deducting the non-recurring profit and loss is negative.

□ Yes √ No

VII. Difference in Accounting Data under Domestic and International Accounting Standards

1. Net profit and net asset differences under International Financial Reporting Standards (IFRS) and Chinese Accounting Standards (CAS)

□ Applicable √ Not applicable

No such differences for the reporting period

2. Net profit and net asset differences under foreign accounting standards and Chinese Accounting Standards (CAS)

□ Applicable √ Not applicable

No such differences for the reporting period

VIII. Major Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	622,634,600.78	586,926,011.59	759,005,521.13	751,423,123.64
Net profit attributable to shareholders of the listed company	150,536,147.62	94,838,031.69	213,672,889.31	165,494,414.38
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	145,396,952.74	79,019,300.39	203,893,570.87	151,973,442.50
Net cash flow from operating activities	366,315,799.97	87,618,879.85	233,014,106.31	210,574,851.94

Whether there are significant differences between the above-mentioned financial indicators or its total number and the relevant financial indicators disclosed in the Company’s quarterly reports and semi-annual report

□ Yes √ No

IX. Non-recurring Items and Amounts

√ Applicable □ Not applicable

Unit: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Description
Profits/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-411,065.65	-54,727.43	881,981.37	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company’s normal business)	14,577,835.79	19,663,426.38	5,298,362.00	
Gain or loss from debt restructuring	104,009.33			
Gain or loss from changes in fair value of financial assets and financial liabilities held for trading, and investment income from the disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets, excluding the effective hedging business related to the normal operation of the Company	3,424,832.00	425,333.33		

Reversal of write-down for receivables whose impairment was tested individually	1,944,412.53			
Other non-operating revenue and expenses except for the aforementioned items	-4,924,109.89	-980,592.68	-2,105,395.15	
Other profit and loss items that meet the definition of non-recurring profit and loss	38,711,860.90	24,501,459.48	16,863,429.42	
Less: Influence of income tax	9,169,558.51	8,013,161.48	3,289,353.72	
Impacted amount of equity of minority shareholders			16,122.83	
Total	44,258,216.50	35,541,737.60	17,632,901.09	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

□ Applicable √ Not applicable

The Company has no other profit and loss items that qualified the definition of non-recurring profit and loss.

Descriptions where the Company defines any non-recurring profit and loss items listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period

□ Applicable √ Not applicable

The Company did not define any non-recurring profit and loss items listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period.

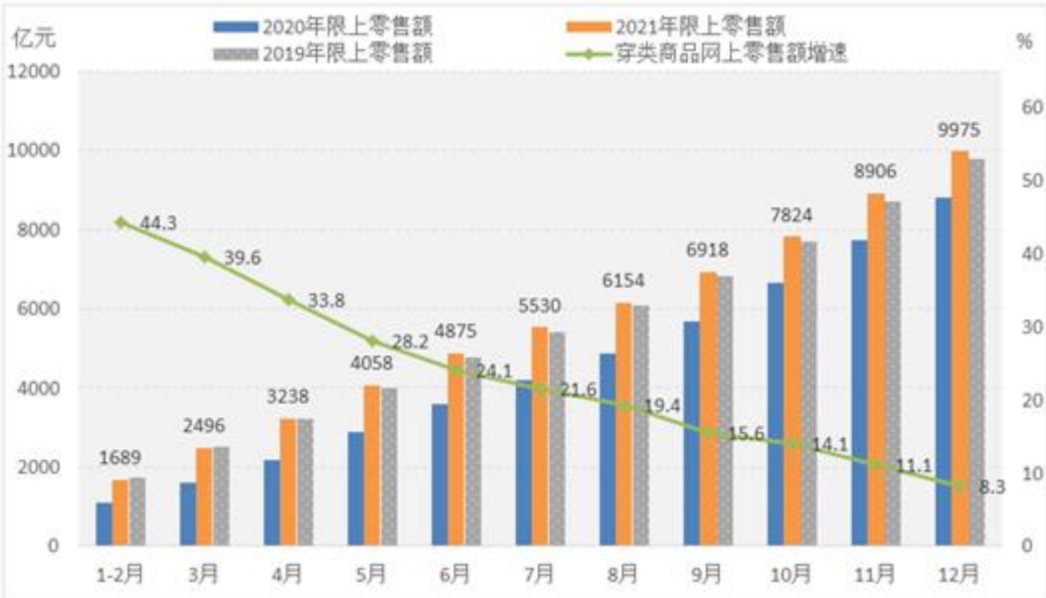
Section III Discussion and Analysis of the Management

I. Status of the Industry in Which the Company Is Located during the Reporting Period

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

1. China's garment industry continues to pick up, with profit growing at an accelerated rate.

China's garment industry continued the recovery trend as of December 2021, with steady improvement in domestic sales and rapid growth in exports. As both performances and profitability of enterprises were picking up, the overall economic operation of the industry was stabilized during the reporting period. From January to December 2021, there were 12,653 industrial enterprises above designated size in China's garment industry, which realized revenue of RMB1,482.336 billion, an increase of 6.51% over the previous year; their total profit reached RMB76.782 billion, up by 14.41% over the previous year. Both the quality and efficiency of the garment industry are improving, with profit growing at a faster speed.



Source: National Bureau of Statistics of China

2. China's garment industry will usher in a golden decade, with high end and branding as the main theme.

The China National Garment Association (CNGA) complied and published the *Guiding Opinions on the Development of China's Garment Industry during the 14th Five-Year Plan and the Long-range Objectives through the Year 2035* in October 2021.The document proposed the following brand development goals: During the 14th Five-Year Plan, the quality of apparel products will continue to improve while cultural connotations and influences of brands will continue to be enhanced. The brand incubation and management system will be further optimized to create a batch of well-known brands with market recognition and good reputation. Efforts will be stepped up to foster three to five international brands with discourse power in the global fashion circle and to build industrial clusters with total brand value over hundreds of billions.

In January 2022, the State Council printed and distributed the *14th Five-Year Plan for Market Regulation Modernization*. According to the document, China will roll out an initiative of brand building. Pilot efforts will be made in the consumer goods sector including cosmetics, garment, textile and electronics to cultivate a batch of high-end brands. In the next golden decade, China's garment industry will accelerate integration into the new "dual circulation" development pattern and, focusing on the "technology, fashion and green" theme, speed up the branding, digital, fashion and green based transformation. Efforts will be made to strengthen the competitiveness of enterprises in the new era and forge a new industrial ecology that integrates technology, fashion and sustainable development, to effectively promote the high-quality development of the industry.

3. Domestic sportswear market boasts huge potential, and high-end fashion sportswear becomes the new wind gap.

In March 2022, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the *Opinions on Building a Higher-level Public Service System for National Fitness*, which proposed to implement the "National Fitness Program". By 2035, the public service system for national fitness that is compatible with modern socialist countries will be established in an all-round way, while more than 45% of the population will exercise regularly. Fitness and sports will become a common way of life and people's physical quality and health level will lie at the forefront of the world.

Previously, the *National Fitness Plan (2021-2025)* pointed out that by 2025, the total output value of China's sports industry would increase to RMB5 trillion, meaning a compound annual growth rate of about 9% in the next five years. This will provide ample room for the growth of domestic sportswear industry.

Moreover, according to a report of Global Industry Analysts Inc., global sports & fitness clothing market is expected to reach US$221.3 billion by 2026, and China is forecast to reach US$27 billion. Wherein, the global market for Top Wear segment is estimated at US$100.5 billion by 2026 reflecting a compound annual growth rate of 5.1%. China is poised to register the fastest compound annual growth rate of 8.3%, to reach US$14.5 billion by 2026. If calculated on this basis, the high-end market will soon occupy half of the entire sportswear industry. In addition, as consumers pay more attention to the design beauty and fashion elements of clothes, the domestic high-end fashion sportswear will usher in new growth momentum.

4. With the rise of China-chic, domestic accessible luxury sportswear brands have the opportunity of corner overtaking.

In March 2021, the Fourth Session of the 13th National People's Congress deliberated and approved the *Outline of the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035*. On the supply side, the Outline emphasizes to build a strong manufacturing country and promote the optimization and upgrading of the manufacturing industry. On the consumption side, priority is given to accelerate the cultivation of a complete domestic demand system, strengthen the fundamental role of consumption in economic development, and steadily improve the level of household consumption. The "dual upgrade" of both supply and demand has given rise to a new round of brand upgrading. Therefore, domestic brands user in a historical opportunity.

In accordance with the *Report on Yong People's Consumption of Domestic Brands 2021*, about 70% of the 90s and 80% of the millenniums tend to choose domestic brands in shopping, indicating that young consumers have shifted their preferences to local brands.

Under the influence of global environment, coupled with the support of domestic consumers for local brands, the sales of international brands have declined in China. At the same time, domestic sports brands are increasing their investments in innovative research and development, supply chain and new retail. International brands no longer have an obvious edge in China's mid- to high-end markets, while domestic brands gradually take on a trend of "high-end + segmentation + digitalization". Domestic brands now have the possibility of overtaking international brands in the mid- to high-end markets. China's local accessibly luxury sports brands will usher in a good opportunity for development.

During the reporting period, there were no significant changes to national taxation, import and export policies that would exert a significant impact on the Company against the industry in which the Company is located.

II. Principal Businesses of the Company during the Reporting Period

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

(I) Principal businesses

BIEM.L.FDLKK Garment Co., Ltd. mainly engages in the research and design of sportswear, brand promotion, marketing network construction and supply chain management. Adhering to the positioning of a high-end fashion sportswear brand, the Company digs deep in its principal businesses. It is dedicated to meeting the multi-scenario dressing needs of the elites and the pursuit of a refined and beautiful life, with a brand design concept of "three high and one innovation", i.e. "high quality, high taste and high technology and innovative spirit".

Principal businesses of the Company

The Company focuses on a segment of the garment industry and implements a multi-brand strategy. Priority is given to the cultivation of core competitiveness, so as to build a leading brand in the segmented garment sector. Currently, the Company has two brands: BIEM.L.FDLKK () and CARNAVAL DE VENISE ( ).

1. BIEM.L.FDLKK brand

The BIEM.L.FDLKK brand () is positioned as a high-end golf casual apparel brand. Continuous product innovation, brand power enhancement, and channel expansion have driven the high growth of the brand. The Company intends to build it into the first brand that would pop up in the minds of people when think of high-end golf casual apparel. The BIEM.L.FDLKK brand () comprises four series: lifestyle series, fashion series, palace culture series and golf series

(1) Lifestyle series

The lifestyle series adopt internally-renowned fabrics and accessories, ultimate craftsmanship and brilliant designs to ensure high quality and high taste. The series target at consumers who are keen on their image and influence with a casual, low-key yet luxurious taste.

(2) Fashion series

比音勒芬时尚系列

The fashion series integrate elements of international trends and use high-quality fabrics and acme tailoring to ensure the fashion sense and quality of the products. The series target at young consumers who are keen on self-image and attire charm with a taste for personality and accessible luxury.

(3) Palace culture series co-branded with the Forbidden City

比音勒芬故宫宫廷文化联名系列

The palace culture of the Forbidden City is a symbol of nobility and classics, which has withstood the changes of the times with endless new vitality. Golf is the representative of aristocratic culture. The Company combines the design essence and spiritual charm of the two and gives them a new taste and charm with quality craftsmanship, to show the national confidence of contemporary Chinese people. Under the continued, in-depth cooperation, the two parties have introduced series of co-branded products, including "Zhen Dou Yi Ni" (the Emperor is at your service), "Tian Guan Ci Fu" (heaven official's blessing), "Fu Lu Shou" (three gods of fortune, prosperity and longevity), and "Feng Tian Cheng Yun" (Mandate from Heaven). These joint products bring trendy clothes with signature Chinese styles to consumers.

(4) Golf series

Golf series are positioned as a high-end fashion sportswear. Using the world's leading functional fabrics and integrating characteristics of the golf sport into design, the products boast both functionality and comfort. Target consumers are golf enthusiasts who pay attention to sports, fashion and functionality.

比音勒芬高尔夫系列

2. CARNAVAL DE VENISE

The CARNAVAL DE VENISE brand ( ) is positioned to tap the blue ocean market of vacation and travel apparel. The products cater to the segmented market sector and satisfy the multi-scenario dressing needs of middle-class consumers in high-quality travels. It is hoped that when people think of vacation travel apparel, CARNAVAL DE VENISE would be the first to pop up in their minds.

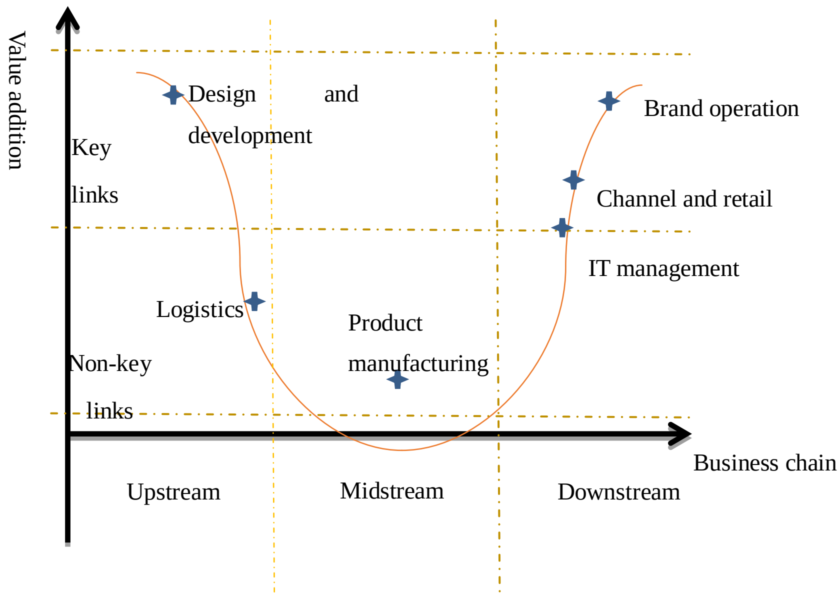
（威尼斯狂欢节）2022 年春夏新品

During the reporting period, CARNAVAL DE VENISE ( ) and Snoopy launched a joint series that were widely recognized by the market. The brand furthered cooperation with Snoopy and added the Doraemon series, a well-known Japanese IP. In the future, the Company will launch more designer joint series and cross-brand joint series, to meet the demands of middle-class consumers for theme and culture.

(II) Business models of the Company

1. Operation model: Being committed to high value-added links on the business chain such as product design and development and brand promotion

As the operator of a domestic high-end fashion sportswear brand, the Company adopts the "dumbbell" business model; that is, it focuses on the core upstream links with high value-addition such as product design and development, brand operation and sales channel development and control, and outsources links of low value-addition such as production, transportation and distribution. Such a business model takes on the "U-shaped smile curve" with division of labor in the industry chain as the horizontal axis and value addition as the vertical axis.

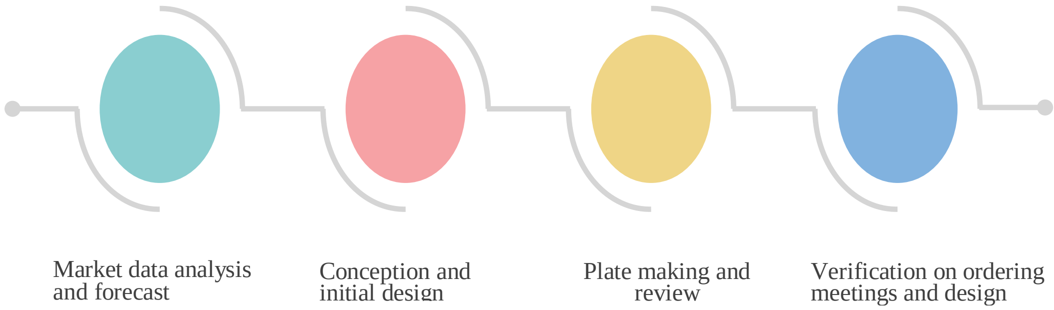


U-shaped smile curve

2. Design and development model: Building high-end, differentiated products with ingenuity and craftsmanship

Adhering to the product design and development concept of "three high and one innovation", i.e. high quality, high taste and high technology, and one innovation, the Company improves product taste and cultural connotations of brands through fabric innovation, process innovation, plate innovation, and crossover design innovation. It strives to offer consumers with high-value products and meet their differentiated demands in consumption upgrading.

The product design and development process of the Company mainly comprises four stages: market data analysis and forecast, conception and initial design, plate making and review, verification on ordering meetings and design finalization



3. Sales model: Online + offline omni-channel layout

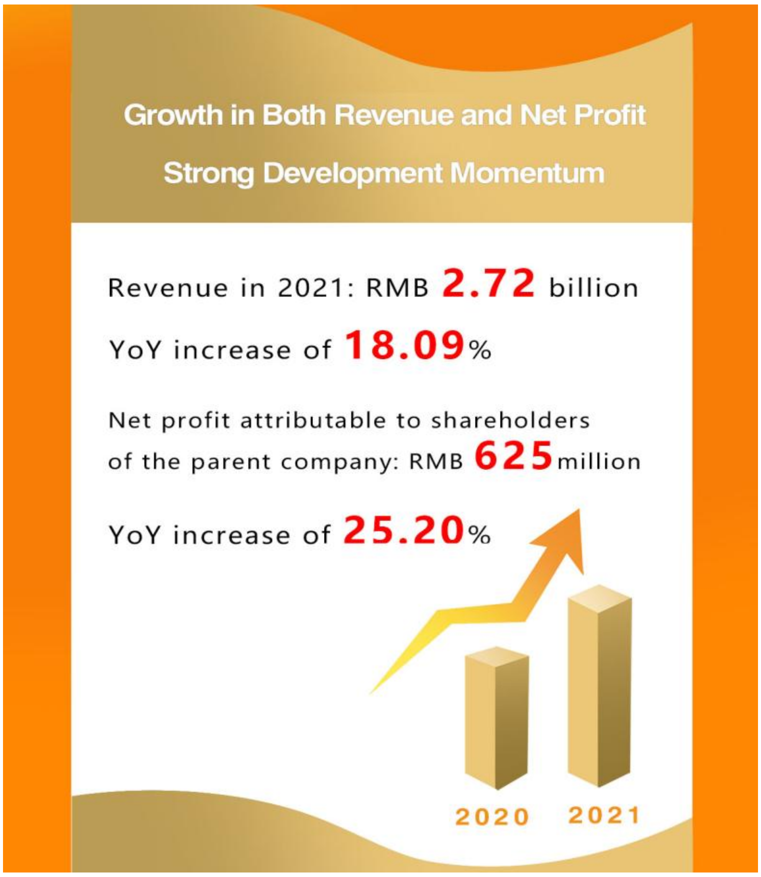
The Company mainly adopts a sales model of direct sales plus franchise, so it boasts obvious advantages in offline channels. Sales outlets of the Company's products are divided into company-operated stores and franchise stores. Currently, the Company mainly sets up company-operated stores in the first- and second-tier cities and franchise stores in other cities.

Meanwhile, the Company makes active deployments in digital new retail channels and has opened flagship stores on Tmall, JD and Vipshop. Livestream shopping and recommendations on Xiaohongshu (Little Red Book), TikTok and WeChat mini-programs are also utilized to tap customers with high stickiness and products with high repurchase rates. The integration of offline and online channels have achieved omni-channel layout.

(III) Status of the Company in the industry

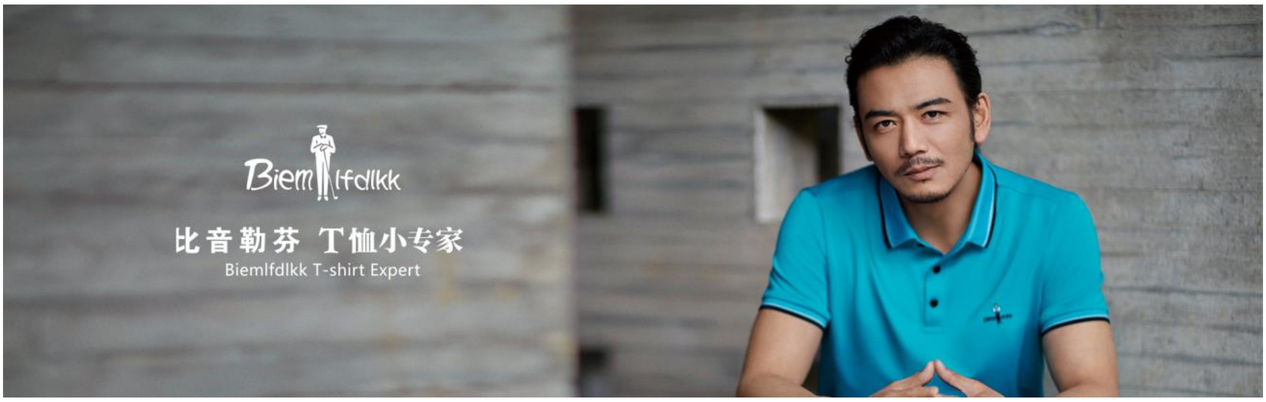
1. The Company occupies a leading position in the industry with revenue and net profit growing rapidly in the year.

During the reporting period, the Company has driven growth via continued R&D investment, production innovation, brand enhancement, marketing network upgrade, supply chain management improvement, and opening of stores at a faster speed. The revenue and net profit attributable to shareholders of the parent company maintained an upward trend throughout the year, while profitability ranked among the top. Compared with previous year, both revenue and net profit hit a new high.



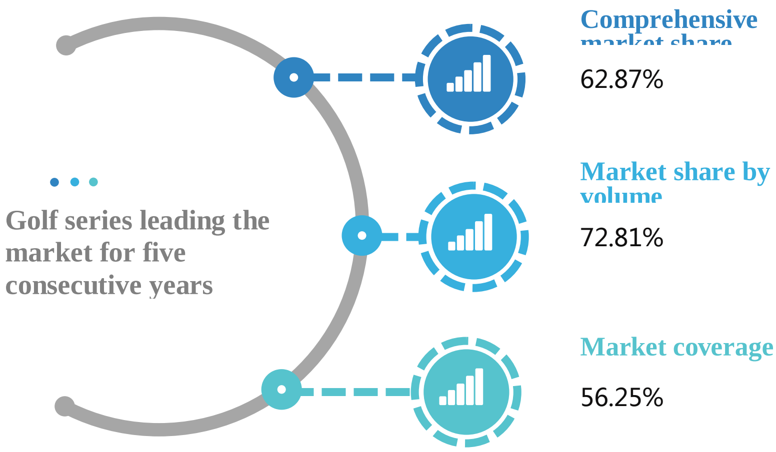
2. Taking up the largest comprehensive market share for four consecutive years, T-shirts have become a super category of the Company.

According to a statistical survey on T-shirt sales of national large-scale retail enterprises conducted by the China General Chamber of Commerce and the China National Commercial Information Center, the comprehensive market share (weighted average of market share by volume and market coverage) of BIEM T-shirts dwarfed all other products of the same kind for four consecutive years (2018-2021). Judging from the sales volume, T-shirts have become a super category of the Company. From 2022 onwards, the Company will continue to tap its advantages, build itself into the "T-shirt Expert", and drive strategic upgrading under the leadership of a single category. This could facilitate the further open-up of market space.



3. Golf series rank first in comprehensive market share for five consecutive years (2017-2021)

According to a statistical survey on national large-scale retail enterprises conducted by the China General Chamber of Commerce and the China National Commercial Information, in 2021, golf series, with a lion’s share of 62.87%, ranked the first in comprehensive market share (weighted average of market share by volume and market coverage) among similar products, while its market share by volume and market coverage took up 62.87% and 72.18%, respectively. The golf series have ranked the first in comprehensive market share for five consecutive years (2017-2021).



4. Continue to sponsor the Chinese National Golf Team and firmly occupy the commanding height of the domestic professional golf apparel market.

The Company and the Chinese National Golf Team embarked on a journey of partnership in 2013. Now, eight years later, the two parties have renewed the sponsorship for another eight years. The Company continuously provides professional training and competition uniforms for the national team with constant innovations and the craftsmanship spirit. The uniforms have demonstrated the confidence of China as a nation and the confidence of Chinese brands in international competitions such as the Olympic Games and the World Cup. This is our way of contributing to China’s golf industry. In 2021, the Company designed the second-generation five-star uniforms for the national team to help them compete in the Tokyo Olympics and win glory for the country. The two has made a pact of fighting together in Paris 2024.

III. Analysis of Core Competitiveness

(I) Competitiveness in respect of brand positioning: High-end, distinctive, unique and differentiated segment market

Targeting at quality segment tracks, the Company implements a multi-brand development strategy and a differentiated market positioning strategy to accurately meet consumers' differentiated dressing needs for different dressing scenarios in the context of consumption upgrading.

The BIEM.L.FDLKK brand (Biem.L.Fdlkk) is positioned in the segment market combing golf sport and fashionable, leisure lifestyle and aims to become a high-end golf casual apparel brand. Target consumers include golf enthusiasts and middle-income or above consumers who agree with golf culture and like golf-style clothing. The products feature distinctive personality and consistent style in design that emphasize on "resonance" with target consumers. They are committed to providing consumers with high-quality, high-grade and high-tech wearing experience. Driven by constant product innovation, brand power enhancement and channel expansion, the brand aims to become the foremost sports casual apparel brand in the minds of consumers.

The CARNAVAL DE VENISE brand (CARNAVAL DE VENISE) focuses on the vacation travel market. The Company intends to build a new brand worth tens of billions that would pop up in the minds of consumers whenever they think of vacation travel apparel.

(II) Competitiveness in respect of product R&D: Industry-leading product development and design edges

The Company is equipped with a high-quality design and development team, who have years of experience in the design of luxury brands and golf apparel series of international well-known brands. They are rather proficient in aspects like design concepts, color application, process design and performance, fabric processing and grasping, etc. When it comes to design, priority is given to the use of new technologies, new craftsmanship and high-tech fabrics. Under the guidance of cross-border design concepts, sports elements, leisure elements and fashion elements are fused to achieve the unity of functionality and aesthetics. Each year, the Company’s design department would come up with over a thousand designs, which is a testimony to the Company’s strong R&D and design capabilities. Up to now, the Company owns 107 invention, utility model and design patents, of which 6 are authorized invention patents, 69 authorized utility model patents and 32 authorized design patents. Another 7 invention patents are under substantive examination.

In the future, the Company will continue to increase investment in research and development and build highly competitive products through fabric innovation, plate optimization, design breakthroughs and cultural empowerment, to maintain and solidify its competitive edges in product R&D.

Korean designer LEE HYOJEONG French design master SAFA SAHIN

(III) Competitiveness in respect of product quality: Consistently adhering to the high quality of products

Products are the core competitiveness of brands while quality is the lifeline of brands. The pursuit of quality has been a consistent theme of the Company. Regarding “high-quality fabrics, bright colors, novel styles and fine workmanship” as advantages of its products, the Company strives to offer high-quality products to consumers. In order to ensure product quality, the Company insists on strictly selecting high-grade, high-performance fabrics. For example, the selected anti-bacterial fabrics can inhibit bacteria and deodorize for a long period of time; the elastic and quick-dry fabrics have quick-drying and breathable effect without binding feeling, so the apparel feels refreshing and non-sticky; the diamond fiber fabrics are light, warm, wear-resistant, and environmental friendly, being 1/3 lighter than ordinary fiber fabrics of the same thickness but 50% higher heat preservation rate; the Hungarian white goose down has 1,000 fill power, ensuring that the down jacket is lighter and warmer.

The Company maintains stable cooperative relations will renowned fabric suppliers in Italy, South Korea and Japan that are also partners of international top brands. Technical and R&D staff of the Company regularly exchange with fabric suppliers. Sometimes, joint efforts are made to conduct targeted development of products based on style characteristics of the Company’s products.

(IV) Competitiveness in respect of channels: Offline channel advantages + digital new retail

Offline channels of the Company have a presence in high-end department stores, shopping centers, airport and high-speed rail hubs and golf courses throughout the country. As of December 31, 2021, the Company’s marketing network has covered 31 provinces, autonomous regions and municipalities, including core business districts, high-end department stores, airports, well-known golf clubs, etc. The number of stores at the end of 2021 reached 1,100, up by 121 compared with 979 at the end of 2020, of which 532 were Company-operated stores and 568 were franchise stores.

The number of outlet stores increased steadily year by year. Outlet stores are the main channel to digest inventories. Generally inventories within two years of aging can be well digested. Even at 40% to 60% off, there is still large profit margin.

The middle class in third- and fourth-tier cities will become the fastest growing group in the future. Increased income has significantly improved the consumption confidence of residents in these cities. Particularly, their demand for high-end brands has risen significantly. The Company remains optimistic about the prospects of high-end consumer markets in lower-tier cities, and will seize the opportunity and sink its channels to the fast-growing third- and fourth-tier cities.

Moreover, the Company actively deploys online channels and cooperates in-depth with e-commerce platforms. Through livestreaming platforms, it steers quality VIP customers from offline to online. An “offline + online” channel layout could provide consumers with more choices and more convenient services.

(V) Competitiveness in respect of branding and marketing strategies: Consistent with its positioning

The Company, closely revolving around main target consumer groups, implements integrated marketing from commodity planning, product design, terminal visual image, window advertising to product display, brand endorsement and planning of marketing activities, with a view to enhancing brand popularity and reputation. Based on its high-end positioning, the Company has analyzed the habits of target consumer groups and adopted a series of new media marketing measures thereupon. A matrix of measures including celebrity endorsement, sports competition sponsorship, entertainment marketing, event marketing, and contribution to public welfare activities were carried out, to continuously consolidate brand power.

Hawick Lau Hoi-Wai was invited to BIEM stores to meet and interact with fans.

(VI) Competitiveness in respect of management: Experienced management team

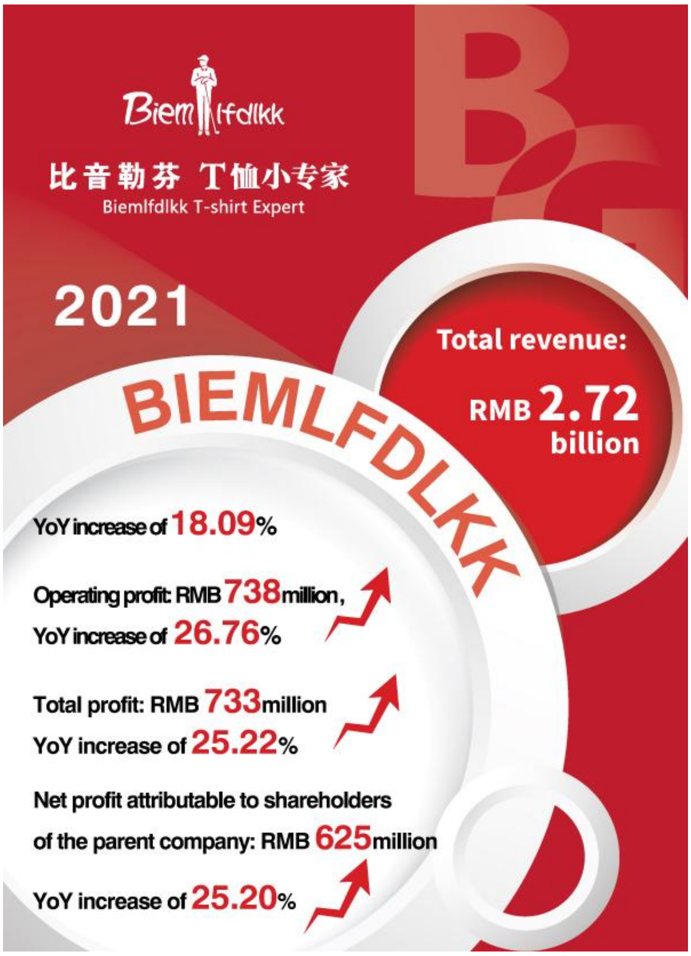
The Company boasts a management team with rich experiences, consistent philosophy, aggressiveness, dedication and perseverance. They have a deep and thorough understanding of China’s golf apparel culture and market. Core executives have been granted shares of the Company, thereby guaranteeing the stability and sustained development of the management. Meanwhile, with years of experience in the industry, the management has a rather clear idea about the Company’s positioning, development strategies and management improvement. The Company has established a business process catering to brand and corporate operations, a terminal management system with strong control, a supply chain system with fast responses, and a standardized decision-making and execution mechanism over years of development. All these could ensure its healthy and fast development.

IV. Analysis of Principal Businesses

1. Overview

(I) Financial performances

During the reporting period, the Company recorded total revenue of RMB2.7 billion, an increase of 18.09% over the same period of the previous year. The operating profit and total profit were RMB738 million and RMB733 million, respectively, up by 26.76% and 25.22%, respectively, over the previous year. In addition, the Company posted a net profit attributable to shareholders of the listed company of RMB625 million and basic earnings per share of RMB1.15, a year-on-year increase of 25.20% and 21.05%, respectively. Overall, the Company maintained steady growth during the reporting period.



(II) Operation

1. Continue to create scarce, differentiated and high-end products with an adherence to craftsmanship and innovation.

The Company continued to invest highly into product research and development during the reporting period. Efforts were made to integrate international high-quality fabric resources, introduce outstanding R&D and design talents both at home and abroad, and foster a designer team with an international horizon. With craftsmanship, every product is endowed with "high quality, high taste and high-tech content". The Company strives to create scarce, differentiated and high-end products through constant innovations and pursues excellence in every piece of clothes by pooling resources throughout the world.

2. Demonstrate "China-Chic" through in-depth cross-border cooperation with the palace culture of the Forbidden City.

During the reporting period, the Company continued to co-brand with the Palace Culture IP of the Forbidden City and rolled out the "Fu Lu Shou" (three gods of fortune, prosperity and longevity) series in spring and summer and the "Feng Tian Cheng Yun" (Mandate from Heaven) series in fall and winter. The series are filled with the charm of traditional Chinese culture and are well-received in the market. In 2021, the Company teamed up with French design master SAFA SAHIN and jointly launched the dad shoe series. Reproducing the collision of classic and popular with contrasting colors and splicing designs of different materials, the co-branded dad shoes put on a new charm and bring a new wearing experience to consumers. In the future, the Company will continue to dip deep into traditional culture to reproduce the classics with ingenuity, show to the world what is "China-Chic", and demonstrate the glamor of a big country brand.

3. Continuously upgrade the monogram pattern to create a super symbol for high-end brand.

Starting from 2020, to cater to the current fashion trends, the Company introduced a distinctive monogram into its design. By incorporating golf and green flag elements into its signature "BG" letters, the Company has created its own "BG" monogram patterns with the collision of colors, which is both classic and retro, showing a real sense of high-end fashion. Once launched, the products have been widely praised by the market. In 2021, the Company continued to upgrade the monogram pattern and apply the patter in more SKUs. The Company intends to build it into a super symbol of high-end brands that can continuously inject new cultural genes into BIEM brands.

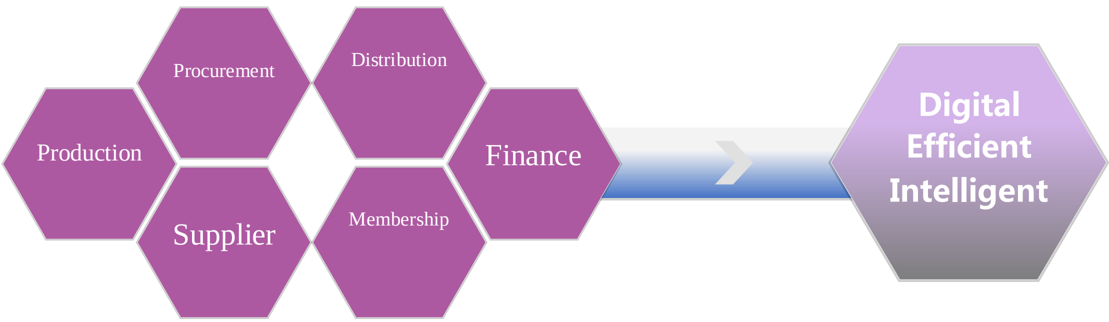
4. Online sales model achieves remarkable results, with VIP members exceeding 700,000.

The Company makes full use of offline channels and steers traffic online through marketing assistant, Chaojidaogou (super shopping guide), intelligent goods tracking system, OP Retail and other systems. The Company promoted comprehensive refined management of VIP customers combining online and offline. The new retail marketing model achieved remarkable results and sales continued to rise. VIP members exceeded 700,000 during the reporting period.

At present, online channels of the Company mainly comprise Tmall, Vipshop, JD and WeChat mini-program. Focusing on experience and services, the Company insists on offering convenient online shopping experiences to high-end consumers. Prices of online and offline channels remain consistent, to facilitate the new model of accessibly luxury sales.

5. Establish a unified information platform and fully embrace digital operations.

The Company further accelerated its IT system construction during the reporting period. A unified information management system was established covering production, distribution, inventory, procurement, supplier, membership, finance, marketing, etc. In addition, business intelligence (BI) has been introduced to provide analytical data support for the Company’s decision making. The Company intends to gradually realize digital, efficient and intelligent operation management and fully launch digital operations.



Currently, main information systems of the Company include omni-channel middle-platform system, production management system, distribution management system, warehouse management system, and membership management system.

6. Continue to consolidate brand power and demonstrate the glamor of a national brand.

The Company officially initiated the “big communication era” in 2021. While carrying out competition sponsorship, entertainment marketing, event marketing, and contribution to public welfare activities, the Company also embraced promotion in CCTV-1 and high-speed rail. This could deepen the cultural connotation of the brand on one hand, and accelerate brand communication on the other.

(1) Olympics marketing: Strengthening its positioning as a professional golf brand

At the 2021 Tokyo Olympics, the Company designed the second-generation five-star uniforms for the Chinese National Golf Team, helping famous golfers, including Feng Shanshan, Lin Xiyu, Wu Ashun and Yuan Yechun, to compete on the field. The second-generation uniforms focus on “China-chic” elements and combine the color of the national flag with the traditional color of the Forbidden City. In the gradation of color, the “dragon” rises into the sky hidden in the auspicious clouds, symbolizing blessings and good luck. While helping the national team to compete in the games, the uniforms also embody the confidence of Chinese culture and show to the world the charm of “China-chic”.

During Olympic marketing, the Company adopted an online + offline integrated communication strategy. Online-wise, focusing on the theme of Olympic competition, it utilized the media matrix to achieve full coverage; offline-wise, pre-sales were conducted for the five-star uniforms, to enhance consumer involvement and deepen emotional connection and interaction. The moves were widely recognized in the industry.

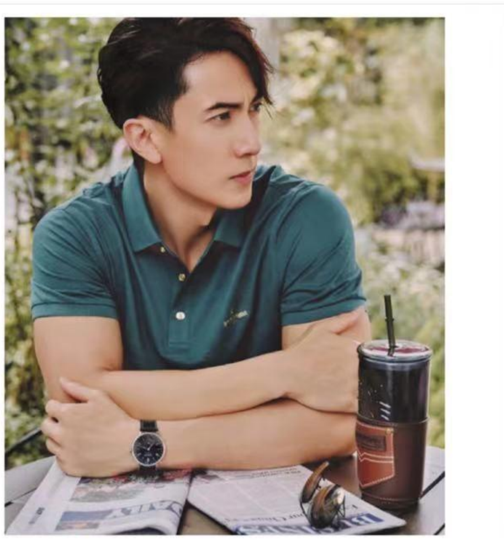
(2) Entertainment marketing: Comprehensively consolidating brand momentum via a number of celebrities and KOLs

The Company increased inputs in celebrity endorsement during 2021. It cooperated in depth with a group of well-known celebrities highly compatible with the brand to strengthen brand awareness and spread the elite dress culture.

On May 15, spokesperson of BIEM.L.FDLKK Yang Shuo appeared in Tianmei Xintiandi Square, Taiyuan and interacted in-depth with users.

On September 25, actor Hawick Lau, wearing the Company's fall-winter 2021 collection, showed up in Shanxi Tianmen Shanshan flagship store. He shared how to dress like an elite with fans and audiences at the site, which brought a unique and beautiful experience to users.

Moreover, the Company also joined forces with a number of popular stars such as Huang Yuan, Duan Yihong, Hu Jun, Lan Yingying, Wu Qilong, Wu Zun, Liu Ye and Miriam Yeung, to effectively enhance brand influence through continuous exposure and content innovation.



At the same time, the Company accelerated the construction of the KOL and KOC matrix on social media platforms such as Xiaohongshu and TikTok. On one hand, diversified topics on social media and a large number of UGC contents could attract the attention of more users especially young users; on the other hand, strong recommendations from various dressing KOLs, knowledge KOLs and vertical golf KOLs can further solidify its positioning as a high-end sportswear brand.

(3) Event marketing: Enhancing brand credibility with endorsement from authoritative media

On December 10, 2021, the *Age of Creators* was officially aired on the hot program *The Growing of the Great Brand* on CCTV-1. The episode tells the story of the Company's inheritance, innovation and tribute to the times. Being aired on CCTV as a "great brand", the credibility and authority of the Company are further elevated under the endorsement of the national authoritative media.

(4) Event marketing: Contracting with Yongda Media and entering a new era of communication

On July 12, the contract signing ceremony between the Company and Yongda Media with regard to their strategic cooperation on high-speed rail communication was successfully held in Nanjing, China. The media of high-speed rail will fuel the Company's brand construction process. Through screens of high-speed rail, the Company will be able to convey its brand concepts and cultural values to hundreds of millions of users, thereby consolidating brand momentum and increasing brand exposure. This will help the Company to reach a new brand height and usher in a new era of communication.

(5) Contributing to public welfare undertakings: Sticking to the original intention and shouldering corporate social responsibilities of a national brand

In October 2021, many regions in Shanxi Province suffered from heavy rain, resulting in severe waterlogging, floods and other disasters. As a result, the province initiated provincial level 3 emergency response to geological disasters. In view of this, the Company quickly responded and raised disaster-relief materials day and night worth millions, including cotton clothes, down jackets, blankets and other cold-proof materials, to shoulder its corporate social responsibilities.

In November 2021, sponsored by Guangzhou Panyu District Charity Organization and BIEM.L.FDLKK Charity Fund and organized by Panyu Qiwu Social Services Center, the Children and Adolescent Peace of Mind Project was officially launched at the Children and Adolescent Peach of Mind Station in Nancun Town. By sponsoring the children and youth peace of mind project in the name of its charity fund, the Company hopes to illuminate more families, which fully embodies the sense of responsibility of a national brand.

2. Revenue and cost

(1) Composition of revenue

Unit: RMB

	2021		2020		YoY changes
	Amount	Proportion in revenue	Amount	Proportion in revenue	
Total revenue	2,719,989,257.14	100%	2,303,326,211.84	100%	18.09%
By industry					
Garment and apparel	2,719,989,257.14	100.00%	2,303,326,211.84	100.00%	18.09%
By product					
Tops	1,155,253,965.36	42.47%	1,012,743,434.04	43.97%	14.07%

Bottoms	577,413,010.84	21.23%	526,734,820.51	22.87%	9.62%
Jackets	760,953,959.00	27.98%	585,445,807.40	25.42%	29.98%
Others	226,323,052.12	8.32%	178,376,989.51	7.74%	26.88%
Income from other businesses	45,269.82	0.00%	25,160.38	0.00%	79.93%
By region					
Northeast China	257,702,259.73	9.47%	215,148,453.18	9.34%	19.78%
North China	438,055,235.73	16.11%	343,575,868.76	14.92%	27.50%
East China	509,188,940.50	18.72%	413,696,487.92	17.96%	23.08%
South China	599,071,826.19	22.02%	532,080,821.87	23.10%	12.59%
Central China	199,039,149.25	7.32%	177,353,893.67	7.70%	12.23%
Northwest China	140,100,579.39	5.15%	111,151,396.94	4.83%	26.04%
Southwest China	454,255,647.71	16.70%	412,069,554.66	17.89%	10.24%
E-commerce	122,575,618.64	4.51%	98,249,734.84	4.27%	24.76%
By sales model					
Online	122,575,618.64	4.51%	98,249,734.84	4.27%	24.76%
Direct sale	1,914,079,312.33	70.37%	1,628,792,927.31	70.71%	17.52%
Franchise	683,334,326.17	25.12%	576,283,549.69	25.02%	18.58%

(2) Industries, products, regions or sales models that accounted for over 10% of the Company's revenue or operating profit

√ Applicable □ Not applicable

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

Unit: RMB

	Revenue	Cost of revenue	Gross profit margin	YoY changes of revenue	YoY changes of cost of revenue	YoY changes of gross profit margin
By industry						
Garment and apparel	2,719,989,257.14	634,160,601.71	76.69%	18.09%	5.42%	2.81%
By product						
Tops	1,155,253,965.36	240,366,386.18	79.19%	14.07%	-4.58%	4.06%
Bottoms	577,413,010.84	116,434,061.13	79.84%	9.62%	-9.26%	4.20%
Jackets	760,953,959.00	190,307,785.69	74.99%	29.98%	18.53%	2.41%
Others	226,323,052.12	87,052,368.71	61.54%	26.88%	43.24%	-4.39%

Income from other businesses	45,269.82		100.00%	79.93%		
By region						
Northeast China	257,702,259.73	65,875,917.73	74.44%	19.78%	10.59%	2.13%
North China	438,055,235.73	87,674,526.21	79.99%	27.50%	8.32%	3.55%
East China	509,188,940.50	106,276,965.26	79.13%	23.08%	14.13%	1.64%
South China	599,071,826.19	139,445,063.97	76.72%	12.59%	3.07%	2.15%
Central China	199,039,149.25	47,703,604.73	76.03%	12.23%	-0.81%	3.15%
Northwest China	140,100,579.39	28,622,176.96	79.57%	26.04%	11.71%	2.62%
Southwest China	454,255,647.71	98,410,989.87	78.34%	10.24%	0.84%	2.02%
E-commerce	122,575,618.64	60,151,356.98	50.93%	24.76%	-1.91%	13.34%
By sales model						
Online	122,575,618.64	60,151,356.98	50.93%	24.76%	-1.91%	13.34%
Direct sale	1,914,079,312.33	361,489,790.71	81.11%	17.52%	2.10%	2.85%
Franchise	683,334,326.17	212,519,454.02	68.90%	18.58%	14.15%	1.21%

Where the statistical standards for the Company’s principal business data were adjusted in the reporting period, principal business data of the Company in the recent year adjusted as per statistical standards at the end of the reporting period

□ Applicable √ Not applicable

Whether the Company has physical store sales terminals

√ Yes □ No

Distribution of physical stores

Type of store	Number of stores	Area of stores	Number of new stores opened in the period	Number of stores closed in the period	Reason for close	Brands involved
Company-operated stores	532	83,877	82	36	Mainly due to expiration of contract, adjustment of stores, etc.	BIEM.L.FDLKK, CARNAVAL DE VENISE
Franchise stores	568	91,975	112	37	Mainly due to expiration of contract, adjustment of stores, etc.	BIEM.L.FDLKK, CARNAVAL DE VENISE

Total area and efficiency of company-operated stores

Top 5 stores by income

No.	Name of store	Date of opening	Revenue (RMB)	Sales per square meter
1	Store 1	November 14, 2007	46,070,740.88	RMB50,400

2	Store 2	July 01, 2012	30,629,080.00	RMB97,200
3	Store 3	March 01, 2003	26,592,235.40	RMB112,700
4	Store 4	April 01, 2015	20,948,091.15	RMB162,400
5	Store 5	April 27, 2007	20,218,092.92	RMB122,500
Total	--	--	144,458,240.35	RMB82,100

New stores of the listed company

√ Yes □ No

The Company had 1,100 terminal sales stores at the end of the reporting period, an increase of 121 compared with the end of 2020. It is expected that the new stores will not have a significant impact on the Company's business operations.

Whether the Company discloses top 5 franchise stores

□ Yes √ No

(3) Whether the Company's goods sales income is greater than the labor service income

√ Yes □ No

Industry	Item	Unit	2021	2020	YoY changes
Garment and apparel	Sales volume	Pieces	3,681,850	3,606,443	2.09%
	Garment	Garment (RMB)	2,719,989,257.14	2,303,326,211.84	18.09%

Reasons for YoY changes of relevant data over 30%

□ Applicable √ Not applicable

(4) Performance of major sales contracts and major procurement contracts already signed by the Company as of the end of the reporting period

□ Applicable √ Not applicable

(5) Composition of cost of revenue

By industry and product

Unit: RMB

Industry	Item	2021		2020		YoY changes
		Amount	Proportion in cost of revenue	Amount	Proportion in cost of revenue	
Garment and apparel	Garment and apparel	634,160,601.71	100.00%	601,546,395.40	100.00%	5.42%

Unit: RMB

Product	Item	2021		2020		YoY changes
		Amount	Proportion in cost of revenue	Amount	Proportion in cost of revenue	

Garment and apparel	Tops	240,366,386.18	37.90%	251,898,615.05	41.88%	-4.58%
Garment and apparel	Bottoms	116,434,061.13	18.36%	128,317,766.79	21.33%	-9.26%
Garment and apparel	Jackets	190,307,785.69	30.01%	160,555,872.81	26.69%	18.53%
Garment and apparel	Others	87,052,368.71	13.73%	60,774,140.75	10.10%	43.24%

(6) Whether there are changes to the consolidated scope during the reporting period

√ Yes □ No

During the reporting period, one new subsidiary was added to the Company's consolidation scope, i.e. Ningbo BIEM.L.FDLKK Smart Technology Co., Ltd., which is a wholly-owned subsidiary of the Company established in April 21, 2021.

(7) Whether there are significant changes or adjustments to the Company's businesses, products or services during the reporting period

□ Applicable √ Not applicable

(8) Major customers and suppliers

Major customers of the Company

Total sales to the top five customers (RMB)	420,648,671.83
Proportion of sales to top five customers in total annual sales	15.46%
Proportion of sales to related party among the top five customers in total annual sales	0.00%

Information of the top five customers of the Company

No.	Name of customer	Sales amount (RMB)	Proportion in total annual sales
1	Customer 1	116,042,331.58	4.27%
2	Customer 2	95,272,603.00	3.50%
3	Customer 3	93,897,752.87	3.45%
4	Customer 4	58,798,058.63	2.16%
5	Customer 5	56,637,925.75	2.08%
Total	--	420,648,671.83	15.46%

Other description of major customers

□ Applicable √ Not applicable

Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB)	269,552,019.07
Proportion of the total purchase amount from the top five suppliers in total annual purchase amount	33.75%
Proportion of purchase amount from related parties among the top five suppliers in total annual purchase amount	0.00%

Information of the top five suppliers of the Company

No.	Name of supplier	Purchase amount (RMB)	Proportion in total annual purchase amount
1	Supplier 1	62,933,640.13	7.88%
2	Supplier 2	57,001,049.09	7.14%
3	Supplier 3	55,134,523.46	6.90%
4	Supplier 4	48,271,392.90	6.04%
5	Supplier 5	46,211,413.49	5.79%
Total	--	269,552,019.07	33.75%

Other description of major suppliers

□ Applicable √ Not applicable

3. Expenses

Unit: RMB

	2021	2020	YoY changes	Description of significant changes
Selling expenses	1,041,052,486.14	885,368,459.26	17.58%	
Administrative expenses	156,267,574.26	132,633,430.58	17.82%	
Finance expenses	21,805,535.69	9,699,259.37	124.82%	Mainly owing to the increase in interest expenses on lease liabilities arising from the implementation of the New Lease Standards
R&D expenses	83,388,128.67	64,804,859.36	28.68%	

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	YoY changes of selling expenses	Reason of change
Employee benefits	292,614,931.34	245,331,238.57	19.27%	
Store operating expenses	359,724,699.13	461,267,036.64	-22.01%	
Decoration and renovation expenses	84,303,737.40	76,410,689.85	10.33%	

Advertising expenses	78,889,887.30	62,254,284.32	26.72%	
Office and business travel expenses	20,281,804.02	13,647,638.74	48.61%	Mainly owing to the increase in sales scale
Transportation expenses	10,068,692.80	8,614,867.40	16.88%	
E-commerce service fees	8,659,135.65	6,549,205.73	32.22%	Mainly owing to the growth of online business
Depreciation of right-of-use assets	175,539,936.53		100.00%	Mainly owing to the implementation of the New Lease Standards
Others	10,969,661.97	11,293,498.01	-2.87%	
Total	1,041,052,486.14	885,368,459.26	17.58%	

4. Other information required by guidelines for information disclosure of textile and garment related industries

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

(1) Production capacity

The Company's own production capacity

Capacity utilization rate had a YoY change of more than 10%

□ Yes √ No

Whether there is overseas production capacity

□ Yes √ No

(2) Sales models and channels

Product sales channels and actual operation methods

The Company adopts an omni-channel sales model of "direct sale + franchise" and "online + offline" that cover high-end department stores, shopping centers, airport and high-speed rail hubs and golf courses across the country and Tmall flagship stores.

Offline channels are classified into company-operated stores and franchise stores.

Direct sale refers to the model where the Company sets up counters or stores in high-end shopping malls, airports with large passenger flow, well-known golf clubs, hotels, etc. in first- and second-tier cities to sell products. Direct sale can be divided into joint operation and non-joint operation models. Under the joint operation model, the Company signs a joint operation agreement with the shopping mall, airport or golf club, under which the other party provides the venue and collection services while the Company provides products and sales management. The two parties share the sales revenue according to the agreed proportion. Under the non-joint operation model, the Company signs a lease agreement with the provider of the business premise and obtains the use of premise via payment of rent. The Company is responsible for product and sales management.

As for the franchise model, the franchisee signs a franchise contract with the Company to acquire the franchise qualification of BIEM brands. The franchisee is responsible for acquiring business premises as well as daily operation and management of stores, while enforcing product pricing, price adjustment and other policies formulated by the Company. Under the franchise model, products of the Company are sold to the franchisee in the form of buyouts, which are then sold externally through franchise stores. The franchisee bears benefits and risks associated with their operations.

For online sales, main channels include Tmall, JD, Vipshop, and other third-party platforms. The Company opens official flagship stores on these platforms and pays a certain amount of platform fee or certain share of the sales according to the sales volume on the platform.

Unit: RMB

Sales channel	Revenue	Cost of revenue	Gross profit margin	YoY changes of revenue	YoY changes of cost of revenue	YoY changes of gross profit margin
Online sale	122,575,618.64	60,151,356.98	50.93%	24,325,883.80	-1,170,384.82	13.34%
Direct sale	1,914,079,312.33	361,489,790.71	81.11%	285,286,385.02	7,443,148.39	2.85%
Franchise sale	683,334,326.17	212,519,454.02	68.90%	107,050,776.48	26,341,442.74	1.21%

(3) Franchise and distribution

Whether sales revenue of franchisees and distributors accounted for more than 30%

□ Yes √ No

Top 5 franchisees

No.	Name of franchisee	Cooperation start time	Whether a related party	Total sales (RMB)	Level of franchisee
1	Franchisee 1	September 01, 2006	No	29,276,021.22	Level 1
2	Franchisee 2	December 01, 2007	No	23,401,646.06	Level 1
3	Franchisee 3	February 01, 2019	No	17,853,002.34	Level 1
4	Franchisee 4	October 01, 2011	No	16,886,763.54	Level 1
5	Franchisee 5	December 01, 2013	No	13,067,322.07	Level 1
Total	--	--	--	100,484,755.23	--

(4) Online sales

Whether sales revenue of online sales accounted for more than 30%

□ Yes √ No

Whether the Company had self-built sales platform

□ Yes √ No

Whether the Company cooperated with third-party sales platforms

√ Yes □ No

The Company opened or closed online sales channels

√ Applicable □ Not applicable

Name of channel	Main brands	Main product categories	Channel status	Reason for close	Opening time	Operation conditions during opening
TikTok	BIEM.L.FDLKK	Garment	Open		November 08, 2021	Normal operation
TikTok	CARNAVAC DE VENISE	Garment	Open		November 08, 2021	Normal operation

Explanation of the impact on the current and future development of the Company

By adding online channels and carrying out in-depth cooperation with e-commerce platforms, the Company could offer more choices to the shopping experience of consumers and further optimize channels and diversify traffic.

(5) Agent operation

Whether agent operation was involved

√ Yes □ No

Name of partner	Main content of cooperation	Fee payment
Partner 1	Provide operation services for the Company on JD, Tmall and TikTok platforms	Agency fee is paid based on a certain percentage of the actual sales amount

(6) Inventory

Particulars of inventory

Main product	Days of inventory turnover	Quantity	Aging	YoY changes of inventory balance	Reason
Garment	360	3,909,789	Within 1 year: RMB388.5076 million 1-2 years: RMB155.1531 million 2-3 years: RMB87.7364 million Over 3 year: RMB28.8171 million	Balance at the end of the year increased by RMB52,534,400 or 8.65% over the end of previous year.	Mainly owing to the increase in sales scale during the period

Provision for inventory write-down

Methods for recognition of the net realizable value of inventories and inventory write-down

Inventories at the end of the reporting period are measured at the lower of cost and net realizable value. If the net realizable value of inventories at the end of the reporting period is lower than the book cost, the difference is set aside as inventory write-down. 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 related taxes and fees.

1. Basis for determining the net realizable value of inventories: For materials held for production, if the net realizable value of finished product using the material is higher than its cost, the material is still measured at cost. However, when a decline in the price of materials indicates that the cost of the finished product exceeds net realizable value, the material is written down to net realizable value. For inventories held to satisfy sales contracts or service contracts, their net realizable value is based on the contract price. If the sales contracts are less than the inventory quantities held, the net realizable value of the excess part is based on general selling prices.

2. Methods for determining inventory write-down: At the end of the reporting period, the Company determines the net realizable value of out-of-season clothes as the estimated selling price less selling cost and related taxes and fees. If the net realizable value is lower than the book cost, the difference is set aside as inventory write-down. The reversed inventory write-down during the reporting period is for inventories sold in the current period but with write-down already recognized in the previous period.

For specific inventory write-downs, please refer to "Section X Financial Report" --> "VII. Notes to Items of the Consolidated Financial Statements" --> "6. Inventory".

Inventories of terminal channels such as franchisees or distributors

(7) Brand building

Whether the Company was involved in the production and sales of branded clothing, apparel and household textile products

√ Yes □ No

Own brands

Name of brand	Name of trademark	Main product types	Characteristics	Target consumers	Price range	Main sales areas	City level
BIEM.L.FDLKK	BIEM.L.FDLKK	Casual sportswear	High-end, combination of leisure and sports	Middle class and above-income groups who advocate a healthy, sunny and comfortable lifestyle	1500-8000	Chinese	1st-4th tier cities
CARNAVAL DE VENISE		Vocation travel apparel	Family outfits, parent-child outfits and couples outfits, catering to different vocation and travel scenarios	Middle-class consumers who pursue high-quality travels	300-2000	Chinese	1st-4th tier cities

Marketing and operation of each brand during the reporting period

Targeting at quality segment tracks, the Company implements a multi-brand development strategy and a differentiated market positioning strategy to accurately meet consumers' differentiated dressing needs for different dressing scenarios in the context of consumption upgrading.

The BIEM.L.FDLKK brand is positioned in the segment market combing golf sport and fashionable, leisure lifestyle and aims to become a high-end golf casual apparel brand. Target consumers include golf enthusiasts and middle-income or above consumers who agree with golf culture and like golf-style clothing. The products feature distinctive personality and consistent style in design that emphasize on "resonance" with target consumers. They are committed to providing consumers with high-quality, high-grade and high-tech wearing experience. Driven by constant product innovation, brand power enhancement and channel expansion, the brand aims to become the foremost sports casual apparel brand in the minds of consumers.

The CARNAVAL DE VENISE brand focuses on the vacation travel market. The Company intends to build a new brand worth tens of billions that would pop up in the minds of consumers whenever they think of vacation travel apparel.

During the reporting period, the Company continued to co-brand with the Palace Culture IP of the Forbidden City and rolled out the "Fu Lu Shou" (three gods of fortune, prosperity and longevity) series in spring and summer and the "Feng Tian Cheng Yun" (Mandate from Heaven) series in fall and winter. The series are filled with the charm of traditional Chinese culture and are well-received in the market. In 2021, the Company teamed up with French design master SAFA SAHIN and jointly launched the dad shoe series. Reproducing the collision of classic and popular with contrasting colors and splicing designs of different materials, the co-branded dad shoes put on a new charm and bring a brand new wearing experience to consumers. In the future, the Company will continue to dip deep into traditional culture to reproduce the classics with ingenuity, show to the world what is "China-Chic", and demonstrate the glamor of a big country.

The Company, closely revolving around main target consumer groups, implements integrated marketing from commodity planning, product design, terminal visual image, window advertising to product display, brand endorsement and planning of marketing activities, with a view to enhancing brand popularity and reputation. Based on its high-end positioning, the Company has analyzed the habits of target consumer groups and adopted a series of new media marketing measures thereupon. A matrix of measures including celebrity endorsement, sports competition sponsorship, entertainment marketing, event marketing, and contribution to public welfare activities were carried out, to continuously consolidate brand power.

Trademark ownership disputes, etc. in which the Company was involved

□ Applicable √ Not applicable

(8) Others

Whether the Company was engaged in clothing design related businesses

√ Yes □ No

Number of self-owned designers	85	Number of contracted designers	7
Operation of the built designer platform	Not applicable		

Whether the Company organized order meetings

√ Yes □ No

5. R&D investment

√ Applicable □ Not applicable

Name of main R&D project	Project purpose	Project progress	Intended goals	Expected impact on the future development of the Company
Design, development and research on clothes with multi-functional composite blended materials	Promote the Company's innovative product design, innovative fabric research and development, innovative process research and development, and research and development of standards for innovative function testing; under the research and development concept of "three high and one innovation" — high quality, high taste and high technology and innovation, comprehensively elevate features, performances and images of products and strengthen brand awareness, so that the Company's products could continue to lead the market.	Ongoing	Master the key technologies of functional clothes with multi-functional composite blended materials	Maintain a leading position in the high-end fashion sportswear sector, continuously expand market boundaries, consolidate market competitiveness and brand influence of the Company's products, and lay the foundation for building a century-old brand.

Information on R&D personnel of the Company

	2021	2020	Change ratio
Number of R&D personnel	205	187	9.63%
Proportion of R&D personnel	6.47%	6.59%	-0.12%
Educational structure of R&D personnel	——	——	——
Bachelor	76	61	24.59%

Master	7	7	0.00%
Associate degree	70	62	12.90%
Others	52	57	-8.77%
Age structure of R&D personnel	——	——	——
Under 30	42	30	40.00%
30~40	117	114	2.63%
40~50	42	39	7.69%
Above 50	4	4	0.00%

R&D investment of the Company

	2021	2020	Change ratio
Amount of R&D investment (RMB)	83,388,128.67	64,804,859.36	28.68%
Proportion of R&D investment in total revenue	3.07%	2.81%	0.26%
Amount of capitalized R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in total R&D investment	0.00%	0.00%	0.00%

Reason for and impact of marked changes in the composition of the Company’s R&D personnel

□ Applicable √ Not applicable

Reason for marked changes in the proportion of R&D investment in total revenue over the last year

□ Applicable √ Not applicable

Reason for marked changes in the proportion of capitalized R&D investment and its reasonable explanation

□ Applicable √ Not applicable

6. Cash flow

Unit: RMB

Item	2021	2020	YoY changes
Sub-total of cash inflow from operating activities	2,794,084,680.61	2,193,006,746.73	27.41%
Sub-total of cash outflow from operating activities	1,896,561,042.54	1,556,157,147.53	21.87%
Net cash flow from operating activities	897,523,638.07	636,849,599.20	40.93%
Sub-total of cash inflow from	3,170,817,478.89	1,791,379,059.48	77.00%

investing activities			
Sub-total of cash outflow from investing activities	3,354,579,606.23	2,835,956,575.40	18.29%
Net cash flow from investing activities	-183,762,127.34	-1,044,577,515.92	82.41%
Sub-total of cash inflow from financing activities		681,200,000.00	-100.00%
Sub-total of cash outflow from financing activities	225,027,351.47	155,805,296.95	44.43%
Net cash flow from financing activities	-225,027,351.47	525,394,703.05	-142.83%
Net increase in cash and cash equivalents	488,734,159.26	117,666,786.33	315.35%

Major influencing factors for significant YoY changes in relevant data

√ Applicable □ Not applicable

(1) During the reporting period, the net cash flow from operating activities recorded an increase of 40.93% compared with the same period of the previous year, mainly owing to the expansion of sales scale and effective control of expenditures;

(2) During the reporting period, the cash inflow from investing activities recorded an increase of 77.00% compared with the same period of the previous year, mainly owing to the increase in the income from purchasing wealth management products in the current period;

(3) During the reporting period, the net cash flow from investing activities recorded an increase of 82.41% compared with the same period of the previous year, mainly owing to the increase in wealth management investment in the previous period;

(4) During the reporting period, the net cash outflow from financing activities recorded an increase of 44.43% compared with the same period of the previous year, mainly owing to the implementation of the New Lease Standards in the current period;

(5) During the reporting period, the net cash flow from financing activities recorded a decrease of 142.83% compared with the same period of the previous year, mainly owing to the implementation of the New Lease Standards in the current period;

(6) During the reporting period, the net increase in cash and cash equivalents recorded an increase of 315.35% compared with the same period of the previous year, mainly owing to the growth in performance.

Reason for significant differences between the net cash flow from operating activities and the net profit of the year during the reporting period

□ Applicable √ Not applicable

V. Analysis of Non-principal Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	Proportion in total profit	Explanation of reason	Whether it is sustainable

Investment income	38,815,870.23	5.30%		Yes
Profit and loss from changes in fair value	3,424,832.00	0.47%		Yes
Asset impairment	-78,683,952.73	-10.74%		Yes
Non-operating revenue	531,942.90	0.07%		Yes
Non-operating expense	5,613,342.65	0.77%		No
Credit impairment loss	314,860.76	0.04%		Yes

VI. Analysis of Assets and Liabilities

1. Significant changes in the composition of assets

Unit: RMB

	End of 2021		Beginning of 2021		Proportion changes	Description of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	1,082,712,218.58	22.26%	578,783,443.79	13.70%	8.56%	
Accounts receivable	279,717,057.14	5.75%	301,061,376.99	7.13%	-1.38%	
Inventory	660,214,219.41	13.58%	607,679,776.22	14.38%	-0.80%	
Fixed assets	244,337,754.20	5.02%	239,216,423.50	5.66%	-0.64%	
Construction in progress	148,165,548.36	3.05%	49,120,792.27	1.16%	1.89%	
Right-of-use assets	407,448,654.74	8.38%	478,604,887.71	11.33%	-2.95%	
Contract liabilities	140,669,127.30	2.89%	81,677,368.60	1.93%	0.96%	
Lease liabilities	217,323,756.45	4.47%	298,677,940.84	7.07%	-2.60%	
Other current assets	830,640,713.41	17.08%	1,377,984,359.67	32.62%	-15.54%	Mainly owing to the decrease in purchased structured deposits
Investment in other equity instruments	98,099,300.47	2.02%	92,785,368.67	2.20%	-0.18%	
Intangible assets	119,548,729.29	2.46%	114,864,801.65	2.72%	-0.26%	

Long-term prepaid expenses	105,243,120.55	2.16%	104,972,941.26	2.48%	-0.32%	
Other payables	55,878,486.28	1.15%	44,335,743.56	1.05%	0.10%	
Bonds payable	284,554,163.11	5.85%	630,982,939.14	14.94%	-9.09%	Mainly owing to the conversion of convertible bonds into shares

High proportion of overseas assets

□ Applicable √ Not applicable

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from changes in fair value of the period	Accumulated changes in fair value included in equity	Write-down in the period	Amount purchased in the period	Amount sold in the period	Other changes	Closing balance
Financial assets								
4. Investment in other equity instruments	92,785,368.67		5,313,931.80					98,099,300.47
Sub-total of financial assets	92,785,368.67		5,313,931.80					98,099,300.47
Total	92,785,368.67		5,313,931.80					98,099,300.47
Financial liabilities	0.00							0.00

Other changes

Whether there were significant changes to measurement attributes of the Company’s main assets during the reporting period

□ Yes √ No

3. Restriction of asset rights at the end of the reporting period

Unit: RMB

Item	Book value at the end of the period	Reason for restriction
Monetary funds	13,334,484.75	Deposits for bank acceptance bills
Total	13,334,484.75	

VII. Analysis of Investment

1. Overview

□ Applicable √ Not applicable

2. Major equity investment during the reporting period

□ Applicable √ Not applicable

3. Major non-equity investment during the reporting period

□ Applicable √ Not applicable

4. Financial asset investment

(1) Security investment

□ Applicable √ Not applicable

The Company did not invest in securities during the reporting period.

(2) Derivative investment

□ Applicable √ Not applicable

The Company did not invest in derivatives during the reporting period.

5. Use of proceeds

√ Applicable □ Not applicable

(1) Overall use of proceeds

√ Applicable □ Not applicable

Unit: RMB10,000

Year of raising	Method of raising	Total amount of proceeds raised	Amount of proceeds used in the period	Cumulative amount of proceeds used	Amount of proceeds whose use was changed in the period	Cumulative amount of proceeds whose use was changed	Proportion of cumulative proceeds whose use was changed in total proceeds raised	Amount of unused proceeds	Purpose and whereabouts of unused proceeds	Amount of proceeds that have been idle for over two years

2016	IPO	62,407.7	7,604.43	52,102.16	0	22,412	35.91%	13,826.38	Wealth management products, deposited in regulatory banks	0
2020	Convertible bonds	67,872.93	5,352.1	26,526.18	0	0	0.00%	42,634.35	Wealth management products, deposited in regulatory banks	0
Total	--	130,280.63	12,956.53	78,628.34	0	22,412	17.20%	56,460.73	--	0
Description on overall use of proceeds										
(1) Proceeds raised in IPO: Under "CSRC Approval [2016] No. 2860" issued by China Securities Regulatory Commission, BIEM.L.FDLKK Garment Co., Ltd. issued 26,670,000 RMB-denominated ordinary shares (A shares) to the public, each having a par value of RMB1.00 and an issue price of RMB26.17. The total capital raised was RMB697,953,900.00, and the net amount was RMB624,077,000.00 after deducting the issuance fees of RMB73,876,900.00 (tax exclusive). The raised proceeds were received in full amount on December 20, 2016, for which GP Certified Public Accountants (Limited Liability Partnership) had verified and presented the *Capital Verification Report* (GP Verification Doc. [2016] No. G14002150538) As of December 31, 2021, RMB521,021,571.05 of the proceeds had been used and RMB138,263,789.81 had not been used (including interest income less service charge). (2) Proceeds raised through convertible bonds: Under "CSRC Approval [2020] No. 638" issued by China Securities Regulatory Commission, BIEM.L.FDLKK Garment Co., Ltd. issued a total of RMB689 million convertible bonds to the general public, each having a par value of RMB100. The total capital raised was RMB689,000,000.00, and the net amount was RMB678,729,339.62 after deducting the underwriting fee, sponsor fee and other issuance fees of RMB10,270,660.38 (tax exclusive). The raised proceeds were received in full amount on June 19, 2020, for which Zhongxinghua Certified Public Accountants (Limited Liability Partnership) had verified and presented the *Capital Verification Report* (ZXH Verification Doc. [2020] No. 410005). As of December 31, 2021, RMB265,261,784.43 of the proceeds had been used and RMB426,343,457.48 had not been used (including interest income less service charge).										

(2) Projects committed with proceeds raised

√ Applicable □ Not applicable

Unit: RMB10,000

Committed investment projects and use of over-raised funds	Whether committed projects have been changed (includin	Total committed investment at raising	Total investment after adjustment (1)	Amount invested in the period	Cumulative amount invested as of the end of the period (2)	Investment progress as of the end of the period (3) = (2)/(1)	Date for the project is ready for intended use	Benefits realized in the period	Whether expected benefits are achieved	Whether project feasibility changed significantly

	g partial change)									
Committed investment project										
Marketing network construction project	Yes	52,053.82	29,641.82	0	29,641.82	100.00%	December 31, 2019	27,529	Yes	No
Information system improvement project	No	5,383.88	5,383.88	0	5,384.03	100.00%	December 31, 2019		Not applicable	No
Supplementing working capital	No	5,000	5,000	0	5,000	100.00%			Not applicable	No
BIEM.L.FDLKK intelligent storage center	Yes	0	22,412	7,604.43	12,076.31	53.88%	December 31, 2022		Not applicable	No
Marketing network construction and upgrading project	No	30,972.93	30,972.93	2,191.03	3,461.02	11.17%	June 30, 2023	1,800.18	Yes	No
Supply chain park project	No	14,000	14,000	1,699.69	1,740.54	12.43%	June 30, 2022		Not applicable	No
R&D design center project	No	4,000	4,000	1,461.38	2,424.62	60.62%	June 30, 2022		Not applicable	No
Supplementing working capital	No	18,900	18,900	0	18,900	100.00%			Not applicable	No
Sub-total of committed investment projects	--	130,310.63	130,310.63	12,956.53	78,628.34	--	--	29,329.18	--	--
Investment direction of over-raised funds										
None										
Total	--	130,310.63	130,310.63	12,956.53	78,628.34	--	--	29,329.18	--	--
Description of failure to achieve the planned progress or expected benefits and reasons (by project)	The “intelligent storage center” project of the Company progresses slowly, mainly because the land is a piece of land reserve won by the Company through auction; the “three supplies and one leveling” (supply of water, electricity and road and ground leveling) work of relevant departments have been delayed, leading to delayed project progress. The Company has applied to the national planning department to extend the construction and completion time of the land plot as well as the validity period under the *Construction Land Approval*, which has been approved. The “marketing network construction and upgrading project” is behind the expected schedule, mainly									

	because under the impact of COVID-19 and other factors, the Company has been advancing the investment project cautiously so as to reduce investment risks of the proceeds. The "supply chain park project" is behind the expected schedule, mainly because relevant departments have made adjustments to the planning of the plot while construction progresses slowly due to prolonged supply cycle of workers and materials under the influence of COVID-19.
Description of significant changes in project feasibility	None
Amount, purpose and progress of use of over-raised funds	Not applicable
Changes in implementation locations of projects invested with raised proceeds	Applicable
	Occurred in previous years
	In July 2017, the 17th meeting of the Second Board of Directors deliberated and approved the *Proposal on Changing the Specific Locations of Certain Projects Invested with Raised Proceeds*, which agreed to change the locations of some stores under the "marketing network construction project". Specific locations of stores were adjusted by the management according to actual business needs. The change of locations would not change the use of raised proceeds, nor would it cause any substantial impact on the implementation of the project.
Adjustments to implementation methods of projects invested with raised proceeds	Applicable
	Occurred in previous years
	The "marketing network construction project" originally planned to establish 224 company-operated stores across the country, including 206 joint-operation stores in shopping malls and airports and 18 stores in golf clubs. On October 25, 2018, the 6th meeting of the Third Board of Directors and the 5th meeting of the Third Board of Supervisors deliberated and approved the *Proposal on Adjusting the Number of Stores under the Marketing Network Construction Project*, which stated to increase the number of stores under the marketing network construction project from 224 to no more than 400 under the premise of not changing the total investment amount, investment purpose and implementation entity. Specific implementation decisions will be made by the management according to actual business needs. The matter has been approved by the 2018 Second Extraordinary General Meeting.
Advance investments for projects planned with raised funds and their exchange	Applicable
	(1) Proceeds raised in IPO: In April 2017, upon deliberation and approval at the 16th meeting of the Second Board of Directors, in accordance with the *Authentication Report of Having Used Self-raised Funds to Invest in Projects Planned with Raised Proceeds in Advance* issued by GP Certified Public Accountants LLP (GP Special Doc. [2017] No. G17003810041), independent directors, the Board of Supervisors and the sponsor expressed their consent to exchange the Company's self-raised funds that had invested in the projects planned under raised proceeds in advance at an amount of RMB99,223,778.79 on February 28, 2017 with the raised proceeds. (2) Proceeds raised through convertible bonds: On September 25, 2020, upon deliberation and approval at the 28th meeting of the Third Board of Directors, in accordance with the *Authentication Report of*

	Exchanging the Self-raised Funds That Have Been Used for Projects Planned with the Raised Proceeds and Issuance Fees with Raised Proceeds issued by Huaxing Certified Public Accountants LLP (HX Audit Doc. [2020] No. GD-280), independent directors, the Board of Supervisors and the sponsor expressed their consent to exchange the Company's self-raised funds that had invested in the projects planned under raised proceeds in advance at an amount of RMB11,826,344.79 and self-owned funds that had been used to pay for issuance fees at an amount of RMB2,470,660.38 with the raised proceeds at an amount of RMB14,297,005.17.
Temporary replenishment of working capital with idle proceeds	Not applicable
Amount of proceed balance after project implementation and reasons	Not applicable
Unused proceeds and their whereabouts	The Company convened the 6th meeting of the Fourth Board of Directors and the 4th meeting of the Fourth Board of Supervisors on September 24, 2021 and the 2021 Second Extraordinary General Meeting on October 13, 2021. The meetings deliberated and approved the *Proposal on Using Idle Proceeds and Idle Self-owned Funds for Cash Management*, which agreed to use no more than RMB650 million of temporarily idle proceeds for cash management under the premise of not affecting the progress of the investment projects and daily operations of the Company. The above cash management quota is valid for 12 months from the date of approval by the general shareholder meeting, and, within the validity period, the funds may be used on a rolling basis. Independent directors and the sponsor all expressed their consent. As of December 31, 2021, the Company had used RMB100 million idle proceeds to purchase the Li Duo Duo RMB structured corporate deposit products of Shanghai Pudong Development Bank and RMB380 million to purchase capital-guaranteed wealth management products of banks and securities companies. Other unused proceeds are still stored in the special account for the raised funds.
Problems or other situations in the use and disclosure of proceeds	None

(3) Change the use of proceeds

□ Applicable √ Not applicable

The Company did not change the use of proceeds during the reporting period.

VIII. Major Asset and Equity Sales

1. Sales of major assets

□ Applicable √ Not applicable

The Company did not sell major assets during the reporting period.

2. Sales of major equity

□ Applicable √ Not applicable

IX. Analysis of Main Holding and Joint-stock Companies

□ Applicable √ Not applicable

The Company had no main holding and joint-stock companies that should be disclosed during the reporting period.

X. Structured Entities Controlled by the Company

□ Applicable √ Not applicable

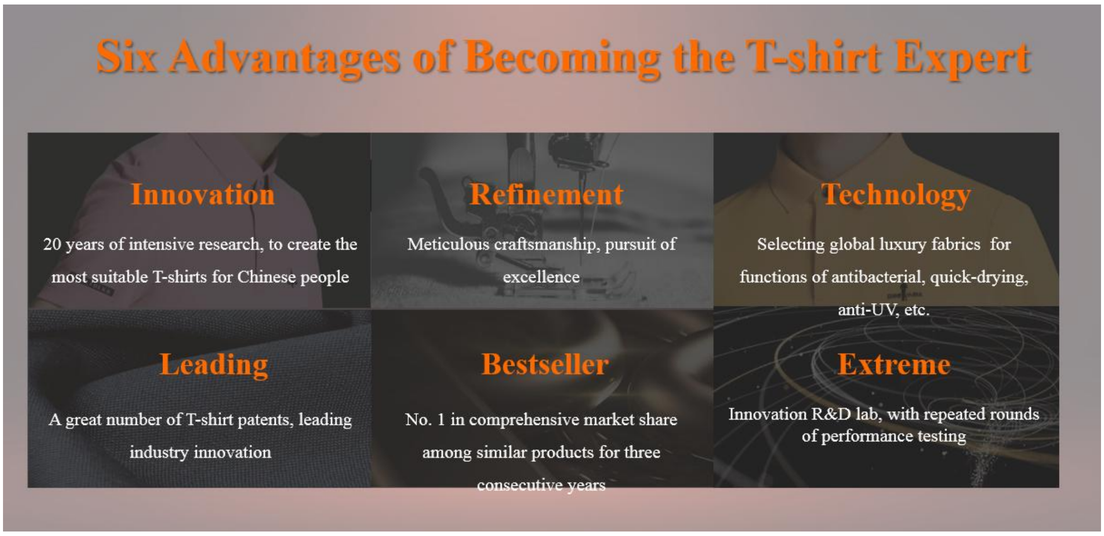
XI. Outlook of the Company's Future Development

2021 is a landmark year that witnessed another strategic cultural upgrade of the Company. The Company aims to build a century-old, world-renowned clothing group. It has defined its core culture as "responsibility and ultimate experience" and has established a corporate value of "one dedication and three haves", i.e. dedication to principal business, continuous innovation, and having passion, resilience and responsibility. With a mission of continuously creating values for consumers, the Company has specified a strategy of leading brand development with a single category, namely "Biemlfdlkk T-shirt Expert", to lay the foundation for further opening up market space.

Under the macro environment of the rise of China-chic, cultural confidence and consumption upgrading, the Company will seize opportunities to speed up the pace of development. Priority is given to the creation of product power, channel power and brand power and the improvement of operational capabilities, to rapidly enhance brand awareness and consolidate its leading position in the high-end fashion sportswear market.

1. Focusing on core categories with strategic upgrading and building the T-shirt Expert

According to data in the *Report on Market Panoramic Survey of China's T-shirt Industry and Investment Evaluation 2020-2025*, worldwide billions of T-shirts are sold each year. As a big consumer of T-shirts, China consumes more than 3 billion T-shirts annually. When China's per capita GDP exceeds US$3,000, people would raise higher demands for clothes in terms of both level and quality. Therefore, high-end T-shirts would possess greater market space.



After 20 years of dedication in the golf apparel market, the Company boasts a great number of utility model patents regarding plates, materials and processes of T-shirts. It has accumulated the somatic data of tens of millions of people that could enable the Company to design fitter and more comfortable T-shirts. As a result, products of the Company are highly recognized by target consumers. According to a statistical sales survey conducted by the China General Chamber of Commerce and the China National Commercial Information Center, T-shirts of the Company have taken up the first place in comprehensive market share (weighted average of market share by volume and market coverage) for four consecutive years (2018-2021). T-shirt has become a super category of the Company. Featuring "rigid demand", "consumable", "cross-region" and "cross-season", T-shirts have a high repurchase rate, with broad market space and continuous growth potential.

Based on its own advantages, the Company has launched a strategic upgrade plan of driving development with a single category. By focusing on T-shirts, the Company hopes to transform itself from the "first golf brand" to the "first T-shirt brand" that would pop up in the minds of consumers whenever they think of that category.

2. Firmly grasping the trend of high-end fashion sports and opening independent stores for golf series

Under the influence of multiple factors including China's economic development, consumption upgrading, catalytic effect of the pandemic, and the introduction of a series of national support policies for the sports industry, the domestic high-end sports market has become a new wind gap. High end and segmented markets are effective channels for domestic brands to overtake international brands.

At present, BIEM.L.FDLKK has taken up the largest comprehensive share in the domestic golf apparel market for five consecutive years. Under the leadership of the new Korean designer, the golf series are equipped with a better fashion sense and richer SKUs to adapt to different sportswear scenarios. The products have attracted a group of loyal consumers. Considering advantages of the product, it becomes suitable to open up independent stores for the golf series.

In 2022, the Company initiated independent operations for the golf series with independent stores. Positioning at a high-end fashion brand, the series can be further divided into fashion and professional series. Adhering to the style of "young, fashionable and innovative" and the R&D concept of "high quality, high taste and high technology", the products offer high-value experience for golf enthusiasts who value sports, fashion and functionality.

Opening independent stores for the series could further enhance the experience of high-end consumers toward fashion sportswear, which is conducive to consolidate the Company's status as the first and foremost golf apparel brand.

3. Increasing R&D investment to consolidate brand value

In the future, the Company will continue to increase R&D investment and, with a reliance on the self-built fabric laboratory, form a unique style with regards to the R&D and application of new materials, innovation of fabrics, etc. It will upgrade its R&D Center, introduce high-quality R&D and design talents, increase investment in the R&D of related materials, and cooperate with universities and scientific research institutions. By ways of constant plate optimization, design breakthroughs and cultural empowerment, the Company will continue to innovate, create values for consumers, and build highly competitive products to constantly enhance brand value.

4. Upgrading both brand image and services to build signature brand culture

In the future, the Company will upgrade both brand images and services with a view to highlighting its competitive edges and forging a signature brand culture. In terms of brand image upgrading, the Company will build the new look of terminal stores via design and display upgrades. As for brand service upgrading, the Company will elevate the images and qualities of all employees and comprehensively improve store services.

5. Continuous efforts in brand promotion to enhance brand power in an all-round way

Enhancing brand power is a key strategy of the Company for future development, for which the Company will continue to increase advertising efforts. The adoption of a series of new branding channels and models is helpful for building a brand image of young, international and high-end and enhancing brand cultural values and influences. Priority is given to two mainstream platforms, WeChat and Xiaohongshu. Advertisements and KOL recommendations can help incubate young consumers. At the same time, the Company has established an endorsement matrix by introducing young spokesperson. Other activities such as offline interactions with celebrities and VIP experience activities are also conducive to boosting brand awareness and influence.

6. Optimizing talent strategy and strengthening HR management

In 2021, the Company rolled out the new promotion mechanism and the new remuneration and benefits system and established the talent reserve mechanism. When it comes to talent training and management, the Company has introduced advanced management philosophies. In order to give full play to the talent competition mechanism and initiative in store management, the new model of store contracting system was piloted. In the future, the Company will continue to innovate on the traditional management models and roll out new management models. Emphasis is placed on the cultivation of a young, diverse talent team and the improvement of organizational capacity, so as to consolidate its overall competitiveness and promote its long-term, sustainable development.

(II) Potential risks faced by the Company

1. Risks of production outsourcing

The Company adopts the brand operation model; i.e. it focuses on links with higher added value such as design in the upstream as well as brand operation and sales channel construction in the downstream of the business chain, and outsources production. The outsourcing of production allows the Company to effectively reduce operating costs while enhancing core competitiveness. At present, the garment industry chain in China boasts obvious advantages and there are many garment factories with high manufacturing level to choose from. Meanwhile, for products with special requirements, the Company will choose some factories overseas (such as South Korea) for production to ensure product quality. It has also established a factory selection, inspection and evaluation system, and constantly strengthens and improves product quality by dispatching quality specialists to factories, inspecting their warehouses, entrusting third-parties to conduct special tests, etc. Despite so, there is still the risk that production processes of the factories are not up to quality requirements of the Company or production arrangement could not meet delivery schedule which result in delayed supply, thereby affecting the promotion and sales of the Company’s products.

2. Management risks brought by marketing network expansion

Products of the Company are sold through company-operated stores and franchise stores. The expansion of marketing network is an important way for the Company to increase market share and improve business performance. In recent years, with steady business development, store expansion has maintained a rapid growth rate. Although the Company has accumulated strong experience in channel expansion and management, possesses certain high-quality channel resources, has established a sound talent cultivation mechanism, and is equipped with strong store replication capabilities, along with the availability of proceeds raised through this offering and the unfolding of investment projects, the scale of the Company will grow rapidly and the marketing network will be further expanded. The rapid growth of the number of stores will raise more demanding requirements on the Company’s management and operation. If the Company’s talent reserve, HR management, selection of suitable locations for new stores and performance management cannot adapt to its development, the profitability of the Company in the future will be impacted to a certain extent.

3. Risks of large inventory balance

For high-end clothing brands, inventory usually takes up a high proportion in total assets while the turnover rate is low, which is consistent with their business models. This is also the case for the Company. Despite the fact inventories of the Company have been kept at a reasonable level required for normal production and operation and the aging is mostly within 2 years, if there are changes in the market environment or the competition is intensified in future years, it may lead to inventory backlog or impairment. This will cause adverse effects to operations of the Company.

XII. Reception of Researches, Communications, Interviews and Other Activities

√ Applicable □ Not applicable

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided	Index of the basic situation of the survey
May 14, 2021	Online platform (http://rs.p5w.net)	Others	Others	Online investors	For details, please refer to the IR Activity Record Form (No. 2021-001)	CNINFO (http://www.cninfo.com.cn).

Section IV Corporate Governance

I. Basic Situation of Corporate Governance

During the reporting period, the Company has constantly improved its corporate governance structure and optimized its internal management systems in strict compliance with requirements of the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and other relevant laws, administrative regulations and normative rules promulgated by China Securities Regulatory Commission (CSRC) and Shenzhen Stock Exchange (SZSE).

(I) Shareholders and general meeting of shareholders

The Company has formulated the *Rules of Procedure for the General Meetings of Shareholders* and implements them strictly. During the reporting period, the Company convened five general meetings of shareholders. The calling and convening procedures, notifications, authorizations and delegations, resolutions, deliberations and announcements of the general meeting of shareholders are all compliant with relevant laws and regulations. In addition, all the meetings conducted voting both on site and via Internet, so that all shareholders, especially minority shareholders, can fully exercise their rights.

(II) Directors and the Board of Directors

The Board of Directors of the Company currently comprises 9 directors, among which 3 are independent directors. The number and composition of the Board of Directors meet requirements of laws, regulations, and the *Articles of Association*. The Company organized the directors to attend relevant training activities of regulatory authorities. Further study and familiarity with relevant laws and regulations has effectively improved the capabilities of directors to perform their duties. Independent directors of the Company have fulfilled their duties in a serious and responsible manner. They are responsible for safeguarding the overall interests of the Company, with a special focus on the protection of the legitimate interests of minority shareholders, and expressing independent opinions on material and important matters.

(III) Supervisors and the Board of Supervisors

The Board of Supervisors of the Company comprises 3 supervisors, among which 1 is an employee representative supervisor. The number and composition of the Board of Supervisors meet requirements of laws, regulations, and the *Articles of Association*. All supervisors earnestly perform their duties as per requirements of the *Rules of Procedure of the Board of Supervisors* and other relevant regulations, to supervise the decision-making procedures and resolutions of the Board of Directors and the Company's legal operations and to effectively oversee the legality and compliance of directors, managers and other senior executives of the Company in their duty performance.

(IV) Relationship between controlling shareholders and the Company

The controlling shareholder of the Company is a natural person, Mr. Xie Bingzheng, who is also the actual controller and the Chairman of the Company. Mr. Xie strictly regulates his behaviors in accordance with relevant requirements on listed companies. All major business decisions of the Company have been made in line with standardized operating procedures, and there are no circumstances of damaging the interests of the Company and other shareholders. The Company is independent from the controlling shareholder in terms of business, personnel, assets, institution, finance, etc. and has independent and complete business systems and independent operation capabilities.

(V) Other stakeholders

The Company fully respects and safeguards the legitimate rights and interests of all stakeholders including shareholders, employees, suppliers and customers. While creating the optimal profits, the Company strives to achieve a balance of interests among the society, shareholders, employees and other relevant parties, to jointly promote its continual, sustainable development.

(VI) Information disclosure and transparency

The Board of Directors has designated the Secretary to the Board in accordance with provisions of the *Measures of the Company on Information Disclosure Management*, who is responsible for investor relations management and daily information disclosure and for receiving visits and consultations from shareholders. The Company strives to disclose information in a fair, timely, accurate and complete manner such that all shareholders may learn about information of the Company timely and fairly.

Whether there are significant differences between the Company's actual status of corporate governance and laws, administrative regulations and CSRC normative documents on the governance of listed companies

□ Yes √ No

There were no significant differences between the Company's actual conditions and laws, administrative regulations and CSRC normative documents on listed company governance.

II. The Company's Independence from Its Controlling Shareholders in terms of Business, Personnel, Finance, Organization, Business, etc.

During the reporting period, the Company operates in strict compliance with the *Company Law* and the *Articles of Association*. It is entirely independent from the controlling shareholder in terms of business, personnel, assets, institution, finance, etc. and has independent and complete business systems and independent operation capabilities.

(I) In respect of business

The Company is equipped with independent R&D design, procurement, marketing and supply systems. It faces the market and operates independently, without any reliance on the controlling shareholder and other related parties for production and operation. Its businesses are also independent from the controlling shareholder and other related parties.

(II) In respect of personnel

The Company has set up an independent HR Dept. with independent personnel files, recruitment, appointment and dismissal systems, and appraisal, reward and punishment rules in accordance with relevant state laws and regulations. All employees are recruited through standard recruitment procedures and have signed a labor contract with the Company. Directors, supervisors and senior management of the Company have been elected and appointed in strict accordance with provisions of the *Company Law* and the *Articles of Association*. Senior management of the Company including the Chairman, General Manager, Deputy General Manager, Chief Financial Officer and Board Secretary serve full-time in the Company. They do not hold any positions other than directors and supervisors in the controlling shareholder or actual controller or other companies controlled by them, nor do they receive remuneration from the controlling shareholder or actual controller or other companies controlled by them. Finance personnel of the Company do not moonlight in the controlling shareholder or actual controller or other companies controlled by them.

(III) In respect of assets

The Company legally owns the ownership or use rights of lands, properties, and trademark patents, and other assets relating to its current businesses. The property rights of assets between the Company and its shareholders are clearly defined. There is no situation where assets, equities or reputation of the Company are used as guarantees for debts of shareholders, or where controlling shareholder and related parties embezzle funds, assets and other resources of the listed company.

(IV) In respect of institution

The Company has established and improved an independent and complete organizational structure in line with the needs of its own business development, with clear division of labor as well as coordination and cooperation among units and departments. Functional departments are completely independent from the controlling shareholder and actual controller in respects of personnel, office sites and management systems. The Company has put in place a relatively complete corporate governance structure in accordance with relevant laws. General meetings of shareholders, the Board of Directors and the Board of Supervisors operate standardly in strict accordance with the *Company Law* and the *Articles of Association*. Moreover, the Company is also equipped with an independent director system. Office premises of the Company are independent of those of the shareholder units, without any co-working or mixed operation.

(V) In respect of finance

The Company has set up an independent finance department equipped with full-time financial personnel. It has also established an independent accounting system and a standardized financial management system in accordance with the *Accounting Law of the People's Republic of China* and the *Accounting Standards for Business Enterprises*, and is able to make decisions relating to financial matters independently. The Company opens independent bank accounts and files for tax returns and performs taxation obligations independently. There is no shared bank account with the controlling shareholder or actual controller or other companies controlled by them.

III. Horizontal Competition

□ Applicable √ Not applicable

IV. Annual General Meeting and Extraordinary General Meetings Held during the Reporting Period

1. Shareholder meetings during the reporting period

Session of meeting	Type	Ratio of investor participation	Date of convening	Date of disclosure	Resolutions of the meeting
2021 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	59.16%	January 29, 2021	December 30, 2021	Deliberated and approved all proposals. Details can be found in the *Announcement on Resolutions of 2021 First Extraordinary*

					General Meeting (Announcement No.: 2021-008) on CNINFO (http://www.cninfo.com.cn).
2020 Annual General Meeting of Shareholders	Annual general meeting	49.27%	May 19, 2021	May 20, 2021	Deliberated and approved all proposals. Details can be found in the *Announcement on Resolutions of 2020 Annual General Meeting of Shareholders* (Announcement No.: 2021-044) on CNINFO (http://www.cninfo.com.cn).
2021 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	49.04%	October 13, 2021	October 14, 2021	Deliberated and approved all proposals. Details can be found in the *Announcement on Resolutions of 2021 Second Extraordinary General Meeting* (Announcement No.: 2021-080) on CNINFO (http://www.cninfo.com.cn).

2. Extraordinary general meetings of shareholders proposed to be convened by preferred shareholders whose voting rights were resumed

□ Applicable √ Not applicable

V. Particulars of Directors, Supervisors and Senior Management

1. Basic information

Name	Position	Position status	Gender	Age	Start date of term of office	End date of term of office	Number of shares held at the beginning of the period	Increase of shares during the period	Decrease of shares during the period	Other changes (shares)	Number of shares held at the end of the period	Reason for change
Xie Bingzheng	Chairman	Incumbent	Male	53	February 15, 2015	January 28, 2024	216,172,000			-1,200	216,170,800	Operation error of the securities account
Shen Jindong	Director and General Manager	Incumbent	Male	47	February 15, 2015	January 28, 2024	19,652,000				19,652,000	
Tang Xinqiao	Director, Deputy General Manager, and Chief Financial Officer	Incumbent	Female	49	February 15, 2015	January 28, 2024	5,895,600				5,895,600	
Chen Yang	Director, Deputy General Manager, and Board Secretary	Incumbent	Male	42	February 15, 2015	January 28, 2024						
Liu Yueping	Independent Director	Resigned	Male	62	February 15, 2015	January 29, 2021						
Xu Xiaoxia	Independent Director	Incumbent	Female	59	January 26, 2018	January 28, 2024						
Feng	Independ	Resigned	Female	43	January	January						

Minhong	ent Director				26, 2018	29, 2021						
Xie Qing	Independent Director	Incumbent	Male	57	January 29, 2021	January 28, 2024						
Zeng Yamin	Independent Director	Incumbent	Female	43	January 29, 2021	January 28, 2024						
Shi Minqiang	Chairman of the Board of Supervisors	Incumbent	Male	40	February 15, 2015	January 28, 2024						
Cao Yong	Supervisor	Incumbent	Male	48	February 15, 2015	January 28, 2024						
Zhou Cancan	Employee Representative Supervisor	Incumbent	Female	50	January 26, 2018	January 28, 2024						
Jin Fenlin	Deputy General Manager	Incumbent	Female	43	January 22, 2017	January 28, 2024						
Total	--	--	--	--	--	--	241,719,600	0	0	-1,200	241,718,400	--

Whether there is any resignation of directors and supervisors or dismissal of senior management within their term of office during the reporting period

□ Yes √ No

Changes in directors, supervisors and senior management of the Company

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Liu Yueping	Independent Director	Resigned upon expiry of term of office	January 29, 2021	Resigned upon expiry of term of office
Feng Minhong	Independent Director	Resigned upon expiry of term of office	January 29, 2021	Resigned upon expiry of term of office
Xie Qing	Independent Director	Elected	January 29, 2021	Elected upon the change of board

Zeng Yamin	Independent Director	Elected	January 29, 2021	Elected upon the change of board

2. Main working experience

Professional background, main working experience and main current responsibilities of the Company’s in-service directors, supervisors and senior management

(I) Directors

Mr. Xie Bingzheng, born in 1969, is of Chinese nationality and has no permanent residency abroad. Mr. Xie holds an EMBA degree from Jinan University. He is a National Textile Industry Model Worker, the Vice Chairman of China Golf Association, the Vice President of China National Garment Association, the Vice President of China Fashion Color Association, the Vice President of China Textile Planning Research Association, and the Vice President of Guangzhou Federation of Industry & Commerce. He started to serve as the Executive Director (Legal Representative) of the Company in October 2007 and has been the Chairman of the Company ever since February 2012.

Mr. Shen Jindong, born in 1975, is of Chinese nationality and has no permanent residency abroad. Mr. Shen holds an EMBA degree from Jinan University. He is the Vice President of Guangdong Association of Garment and Garment Article Industry He became the Executive Deputy General Manager of the Company in March 2003 and has been the director and General Manager of the Company since February 2012.

Ms. Tang Xinqiao, born in 1973, is of Chinese nationality and has no permanent residency abroad. She has a college degree and is an assistant accountant. Ms. Tang acted as the Deputy General Manager and Chief Financial Officer of the Company from December 2006 and currently serves as the director, Deputy General Manager, and Chief Financial Officer of the Company.

Mr. Chen Yang, born in 1980, is of Chinese nationality and has no permanent residency abroad. Mr. Chen holds a master’s degree. He once worked as the Director of the Alumni Services Office, School of Business Administration, South China University of Technology and the General Manager of Jiangshan Dijing Golf Club. He became the Deputy General Manager and Board Secretary of the Company in September 2011 and currently serves as the director, Deputy General Manager and Board Secretary of the Company.

Mr. Xie Qing, born in 1965, is of Chinese nationality and has no permanent residency abroad. He is a senior economist with a master’s degree. He once acted as the Vice President of China National Garment Association, the Deputy Director of the Economy and Information Technology Bureau of Xinjiang Uygur Autonomous Region (Aid Xinjiang Program), the Deputy Director-General of the Industry and Information Technology Department of Xinjiang Uygur Autonomous Region (Aid Xinjiang Program), and the Vice President of China Textile Enterprise Association. He has been serving as the Deputy Director of the Planning Department (Industry Development Department), China National Textile and Apparel Council since October 2015 and as the Executive Vice President of China Textile Enterprise Association since December 2020. Currently, he is an independent director of the Company.

Ms. Xu Xiaoxia, born in 1963, is of Chinese nationality and has no permanent residency abroad. She holds a master’s degree. Ms. Xu once worked as an engineer in Shantou AD Photographic Material Research Institute, the Deputy General Manager of the Electromechanical Equipment Company of Guangdong Shantou International Industrial Group, the Assistant to the Dean and

Director of the Training Center of the School of Business Administration, South China University of Technology. Currently, She serves as the Executive Director of the Research and Consultancy Center for Guangdong Small and Medium-Sized Firms, School of Business Administration, South China University of Technology, and the Managing Director of Baibu Youth (Guangzhou) Management Consulting Co., Ltd. She has part-timed as a director of the Guangdong Industrial Finance Holding Company since September 2018 and a director of the Huada Capital Management (Guangdong) Co., Ltd. since February 2019. Currently she is an independent director of the Company.

Ms. Zeng Yamin, born in 1979, is a PhD of Xiamen University and post-doctoral scholar of Tsinghua University. In 2019, she was selected into the International high-Level Accounting Talent Training Program of the Ministry of Finance. She has presided over a number of projects under the National Natural Science Foundation, the National Social Science Fund of China, and the Sciences and Humanities Research Fund, the Ministry of Education. She was once an accounting lecturer at Shanghai University and Nankai University, and has been a professor and doctoral supervisor of the Accounting Department of Jinan University since November 2014. Meanwhile, she has served as an independent director of the Rising Nonferrous Metals Share Co., Ltd. since October 2020, an independent director of Guangdong Anda Automation Solutions Co., Ltd. since November 2020, an independent director of Guangdong PAK Corporation Co., Ltd. since May 2021, and an independent director of Guangdong Lin's Home Furnishing Co., Ltd. since October 2021. She is also an independent director of the Company at present.

(II) Supervisors

Mr. Shi Minqiang, born in 1982, is of Chinese nationality and has no permanent residency abroad. Mr. Shi has a master's degree. He joined the Company in October 2011 and currently serves as the Chairman of the Board of Supervisors.

Mr. Cao Yong, born in 1974, is of Chinese nationality and has no permanent residency abroad. Mr. Cao has a master's degree. He once worked in Bank of China Guangdong Branch. He has been the Investment Director of the Investment Department, Guangzhou Jinan Investment Co., Ltd. since September 2010 and part-timed as a director of Guangdong Zhongyao Kiln Stock Co., Ltd. since August 2017. Currently he is a supervisor of the Company.

Ms. Zhou Cancan, born in 1972, is of Chinese nationality and has no permanent residency abroad. She holds a college degree and has been working in the Company since 2008. Currently she is a supervisor of the Company.

(III) Senior management

Mr. Shen Jindong is the General Manager of the Company. For details on his resume, please refer to the above "(I) Directors".

Ms. Tang Xinqiao is the Deputy General Manager and Chief Financial Officer of the Company. For details on her resume, please refer to the above "(I) Directors".

Mr. Chen Yang is the Deputy General Manager and Board Secretary of the Company. For details on his resume, please refer to the above "(I) Directors".

Ms. Jin Fenlin, born in 1979, is of Chinese nationality and has no permanent residency abroad. Ms. Jin holds a master's degree and is the Executive Director of China Fashion Color Association. She joined the Company in 2008 and currently serves as the Deputy General Manager of the Company.

Positions in shareholder entities

√ Applicable □ Not applicable

Name	Name of shareholder entity	Position held in shareholder entity	Start date of term of office	End date of term of office	Whether receiving remuneration and allowance from shareholder entity
Xie Bingzheng	Guangzhou Jinan Investment Co., Ltd.	Director	January 01, 2010		No
Cao Yong	Guangzhou Jinan Investment Co., Ltd.	Investment Director	September 01, 2010		Yes
Description on position held in shareholder entity	None				

Positions in other entities

√ Applicable □ Not applicable

Name	Name of other entity	Position held in other entity	Start date of term of office	End date of term of office	Whether receiving remuneration and allowance from other entity
Xie Qing	Planning Department (Industry Development Department), China National Textile and Apparel Council	Deputy Director	October 01, 2015		No
Xie Qing	China Textile Enterprise Association	Executive Vice President	December 01, 2020		Yes
Xu Xiaoxia	Research and Consultancy Center for Guangdong Small and Medium-Sized Firms, South China University of Technology	Executive Director	January 01, 2022		Yes
Xu Xiaoxia	Baibu Youth (Guangzhou) Management Consulting Co., Ltd.	Managing Director	September 01, 2021		No
Xu Xiaoxia	Guangdong Industrial Finance Holding Company	Director	September 01, 2018		No
Xu Xiaoxia	Huada Capital Management (Guangdong) Co., Ltd.	Director	February 01, 2019		No
Zeng Yamin	Rising Nonferrous Metals Share Co., Ltd.	Independent Director	October 20, 2020		Yes
Zeng Yamin	Guangdong Anda Automation Solutions Co., Ltd.	Independent Director	November 30, 2020		Yes

Zeng Yamin	Guangdong PAK Corporation Co., Ltd.	Independent Director	May 12, 2021		Yes
Zeng Yamin	Guangdong Lin's Home Furnishing Co., Ltd.	Independent Director	November 01, 2021		Yes
Zeng Yamin	Accounting Department of Jinan University	Professor, doctoral supervisor	November 01, 2014		Yes
Tang Xinqiao	Guangdong Quality Energy Beverage Co., Ltd.	Director	July 25, 2018		No
Tang Xinqiao	Guangzhou Chuanqi Intelligent Technology Co., Ltd.	Executive Director and General Manager	April 26, 2019		No
Cao Yong	Guangdong Zhongyao Kiln Stock Co., Ltd.	Director	August 01, 2017		No
Description on position held in other entity	None				

Penalties by regulatory authorities on the Company's directors, supervisors and senior management both incumbent and resigned during the reporting period in the last three years

□ Applicable √ Not applicable

3. Remuneration of directors, supervisors and senior management

Procedures and basis for determining the remuneration of directors, supervisors and senior management and actual payment

Procedures and basis for determining the remuneration of directors, supervisors and senior management and actual payment

For the remuneration and appraisal of directors, the Remuneration and Review Committee proposes the program, which is then submitted to the general meeting of shareholders for approval. For the remuneration and appraisal of supervisors, the Board of Supervisors proposes the program, which is then submitted to the general meeting of shareholders for approval. For the remuneration and appraisal of senior management, the Remuneration and Review Committee proposes the program, which is then submitted to the Board of Directors for approval.

The annual allowance for independent directors is determined after being reviewed and approved by the general meeting of shareholders. The standard is RMB60,000/year for each independent director, which is paid monthly.

During the reporting period, remunerations of directors, supervisors and senior management of the Company are reasonable and paid in time, which are consistent with requirements of regulatory authorities and relevant regulations of the Company.

Remuneration of directors, supervisors and senior management of the Company during the reporting period

Unit: RMB10,000

Name	Position	Gender	Age	Position status	Total	Whether

					remuneration before tax received from the Company	receiving remuneration from related parties of the Company
Xie Bingzheng	Chairman	Male	53	Incumbent	108.68	No
Shen Jindong	Director and General Manager	Male	47	Incumbent	118.84	No
Tang Xinqiao	Director, Deputy General Manager, and Chief Financial Officer	Female	49	Incumbent	109.62	No
Chen Yang	Director, Deputy General Manager, and Board Secretary	Male	42	Incumbent	69.26	No
Liu Yueping	Independent Director	Male	62	Resigned	0.5	No
Xu Xiaoxia	Independent Director	Female	59	Incumbent	6	No
Feng Minhong	Independent Director	Female	43	Resigned	0.5	No
Shi Minqiang	Chairman of the Board of Supervisors	Male	40	Incumbent	29.23	No
Cao Yong	Supervisor	Male	48	Incumbent	2.4	Yes
Zhou Cancan	Employee Representative Supervisor	Female	50	Incumbent	44.5	No
Jin Fenlin	Deputy General Manager	Female	43	Incumbent	49.74	No
Xie Qing	Independent Director	Male	57	Incumbent	0	No
Zeng Yamin	Independent Director	Female	43	Incumbent	5.5	No
Total	--	--	--	--	544.77	--

VI. Performance of Duties by Directors during the Reporting Period

1. Board meetings during the reporting period

Session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
32nd Meeting of the Third Board of Directors	January 13, 2021	January 14, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
1st Meeting of the Fourth Board of Directors	January 29, 2021	January 30, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
2nd Meeting of the Fourth Board of Directors	April 27, 2021	April 29, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
3rd Meeting of the Fourth Board of Directors	April 28, 2021	April 29, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
4th Meeting of the Fourth Board of Directors	August 17, 2021	August 18, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
5th Meeting of the Fourth Board of Directors	August 17, 2021	August 18, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
6th Meeting of the Fourth Board of Directors	September 24, 2021	September 25, 2021	No proposal was rejected at the meeting. For details, please refer to the announcement on CNINFO (http://www.cninfo.com.cn).
7th Meeting of the Fourth Board of Directors	October 28, 2021	October 29, 2021	No proposal was rejected at the meeting. For details, please

			refer to the announcement on CNINFO (http://www.cninfo.com.cn).

2. Directors' attendance to Board meetings and general meetings of shareholders

Directors' attendance to Board meetings and general meetings of shareholders							
Name of director	Number of Board meetings required to attend during the reporting period	Number of Board meetings attended in person	Number of Board meetings attended via communication methods	Number of Board meetings attended by proxy	Number of absence	Any failure in attending in person for two consecutive meetings	Number of general shareholder meetings attended
Xie Bingzheng	8	7	1	0	0	No	3
Shen Jindong	8	7	1	0	0	No	3
Tang Xinqiao	8	7	1	0	0	No	3
Chen Yang	8	7	1	0	0	No	3
Liu Yueping	1	1	0	0	0	No	1
Xu Xiaoxia	8	6	2	0	0	No	2
Feng Minhong	1	1	0	0	0	No	1
Xie Qing	7	4	3	0	0	No	2
Zeng Yamin	7	5	2	0	0	No	2

Explanation of failure in attending in person for two consecutive meetings

Not applicable

3. Objections by directors to the Company's relevant matters

Whether directors raised objections to relevant matters of the Company

□ Yes √ No

Directors did not raise objections to relevant matters of the Company during the reporting period.

4. Other descriptions on directors' performance of duty

Whether opinions from directors were adopted

√ Yes □ No

Description on whether opinions from directors were adopted

During the reporting period, all the directors of the Company performed their duties faithfully and diligently in strict accordance with the *Company Law*, the *Securities Law*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange* and other relevant laws and regulations. They paid attention to the Company's standardized operations and reviewed various matters of the Company scientifically and prudently, and put forward valuable, professional suggestions regarding operations and development of the Company according to actual situations of the Company. Efforts were also made to actively protect the legitimate rights and interests of the Company and all shareholders.

VII. Particulars of the Special Committees under the Board of Directors during the Reporting Period

Name of committee	Members	Number of meetings convened	Date of convening	Contents	Important opinions and suggestions raised	Other situations of duty performance	Specifics of objections (if any)
Strategy Committee	Xie Bingzheng, Shen Jindong, Tang Xinqiao, Chen Yang, Xu Xiaoxia, Liu Yueping, Feng Minhong	1	January 13, 2021	Discussed and reviewed the *Proposal on the Strategic Planning of Branches in 2021*.	The meeting recommended making deployment and development according to the Company's business strategies.	None	None
Strategy Committee	Xie Bingzheng, Shen Jindong, Tang Xinqiao, Chen Yang, Xu Xiaoxia, Xie Qing, Zeng Yamin	1	April 27, 2021	Discussed and reviewed the *Proposal on the 2020 Work Report of the General Manager*.	The meeting reviewed operations in 2020 and put forward prospects for 2021.		
Remuneration and Review Committee	Xu Xiaoxia, Shen Jindong, Zeng Yamin	1	April 27, 2021	Reviewed the remuneration program for directors in 2021; reviewed the remuneration program for senior management in 2021.			
Nomination Committee	Liu Yueping, Xie Bingzheng,	1	January 13, 2021	Reviewed the *Proposal on*	After fully reviewing and		

	Xu Xiaoxia			*the Election of Non-Independent Directors of the Fourth Board of Directors* and the *Proposal on the Election of Independent Directors of the Fourth Board of Directors.*	considering the qualifications of the proposed candidates based on the principle of professional experience diversification and competence complementation of board members, the meeting agreed to submit the proposals to the Board of Directors for review and approval.		
Nomination Committee	Xie Qing, Xie Bingzheng, Xu Xiaoxia	1	January 29, 2021	Reviewed the *Proposal on the Appointment of the General Manager*, the *Proposal on the Appointment of the Deputy General Manager*, the *Proposal on the Appointment of the Chief Financial Offer*, and the *Proposal on the Appointment of the Secretary to the Board.*	After considering that qualifications of the candidates were up to requirements on senior management of listed companies and requirements of the post, the meeting agreed to submit the proposals to the Board of Directors for review and approval.		

			March 23, 2021	Discussed and reviewed the *2020 Internal Audit Work Report* of the Company.	All the proposals were agreed.		
Audit Committee	Zeng Yamin, Chen Yang, Xu Xiaoxia	5	April 26, 2021	Reviewed the 2020 audit work of Zhongxinghua Certified Public Accounts LLP; reviewed the *2020 Internal Control Self-evaluation Report*; reviewed the *First Quarter Report 2021*; reviewed the *Internal Audit Work Report of 2021 Q1*.	All the proposals were agreed.		
			August 17, 2021	Reviewed the Semi-annual Report 2021; reviewed the Internal Audit Work Report of 2021 Q2.	All the proposals were agreed.		
			September 24, 2021	Reviewed the *Proposal on the Engagement of the Accounting Firm.*	The meeting agreed to submit the proposal to the Board of Directors for review and approval.		
			October 28, 2021	Reviewed the *Third Quarter Report 2021*;	All the proposals were agreed.		

				reviewed the *Internal Audit Work Report of 2021 Q3*; reviewed the *Internal Audit Work Plan of 2022.*			

VIII. Work of the Board of Supervisors

Whether the Board of Supervisors discovered risks in supervisory activities during the reporting period

□ Yes √ No

The Board of Supervisors had no objections to supervised events during the reporting period.

IX. Employees of the Company

1. Number, profession composition and education level of employees

Number of in-service employees of the Parent Company at the end of the reporting period	530
Number of in-service employees of the major subsidiaries at the end of the reporting period	2,637
Total number of in-service employees at the end of the reporting period	3,167
Total number of employees receiving remuneration in the reporting period	3,167
Number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	6
Composition of professions	
Type of professions	Number of staff in the profession
Sales staff	2,631
Administrative staff	163
Operation staff	288
R&D and design staff	85
Total	3,167
Education level	
Type of education level	Number of persons
Postgraduates and above	9

University graduates	199
College graduates	689
Technical school graduates and lower	2,270
Total	3,167

2. Remuneration policy

Remunerations of the Company should be performance-oriented and encourage and give full play to the initiatives and innovations of employees internally, and remain competitive externally. The Company pays attention to both performance and position values, and adopts a flexible remuneration structure for different sequences of positions. The remuneration base and total amount are dynamically managed in line with business performance of the Company. Adhering to the value proposition of people-oriented, remuneration policy of the Company should be able to enhance the cohesion and competitiveness of the Company, to promote its sustainable, smooth and fast development.

3. Training program

The Company values the growth of every employee and has set up different training programs for employees and managers based on their different professional sequence and management level. Moreover, targeted courses have been developed in combination with the results of survey on annual training needs, to ensure the scientific nature and effectiveness of the curriculum. Catering to different trainees, the Company has forged a series of classic training programs like the “National New Product Tour Training”, “National Store Management Training” and “Orientation Training”. The E-learning platform developed by the Company features pocket courses and short teaching videos, which could satisfy the learning needs of all employees throughout the country anytime, anywhere.

The Company has established the BIEM.L.FDLKK Business Academy targeting at mid-level managers and backbone employees. Combining offline and CEIBS online platform, the program aims to tap the potentials of employees by strengthening their strategic management, project management and process management capabilities and solidifying their work abilities. It could help them identify key capabilities and practical design with a focus on business pain points, stimulate their awareness of learning and innovation, and solidify their work abilities.

4. Labor outsourcing

□ Applicable √ Not applicable

X. Profit Distribution of the Ordinary Shares and Conversion of Capital Reserve to Share Capital of the Company

Formulation, implementation or adjustment of profit distribution policies of ordinary shares especially the cash dividend plan in the reporting period

√ Applicable □ Not applicable

The Company has formulated the *Shareholder Return Plan for the Next Three Years (2019-2021)* in accordance with provisions and requirements of the *Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies* released by China Securities Regulatory Commission (CSRC Doc. [2012] No. 37), the *Guidelines on the Supervision and Administration of Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies* (CSRC Announcement [2013] No. 43) and the *Articles of Association*. During the reporting period, the Company has strictly enforced the profit distribution policies stipulated under the *Articles of Association* and the *Shareholder Return Plan for the Next Three Years (2019-2021)*.

During the reporting period, the Board of Directors and the general shareholder meeting deliberated and approved the 2020 profit distribution plan on April 27 and May 15, 2021, respectively, which is: Distribute a cash dividend of RMB3.0 (tax inclusive) for every 10 shares to all shareholders based on the total share capital on the equity registration date as specified in the announcement on 2020 equity distribution implementation, with a total amount of RMB164,406,977.10. The plan was completed in July 2021.

Special explanation on cash dividend policy	
Whether the policy complies with provisions of the Articles of Association or requirements of the resolutions made on the shareholders' general meeting:	Yes
Whether dividend standards and ratio are definite and clear:	Yes
Whether relevant decision-making procedure and mechanism are well-established:	Yes
Whether independent directors have performed duties and played their roles properly:	Yes
Whether minority shareholders have sufficient opportunities to express opinions and requests, and whether their legitimate rights and interests were sufficiently protected:	Yes
Where the cash dividend policy undergoes any adjustment or change, whether the conditions and procedures are compliant and transparent:	Not applicable

The Company gained profits in the reporting period and the retained profit of the Parent Company for holders of ordinary shares is positive, but no plan of cash dividend is proposed

□ Applicable √ Not applicable

Profit distribution and conversion of capital reserve to share capital during the reporting period

√ Applicable □ Not applicable

Number of bonus shares for every 10 shares	0
Amount of dividend for every 10 shares (tax included) (RMB)	3.00
Basis of the shares for distribution proposal	570,707,084
Amount of cash dividends (RMB) (tax included)	171,212,125.20

Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00
Total amount of cash dividends (including other ways) (RMB)	171,212,125.20
Distributable profit (RMB)	1,809,851,821.97
Proportion of total cash dividends (including other ways) in distributable profit	100%
Cash dividend of the reporting period	
If the Company is in the growth period and there are major capital expenditure arrangements, when the profit is distributed, the proportion of cash dividends in this profit distribution should be at least 20%.	
Details of the profit distribution proposal or share conversion proposal from capital reserve	
The Company plans to distribute a cash dividend of RMB3.0 (tax inclusive) for every 10 shares to all shareholders based on a total share capital of 570,707,084 shares as at March 31, 2022, with a total amount of RMB171,212,125.20; no bonus shares will be issued and no capital reserve will be converted into share capital; the remaining undistributed profits will be carried forward to the next year. Where there are any changes to the Company's total share capital after the announcement of the profit distribution proposal and before the equity registration date for actual implementation, the Company will maintain the same distribution ratio per share and adjusts the total distribution amount accordingly.	

XI. Implementation of the Stock Incentive Plan, Employee Stock Ownership Plan, and Other Employee Incentives of the Company

√ Applicable □ Not applicable

1. Equity incentive

None

Equity incentives granted to directors and senior management during the reporting period

□ Applicable √ Not applicable

Performance appraisal and incentives of senior management

None

2. Implementation of the employee stock ownership plan

√ Applicable □ Not applicable

All valid employee stock ownership plans during the reporting period

Scope of employees	Number of entitled employees	Total shares held	Changes	Proportion to the total share capital of the listed company	Source of funds for implementing the plan
1. Directors (excluding independent	851	6,494,626	None	1.18%	Self-raised funds by employees and borrowed funds from

directors), supervisors and senior management of the Company; 2. Other core and backbone employees					the controlling shareholder

Shareholdings of directors, supervisors and senior management in the Employee Stock Ownership Plan during the reporting period

Name	Position	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Proportion to the total share capital of the listed company
Shen Jindong	Director and General Manager	0	413,590	0.08%
Tang Xinqiao	Director, Deputy General Manager, and Chief Financial Officer	0	241,187	0.04%
Chen Yang	Director, Deputy General Manager, and Board Secretary	0	55,500	0.01%
Jin Fenlin	Deputy General Manager	0	47,234	0.01%
Shi Minqiang	Chairman of the Board of Supervisors	0	44,872	0.01%
Zhou Cancan	Employee Representative Supervisor	0	35,425	0.01%

Changes in asset management institution during the reporting period

□ Applicable √ Not applicable

Changes in equity due to disposal of shares by holders during the reporting period

□ Applicable √ Not applicable

Exercise of shareholder rights during the reporting period

During the reporting period, the Employee Stock Ownership Plan exercised the shareholder right of entitlement to cash dividends in 2020, but did not exercise the right of voting on the shareholder meetings and other shareholder rights.

Other situations of the employee stock ownership plan during the reporting period and explanation

□ Applicable √ Not applicable

Changes in the members of the management committee of the employee stock ownership plan

□ Applicable √ Not applicable

Financial impact of the employee stock ownership plan on the listed company during the reporting period and related accounting treatment

□ Applicable √ Not applicable

Termination of employee stock ownership plan during the reporting period

□ Applicable √ Not applicable

Other description

3. Other employee incentives

□ Applicable √ Not applicable

XII. Construction and Implementation of Internal Control Systems during the Reporting Period

1. Internal control construction and implementation

The Company has put in place a relatively complete corporate governance structure and a relatively sound internal control system, which are consistent with the Company's management requirements and development needs and compliant with relevant laws, regulations and securities regulatory requirements. Various internal systems of the Company were well implemented and further revised and optimized in 2021, and have basically achieved the overall goal of internal control. They have played a positive role in controlling and preventing operation and management risks, protecting the legitimate rights and interests of investors, and promoting the standardized operation and healthy development of the Company. As of December 31, 2021, the design and operations of the Company's internal control system are effective, without any major defects.

The internal control system needs to be continuously improved with the expansion of the Company's businesses and scale. The Company will continue to optimize the building of the internal control system, and strengthen the awareness of standardized operation and internal supervision mechanism, so as to promote its sustainable, stable and healthy development.

2. Particulars of material internal control defects detected during the reporting period

□ Yes √ No

XIII. Management and Control of the Company for Subsidiaries during the Reporting Period

Name of company	Integration plan	Integration progress	Problems in integration	Solutions taken	Solution progress	Subsequent solution plan
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

XIV. Self-assessment Report on Internal Control or Internal Control Audit Report

1. Self-assessment report on internal control

Disclosure date of the assessment report on internal control	April 16, 2022
Disclosure index of the assessment report on internal control	CNINFO (http://www.cninfo.com.cn)
Percentage of total assets of units included in the assessment scope to the total assets	100.00%

in the Company's consolidated financial statements		
Percentage of total revenue of units included in the assessment scope to the revenue in the Company's consolidated financial statements	100.00%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	Material defect: (1) The internal control is invalid; (2) Directors, supervisors and senior management have committed fraud and caused serious losses and severe adverse impacts to the company; (3) Significant errors in the current financial reports were identified by the certified public accountants but not by internal control; (4) The internal control and supervision conducted by the company's audit committee and internal auditing units are invalid; (5) There exist one or a combination of control defects that may cause the company to materially deviate from the objectives of internal control. Major defect: (1) The company fails to select and apply accounting policies based on generally accepted accounting standards; (2) There are no anti-fraud procedures and control measures; (3) There is no control mechanism for significant non-routine or special transactions or the mechanism is not implemented, while there is no compensatory control; (4) There are one or multiple defects in the control of the financial reporting process at the end of the period such that the authenticity and completeness of the prepared financial reports could not be reasonably guaranteed. General defect: Other internal control defects than material defects and major defects.	Material defect: Its probability of occurrence is high or the defect severely reduces work efficiency or effectiveness, or severely increases the uncertainty of effects or causes severe deviations from expected objectives. Major defect: Its probability of occurrence is relatively high or the defect significantly reduces work efficiency or effectiveness, or significantly increases the uncertainty of effects or causes obvious deviations from expected objectives. General defect: Its probability of occurrence is low or the defect reduces work efficiency or effectiveness, or increases the uncertainty of effects or causes deviations from expected objectives.
Quantitative criteria	Quantitative criteria take revenue and total assets as measurement indicators. (1) In respect of revenue: General defect: The misstated amount in the	The quantitative criteria for non-financial

	financial report arising from the defect alone or in combination with other defects is less than 1% of revenue. Major defect: The misstated amount is between 1% (inclusive) and 2% of the revenue. Material defect: The misstated amount is more than 2% (inclusive) of revenue. (2) In respect of total assets: General defect: The misstated amount in the financial report arising from the defect alone or in combination with other defects is less than 0.5% of total assets. Major defect: The misstated amount is between 0.5% (inclusive) and a% of total assets. Material defect: The misstated amount is more than 1% (inclusive) of total assets.	report defects are subject to those of financial report defects.
Number of material defects in financial reports	0	
Number of material defects in non-financial reports	0	
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	

2. Internal control audit report

□ Applicable √ Not applicable

XV. Rectification of Detected Problems in the Corporate Governance Special Action of Listed Companies

Not applicable

Section V Environmental and Social Responsibilities

I. Main Environmental Protection Issues

Whether the listed company and its subsidiaries are the key pollution discharge units published by the environmental protection department

□ Yes √ No

Administrative penalties due to environmental issues during the reporting period

Name of company or subsidiary	Reason of penalty	Violation	Penalty result	Impact on production and operation of the listed company	Rectification measures of the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Refer to other environmental information disclosed by key pollutant discharge units

Not applicable

Measures taken to reduce carbon emissions during the reporting period and their effects

□ Applicable √ Not applicable

Reason for not disclosing other environmental information

Not applicable

The Company needs to comply with information disclosure requirements on the textile and garment-related industries as stipulated in the *SZSE Guidelines No. 3 for the Self-discipline and Supervision of Listed Companies — Industry Information Disclosure*.

Environmental protection compliance of the Company during the reporting period

The Company does not belong to key pollution discharge units published by the environmental protection department.

II. Corporate Social Responsibilities

(1) Corporate governance and investor protection

Pursuant to the *Company Law*, the *Securities Law* and relevant regulatory requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company has defined a governance structure with general shareholder meetings as the organ of authority, the Board of Directors as the decision-making body and the Board of Supervisors as the supervisory body, and has formulated their rule of procedure and decision-making procedure. Moreover, the *Articles of Association of the Company* is at the center of the Company's governance system, which is continuously revised and improved according to new requirements.

The Company attaches great importance to the protection of rights and interests of investors and has formulated the *Rules of Procedures of the General Meeting of Shareholder*s and the *Investor Relations Management System*, to regulate the elections of directors and supervisors, ensure full exercise of power by shareholders and safeguard the interests of minority shareholders.

(2) Contributing to social welfare undertakings and actively shouldering corporate social responsibilities

In October 2021, many regions in Shanxi Province suffered from heavy rain, resulting in severe waterlogging, floods and other disasters. As a result, the province initiated provincial level 3 emergency response to geological disasters. In view of this, the Company quickly responded and raised disaster-relief materials day and night worth millions, including cotton clothes, down jackets, blankets and other cold-proof materials. This is a perfect combination of branding and corporate social responsibilities.

In November 2021, sponsored by Guangzhou Panyu District Charity Organization and BIEM.L.FDLKK Charity Fund and organized by Panyu Qiwu Social Services Center, the Children and Adolescent Peace of Mind Project was officially launched at the Children and Adolescent Peach of Mind Station in Nancun Town. By sponsoring the children and youth peace of mind project in the name of its charity fund, the Company hopes to illuminate more families, which fully embodies the sense of responsibility of a national brand.

III. Efforts Regarding Poverty Alleviation and Rural Revitalization

The Company did not engage in any poverty alleviation and rural revitalization work during the reporting period.

Section VI Significant Events

I. Implementation of Commitments

1. Commitments completed by actual controllers, shareholders, related parties, purchasers, or the Company within the reporting period and commitments not fulfilled by the end of the reporting period

√ Applicable □ Not applicable

Cause of commitment	Undertaking party	Type of commitment	Content of commitment	Time of commitment	Term of commitment	Fulfillment of commitment
Share reform commitment						
Commitments in the acquisition report or the equity change report						
Commitments made during asset restructuring						
Commitments made during the initial public offering or refinancing	Xie Bingzheng, Feng Lingling	Commitment to share reduction	They promise not to reduce any shares held in the Company within two years upon the expiration of the lock-up period.	December 23, 2016	Within two years upon expiration of the lock-up period	Ongoing normally
	Xie Ting	Commitment to share reduction	He promises that the total share reduction in the first year upon the expiration of the lock-up period will not exceed 80% of the shares he held in the issuer before the issuance; after the	December 23, 2016	Within two years upon expiration of the lock-up period	Ongoing normally

			reduction in the second year, his total number of shares will not be lower than 5% of the shares he held in the issuer before the issuance; the reduction price will not be lower than the issuance price (the reduction price will be adjusted accordingly for any ex-rights and ex-dividends of the issuer after listing).			
	Xie Bingzheng, Feng Lingling, Shen Jindong, Tang Xinqiao	Commitment to share reduction	They promise that during their term as a director, supervisor and senior management of the Company, they will not transfer more than 25% of the total shares they hold in the Company each year; if they leave office, they	December 23, 2016	During the term when they serve as the director, supervisor and senior management and within a specific period after reporting for leaving office	Ongoing normally

			will not transfer any shares within six months after leaving office; within 12 months upon the expiration of the aforesaid 6 months after reporting for leaving office, the number of shares sold through stock exchange listing will not exceed 50% of the total number of shares they hold in the Company.			
	Xie Bingzheng, Feng Lingling	Not-to-compete commitment	They have presented the *Letter of Commitment to Avoid Horizontal Competition*, promising not to compete with the Company in the same business sector.	January 15, 2013	During the period when they act as the controlling shareholder and actual controller of the Company and within three years after they no longer act as the controlling shareholder and actual controller	Ongoing normally
Equity incentive commitments						
Other commitments to minority						

shareholders						
Whether commitments are fulfilled on time	Yes					
If there are commitments not fulfilled within the specified period of time, specify reasons for failure to do so and follow-up work plans	Not applicable					

2. If there are assets or projects of the Company which have profit forecast while the reporting period is still in the forecast period, the Company should state whether the assets or projects have attained the profit forecast and explain reasons

□ Applicable √ Not applicable

II. Appropriation of Funds for Non-operating Purposes by Controlling Shareholder and Its Related Parties

□ Applicable √ Not applicable

During the reporting period, the Company did not have any funds appropriated for non-operating purposes by the controlling shareholder and its related parties.

III. External Guarantee in Violation of Prescribed Procedures

□ Applicable √ Not applicable

During the reporting period, there was no external guarantee in violation of prescribed procedures.

IV. Explanation by the Board of Directors of the "Non-standard Audit Report" of the Latest Period

□ Applicable √ Not applicable

V. Explanation by the Board of Directors, the Board of Supervisors, and Independent Directors (if any) of the "Non-standard Audit Report" for the Reporting Period Issued by the Accounting Firm

□ Applicable √ Not applicable

VI. Explanation of Changes in Accounting Policies and Estimates or Correction of Significant Accounting Errors Compared with the Financial Report of Last Fiscal Year

√ Applicable □ Not applicable

1. Significant changes of accounting policies

Contents and reasons for changes to accounting policies	Approval procedure	Remarks (financial statement

		items affected by such changes and impacted amount)
On December 07, 2018, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 21 -- Leases* (C.K. [2018] No. 35) (hereinafter referred to as the "New Lease Standards"), requiring that other enterprises that implement the Accounting Standards for Business Enterprises shall implement these revised Standards from January 1, 2021. The Company starts to implement them from the stipulated effective date.	Reviewed and approved at the 2nd meeting of the Fourth Board of Directors and 2nd meeting of the Fourth Board of Supervisors	For details, see "Other descriptions (1)".
In January 2021, the Ministry of Finance issued *the Interpretation No. 14 to Accounting Standards for Business Enterprises* (C.K. [2018] No. 01) (hereinafter referred to as the "Interpretation No. 14"), which came into force on January 1, 2021. The Company starts to implement them from the stipulated effective date.	Not applicable	For details, see "Other descriptions (2)".
In December 2021, the Ministry of Finance issued *the Interpretation No. 15 to Accounting Standards for Business Enterprises* (C.K. [2018] No. 35) (hereinafter referred to as the "Interpretation No. 15"), of which contents on "presentation concerning centralized management of funds" came into force as of the date of issuance. The Company starts to implement them from the stipulated effective date.	Not applicable	For details, see "Other descriptions (3)".

Other description:

(1) For specific policies of the New Lease Standards, please refer to "Note V (36)".

The Company started to implement the New Lease Standards from January 1, 2021. Under requirements of the New Lease Standards, the amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of the new standards (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted. For specific changes of corresponding financial statement items, please refer to "Note V (38) (3) Description on the adjustment of relevant items in the financial statements at the beginning of the year for the first time adoption of the New Leasing Standards since 2021".

Pursuant to the New Lease Standards, for contracts that already exist prior to the enforcement of the new standards, the Company chooses not to re-evaluate whether they are a lease or contain a lease on the adoption date of the new standards. For lease contracts in which the Company is the lessee, the Company elects to only adjust the accumulative impact amount of lease contracts not yet completed as of January 1, 2021.

For operating leases whose leased assets belong to low-value assets prior to the adoption date or whose remaining lease term is less than 12 months, the Company adopts a simplified method and does not recognize them as right-of-use assets and lease liabilities. Moreover, the Company adopts the following simplified treatment methods for operating leases prior to the adoption date of the new standards:

A. When measuring lease liabilities, the same discount rate is used for leases with similar characteristics; the measurement of the right-of-use assets excludes initial direct costs;

B. If there is an extension option or termination option, the Company determines the lease term based on the actual exercise of the option before the adoption date and other latest conditions;

C. As an alternative to the impairment test for right-of-use assets, the Company assesses whether a contract that contains a lease is a loss contract before the adoption date, and adjusts the right-of-use asset based on the loss amount already recognized in the balance sheet prior to the adoption date;

D. For lease modifications before the adoption date, the Company accounts them according to their final arrangements.

The unpaid minimum lease payments of major operating leases disclosed in 2020 financial statements are adjusted based on the difference between the present value discounted at the incremental borrowing rate on January 1, 2021 where the Company is the lessee and the lease liabilities included in the balance sheet on January 1, 2021. The adjustment process is as follows:

Unit: RMB

Item	Amount
Minimum lease payments of major operating leases on December 31, 2020	49,263,688.50
Plus: Minimum lease payments of other operating leases on December 31, 2020	472,137,522.60
Less: Minimum lease payments accounted with simplified treatment (short-term and low-value)	6,427,811.10
Undiscounted amount of operating lease commitments on January 1, 2021	514,973,400.00
Weighted average of incremental borrowing rates on January 1, 2021	4.75%
Present value of minimum lease payments under the New Lease Standards on January 1, 2021	476,151,493.32
Plus: Minimum lease payments of finance leases on December 31, 2020	239,296.50
Lease liabilities on January 1, 2021	476,390,789.82
Including: Non-current liabilities due within one year	177,712,848.98

(2) The Company starts to implement the Interpretation No. 14 from January 1, 2021. Under requirements of the Interpretation No. 14, the amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of this interpretation (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted. This interpretation has no impact on the Company.

(3) On December 30, 2021, the Ministry of Finance issued the Interpretation No. 15, of which contents on “presentation concerning centralized management of funds” came into force as of the date of issuance. The Company starts to implement this interpretation from December 30, 2021.

The Interpretation No. 15 stipulates that where funds of the parent company and member units are centrally managed through the internal settlement center, a financial company, etc., it shall distinguish funds of member units that are collected to accounts of the parent company and those that are directly deposited to the financial company; the interpretation also specifies items of member units, financial company and parent company that should be presented in the balance sheet. It also clarifies whether financial assets and financial liabilities under centralized management funds can be offset.

The Company has implemented this interpretation from the effective date. The interpretation has no impact on the Company.

2. Significant changes of accounting estimates

There were no significant changes to the Company's accounting estimates during the reporting period.

VII. Description of Changes in the Scope of Consolidated Statements Compared with the Financial Report of Last Year

√ Applicable □ Not applicable

During the reporting period, one new subsidiary was added to the Company's consolidation scope, i.e. Ningbo BIEM.L.FDLKK Smart Technology Co., Ltd., which is a wholly-owned subsidiary of the Company established in April 21, 2021.

VIII. Engagement and Dismissal of Accounting Firm

Accounting firm engaged

Name of the domestic accounting firm	Huaxing Certified Public Accountants LLP
Remuneration for the domestic accounting firm (RMB 10,000)	138
Consecutive years of auditing service provided by the domestic accounting firm	2 years
Name of domestic certified public accountants	Hong Wenwei He Ting
Consecutive years of auditing service provided by domestic certified public accountants	1 year 1 year

Whether the accounting firm was changed in the reporting period

□ Yes √ No

Appointment of accounting firm, financial advisor or sponsor for internal control audit

□ Applicable √ Not applicable

IX. The Company Facing Delisting after the Disclosure of the Annual Report

□ Applicable √ Not applicable

X. Matters relating to Bankruptcy and Restructuring

□ Applicable √ Not applicable

No bankruptcy and restructuring-related matters of the Company happened during the reporting period.

XI. Material Litigations and Arbitrations

□ Applicable √ Not applicable

There were no material litigations or arbitrations during the reporting period.

XII. Penalties and Rectifications

□ Applicable √ Not applicable

No penalties and rectifications of the Company occurred during the reporting period.

XIII. Integrity Records of the Company and its Controlling Shareholder and Actual Controller

□ Applicable √ Not applicable

XIV. Material Related Party Transactions

1. Related party transactions relating to daily operations

□ Applicable √ Not applicable

The Company had no related party transactions relating to daily operations during the reporting period.

2. Related party transactions relating to acquisition and sale of assets or equity

□ Applicable √ Not applicable

During the reporting period, there was no related party transaction relating to acquisition and sale of assets or equity.

3. Related party transactions relating to joint outbound investment

□ Applicable √ Not applicable

During the reporting period, there was no related party transaction relating to joint outbound investment.

4. Related party transactions relating to credits and debts

□ Applicable √ Not applicable

During the reporting period, there was no related party transaction relating to credits and debts.

5. Transactions with related party financial companies

□ Applicable √ Not applicable

The Company did not have deposit, loan, credit or other financial business transactions with financial companies that have related relationship and the associated related parties.

6. Transactions between financial companies controlled by the Company and related parties

□ Applicable √ Not applicable

Financial companies controlled by the Company did not have deposit, loan, credit or other financial business transactions with related parties.

7. Other significant related party transactions

□ Applicable √ Not applicable

During the reporting period, there were no other significant related party transactions.

XV. Significant Contracts and Their Performance

1. Custody, contracting and leasing matters

(1) Custody

□ Applicable √ Not applicable

During the reporting period, there was no custody.

(2) Contracting

□ Applicable √ Not applicable

During the reporting period, there was no contracting.

(3) Leasing

√ Applicable □ Not applicable

Description of leasing matters

For details on leasing matters, please refer to "Section X Financial Report --> XVI. Other Significant Matters --> 3. Leases".

Projects whose profits or losses brought to the Company reached more than 10% of the total profits of the Company during the reporting period

□ Applicable √ Not applicable

During the reporting period, there were no leasing projects whose profits or losses brought to the Company reached more than 10% of the total profits of the Company during the reporting period.

2. Material guarantee

□ Applicable √ Not applicable

During the reporting period, there was no material guarantee of the Company.

3. Entrusting others to manage cash assets

(1) Entrusted wealth management

√ Applicable □ Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB10,000

Specific type	Source of entrusted wealth management funds	Incurred amount of entrusted wealth management	Undue balance	Amount overdue but not recovered	Amount overdue but not recovered with impairment having been accrued
Wealth management product of bank	Proceeds	65,000	28,000	0	0
Wealth management product of securities company	Proceeds	30,000	20,000	0	0
Wealth management product of bank	Self-owned fund	85,000	75,000	0	0
Wealth management product of securities company	Self-owned fund	10,000	10,000	0	0
Total		190,000	133,000	0	0

Explanation of high-risk entrusted wealth management with large individual amount or low safety and poor liquidity

□ Applicable √ Not applicable

Entrusted wealth management is expected to fail to recover the principal or there are other circumstances that may lead to impairment

□ Applicable √ Not applicable

(2) Entrusted loans

□ Applicable √ Not applicable

There were no entrusted loans during the reporting period.

4. Other significant contracts

□ Applicable √ Not applicable

There were no other significant contracts during the reporting period.

XVI. Other Significant Events

□ Applicable √ Not applicable

There were no other significant matters that need to be explained during the reporting period.

XVII. Significant Events of Subsidiaries of the Company

□ Applicable √ Not applicable

Section VII Changes in Shareholding and Information of Shareholders

I. Changes in Share Capital

1. Changes in shares

Unit: share

	Before change		Increase/decrease (+, -) of this change					After change	
	Number	Percentage	New shares issued	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number	Percentage
I. Restricted shares	182,763,599	34.87%				-1,473,899	-1,473,899	181,289,700	32.94%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic shareholders	182,763,599	34.87%				-1,473,899	-1,473,899	181,289,700	32.94%
Including: Shares held by domestic legal persons									
Shares held by domestic natural persons	182,763,599	34.87%				-1,473,899	-1,473,899	181,289,700	32.94%
4. Shares held by foreign shareholders									
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Unrestricted shares	341,311,486	65.13%				27,725,526	27,725,526	369,037,012	67.06%
1. RMB-denominated ordinary shares	341,311,486	65.13%				27,725,526	27,725,526	369,037,012	67.06%
2. Domestic listed foreign shares									
3. Overseas listed foreign									

shares										
4. Others										
III. Total number of shares	524,075,085	100.00%				26,251,627	26,251,627	550,326,712	100.00%

Explanation on changes in shares

√ Applicable □ Not applicable

1. Lock-up shares of senior management held by directors of the Company are lifted at a ratio of 25% of the shares held by them at the end of the previous year for each year during their term as a director.
2. During the reporting period, 26,251,627 shares were converted from “BYZZ” convertible bonds, leading to the increase of the Company’s total share capital.

Approval of changes in shares

√ Applicable □ Not applicable

The Company convened the 16th meeting of the Third Board of Directors on September 10, 2019 and the 2019 Third Extraordinary General Meeting of Shareholders on September 27, 2019. The meetings deliberated and approved the *Proposal on the Public Offering of Convertible Bonds* and other relevant proposals.

Under the approval of “CSRC Approval [2020] No. 638”, the Company issued 6.89 million convertible bonds to the general public, with a par value of RMB100.00 each and a total amount of RMB689 million. Under the approval of “SZSE Listing [2020] No. 604”, the Company listed the convertible bonds worth RMB689 million on Shenzhen Stock Exchange from July 15, 2020, with an abbreviation of “BYZZ” and a bond code of “128113”. In accordance with relevant provisions of the laws, regulations and the *Prospectus for the Public Offering of Convertible Bonds by BIEM.L.FDLKK Garment Co., Ltd.*, the convertible bonds can be converted into shares of the Company starting from December 21, 2020.

Transfer of title of changed shares

√ Applicable □ Not applicable

Convertible bonds can be converted into shares of the Company and are therefore directly credited to the securities accounts of shareholders.

Impact of share changes on basic earnings per share and diluted earnings per share, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators in last year and the latest period

√ Applicable □ Not applicable

The conversion of convertible bonds into shares of the Company would reduce basic earnings per share, diluted earnings per share, and net assets per share attributable to ordinary shareholders of the Company.

Other contents considered necessary by the Company or required to be disclosed by the securities regulatory authority

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Shareholder’s name	Number of restricted shares at the beginning of the period	Increase in restricted shares during the period	Number of shares released from selling restrictions during the period	Number of restricted shares at the end of the year	Reason for selling restrictions	Date of lifting selling restrictions
Xie Bingzheng	162,128,999	1		162,129,000	Lock-up shares of senior management	Subject to relevant provisions on lock-up shares of senior management
Shen Jindong	14,739,000			14,739,000	Lock-up shares of senior management	Subject to relevant provisions on lock-up shares of senior management
Tang Xinqiao	5,895,600		1,473,900	4,421,700	Lock-up shares of senior management	Subject to relevant provisions on lock-up shares of senior management
Total	182,763,599	1	1,473,900	181,289,700	--	--

II. Issuance and Listing of Securities

1. Issuance of securities (excluding preference shares) during the reporting period

□ Applicable √ Not applicable

2. Changes in total shares and shareholder structure as well as changes in asset and liability structure of the Company

√ Applicable □ Not applicable

The convertible bonds issued by the Company (bond abbreviation: BYZZ; bond code: 128113) can be converted into company shares starting from December 21, 2020. As of December 31, 2021, the convertible bonds had converted into a total of 26,257,002 shares, and the Company’s total share capital increased to 550,326,712 shares after the conversion.

3. Internal employee shares

□ Applicable √ Not applicable

III. Information of Shareholders and Actual Controllers

1. Total number of shareholders

Unit: share

Total number of ordinary shareholders at the end of the reporting period	9,539	Total number of ordinary shareholders at the end of the month preceding the disclosure date of the annual report	8,480	Total number of preferred shareholders whose voting rights were resumed at the end of the reporting period (if any) (see Note VIII)	0	Total number of preferred shareholders whose voting rights were resumed at the end of the month preceding the disclosure date of the annual report (if any) (see Note VIII)	0

Shareholdings of shareholders with more than 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Shares held at the end of the reporting period	Increase/ decrease during the reporting period	Number of restricted shares	Number of unrestricted shares	Pledged, marked or frozen	
							Share status	Number
Xie Bingzheng	Domestic natural person	39.28%	216,170,800	-1200	162,129,000	54,041,800		
Feng Lingling	Domestic natural person	3.57%	19,652,000	0		19,652,000		
Shen Jindong	Domestic natural person	3.57%	19,652,000	0	14,739,000	4,913,000		
Hong Kong Securities Clearing Co., Ltd.	Foreign legal person	3.32%	18,250,621	11757847		18,250,621		
Xie Ting	Domestic natural person	2.64%	14,554,284	-12799098		14,554,284		
National Social Security Fund Portfolio 103	Others	2.18%	12,000,379	12000379		12,000,379		

ICBC - GF Steady Growth Securities Investment Fund	Others	2.00%	11,000,000	6790084		11,000,000		
Xie Bingluan	Domestic natural person	1.75%	9,627,254	-5454480		9,627,254		
Li Huiqiang	Domestic natural person	1.75%	9,622,697	-5458926		9,622,697		
ICBC - GF Steady Growth Hybrid Securities Investment Fund	Others	1.69%	9,323,250	-676750		9,323,250		
Strategic investors or general legal persons becoming top ten shareholders due to private placement of new shares (if any) (see Note 3)		None						
Description on the related relationship or persons acting-in-concert arrangements among the above shareholders		Xie Bingzheng and Feng Lingling are husband and wife; Xie Bingzheng and Xie Ting are brothers; Xie Bingzheng, Feng Lingling, and Xie Ting are persons acting in concert.						
Description on entrusting/being entrusted with voting rights and waver of voting rights by the aforementioned shareholders:		None						
Description on special repurchase account among top 10 shareholders (if any) (see Note 10)		None						

Top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of unrestricted shares held at the end of reporting period	Type of shares	
		Type of shares	Number
Xie Bingzheng	54,041,800	RMB-denominated ordinary shares	54,041,800
Feng Lingling	19,652,000	RMB-denominated ordinary shares	19,652,000
Hong Kong Securities Clearing Co., Ltd.	18,250,621	RMB-denominated ordinary shares	18,250,621
Xie Ting	14,554,284	RMB-denominated ordinary	14,554,284

		shares	
National Social Security Fund Portfolio 103	12,000,379	RMB-denominated ordinary shares	12,000,379
ICBC - GF Steady Growth Securities Investment Fund	11,000,000	RMB-denominated ordinary shares	11,000,000
Xie Bingluan	9,627,254	RMB-denominated ordinary shares	9,627,254
Li Huiqiang	9,622,697	RMB-denominated ordinary shares	9,622,697
ICBC - GF Steady Growth Hybrid Securities Investment Fund	9,323,250	RMB-denominated ordinary shares	9,323,250
National Social Security Fund Portfolio 403	7,952,470	RMB-denominated ordinary shares	7,952,470
Description on the related relationship or persons acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	Xie Bingzheng and Feng Lingling are husband and wife; Xie Bingzheng and Xie Ting are brothers; Xie Bingzheng, Feng Lingling, and Xie Ting are persons acting in concert. It is unknown to the Company whether other shareholders are related parties or persons acting in concert as stipulated in the *Administrative Measures on Acquisition of Listed Companies*.		
Description on the top 10 ordinary shareholders' participation in margin trading and securities lending business (if any) (see Note 4)	None		

Whether the top ten ordinary shareholders and the top ten shareholders without selling restrictions conducted the agreed repurchase transaction during the reporting period

□ Yes √ No

The Company's top ten ordinary shareholders and top ten ordinary shareholders without selling restrictions did not conduct agreed repurchase transactions during the reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Natural person

Name of controlling shareholder	Nationality	Whether having obtained the right of abode in other

		countries or regions
Xie Bingzheng	Chinese	No
Feng Lingling	Chinese	No
Main occupation and position	Xie Bingzheng is the Chairman of the Company; Feng Lingling is the Head of the R&D Center of the Company.	
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	None	

Changes of controlling shareholders during the reporting period

□ Applicable √ Not applicable

There was no change of the Company's controlling shareholder during the reporting period.

3. Actual controller and person acting in concert

Nature of actual controller: Domestic natural person

Type of actual controller: Natural person

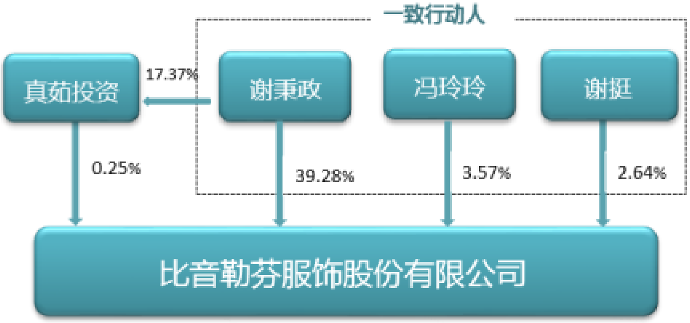
Name	Relationship with actual controller	Nationality	Whether having obtained the right of abode in other countries or regions
Xie Bingzheng	Self	Chinese	No
Feng Lingling	Self	Chinese	No
Xie Ting	Acting in concert (including through agreement, relatives, or under common control)	Chinese	No
Main occupation and position	Xie Bingzheng is the Chairman of the Company; Feng Lingling is the Head of the R&D Center of the Company. Xie Ting is the brother of the Company's Chairman Xie Bingzheng and holds no position in the Company.		
Holding of domestic and overseas listed companies over the past ten years	None		

Changes of actual controllers during the reporting period

□ Applicable √ Not applicable

There was no change of the Company's actual controllers during the reporting period.

Diagram on equity and control relationship between the Company and actual controllers



Actual controller controls the Company by entrust or other asset management methods

□ Applicable √ Not applicable

4. Share pledge by controlling shareholder or largest shareholder and person acting in concert reaching 80% of shareholding

□ Applicable √ Not applicable

5. Other legal person shareholders holding 10% or more of shares

□ Applicable √ Not applicable

6. Restrictions on share reductions of controlling shareholder, actual controller, restructuring parties and other commitment subjects

□ Applicable √ Not applicable

IV. Implementation of Share Repurchase during the Reporting Period

Implementation progress of share repurchase

□ Applicable √ Not applicable

Implementation of share repurchase by centralized bidding

□ Applicable √ Not applicable

Section VIII Particulars of Preference Shares

□ Applicable √ Not applicable

The Company had no preference shares during the reporting period.

Section IX Particulars of Bonds

√ Applicable □ Not applicable

I. Corporate Bonds

□ Applicable √ Not applicable

The Company had no corporate bonds during the reporting period.

II. Enterprise Bonds

□ Applicable √ Not applicable

The Company had no enterprise bonds during the reporting period.

III. Debt Financing Instruments of Non-financial Enterprises

□ Applicable √ Not applicable

The Company had no debt financing instruments of non-financial enterprises during the reporting period.

IV. Convertible Bonds

√ Applicable □ Not applicable

1. Adjustment of share conversion prices

Under the approval of "CSRC Approval [2020] No. 638", the Company issued 6.89 million convertible bonds to the general public on June 15, 2020, with a par value of RMB100.00 each and a total amount of RMB689 million. Under the approval of "SZSE Listing [2020] No. 604", the Company listed the publicly-offered convertible bonds worth RMB689 million on Shenzhen Stock Exchange from July 15, 2020, with an abbreviation of "BYZZ" and a bond code of "128113". The initial conversion price was RMB14.90/share.

The Company implemented the 2020 equity distribution plan on July 7, 2021 and distributed RMB3.0 (tax inclusive) for every 10 shares to all shareholders. In accordance with relevant provisions of the Prospectus of the Convertible Bonds and relevant regulations of CSRC on the offering of convertible bonds, the share conversion price of "BYZZ" was adjusted from RMB14.90/share to RMB14.60/share. The adjusted price became effective on July 7, 2021.

2. Accumulated share conversion

√ Applicable □ Not applicable

Abbreviation	Start and end	Total quantity	Total amount	Cumulative	Cumulative	Proportion of	Amount of	Proportion of

of convertible bond	dates of share conversion	of bonds issued	issued	amount of shares converted (RMB)	number of shares converted	the number of converted shares to the Company's total issued shares before conversion state date	bonds not yet converted	the amount of bonds not converted to total amount of bonds issued
BYZZ	December 21, 2020	6,890,000	689,000,000.00	391,133,400.00	26,257,002	5.01%	297,866,600.00	43.23%

3. Top ten holders of convertible bonds

Unit: share

No.	Name of convertible bond holder	Nature of convertible bond holder	Number of convertible bonds held at the end of the reporting period	Amount of convertible bonds held at the end of the reporting period (RMB)	Proportion of convertible bonds held at the end of the reporting period
1	ICBC - ZO Ruihong Regular Open and Flexible Allocation Hybrid Securities Investment Fund	Others	275,484	27,548,400.00	9.25%
2	China Foreign Economy and Trade Trust Co., Ltd. - Foreign Trade Trust - Ruijun Steady Private Equity Investment Fund	Others	242,726	24,272,600.00	8.15%
3	CCB - ChinaAMC Convertible Bond Enhanced Securities Investment Fund	Others	206,609	20,660,900.00	6.94%
4	ICBC Credit Suisse Rayleigh Hybrid Pension Product - Industrial and Commercial Bank of China Limited	Others	147,340	14,734,000.00	4.95%
5	ICBC Credit Suisse	Others	143,948	14,394,800.00	4.83%

	Ruixi Fixed Income Pension Product - Bank of China Limited				
6	Hua Life Insurance Co., Ltd. - Self-owned funds	Others	128,211	12,821,100.00	4.30%
7	AEGON-Industrial Fund - Industrial Bank - Industrial Securities	Others	118,190	11,819,000.00	3.97%
8	BOC - Tianhong Enhanced Return Bond Securities Investment Fund	Others	100,516	10,051,600.00	3.37%
9	National Social Security Fund Portfolio 1005	Others	94,590	9,459,000.00	3.18%
10	ChinaAMC Growth Securities Investment Fund	Others	72,470	7,247,000.00	2.43%

4. Significant changes in guarantor's profitability, assets and credit standing

□ Applicable √ Not applicable

5. Liabilities and credit changes of the Company at the end of the reporting period and cash arrangement for debt payments in the coming years

The Company boasts sound credit standing and reasonable asset-liability structure. Banks and other financial institutions have granted sufficient comprehensive credit lines, so the Company can quickly and effectively acquire financing support from financial institutions. Also, the Company features stable operations and good performances, and is therefore able to acquire stable cash flows from operating activities through endogenous growth. At the same time, the Company will actively promote the implementation of projects invested under proceeds of convertible bonds, to further enhance its profitability.

If terms on call options and put options specified in the bond prospectus are met or the Company needs to pay principle plus interest upon maturity of the bonds, it has the ability to pay the principals plus interests to bond holders through self-owned funds and financing.

V. Loss in Consolidate Statements during the Reporting Period Exceeding 10% of the Net Assets at the End of the Previous Year

□ Applicable √ Not applicable

VI. Overdue of Other Interest-Bearing Debts than Bonds at the End of the Reporting Period

□ Applicable √ Not applicable

VII. Violations of Rules and Regulations during the Reporting Period

□ Yes √ No

VIII. Main Accounting Data and Financial Indicators of the Company in the Latest Two Years as of the End of the Reporting Period

Unit: RMB10,000

Item	End of current period	End of previous year	Changes over end of previous year
Current ratio	3.37	4.61	-26.90%
Debt to asset ratio	33.24%	35.50%	-2.26%
Quick ratio	2.7	3.61	-25.21%
	Current period	Same period of previous year	Changes over same period of previous year
Net profits after deducting non-recurring profit and loss	58,028.33	46,328.07	25.26%
Total Debt/EBITDA	54.31%	52.22%	2.09%
Interest coverage ratio	19.44	42.7	-54.47%
Cash interest coverage ratio	707.04	0	0.00%
EBITDA-to-Interest Coverage Ratio	22.1	42.7	-48.24%
Loan repayment rate	100.00%	100.00%	0.00%
Interest coverage rate	100.00%	100.00%	0.00%

Section X Financial Report

I. Audit Report

Type of auditor's opinion	Standard unqualified
Signing date of the Audit Report	April 15, 2022
Name of auditing organization	Huaxing Certified Public Accountants LLP
Reference number of the Audit Report	Hua-Xing-Shen-Zi [2022] No. 22000460018
Name of certified public accountants	Hong Wenwei, He Ting

Audit Report

I. Opinion

We have audited the accompanying financial statements of BIEM.L.FDLKK Garment Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and the Parent Company's balance sheet as at December 31, 2021, the consolidated and the Parent Company's income statement, the consolidated and the Parent Company's cash flow statement, and the consolidated and the Parent Company's statement of the changes in equity for 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Parent Company's financial position as of December 31, 2021, and the consolidated and the Parent Company's operating results and cash flows for 2021.

II. Basis of Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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) Inventory write-down

1. Description of the matter

With regard to inventory impairment, please refer to "Note III (14)"for accounting policies and "Note V (6) Inventories" for specific amount.

BIEM.L.FDLKK adopts a sales model primarily based on direct chain operation and supplemented by franchise operation. As a result, the Company needs and maintains a relatively high level of inventories. Inventories are measured at the lower of cost and net realizable value. When determining whether the inventories have impaired, the management needs to make judgments and estimates based on conclusive evidence while taking into account purpose of holding inventories and impacts of events after the balance sheet date. Given that the amount involved is large and the management needs to make significant judgments, we have identified inventory write-down as a key audit matter.

2. How the matter was addressed in our audit

Our audit procedures included:

(1) We evaluated the design and implementation of internal controls relating to the Company's inventory write-down;

(2) We counted inventories in the Company's main warehouse and self-owned stores and inspected the quantity, condition and aging of the inventories;

(3) We obtained the purchase-sell-stock data of the Company's inventories and analyzed changes in unit prices of inventories and their reasonableness.

(4) We obtained the aging list of the Company's inventories at fiscal year-end, and compared and analyzed changes in inventory aging with comparable periods and their reasonableness.

(5) We interviewed major responsible people of the Company to understand the pricing policies and clearance rate of out-of-season products in the year and judged the risks of inventory impairment at the end of the period.

(6) We obtained the gross profit table of all channels of the Company, and judged the probability of the impairment of inventories of different seasons based on product discount information, shopping mall deduction rates and other information we had learned.

(7) We obtained the Company's calculation sheet for inventory write-down and its impairment tests for inventories, checked whether the Company has implemented according to relevant accounting policies and whether write-down recognized in previous periods had any changes in the current period, and analyzed whether the write-down was sufficient.

(II) Recognition of revenue

1. Description of the matter

With regard to revenue recognition, please refer to "Note III (32)"for accounting policies and "Note V (33) Revenue and cost of revenue" for specific amount.

Since the amount of revenue is significant and a key performance indicator of the Company, there is an inherent risk that the management may manipulate the timing of recognition in order to achieve specific goals or expectations. So, we identified the recognition of revenue as a key audit matter.

2. How the matter was addressed in our audit

Our audit procedures included:

(1) We obtained an understanding of and evaluated the internal control design over the recognition of sales income and tested the effectiveness of key controls;

(2) We checked the revenue recognition policies of the Company and judged whether they are consistent with the requirements of the Accounting Standards for Business Enterprises;

(3) We obtained the store list of the Company and analyzed the distribution and changes of stores to determine whether they match

changes in income;

(4) We acquired the agreement signed between the Company and main franchisees and associates, and checked key terms and conditions;

(5) We checked the industrial and commercial information of the Company's main franchisees and associates and interviewed relevant employees of the Company, to confirm whether there is related party relationship between the Company and the franchisees/associates;

(6) We acquired the goods return and exchange records in the Company's supply chain system, to confirm whether there are any significant, abnormal returns and exchanges that affect income recognition and to review whether the Company has fully accrued losses for returns and exchanges of franchise stores at the end of the reporting period;

(7)We sample-checked the purchase orders, delivery documents, shipping documents, accounting vouchers, payment receipts and other information of the Company and franchise stores;

(8) We sample-checked the monthly statements and payment receipts of the Company and joint operation stores;

(9) We sampled and conducted external confirmation for current sales and current balances, and checked any subsequent payment collections of joint operation stores;

(10) We conducted the sales cutoff test, sample-checked several original sales documents and accounting vouchers before and after the balance sheet date, and compared the dates of the accounting vouchers and the attached shipping records, to assess whether the revenue is included in the appropriate accounting period.

IV. Other Information

The Company's management is responsible for other information. Other information includes the information included in the Company's 2021 Annual Report, but excludes the financial statements and our audit report.

Our audit 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 process or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that if 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 Governance Layer for Financial Statements

The management of BIEM.L.FDLKK Garment Co., Ltd. (hereinafter the "Management") is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises, and fairly presenting them; the Management also needs to design, implement and maintain necessary internal control to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters in relation to going concern (if applicable) and applying the going-concern assumption unless the

Management intends to liquidate the Company, cease operations, or have no realistic alternative but to do so.

The governance layer is responsible for overseeing the financial reporting process of the Company.

VI. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements

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

As part of an audit work in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) 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.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(IV) Conclude on the appropriateness of 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 to drawing attention in our audit report to the related disclosures in these financial statements or, if such disclosures are inadequate, to 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.

(V) 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.

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

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

We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards (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 period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in tiny minority 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.

II. Financial Statements

Unit of financial statements: RMB

1. Consolidated balance sheet

Prepared by: BIEM.L.FDLKK GARMENT CO., LTD.

December 31, 2021

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	1,082,712,218.58	578,783,443.79
Settlement reserve		
Lending funds		
Financial assets held for trading	634,763,818.96	100,425,333.33
Derivative financial assets		
Notes receivable		
Accounts receivable	279,717,057.14	301,061,376.99
Accounts receivable financing		
Prepayments	67,028,355.09	59,678,780.04
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	89,889,485.22	53,587,328.86
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	660,214,219.41	607,679,776.22
Contract assets		

Assets held for sale		
Non-current assets due within one year		
Other current assets	830,640,713.41	1,377,984,359.67
Total current assets	3,644,965,867.81	3,079,200,398.90
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investment		
Investment in other equity instruments	98,099,300.47	92,785,368.67
Other non-current financial assets		
Investment property		
Fixed assets	244,337,754.20	239,216,423.50
Construction in progress	148,165,548.36	49,120,792.27
Productive biological assets		
Oil & gas assets		
Right-of-use assets	407,448,654.74	
Intangible assets	119,548,729.29	114,864,801.65
Development expenses		
Goodwill		
Long-term prepaid expenses	105,243,120.55	104,972,941.26
Deferred income tax assets	93,314,368.55	65,802,510.71
Other non-current assets	1,833,508.45	2,635,461.01
Total non-current assets	1,217,990,984.61	669,398,299.07
Total assets	4,862,956,852.42	3,748,598,697.97
Current liabilities:		
Short-term loans		
Borrowings from PBC		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		

Notes payable	38,098,527.79	27,139,705.66
Accounts payable	126,522,502.78	107,698,978.83
Payments received in advance		
Contract liabilities	140,669,127.30	81,677,368.60
Proceeds from financial assets sold under repo		
Deposits from customers and interbank		
Funds from securities trading agency		
Funds from securities underwriting agency		
Employee benefits payable	64,027,461.27	52,788,749.44
Taxes payable	130,969,262.60	102,577,815.02
Other payables	55,878,486.28	44,335,743.56
Including: Interests payable		
Dividends payable		
Service charge and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year	197,019,114.42	
Other current liabilities	328,630,853.34	251,166,311.70
Total current liabilities	1,081,815,335.78	667,384,672.81
Non-current liabilities:		
Insurance contract reserves		
Long-term loans		
Bonds payable	284,554,163.11	630,982,939.14
Including: Preference shares		
Perpetual bonds		
Lease liabilities	217,323,756.45	
Long-term payable		239,296.50
Long-term employee benefits payable		
Provision		

Deferred income	30,000,000.00	30,000,000.00
Deferred income tax liabilities	2,854,265.46	2,253,279.00
Other non-current liabilities		
Total non-current liabilities	534,732,185.02	663,475,514.64
Total liabilities	1,616,547,520.80	1,330,860,187.45
Owner’s equity:		
Share capital	550,326,712.00	524,075,085.00
Other equity instruments	27,524,454.16	63,661,135.54
Including: Preference shares		
Perpetual bonds		
Capital reserve	600,470,446.15	226,927,846.51
Less: Treasury shares		
Other comprehensive income	-842,173.72	-6,249,160.64
Special reserves		
Surplus reserves	258,110,335.93	194,828,010.62
General reserves		
Retained earnings	1,809,851,821.97	1,413,582,872.58
Total equity attributable to owners of the parent company	3,245,441,596.49	2,416,825,789.61
Equities of minority shareholders	967,735.13	912,720.91
Total owner’s equity	3,246,409,331.62	2,417,738,510.52
Total liabilities and owners’ equity	4,862,956,852.42	3,748,598,697.97

Legal representative: Xie Bingzheng Person in charge of accounting: Tang Xinqiao Person in charge of accounting department: Chen Shaobing

2. Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	1,001,684,939.89	540,424,839.01
Financial assets held for trading	634,763,818.96	100,425,333.33
Derivative financial assets		
Notes receivable		
Accounts receivable	279,717,057.14	301,061,376.99

Accounts receivable financing		
Prepayments	46,156,432.50	32,532,816.93
Other receivables	93,306,779.94	60,685,628.95
Including: Interest receivable		
Dividends receivable		
Inventory	921,517,571.29	804,477,022.56
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	861,560,189.31	1,400,727,863.45
Total current assets	3,838,706,789.03	3,240,334,881.22
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investment	111,000,000.00	111,000,000.00
Investment in other equity instruments		
Other non-current financial assets		
Investment property		
Fixed assets	244,337,754.20	239,216,423.50
Construction in progress	148,165,548.36	49,120,792.27
Productive biological assets		
Oil & gas assets		
Right-of-use assets	381,889,568.21	
Intangible assets	119,548,729.29	114,864,801.65
Development expenses		
Goodwill		
Long-term prepaid expenses	99,655,978.73	90,663,986.71
Deferred income tax assets	52,843,305.91	35,049,787.12
Other non-current assets	1,833,508.45	2,635,461.01
Total non-current assets	1,159,274,393.15	642,551,252.26
Total assets	4,997,981,182.18	3,882,886,133.48
Current liabilities:		

Short-term loans		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	38,098,527.79	27,139,705.66
Accounts payable	231,476,161.90	146,213,104.37
Payments received in advance		
Contract liabilities	140,669,127.30	81,677,368.60
Employee benefits payable	3,243,444.48	2,785,243.25
Taxes payable	93,757,929.83	96,992,722.80
Other payables	54,674,918.89	43,079,684.64
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	183,853,949.82	
Other current liabilities	328,630,853.34	251,166,311.70
Total current liabilities	1,074,404,913.35	649,054,141.02
Non-current liabilities:		
Long-term loans		
Bonds payable	284,554,163.11	630,982,939.14
Including: Preference shares		
Perpetual bonds		
Lease liabilities	204,320,772.36	
Long-term payable		239,296.50
Long-term employee benefits payable		
Provision		
Deferred income	30,000,000.00	30,000,000.00
Deferred income tax liabilities	2,854,265.46	2,253,279.00
Other non-current liabilities		
Total non-current liabilities	521,729,200.93	663,475,514.64
Total liabilities	1,596,134,114.28	1,312,529,655.66
Owner’s equity:		
Share capital	550,326,712.00	524,075,085.00
Other equity instruments	27,524,454.16	63,661,135.54

Including: Preference shares		
Perpetual bonds		
Capital reserve	600,470,446.15	226,927,846.51
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	258,110,335.93	194,828,010.62
Retained earnings	1,965,415,119.66	1,560,864,400.15
Total owner's equity	3,401,847,067.90	2,570,356,477.82
Total liabilities and owners' equity	4,997,981,182.18	3,882,886,133.48

3. Consolidated income statement

Unit: RMB

Item	2021	2020
I. Total Revenue	2,719,989,257.14	2,303,326,211.84
Including: Revenue	2,719,989,257.14	2,303,326,211.84
Interest income		
Insurance premiums earned		
Service charge and commission income		
II. Costs and Expenses	1,960,636,804.05	1,708,035,736.04
Including: Cost of revenue	634,160,601.71	601,546,395.40
Interest expenses		
Service charge and commission expenses		
Surrender value		
Net compensation expenses		
Net appropriation of insurance reserve		
Commissions on insurance policies		
Reinsurance costs		
Tax and surcharges	23,962,477.58	13,983,332.07
Selling expenses	1,041,052,486.14	885,368,459.26
Administrative expenses	156,267,574.26	132,633,430.58

R&D expenses	83,388,128.67	64,804,859.36
Finance expenses	21,805,535.69	9,699,259.37
Including: Interest fees	39,729,487.13	15,998,242.73
Interest income	18,147,338.76	6,842,458.41
Plus: Other income	14,781,618.40	15,496,701.82
Return on investment ("-" indicates loss)	38,815,870.23	24,501,459.48
Including: Return on investment in associates and joint ventures		
Income from the derecognition of financial assets measured at amortized cost		
Exchange gains ("-" indicates loss)		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)	3,424,832.00	425,333.33
Credit impairment losses ("-" indicates loss)	314,860.76	-5,259,711.60
Asset impairment losses ("-" indicates loss)	-78,683,952.73	-48,457,945.87
Return on disposal of assets ("-" indicates loss)	-253,775.79	-2,728.63
III. Operating Profit ("-" indicates loss)	737,751,905.96	581,993,584.33
Plus: Non-operating revenue	531,942.90	4,790,100.02
Less: Non-operating expenses	5,613,342.65	1,655,966.94
IV. Total Profit ("-" indicates total loss)	732,670,506.21	585,127,717.41
Less: Income tax expense	108,129,572.76	86,325,344.93
V. Net Profit ("-" indicates net loss)	624,540,933.45	498,802,372.48
i. Classified by operation sustainability		
1. Net profit from continued operation ("-" indicates net loss)	624,540,933.45	498,802,372.48
2. Net profit from discontinued operation ("-" indicates net loss)		
ii. Classified by attribution of		

ownership		
1. Net profit attributable to shareholders of the parent company	624,541,483.00	498,822,424.55
2. Minority shareholders' profits and losses	-549.55	-20,052.07
VI. Net Amount of Other Comprehensive Income after Tax	5,462,550.69	-6,613,201.70
Total other comprehensive after-tax net income attributable to owners of the parent company	5,406,986.92	-6,547,731.01
i. Other comprehensive income not able to be reclassified into profit or loss	5,406,986.92	-6,547,731.01
1. Changes of remeasurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred into profit or loss under equity method	5,406,986.92	-6,547,731.01
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
ii. Other comprehensive income reclassified into profit or loss		
1. Other comprehensive income to be transferred into profit or loss under equity method		
2. Changes in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve of cash flow hedge		
6. Converted difference in foreign currency financial statements		

7. Others		
Total other comprehensive after-tax net income attributable to minority shareholders	55,563.77	-65,470.69
VII. Total Comprehensive Income	630,003,484.14	492,189,170.78
Total comprehensive income attributable to owners of the parent company	629,948,469.92	492,274,693.54
Total comprehensive income attributable to minority shareholders	55,014.22	-85,522.76
VIII. Earnings per Share:		
i. Basic earnings per share	1.15	0.95
ii. Diluted earnings per share	1.15	0.94

For business combinations under common control in the reporting period, the net profit realized by the combined party before the combination is: RMB; the net profit realized by the combined party in the previous period is: RMB.

Legal representative: Xie Bingzheng Person in charge of accounting: Tang Xinqiao Person in charge of accounting department: Chen Shaobing

4. Income statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Revenue	2,719,989,257.14	2,303,326,211.84
Less: Cost of revenue	908,931,832.35	750,466,115.63
Tax and surcharges	18,989,718.37	10,441,205.54
Selling expenses	832,868,004.50	720,086,941.36
Administrative expenses	81,338,858.08	70,825,642.56
R&D expenses	83,388,128.67	64,804,859.36
Finance expenses	21,048,966.28	10,190,092.39
Including: Interest fees	38,214,760.84	15,998,242.73
Interest income	17,369,687.41	6,346,728.96
Plus: Other income	3,268,741.44	831,339.48
Return on investment (“-” indicates loss)	38,815,870.23	24,501,459.48
Including: Return on investment in associates and joint ventures		

Profits from derecognition of financial assets at amortized cost		
Gains from net exposure hedging (“-” indicates loss)		
Gains from changes in fair value (“-” indicates loss)	3,424,832.00	425,333.33
Credit impairment losses (“-” indicates loss)	330,127.11	-5,256,151.43
Asset impairment losses (“-” indicates loss)	-78,683,952.73	-48,457,945.87
Return on disposal of assets (“-” indicates loss)	-253,775.79	-2,728.63
II. Operating Profit (“-” indicates loss)	740,325,591.15	648,552,661.36
Plus: Non-operating revenue	514,429.16	4,663,957.39
Less: Non-operating expenses	5,613,342.65	1,655,966.94
III. Total Profit (“-” indicates total loss)	735,226,677.66	651,560,651.81
Less: Income tax expense	102,403,424.54	92,626,189.57
IV. Net Profit (“-” indicates net loss)	632,823,253.12	558,934,462.24
i. Net profit from continued operation (“-” indicates net loss)	632,823,253.12	558,934,462.24
ii. Net profit from discontinued operation (“-” indicates net loss)		
V. Net Amount of Other Comprehensive Income after Tax		
i. Other comprehensive income not able to be reclassified into profit or loss		
1. Changes of remeasurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred into profit or loss under equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		

ii. Other comprehensive income reclassified into profit or loss		
1. Other comprehensive income to be transferred into the profit or loss under equity method		
2. Changes in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Reserve of cash flow hedge		
6. Converted difference in foreign currency financial statements		
7. Others		
VI. Total Comprehensive Income	632,823,253.12	558,934,462.24
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2021	2020
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	2,753,544,575.74	2,138,794,296.89
Net increase in deposits from customers, banks and non-bank financial institutions		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from the premium of direct insurance contracts		

Net cash from reinsurance business		
Net increase in deposits and investment of the insured		
Cash obtained from interest, net fee and commission		
Net increase in placements from banks and other financial institutions		
Net increase in repo service fund		
Net cash from agent securities trading		
Tax rebates		
Cash received related to other operating activities	40,540,104.87	54,212,449.84
Sub-total of cash inflow from operating activities	2,794,084,680.61	2,193,006,746.73
Cash paid for goods purchased and services rendered	796,569,983.10	772,357,223.81
Net loans and advances		
Net increase in deposits with the central bank, banks and non-bank financial institutions		
Cash paid for claims of direct insurance contracts		
Net increase in placements with banks and non-bank financial institutions		
Cash paid for interest, fee and commission		
Cash paid for dividends of the insured		
Cash paid to and on behalf of employees	409,595,105.86	327,235,510.71
Payments of all types of taxes	308,402,214.51	195,947,543.83
Cash payments related to other operating activities	381,993,739.07	260,616,869.18
Sub-total of cash outflow from operating activities	1,896,561,042.54	1,556,157,147.53
Net cash flow from operating activities	897,523,638.07	636,849,599.20

II. Cash Flows from Investing Activities:		
Cash received from recovery of investment		
Cash received from the return on investments	40,700,749.76	21,071,459.48
Net cash received from the disposal of fixed assets, intangible assets, and other long-lived assets	116,729.13	307,600.00
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	3,130,000,000.00	1,770,000,000.00
Sub-total of cash inflow from investing activities	3,170,817,478.89	1,791,379,059.48
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-lived assets	215,579,606.23	95,261,251.30
Cash paid for investments		
Net increase in pledged loans		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	3,139,000,000.00	2,740,695,324.10
Sub-total of cash outflow from investing activities	3,354,579,606.23	2,835,956,575.40
Net cash flows from investing activities	-183,762,127.34	-1,044,577,515.92
III. Cash Flows from Financing Activities:		
Cash received from capital contribution		
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings		681,200,000.00
Cash received related to other financing activities		

Sub-total of cash inflow from financing activities		681,200,000.00
Cash paid for repayments of borrowings		
Cash payment for interest expenses and distribution of dividends or profits	166,432,183.18	154,138,150.00
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	58,595,168.29	1,667,146.95
Sub-total of cash outflow from financing activities	225,027,351.47	155,805,296.95
Net cash flows from financing activities	-225,027,351.47	525,394,703.05
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	488,734,159.26	117,666,786.33
Plus: Opening balance of cash and cash equivalents	569,284,546.79	451,617,760.46
VI. Closing Balance of Cash and Cash Equivalents	1,058,018,706.05	569,284,546.79

6. Cash flow statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	2,753,005,028.87	2,139,745,579.93
Tax rebates		
Cash received related to other operating activities	28,232,062.82	39,051,358.04
Sub-total of cash inflow from operating activities	2,781,237,091.69	2,178,796,937.97
Cash paid for goods purchased and services rendered	1,270,471,067.33	970,401,547.36
Cash paid to and on behalf of	57,528,684.66	57,065,643.64

employees		
Payments of all types of taxes	268,948,328.65	160,740,642.35
Cash payments related to other operating activities	351,748,141.22	342,948,378.12
Sub-total of cash outflow from operating activities	1,948,696,221.86	1,531,156,211.47
Net cash flow from operating activities	832,540,869.83	647,640,726.50
II. Cash Flows from Investing Activities:		
Cash received from recovery of investment		
Cash received from the return on investments	40,700,749.76	21,071,459.48
Net cash received from the disposal of fixed assets, intangible assets, and other long-lived assets	116,729.13	307,600.00
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	3,130,000,000.00	1,770,000,000.00
Sub-total of cash inflow from investing activities	3,170,817,478.89	1,791,379,059.48
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-lived assets	209,979,606.23	95,261,251.30
Cash paid for investments		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	3,139,000,000.00	2,745,695,324.10
Sub-total of cash outflow from investing activities	3,348,979,606.23	2,840,956,575.40
Net cash flows from investing activities	-178,162,127.34	-1,049,577,515.92
III. Cash Flows from Financing Activities:		
Cash received from capital contribution		

Cash received from borrowings		681,200,000.00
Cash received related to other financing activities	3,363,413.96	10,140,096.03
Sub-total of cash inflow from financing activities	3,363,413.96	691,340,096.03
Cash paid for repayments of borrowings		
Cash payment for interest expenses and distribution of dividends or profits	166,432,183.18	154,138,150.00
Cash payments related to other financing activities	45,244,487.92	1,667,146.95
Sub-total of cash outflow from financing activities	211,676,671.10	155,805,296.95
Net cash flows from financing activities	-208,313,257.14	535,534,799.08
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	446,065,485.35	133,598,009.66
Plus: Opening balance of cash and cash equivalents	530,925,942.01	397,327,932.35
VI. Closing Balance of Cash and Cash Equivalents	976,991,427.36	530,925,942.01

7. Consolidated statement of changes in owner's equity

Amount of the current period

Unit: RMB

Item	2021														
	Owner's equity attributable to the Parent Company													Equity of minority shareholders	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others	Subtotal		
		Preference shares	Perpetual bonds	Others											
I. Closing Balance of Previous Year	524,075,085.00			63,661,135.54	226,927,846.51		-6,249,160.64		194,828,010.62		1,413,582,872.58		2,416,825,789.61	912,720.91	2,417,738,510.52
Plus:															

Changes in accounting policies															
Correction of previous period errors															
Business combinations under common control															
Others															
II. Opening Balance of Current Year	524,075,085.00			63,661,135.54	226,927,846.51		-6,249,160.64		194,828,010.62		1,413,582,872.58		2,416,825,789.61	912,720.91	2,417,738,510.52
III. Changes in the Period ("-" Indicates Decrease)	26,251,627.00			-36,136,681.38	373,542,599.64		5,406,986.92		63,282,325.31		396,268,949.39		828,615,806.88	55,014.22	828,670,821.10
i. Total comprehensive income							5,406,986.92				624,541,483.00		629,948,469.92	55,014.22	630,003,484.14
ii. Capital contributed or reduced by owners	26,251,627.00			-36,136,681.38	373,542,599.64								363,657,545.26		363,657,545.26
1. Ordinary shares contributed by owners															
2. Capital contributed by owners of other equity instruments	26,251,627.00			-36,136,681.38	373,542,599.64								363,657,545.26		363,657,545.26
3. Share-based payments recognized as owner's equity															

4. Others															
iii. Profit distribution									63,282,325.31		-228,272,533.61		-164,990,208.30		-164,990,208.30
1. Appropriation of surplus reserves									63,282,325.31		-63,282,325.31				
2. Appropriation of general risk reserves															
3. Distribution to owners (or shareholders)											-164,990,208.30		-164,990,208.30		-164,990,208.30
4. Others															
iv. Internal carry-over of owner’s equity															
1. Capital (or share capital) increased from capital reserves															
2. Capital (or share capital) increased from surplus reserves															
3. Surplus reserve offsetting losses															
4. Retained earnings carried over from changes in defined benefit plans															
5. Retained earnings carried over from other comprehensive income															
6. Others															

v. Special reserves															
1. Appropriation for the period															
2. Use for the period															
vi. Others															
IV. Closing Balance of the Period	550,326,712.00			27,524,454.16	600,470,446.15		-842,173.72		258,110,335.93		1,809,851,821.97		3,245,441,596.49	967,735.13	3,246,409,331.62

Amount of last period

Unit: RMB

Item	2020														
	Owner's equity attributable to the Parent Company													Equity of minority shareholders	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others	Subtotal		
		Preference shares	Perpetual bonds	Others											
I. Closing Balance of Previous Year	308,276,300.00				442,647,168.74		298,570.37		133,177,418.18		1,072,977,728.32		1,957,377,185.61	998,243.67	1,958,375,429.28
Plus: Alternation to accounting policies															
Correction of previous period errors									5,757,146.22		51,814,315.93		57,571,462.15		57,571,462.15
Business combinations under common control															
Others															
II. Opening Balance of	308,276,30				442,647,168.		298,57		138,934,564.		1,124,792,04		2,014,948,64	998,243	2,015,946,891.

Current Year	0.00				74		0.37		40		4.25		7.76	.67	43
III. Changes in the Period ("-" Indicates Decrease)	215,798,785.00			63,661,135.54	-215,719,322.23		-6,547,731.01		55,893,446.22		288,790,828.33		401,877,141.85	-85,522.76	401,791,619.09
i. Total comprehensive income							-6,547,731.01				498,822,424.55		492,274,693.54	-85,522.76	492,189,170.78
ii. Capital contributed or reduced by owners	5,375.00			63,661,135.54	74,087.77								63,740,598.31		63,740,598.31
1. Ordinary shares contributed by owners															
2. Capital contributed by owners of other equity instruments	5,375.00			63,661,135.54	74,087.77								63,740,598.31		63,740,598.31
3. Share-based payments recognized as owner's equity															
4 Others															
iii. Profit distribution									55,893,446.22		-210,031,596.22		-154,138,150.00		-154,138,150.00
1. Appropriation of surplus reserves									55,893,446.22		-55,893,446.22				
2. Appropriation of general risk reserves															
3. Distribution to owners (or shareholders)											-154,138,150.00		-154,138,150.00		-154,138,150.00
4. Others															

iv. Internal carry-over of owner’s equity	215,793,410.00				-215,793,410.00										
1. Capital (or share capital) increased from capital reserves	215,793,410.00				-215,793,410.00										
2. Capital (or share capital) increased from surplus reserves															
3. Surplus reserve offsetting losses															
4. Retained earnings carried over from changes in defined benefit plans															
5. Retained earnings carried over from other comprehensive income															
6. Others															
v. Special reserves															
1. Appropriation for the period															
2. Use for the period															
vi. Others															
IV. Closing Balance of the Period	524,075,085.00			63,661,135.54	226,927,846.51		-6,249,160.64		194,828,010.62		1,413,582,872.58		2,416,825,789.61	912,720.91	2,417,738,510.52

8. Statement of changes in owner's equity of the Parent Company

Amount of the current period

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Closing Balance of Previous Year	524,075,085.00			63,661,135.54	226,927,846.51				194,828,010.62	1,560,864,400.15		2,570,356,477.82
Plus: Alternation to accounting policies												
Correction of previous period errors												
Others												
II. Opening Balance of Current Year	524,075,085.00			63,661,135.54	226,927,846.51				194,828,010.62	1,560,864,400.15		2,570,356,477.82
III. Changes in the Period ("-" Indicates Decrease)	26,251,627.00			-36,136,681.38	373,542,599.64				63,282,325.31	404,550,719.51		831,490,590.08
i. Total comprehensive income										632,823,253.12		632,823,253.12
ii. Capital contributed or reduced by owners	26,251,627.00			-36,136,681.38	373,542,599.64							363,657,545.26
1. Ordinary shares contributed by owners												

2. Capital contributed by owners of other equity instruments	26,251,627.00			-36,136,681.38	373,542,599.64							363,657,545.26
3. Share-based payments recognized as owner's equity												
4. Others												
iii. Profit distribution									63,282,325.31	-228,272,533.61		-164,990,208.30
1. Appropriation of surplus reserves									63,282,325.31	-63,282,325.31		
2. Distribution to owners (or shareholders)										-164,990,208.30		-164,990,208.30
3. Others												
iv. Internal carry-over of owner's equity												
1. Capital (or share capital) increased from capital reserves												
2. Capital (or share capital) increased from surplus reserves												
3. Surplus reserve offsetting losses												
4. Retained earnings carried over from changes in defined benefit plans												

5. Retained earnings carried over from other comprehensive income												
6 Others												
v. Special reserves												
1. Appropriation for the period												
2. Use for the period												
vi. Others												
IV. Closing Balance of the Period	550,326,712.00			27,524,454.16	600,470,446.15				258,110,335.93	1,965,415,119.66		3,401,847,067.90

Amount of last period

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Closing Balance of Previous Year	308,276,300.00				442,647,168.74				133,177,418.18	1,160,147,218.20		2,044,248,105.12
Plus: Alternation to accounting policies												
Correction of previous period errors									5,757,146.22	51,814,315.93		57,571,462.15
Others												
II. Opening Balance of	308,276,300.				442,647,168.74				138,934,564.40	1,211,961,534.13		2,101,819,567.27

Current Year	00											
III. Changes in the Period ("-" Indicates Decrease)	215,798,785.00			63,661,135.54	-215,719,322.23				55,893,446.22	348,902,866.02		468,536,910.55
i. Total comprehensive income										558,934,462.24		558,934,462.24
ii. Capital contributed or reduced by owners	5,375.00			63,661,135.54	74,087.77							63,740,598.31
1. Ordinary shares contributed by owners												
2. Capital contributed by owners of other equity instruments	5,375.00			63,661,135.54	74,087.77							63,740,598.31
3. Share-based payments recognized as owner's equity												
4. Others												
iii. Profit distribution									55,893,446.22	-210,031,596.22		-154,138,150.00
1. Appropriation of surplus reserves									55,893,446.22	-55,893,446.22		
2. Distribution to owners (or shareholders)										-154,138,150.00		-154,138,150.00
3 Others												
iv. Internal carry-over of owner's equity	215,793,410.00				-215,793,410.00							
1. Capital (or	215,79				-215,79							

share capital) increased from capital reserves	3,410.00				3,410.00							
2. Capital (or share capital) increased from surplus reserves												
3. Surplus reserve offsetting losses												
4. Retained earnings carried over from changes in defined benefit plans												
5. Retained earnings carried over from other comprehensive income												
6 Others												
v. Special reserves												
1. Appropriation for the period												
2. Use for the period												
vi. Others												
IV. Closing Balance of the Period	524,075,085.00			63,661,135.54	226,927,846.51				194,828,010.62	1,560,864,400.15		2,570,356,477.82

III. Basic Information of the Company

Registered address of the Company and office address of the headquarters: No. 608 East Xingye Avenue, Nancun Town, Panyu District, Guangzhou City

Principal business activities: R&D and design of brand clothing, brand promotion, marketing network construction and supply chain management

Date of approval for the issue of the financial statements: April 15, 2022

In the reporting period, the Company has 6 subsidiaries that are included in the consolidated scope, as detailed in "Note IX Equities in Other Entities". Compared with previous period, one new subsidiary has been established and added, which is detailed in "Note VIII Changes in Consolidated Scope".

IV. Preparation Basis for Financial Statements

1. Basis of preparation

The Company has prepared the financial statements on a going concern based on actual transactions and events that are recognized and measured in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* as well as other specific accounting standards, application guidelines, standard interpretations and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") and in combination with provisions set out in *Rules No. 15 on the Preparation of Information Disclosure Documents by Companies That Offer Securities to the Public - General Rules for Financial Statements* (2014 Revision) issued by China Securities Regulatory Commission.

2. Going concern

The Company has the ability to continue as a going concern for at least 12 months following the end of the reporting period. There are no material events that will affect the Company's going concern.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates:

The Company has set out specific accounting policies and accounting estimates for transactions and events with relation to the depreciation of fixed assets, amortization of intangible assets, income recognition, etc. based on its production and operation characteristics in accordance with relevant Accounting Standards for Business Enterprises.

1. Statement of compliance with the accounting standards for business enterprises

The financial statements of the Company conform to the requirements set out in the Accounting Standards for Business Enterprises and truthfully and completely reflect the financial status, operating results, changes in owner's equity, cash flow, and other relevant information of the Company.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company sets 12 months as a full operating cycle.

4. Standard currency for accounting

The Company uses RMB as the standard currency for bookkeeping.

5. Accounting treatment measures of business combinations of entities under common control and business combinations of entities not under common control

1. Business combinations of entities under common control: Assets and liabilities acquired by the Company in the business combination are measured at the book value of the combined party's assets and liabilities (including the goodwill incurred to the ultimate controlling party from the acquisition of the combined party) in the financial statements of the ultimate controlling party on the combination date. If there are differences between the book values of the net assets acquired and the book values of the combination consideration paid (or the par values of the issued shares), the difference will be used to adjust capital reserves or share premiums. Where capital reserves or share premiums are insufficient to offset, retained earnings will be adjusted.
2. Business combinations of entities not under common control: Assets paid by the Company as the consideration of business combination on the acquisition date or liabilities incurred to or assumed by the Company are measured at fair value, and the difference between their fair value and book value is included in the profit and loss of the current period. If the costs of business combinations are higher than the fair values of identifiable net assets of the acquiree on the acquisition date, the gap between them is confirmed as goodwill. If the costs of business combinations are lower than the fair values of the identifiable net assets of the acquiree on the acquisition date, the fair values of identifiable assets and liabilities obtained as well as the fair values of the non-cash assets or equity securities issued that are used as the consideration of the combination are reassessed; if, upon reassessment, the determined fair values of the identifiable assets and liabilities are defined as reasonable, the difference between the business combination costs and the fair values of the identifiable net assets of the acquiree is included in the non-operating revenue of the period when the combination occurs.

For business combinations not under common control that are achieved in stages, the business combination costs shall be the sum of the consideration paid on the acquisition date and fair values of the equities in the acquiree held before the acquisition date. Meanwhile, the equities in the acquiree held before the acquisition date shall be remeasured at the fair value on the acquisition date, and the difference between the fair value and the book value is recognized as the return on investment of the current period. For other comprehensive income incurred from the long-term equity investment of equities in the acquiree held before the acquisition date as calculated under the equity model, accounting processing shall be done by adopting the same basis for directly disposing relevant assets or liabilities of the acquiree. That is, other changes in shareholders' equity, except for net profit and loss, other comprehensive income and profit distribution, shall be transferred to the return on investment of the current period For other equity instrument investments in the acquiree held before the acquisition date, the changes in the fair value of the equity instrument investments accumulated under other comprehensive income before the acquisition date are transferred to retained profits and losses.

3. Treatment of relevant expenses in business combination: Intermediary fees for auditing, legal services, evaluation, consultation, etc. and other relevant management expenses incurred for the business combination are included in the profit and loss of the period when they occur; the transaction fees of the equity securities or debt securities issued as the consideration for the combination are included in the initial recognition amount of the equity securities or debt securities.

6. Methods for preparation of consolidated financial statements

1. Scope of consolidated financial statements

The consolidation scope of consolidated financial statements shall be subject to the basis of control, which includes not only subsidiaries determined based on voting rights (or similar rights) themselves or in combination with other arrangements, but also structured entities determined based on one or more contractual arrangements. Control refers to the power the investor owns against the investee which allows the investor to enjoy the variable return by attending relevant activities of the investee and to be capable of using such power to affect the amount of return.

2. Combination procedures

The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries and other relevant information.

The Company unifies the accounting policies and accounting periods adopted by its subsidiaries, so that they are consistent with those adopted by the Company. During the preparation of consolidated financial statements, the materiality principle is followed; i.e. internal transactions and equity investment projects between the parent company and the subsidiary and between subsidiaries are offset.

The equities and profits and losses attributable to minority shareholders of subsidiaries are listed separately under the item of “owner’s equity” in the consolidated balance sheet and under the item of “net profit” in the consolidated income statement. If the loss of a subsidiary which is shared by its minority shareholders exceeds the minority shareholders’ share in the owner’s equity of the subsidiary at the beginning of the period, the equity of minority shareholders shall be reduced.

(1) Addition of subsidiary and business

If subsidiaries and businesses are added due to business combinations of enterprises under the same control during the reporting period, the opening balance of the consolidated balance sheet should be adjusted; the consolidated income statement should include the incomes, expenses and profits of these subsidiaries and businesses from the beginning to the end of the reporting period when the combination occurs; the consolidated cash flow statement should include cash flows of these subsidiaries and businesses from the begging to the end of the reporting period when the combination occurs. Meanwhile, relevant items in the comparative statements should be adjusted, as if the consolidated reporting entity had been existing since the time when the ultimate controlling party began to have control.

If subsidiaries and businesses are added due to business combinations of enterprises not under the same control during the reporting period, the opening balance of the consolidated balance sheet are not adjusted; the consolidated income statement should include the incomes, expenses and profits of these subsidiaries and businesses from the acquisition date to the end of the reporting period; the consolidated cash flow statement should include cash flows of these subsidiaries and businesses from the acquisition date to the end of the reporting period.

The Company prepares consolidated financial statements based on the amount of identifiable assets, liabilities and contingent liabilities on the balance sheet date of the current period as determined on the basis of their fair values in the individual financial statements of the subsidiary on the acquisition date. If the costs of business combinations are higher than the identifiable net assets of the acquiree, the gap between them is confirmed as goodwill. If the costs of business combinations are lower than the identifiable net assets of the acquiree, the gap between them, upon reassessment, is included in the profit and loss of the current period.

For business combinations not under common control that are achieved through multiple transactions in stages, when compiling the consolidated financial statements, the equities in the acquiree held before the acquisition date should be remeasured at the fair value on the acquisition date, and the difference between the fair value and the book value is recognized as the return on investment of the current period. For other comprehensive income incurred from the long-term equity investment of equities in the acquiree held before the acquisition date as calculated under the equity model, accounting processing shall be done by adopting the same basis for directly disposing relevant assets or liabilities of the acquiree. That is, other changes in shareholders' equity, except for net profit and loss, other comprehensive income and profit distribution, shall be transferred to the return on investment of the current period For other equity instrument investments in the acquiree held before the acquisition date, the changes in the fair value of the equity instrument investments accumulated under other comprehensive income before the acquisition date are transferred to retained profits and losses.

(2) Disposal of subsidiaries and businesses

A. General disposal methods

Where the Company disposes subsidiaries and businesses during the reporting period, the incomes, expenses and profits of these subsidiaries and businesses from the beginning of the reporting period to the disposition date are included in the consolidated income statement, while their cash flows from the beginning of the period to the disposition date are included in the consolidated cash flow statement.

If the Company loses control of a subsidiary due to partial disposal of equity investment or other reasons, the remaining equity should be remeasured in the consolidated financial statements at fair value on the date of loss of control. The sum of consideration obtained from equity disposal and fair value of the remaining equity, minus the Company's share in the subsidiary's net assets proportional to its original shareholding percentage that is continuously calculated from the acquisition date or acquisition date, is recognized as return on investment of the reporting period when the loss of control takes place. For other comprehensive income incurred from the equity investment in the subsidiary, accounting processing is done by adopting the same basis for directly disposing relevant assets or liabilities of the subsidiary at the loss of control. That is, other changes in shareholders' equity, except for net profit and loss, other comprehensive income and profit distribution, shall be transferred to the return on investment of the period when the control is lost.

B. Disposal of equities in steps until loss of control

Where the Company loses control of a subsidiary by disposing equity investments in the subsidiary in steps, if those transactions of equity disposal are a package deal, each transaction shall be treated as a transaction that results in loss of control of the subsidiary in accounting processing. However, the difference between each disposal price before loss of control and the Company's share in the subsidiary's net assets proportional to the disposed equity shall be recognized as other comprehensive income in the consolidated financial statements and, upon loss of control, transferred to the profit and loss of the current period.

If the terms, conditions, and economic effects of transactions of disposing equity investment in the subsidiary conform to one or more of the following circumstances, that means these multiple transactions should be treated as package deals in accounting processing:

(A) those transactions are reached at the same time or after taking into consideration the influence of each other;

(B) those transactions together produce a complete commercial outcome;

(C) the occurrence of one transaction depends on the occurrence of at least one other transaction;

(D) one transaction alone does not seem to be economical, but all those transactions are economical when are considered as a whole.

(3) Purchase of minority stakes in subsidiaries

The difference between the long-term equity investment newly acquired by the Company due to the purchase of minority stakes and its share in the identifiable net assets of the subsidiary proportional to the increased shareholding ratio as continuously calculated from the acquisition date (or combination date) is used to adjust the capital premium or share premium under capital reserve in the consolidated balance sheet; if the capital premium or share premium is insufficient to offset, retained earnings will be adjusted.

(4) Partial disposal of equity investment in subsidiaries without losing control

The consideration received by the Company for disposing the long-term equity investments in a subsidiary without losing control and its share in the identifiable net assets of the subsidiary proportional to the disposed equity ratio as continuously calculated from the acquisition date (or combination date) is used to adjust the capital premium or share premium under capital reserve in the consolidated balance sheet; if the capital premium or share premium is insufficient to offset, retained earnings will be adjusted.

7. Classification of joint arrangements and accounting treatment methods

A joint arrangement is an arrangement over which two or more parties have joint control. Joint arrangements are required to be classified as either a joint operation or a joint venture.

1. A joint operation is the joint arrangement where the Company has the rights to the assets and the obligations for the liabilities of the arrangement. The Company recognizes in relation to its interest in a joint operation:

(1) its assets, including its share of any assets held jointly;

(2) its liabilities, including its share of any liabilities incurred jointly;

(3) its revenue from the sale of its share of the output of the joint operation;

(4) its share of the revenue from the sale of the output by the joint operation; and

(5) its expenses, including its share of any expenses incurred jointly.

2. A joint venture is a joint arrangement where the Company only has an interest to the net assets of the arrangement. The Company accounts for its interest in a joint venture using the equity method.

8. Criteria for recognition of cash and cash equivalents

The Company recognizes cash on hand and deposits that can be used for payment at any time as cash when compiling the cash flow statement. Meanwhile, short-term (due within three months from the acquisition date) investments held by the Company with high liquidity, easy to convert to cash in a known amount, and low risk of value changes are recognized as cash equivalents. Restricted bank deposits are not recognized as cash and cash equivalents in the cash flow statement.

9. Translation of transactions and financial statements denominated in foreign currencies

1. Foreign currency transactions

Upon the occurrence of foreign currency transactions, the amount of foreign currency is accounted by translating into RMB at the approximate spot exchange rate on the transaction date, while foreign currency monetary items and non-monetary items are treated according to the following methods at the end of the reporting period:

(1) Foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. Exchange difference resulting from the difference between the spot exchange rate on the balance sheet date and that at the initial recognition or on the previous balance sheet date is recognized as the profit and loss of the current period.

(2) Foreign currency non-monetary items that are measured at historical cost shall still be converted at the spot exchange rate on the transaction date, without changing the amount of the standard bookkeeping currency.

(3) Foreign currency non-monetary items that are measured at fair value are translated using the foreign exchange rate at the date when the fair value is recognized. The difference arising therefrom is recognized as profit and loss or other comprehensive income.

(4) Exchange gains and losses, except for those arising from special foreign-currency borrowings related to the purchase or production of assets eligible for capitalization, are included in the cost of the asset eligible for capitalization before the asset is ready for its intended use or sale, while others are included in the profit and loss of the current period.

2. Translation of foreign-currency financial statements

(1) Assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; except for the "undistributed profits" item, all the other items under "owner's equity" are converted at the spot exchange rate at the time of occurrence.

(2) Income and expense items in the income statement shall be translated using the foreign exchange rate ruling at the date of the transaction.

(3) Difference resulting from translation of foreign-currency financial statements by the above methods shall be included in other comprehensive income. When disposing an overseas operation, the difference resulting from the conversion of foreign currency statements relating to the operation is transferred from the owner's equity item to the profit and loss of the current period.

(4) The cash flow statement is converted at the spot exchange rate on the date of cash flow occurrence. The impact of exchange rate changes on cash is regarded as an adjustment item and listed separately in the cash flow statement.

10. Financial instruments

When the Company becomes a party to a financial instrument contract, the financial instrument is confirmed to be either a financial asset or financial liability.

1. Classification, recognition, and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets into the following three categories: financial assets measured at the amortized cost, financial assets measured at fair value where gains and losses are recognized in other comprehensive income (hereinafter, fair value through other comprehensive income), and financial assets measured at fair value where gains and losses are recognized in profit or loss of the current period (hereinafter, fair value through profit or loss).

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, transaction costs are directly included in profit and loss of the current period. For other types of financial assets, related transaction costs are included in their initial recognized amounts. Where the accounts receivable initially recognized by the Company does not contain significant financing components as defined in the *Accounting Standards for Business Enterprises No. 14 -- Revenue* or the accounts receivable does not consider financing components in contacts whose term is less than a year pursuant to provisions of the *Accounting Standards for Business Enterprises No. 14 -- Revenue*, the initial measurement shall be made according to the price of transactions that are expected to be entitled to receive consideration.

(1) Financial assets measured at amortized cost

A financial asset is classified as being subsequently measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This kind of financial assets is subsequently measured at amortized cost using the effective interest method. Gains or losses arising from amortization or impairment are recognized in profit and loss of the current period.

(2) Financial assets measured at fair value through other comprehensive income

A financial asset is classified as being subsequently measured at fair value through other comprehensive income if the asset is held within a business model whose objective is to both collect contractual cash flows and sell the financial asset, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company measures this kind of financial assets at fair value where gains and losses are recognized in other comprehensive income, but the impairment losses or gains, exchange profits or losses, and interest income calculated by the effective interest method are recognized as the profit and loss of the current period.

If an equity investment is not held for trading, the Company can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income. The designation hereof is made on an individual investment basis, and the relevant investment meets the definition of an equity instrument from the perspective of the issuer. The Company recognizes relevant dividend income from such financial assets as the profit and loss of the current period, and changes in fair value as other comprehensive income. When such financial assets are derecognized, the accumulated gains or losses previously recognized as other comprehensive income shall be transferred from other comprehensive income to retained earnings and not recognized as the profit and loss of the current period.

(3) Financial assets measured at fair value through profit or loss

All financial assets other than the other two preceding types are classified as financial assets measured at fair value through profit or loss. Moreover, at initial recognition, to eliminate or significantly reduce accounting mismatches that would otherwise arise, the Company may designate a financial asset as financial asset measured at fair value through profit or loss. Such financial assets are subsequently measured at fair value, and changes in fair value are recognized as the profit and loss of the current period.

2. Classification, recognition, and measurement of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, transaction costs are directly included in profit and loss of the current period. For other types of financial liabilities, related transaction costs are included in their initial recognition amounts.

(1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading (including derivatives belonging to financial liabilities) and financial liabilities designated to be measured at fair value where changes in fair value are included in the profit and loss of the current period.

Financial liabilities held for trading (including derivatives belong to financial liabilities) are subsequently measured at fair value, and changes in fair value, except for those related to hedge accounting, are recognized as profit and loss of the current period.

For those that are designated as financial liabilities measured at fair value through profit or loss, the amount of change in fair value attributable to changes in the credit risk of the Company is presented in other comprehensive income; cumulative gains or losses of change in fair value attributable to changes in the credit risk of the Company are transferred to retained earnings at the derecognition of the financial liability. Other changes in fair value shall be recognized as the profit and loss of the current period. If the accounting treatment of the credit risk changes in such financial liabilities by the above methods will create or expand the accounting mismatch in the profit and loss, the Company shall recognize all gains or losses in such financial liabilities (including the amount attributable to changes in the credit risk of the Company) as the profit and loss of the current period.

(2) Other financial liabilities

Except for financial liabilities that continue to be recognized when a transfer of a financial asset does not qualify for derecognition or continue to be recognized to the extent of continuing involvement, or financial guarantee contracts, other financial liabilities shall be classified into the financial liabilities measured at amortized cost, which are subsequently measured at amortized cost, and the gains or losses resulting from derecognition or amortization shall be recognized as the profit and loss of the current period.

3. Methods for determining the fair value of financial assets and financial liabilities

If there are active markets for a financial instrument, the Company establishes its fair value by using quoted price in the active markets. If there is no active market, valuation techniques is used to measure fair value. During valuation, the Company adopts the valuation techniques that are applicable under current circumstances and supported by sufficient available data and other information, selects the input values that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transaction of the relevant assets or liabilities, and preferentially uses the relevant observable inputs. Unobservable input values are used only when relevant observable input values are not available or are not practicable.

4. Recognition and measurement of financial asset transfer

Recognition of financial asset transfer

<table>
<tr><td colspan="2">Circumstance</td><td>Result of confirmation</td></tr>
<tr><td colspan="2">Transferring substantially all of the risks and rewards of ownership of the asset</td><td rowspan="2">Derecognize the financial asset (recognize new asset/liability)</td></tr>
<tr><td rowspan="2">Neither transferring nor retaining substantially all the risks and rewards of ownership of the asset</td><td>Give up control of the transferred asset</td></tr>
<tr><td>Retain control of the transferred asset</td><td>Continue to recognize the transferred asset and liability to the extent of continuing involvement</td></tr>
<tr><td>Retaining substantially all the risks and rewards of ownership of the asset</td><td colspan="2">Continue to recognize the financial asset and recognize the consideration received as financial liability</td></tr>
</table>

The Company distinguishes financial asset transfer into transfer in entirety and transfer in part.

(1) If a financial asset is qualified for derecognition in its entirety, the difference between the following two shall be recognized in profit and loss of the current period: the book value of the financial asset at the date of derecognition; and the consideration received, plus the cumulated amount of changes in fair value directly included in other comprehensive income (only for financial assets measured at fair value through other comprehensive income as classified in accordance with Article 18 of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*).

(2) If the transferred asset is part of a larger financial asset, when the part transferred qualifies for derecognition in its entirety, the previous book value of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized (for this purpose, a retained serving asset should be treated as the part continuing to be recognized), on the basis of the relative fair values of those parts on the date of the transfer. The difference between the following two shall be recognized in profit and loss of the current period: the book value allocated to the part derecognized at the date of derecognition; and the consideration received for the part derecognized (including any new asset obtained less any new liability assumed), plus the cumulated amount of changes in fair value proportionate to the part derecognized directly included in other comprehensive income (only for financial assets measured at fair value through other comprehensive income as classified in accordance with Article 18 of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*).

If the transferred financial asset does not qualify for derecognition, the Company continues to recognize the financial asset in its entirety and the consideration received as a financial liability.

5. Derecognition of financial liabilities

The Company removes a financial liability (or a part of it) from its financial statements when the obligation specified in the contract is discharged or canceled or expires. For the following circumstances:

(1) If the Company transfers the asset to repay a financial liability to an institution or establish a trust thereof, while the repayment

obligation still exists, the financial liability should not be derecognized.

(2) If the Company (borrower) and the lender sign an agreement under which the Company assumes a new financial liability to replace the original financial liability (or a part of it), while contractual terms of the two are different in substance, the Company shall derecognize the original financial liability (or a part of it) and recognize a new financial liability.

If a financial liability is derecognized in whole (or in part), the difference between the book value of the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) is recognized as the profit and loss of the current period.

6. Impairment of financial assets

(1) Methods for recognizing impairment provision

Financial assets measured at amortized cost (including receivables), investments in debt instruments measured at fair value through other comprehensive income, and lease receivables are measured using the expected credit loss (ECL) approach. In addition, for contract assets, loan commitments and financial guarantee contracts, loss allowance and credit impairment loss are recognized according to the above accounting policies.

Expected credit loss (ECL) is the weighted average of credit losses with the respective risks of a default occurring as the weightings. Credit loss refers to the difference between the present value of all contractual cash flows discounted at the original interest rate and the present value of expected future cash flows, i.e. the “cash shortfall”.

With the exception of purchased or originated credit-impaired financial assets, the Company assesses whether the credit risk of relevant financial assets has been significantly increased since initial recognition. If the credit risk has not increased significantly since initial recognition, it is in Stage 1; the Company recognizes loss allowance based on the 12-month ECL of the financial asset. If the credit risk increases significantly since initial recognition but the financial asset is not considered credit-impaired, it is in Stage 2; the Company measures loss allowance based on the lifetime ECL of the financial asset. If the credit risk of a financial asset increases to the point that is considered credit-impaired, it is in Stage 3; the Company measures the loss allowance based on the lifetime ECL of the financial asset. When assessing expected credit loss, the Company considers reasonable and evidence-based information, including forward-looking information, which is available at the balance sheet date without undue additional cost or effort regarding past events, current conditions and forecasts of future economic conditions.

The 12-month ECL refers to expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date (or the lifetime if the expected duration of a finical asset is less than 12 months). The 12-Month ECL constitutes a part of the lifetime ECL.

For financial assets with a low credit risk, the Company assumes that their credit risk has not increased significantly since initial recognition and elects to measure their loss allowance through 12-month ECL.

For financial assets in Stage 1 and Stage 2 and those with a low credit risk, interest revenue is calculated based on the gross carrying amount and effective interest rate without deduction for loss allowance. For financial assets in Stage 3, interest revenue is calculated based on the amortized coast (i.e. the gross carrying amount less the loss allowance) and the effective interest rate.

(2) Credit-impaired financial assets

An asset is recognized as credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. Evidences for credit-impaired asset include the following observable data:

A. significant financial difficulty of the issuer or borrower;

B. a breach of contract of the borrower, such as a default or past-due payment of interest or principal;

C. the lenders for economic or contractual reasons relating to the borrower’s financial difficulty granted the borrower a concession that would not otherwise be considered;

D. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

E. the disappearance of an active market for the financial asset because of financial difficulties of the issuer or borrower; or

F. the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

(3) Purchased or originated credit-impaired financial assets

For purchased or originated credit-impaired financial assets, the Company recognizes cumulative changes in lifetime expected losses since initial recognition as a loss allowance on the balance sheet date. On each balance sheet date, changes in lifetime expected losses are included in profit and loss of the current period as impairment loss or gain. Any favorable changes for such assets are an impairment gain even if the resulting expected cash flows of a financial asset exceed the estimated cash flows on initial recognition as determined on the balance sheet date.

(4) Standards for judging whether credit risk has increased significantly

If the probability of default (PD) of a financial asset in the expected duration recognized on the balance sheet date is significantly higher than that in the expected duration recognized at the time of initial recognition, the credit risk of the financial asset has increased significantly. Except for special circumstances, the Company determines whether credit risk has increased significantly since initial recognition by using PD changes in the coming 12 months as reasonable estimates for PD changes in lifetime.

(5) Methods for assessing ECL of financial assets

The Company assesses ECLs of financial assets on an individual basis or at a portfolio level. Financial assets with significantly different credit risks are assessed individually, such as receivables for which there are obvious signs that the debtor is very unlikely to fulfill the repayment obligation.

In addition to financial assets whose credit losses are measured on an individual level, the Company classifies financial assets into groups based on shared credit risk characteristics and measures the expected credit losses on a collective basis.

(6) Accounting methods for impairment of financial assets

The Company calculates the expected credit losses of various financial assets on the balance sheet date. The addition or reversal of loss allowance resulting therefrom is included in the profit and loss of the current period as impairment loss or gain.

If the Company suffers actual credit losses and determines that the relevant financial asset cannot be recovered, while the asset is written off upon approval, the book value of the financial asset will be directly written down. If the written-down financial asset is recovered later, it is included in the profit and loss of the current period as reversal of impairment loss.

7. Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognized at fair value. Subsequent measurement for financial guarantee contracts is at the higher of the amount of the loss allowable and the amount initially recognized less cumulative amortization in accordance with revenue recognition principles.

8. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, a financial asset and a financial liability shall be offset and the net amount is present in the balance sheet if the following two conditions are both met:

(1) The Company has a legally enforceable right to set off the recognized amount; and

(2) The Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

9. Equity instruments

An equity instrument refers to a contract that can prove the Company owns the remaining equity in the assets after deducting all liabilities. The Company’s issuance (including refinancing), repurchase, sales or cancellation of equity instruments are treated as changes in equities. The Company does not recognize changes in the fair value of equity instruments. Transaction costs related to equity transactions are deducted from equities.

The Company’s various distributions to holders of equity instruments (excluding share dividends) are recognized as profit distribution to reduce owner’s equity. The share dividends issued do not affect the total owner’s equity.

11. Accounts receivable

The Company measures the loss allowance of receivables without a major financing component as defined in the *Accounting Standards for Business Enterprises -- Revenue* (including cases where the contract containing the financial component has a term less than one year according to the above Standard) at an amount equivalent to lifetime ECL.

The Company classifies accounts receivables into different groups by common credit risk characteristics such as customer type:

Item	Basis for determining the portfolio
Portfolio of clothing sales business	Clothing sales business as the credit risk characteristic
Portfolio of related parties	Related parties within the consolidation scope

For accounts receivables classified into portfolios, the Company prepares a comparison table between the aging of the accounts receivables and the ECL rate and calculates ECL with a reference to historical credit loss experience and in combination with current situation and forecast of future economic conditions. For details, please refer to “Note V (10) Financial instruments -- Impairment of financial assets”.

12. Accounts receivable financing

Accounts receivable financing reflects bills receivable and accounts receivable that are measured at fair value while changes in fair value are included in other comprehensive income. For their accounting methods, please refer to "Note V (10) Financial instruments -- Financial assets measured at fair value through other comprehensive income".

13. Other receivables

Recognition and accounting methods for ECLs of other receivables

ECLs of other receivables are determined based on historical experience data and forward-looking information. The Company uses the 12-month ECL or lifetime ECL to measure impairment loss according to whether the credit risk of other receivables has significantly increased since initial recognition.

Other receivables are classified into groups based on common risk characteristics:

Item	Basis for determining the portfolio
Margins and deposits	Deposits receivable
Employee reserve fund	Reserve funds receivable
Related-party amount within the consolidated scope	Amounts of related parties within the consolidation scope
Others	Other amounts receivable

14. Inventory

1. Classification of inventories

Inventories of the Company refer to assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, materials for consigned processing, stock commodities, etc.

2. Pricing methods for inventory acquisition and delivery

Inventories are initially measured at cost. The cost of inventories comprises purchase costs, processing costs, and other costs. Borrowing costs that should be included in the cost of inventories are handled in accordance with the *Accounting Standards for Business Enterprises No. 17 - Borrowing Costs*. The cost of investing in inventories by investors shall be determined according to the value stipulated in the investment contract or agreement, unless the value thereof is not fair.

Valuation method of delivered inventories: weighted average.

3. Inventory counting system

Perpetual inventory system is adopted.

4. Methods for recognition of the net realizable value of inventories and inventory write-down

Inventories at the end of the reporting period shall be measured at the lower of cost and net realizable value. If the net realizable value of inventories at the end of the reporting period is lower than the book cost, the difference is set aside as inventory write-down. 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 related taxes and fees.

(1) Basis for determining the net realizable value of inventories: For materials held for production, if the net realizable value of finished product using the material is higher than its cost, the material is still measured at cost. However, when a decline in the price of materials indicates that the cost of the finished product exceeds net realizable value, the material is written down to net realizable value.

For inventories held to satisfy sales contracts or service contracts, their net realizable value is based on the contract price. If the sales contracts are less than the inventory quantities held, the net realizable value of the excess part is based on general selling prices.

(2) Method of inventory write-down: Inventories are written down according to the lower of the cost and the net realizable value item by item. However, inventories with large quantities and low unit value are written down according to inventory category.

15. Contract assets

1. Recognition methods and standards of contract assets

Contract assets refer to the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. For example, if the Company sells two clearly distinguishable commodities to the customer and has the right to consideration as one of them has been delivered, but the receipt of payment depends on the delivery of the other commodity, the right to consideration hereof is recognized as a contract asset.

2. Recognition and accounting methods for ECLs of contract assets

The Company always measures the loss allowance of contract assets based on lifetime ECL, regardless of whether they contain significant financing components or not. The increase or reversal of loss allowance therefrom is included in the profit and loss of the current period as impairment loss or gain.

The Company calculates the ECL of a contract asset at the balance sheet date. If the ECL is higher than the carrying amount of the current provision for the impairment of the contract asset, the difference is recognized as impairment loss. Afterwards, the Company remeasures the ECL on each balance sheet date, and any reversal of loss allowance is recognized as impairment gain.

16. Assets held for sale

1. Basis for classifying an asset as held for sale

The Company classifies a disposal group (or non-current asset) as held for sale if the following conditions are simultaneously met:

(1) the asset or disposal group is available for immediate sale in its present condition according to customs of similar transactions;

(2) the sale is high probable, i.e. the company has made the resolution for the sale and received a firm purchase commitment, and the sale is expected to be completed within one year. If relevant regulations require that the sale can be made only after approval of competent governing bodies of the company or competent regulatory authorities, the approval has been obtained.

A firm purchase commitment refers to a legally binding purchase agreement signed between the Company and other entities, which contains important terms such as transaction price, time and sufficiently severe breach of contract penalties such that the possibility of major adjustment or revocation of the agreement is extremely unlikely.

2. Accounting methods of assets held for sale

During initial measurement or remeasurement of the non-current assets or disposal groups classified into held-for-sale assets on the balance sheet date, the difference between the book value and fair value less costs to sell is confirmed as the impairment loss and recognized in profit or loss of the current period, while impairment provision is set aside for the asset held for sale. In the event of any gains for any increase in fair value less cost to sell of a non-current asset held for sale on subsequent balance sheet dates, the recognized impairment losses can be reversed but not in excess of the cumulative impairment losses that have been recognized since it was classified as held for sale, and the reversal amount is included in profit or loss. Impairment losses recognized before the asset was classified as held for sale cannot be reversed.

The impairment loss recognized for a disposal group held for sale shall first reduce the book value of the goodwill in the disposal group, and then the book values of other non-current assets in the disposal group proportionate to their percentage in the book value of the disposal group. If the impairment loss recognized for a disposal group held for sale is subsequently reversed, the book values of non-current assets other than goodwill in the disposal group are increased proportionate to their percentage in the disposal group.

The Company does not depreciate (or amortize) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group shall continue to be recognized.

When a non-current asset or a disposal group held for sale is derecognized, the un-recognized gains or losses are included in the profit and loss of the current period.

The Company measures a non-current asset that ceases to be classified as held for sale or ceases to be included in a disposal group classified as held for sale at the lower of:

(1) its book value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale, and

(2) its recoverable amount.

17. Debt investments

The Company determines the ECL of debt investments on each balance sheet date based on the type of counterparty and risk exposure while taking into consideration historical defaults and industry forward-looking information or various external actual and expected economic information. For recognition and accounting methods of ECLs, please refer to “Note V (10) Financial instruments".

18. Long-term receivables

1. Basis of determining joint control and significant influence over the investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control. When judging whether there is joint control, firstly, determine whether all participants or a group of participants collectively control the arrangement. If all participants or a group of participants must act in unison to decide relevant activities of an arrangement, it is considered that all participants or the group of participants collectively control the arrangement. Secondly, determine whether decisions of relevant activities of the arrangement must be unanimously agreed by all parties sharing the collective control of the arrangement. The joint control is formed when and only when decisions of relevant activities must be unanimously agreed by all parties sharing the collective control. If the combination of two or more participants is needed to collectively control an arrangement, it does not constitute joint control. Protective rights enjoyed are not considered when judging whether there is joint control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When assessing whether there is significant influence over the investee, existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered, including warrants, share call options, debt or equity instruments that are convertible into ordinary shares or other similar instruments issue by the investee. An entity is regarded as having significant influence over the investee if the external investment meets the following conditions: (1) representation on the board of directors or equivalent governing body of the investee; (2) participation in the decision-making processes of the investee's financial and operational policies; (3) material transactions between the entity and its investee; (4) designation of managerial personnel to the investee; (e) provision of essential technical information to the investee. If an entity holds, directly or indirectly, more than 20% but less than 50% of the voting power of the investee, it is generally considered as having significant influence over the investee.

2. Determination of initial investment cost

(1) Long-term equity investment formed by business combination

A. For long-term equity investments formed from business combination of entities under common control, if the consideration takes the form of cash, transfer of non-cash assets, debt assumption or issuance of equity securities, the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party on the combination date shall be regarded as the initial investment cost of the long-term equity investment. For acquiring control of the investee under common control by ways of additional investment, the book value of the investee's net assets attributable to the investor in the consolidated financial statements of the ultimate controlling party on the combination date shall be regarded as the initial investment cost of the long-term equity investment. Capital surplus or share surplus is written down based on the difference between the initial investment cost of the long-term equity investment and the carrying amount of the investment before combination plus the carrying amount of consideration paid to obtain the new shares on the combination date; if it is insufficient for offsetting, retained earnings are reduced.

B. For long-term equity investments formed from business combinations of entities not under common control, the combination cost determined on the acquisition date in accordance with the *Accounting Standards for Business Enterprises No. 20 - Business Combinations* is used as the initial investment cost of the long-term equity investment. For acquiring control of the investee not under common control by ways of additional investment, the sum of the carrying amount of the equity investment original held and the cost of additional investment is used as the initial investment cost upon adoption of the cost method.

(2) Except for long-term equity investments formed through business combinations, the initial investment cost of other long-term equity investments is determined as follows:

A. For long-term equity investment obtained by paying cash, the consideration actually paid is the initial investment cost. The initial investment cost includes expenses, taxes, and other necessary expenditures directly related to the acquisition of the long-term equity investment.

B. For long-term equity investments obtained by issuing equity securities, the fair value of the equity securities issued is the initial investment cost.

C. For long-term equity investments obtained through the exchange of non-monetary assets, the initial investment cost is determined pursuant to the *Accounting Standards for Business Enterprises No. 7 - Exchange of non-monetary assets*.

D. For long-term equity investments obtained through debt restructuring, the initial investment cost is determined pursuant to the *Accounting Standards for Business Enterprises No. 12 - Debt restructuring*.

3. Subsequent measurement and recognition of profit and loss

(1) Cost method: If the Company can make control of the investee through the long-term equity investments, the cost method is used. When the cost method is used, additional or recovered investment will adjust the cost of the long-term equity investment. For long-term equity investments accounted using the cost method, with the exception of the price actually paid at the acquisition of investment or cash dividends or profits included in consideration, declared but not issued yet, the return on investment of the current period shall be recognized according to the cash dividends or profits declared to be issued by the investee, without distinguishing whether the net profit is realized before or after the investment.

(2) Equity method: When the Company has an investment in an associate, a portion of which is held indirectly through a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Company elects to measure that portion of the investment in the associate at fair value through profit or loss using the equity method in accordance with provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, regardless of whether the venture capital organization, or the mutual fund, unit trust and similar entities including investment-linked insurance funds, has significant influence over that portion of the investment. When the equity method is used, after the Company obtains the long-term equity investments, return on investment and other comprehensive income shall be respectively determined based on the share of net profit or loss and other comprehensive income realized by the investee that shall be attributable to or assumed by the Company, and the book value of long-term equity investments shall be adjusted at the same time. Attributable share shall be calculated based on the profit or cash dividends declared by the investee and the book value of long-term equity investments

shall be accordingly decreased. In respect to other changes of owner's equity of the investee in addition to net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investments shall be adjusted and recognized as owner's equity. When the Company confirms the limit of net loss incurred by the investee, the limit is the extent that the book value of the long-term equity investments and other long-term equity that substantially constitutes a long-term equity in the investment target is written down to zero, unless the Company is obliged to bear additional losses. Where the investee records net profit in the future, the Company resumes and recognizes the profit-sharing amount after such amount makes up the unrecognized loss-sharing amount. When confirming the share of the investee's net profit and loss, the Company shall confirm the investee's net profit after adjustment based on the fair value of the identifiable net assets of the investee at the acquisition of the investment, and set off profit or loss of internal transactions with the associates and joint ventures and recognize investment gain or loss thereupon. If losses of internal transactions between the Company and the investee belong to asset impairment losses in accordance with the *Accounting Standards for Business Enterprises No. 8 -- Impairment of assets*, the full amount is recognized. If the investee uses accounting policies and periods that differ from those of the Company, financial statements of the investee should be adjusted in accordance with those of the Company to reflect investment gain or loss.

For long-term equity investments in associates and joint ventures held before the date of initial adoption, if there is a debit balance of equity investment, it shall be amortized over the original remaining period on a straight-line basis, and the amortization amount is included in profit or loss of the period.

(3) For the disposal of long-term equity investments, the difference between the carrying amount and actual consideration is included in profit or loss of the period. For long-term equity investments accounted using the equity method, with regard to any changes in equity other than the net profit or loss of the investee, the portion originally included in owner's equity is transferred to profit or loss of the period at the disposal of the investment, except for other comprehensive income arising from changes in net assets or liabilities of defined benefit plans remeasured by the investee.

19. Fixed assets

(1) Recognition conditions

Fixed assets are tangible assets with a useful life of more than one accounting year that are held for production or supply of goods or labor services, for rental to third parties, or for use in the organizations.

(2) Depreciation method

Category	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Properties and buildings	Straight-line depreciation	20-40	5	2.38-4.75
Equipment	Straight-line depreciation	3-5	5	19.00-31.67
Motor vehicles	Straight-line depreciation	5	5	19.00
Office equipment	Straight-line depreciation	3-5	5	19.00-31.67

The Company reassesses the useful life, estimated net residual value and depreciation method of fixed assets at the end of each fiscal year.

20. Construction in process

Construction in progress is measured at actual cost. Borrowing costs and foreign currency translation differences associated with loans for engineering construction projects are capitalized in accordance with relevant provisions of the *Accounting Standards for Business Enterprises No. 17 - Borrowing Costs* or included in profit or loss. Construction in progress is transferred to fixed assets from the date when it reaches the intended use, regardless of whether the project has completed the final account. Meanwhile, adjustments will be made upon completion of the final account.

21. Borrowing costs

1. Principles for borrowing cost capitalization

Borrowing costs include interest in connection with the borrowing of funds, amortizations of discounts or premiums, incidental expenses, exchange differences arising from foreign-currency borrowings, etc. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized and included in the cost of that asset. Other borrowing costs are recognized as an expense in the period in which it incurs them.

Qualifying asset refers to fixed assets, investment properties, inventories and other assets that necessarily take a substantial period of time to get ready for its intended use or sale.

The Company begins capitalizing borrowing costs if all of the following conditions are met:

(1) it incurs expenditures for the asset; expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities.

(2) it incurs borrowing costs; and

(3) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

2. Period for borrowing cost capitalization

Borrowing costs incurred for the acquisition, construction or production of a qualifying asset, when meeting the above capitalization conditions, are included in the cost of the asset before the asset reaches its intended use or sale. If acquisition or production activities of the asset are interrupted abnormally and the interruption period thereof lasts for more than 3 months, the capitalization of borrowing costs should be suspended, while the borrowing costs are recognized as an expense in the period until the acquisition or production activities of the asset resume. Moreover, capitalization is ceased when the qualifying asset reaches its intended use or sale. Borrowing costs incurred after the asset reaches its intended use or sale are included in the financial expenses of the period when they incur.

3. Calculation methods for the amount of borrowing costs eligible for capitalization

During the capitalization period, the amount of interests eligible for capitalization (including amortization of discount or premium) for each reporting period shall be determined in accordance with the following:

(1) To the extent that the Company borrows funds specially for the purpose of acquiring or producing a qualifying asset, the amount of interests for capitalization is determined as the actual interest expense incurred on that borrowing during the period less any investment income obtained by depositing the unused borrowings in the bank or any investment income from temporary investments.

(2) To the extent that the Company borrows funds generally and uses them for the purpose of acquiring or producing a qualifying asset, the Company determines the amount of interests eligible for capitalization by applying a capitalization rate of the general borrowings to the weighted average of the cumulative asset expenditure over the specific borrowing portion.

22. Right-of-use assets

Except for short-term leases or low-value asset leases, the Company, as the lessee, may recognize the right to use the leased asset during the lease term as a right-of-use asset.

1. Basis for determining right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost, which includes:

(1) the amount of the initial measurement of the lease liability;

(2) any lease payment made at or before the commencement date, less any lease incentives received;

(3) any initial direct costs incurred;

(4) any estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. Depreciation and impairment of right-of-use assets

(1) The Company applies a cost model for the subsequent measurement of the right-of-use asset.

(2) The Company depreciates right-of-use assets through the straight-line method.

If it can be reasonably ascertained that the ownership of the asset leased can be obtained by the expiration of the tenancy, the asset is depreciated over its useful life; if not, the asset is depreciated over the shorter of the tenancy and the useful life of the leased asset. If the right-of-use asset is impaired, the Company measures subsequent depreciation according to the book value less the impairment loss.

(3) When the Company remeasures the lease liability according to the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly, if the book value of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the remaining amount is included in the profit and loss of the current period.

(4) Impairment test method and impairment provision method for right-of-use assets are detailed in “Note V (24) Impairment of long-lived assets”.

23. Intangible assets

(1) Pricing method, service life, and impairment test

An intangible asset is initially measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, related taxes and fees, and any directly attributable cost of preparing the asset for its intended use. For intangible assets purchased by installment, if the payment is deferred beyond normal credit terms, the asset has a financing component in nature and its cost is the present value of the purchase price. The cost of purchasing intangible assets by investors shall be determined according to the value stipulated in the investment contract or agreement; if the value in the investment contract or agreement is not fair, the fair value of the intangible asset is used. For intangible assets obtained through the exchange of non-monetary assets, the initial investment cost is determined pursuant to *Accounting Standards for Business Enterprises No. 7 - Exchange of non-monetary assets*. For intangible assets obtained through debt restructuring, the initial investment cost is determined pursuant to *Accounting Standards for Business Enterprises No. 12 - Debt restructuring.* If an intangible asset is acquired in a business combination of entities under common control, the cost of that intangible asset is book value of the combined party; if an intangible asset is acquired in a business combination of entities not under common control, the cost of that intangible asset is its fair value at the acquisition date.

The Company assesses the useful life of an intangible asset at acquisition. For intangible assets with a finite useful life, the amortization begins when the asset is available for use and ceases when it is derecognized by using the straight-line method, which is recognized in profit or loss. An intangible asset with an indefinite useful life is not amortized. Intangible assets of the Company include land use rights, trademarks and software. Among them, the land use rights are amortized equally over the period of use, trademarks are amortized over 10 years, and software over 3 years.

The Company reviews the useful life and amortization method of intangible assets with finite useful life at each financial year-end. If the expected useful life and amortization method of an intangible asset is different from previous estimates, the amortization period and method should be changed accordingly. The Company reviews the useful life of intangible assets with indefinite useful life at each accounting period. If evidence shows that the useful life of the asset is changed from indefinite to finite, its useful life is estimated and the accounting is handled as per the above provisions.

Impairment test method and impairment provision method for intangible assets are detailed in “Note V (24) Impairment of long-lived assets”.

(2) Accounting policy for expenditure on internal research and development

For internally generated intangible assets, expenditure on the research phase is recognized as profit and loss of the current period when incurred. Expenditure on the development phase can be recognized as an intangible asset if and only if all the following conditions are met:

(1) technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) the intention to complete the intangible asset and use or sell it;

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

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

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

Expenditure previously recognized as an expense is not adjusted.

24. Impairment of long-lived assets

The Company performs an impairment test for long-lived assets such as long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets, right-of-use assets if there is any sign of impairment on the balance sheet date. If the impairment test shows that the recoverable amount of an asset is lower than its book value, the difference is recognized as a provision for impairment and recognized as the impairment loss. The recoverable amount is determined based on the higher of (1) the asset's fair value less costs of disposal and (2) the present value of the asset's expected future cash flows. Provisions for asset impairment are calculated and recognized on an individual basis. If it is difficult to estimate the recoverable amount of individual assets, the Company will determine the recoverable amount on the basis of the asset group to which the asset belongs. Asset group refers to the smallest a group of assets that can independently generate cash flows.

Goodwill is tested for impairment at least at each fiscal year-end. The Company performs impairment tests for goodwill. Goodwill acquired in a business combination shall, from the acquisition date, be reasonably allocated to the relevant asset group or, if improbable, a combination of asset groups. Carrying amount of goodwill is allocated to relevant asset group or asset groups based on the proportion of their respective fair values in the group or groups. Where the fair value cannot be reliably measured, the allocation should be based on the proportion of their respective carrying amounts in the group or groups. When performing impairment tests for relevant asset group or asset groups to which goodwill has been allocated, if there is an indication that the asset group or asset groups may be impaired, the asset group or asset groups not containing the goodwill should be tested before the asset group or asset groups containing the goodwill. The recoverable amount is calculated and compared with the relevant carrying amount to recognize impairment loss. Then, the asset group or asset groups containing the goodwill are tested for impairment. Their carrying amounts (including the carrying amount of the goodwill apportioned) and the recoverable amount are compared. If the recoverable amount is lower than the carrying amount, impairment loss for goodwill is recognized.

The above impairment losses, once recognized, will not be reversed in subsequent accounting periods.

25. Long-term prepaid expenses

Long-term paid expenses are expenditures that are paid in one accounting period but will be amortized over 1 year that cover the current period and future accounting periods. They include renovation expenditures for fixed assets leased in through operating lease. Long-term prepaid expenses shall be amortized equally over the expected benefit period.

26. Contract liabilities

The Company has the performance obligation to transfer goods or services to the customer and the right to collect consideration for the goods transferred or services provided. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented on a net basis; contract assets and contract liabilities under different contracts are not offset.

27. Employee benefits

(1) Accounting treatment method for short-term benefits

Employee benefits refer to various forms of remuneration or compensation given by the Company for obtaining services provided by employees or for terminating labor relations. Benefits offered to employees' spouses, children, dependents or to survivors or other beneficiaries of deceased employees are also considered employee benefits. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term benefits.

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include post-employment benefits and termination benefits. During the accounting period when employees provide services, the actually incurred short-term benefits are recognized as a liability and included in the cost and expense of relevant assets according to beneficiaries of the services rendered.

(2) Accounting treatment method for post-employment benefits

Post-employment benefits are various forms of remuneration and benefits provided by the Company after employee retirement or upon termination of labor relations with the Company, but do not include short-term benefits and termination benefits. Post-employment benefit plan is classified as either a defined contribution plan or a defined benefit plan. Under a defined contribution plan, the Company pays fixed contributions into a fund but has no legal or constructive obligation to make further payments. Other post-employment benefit plans than defined contribution plans are defined benefit plans.

(1) Defined contribution plan

Defined contribution plans include basic pension insurance and unemployment insurance. The Company shall, within the accounting period when employees provide service, contribute relevant amounts based on the contribution base and ration prescribed by the local government, which are recognized as a liability and included in profit or loss or relevant asset costs.

Contributions to a defined contribution plan during the accounting period when employees provide service are recognized as a liability and included in profit or loss or relevant asset costs.

(2) Defined benefit plan

The obligation arising from the defined benefit plan is attributed to accounting periods when employees provide service through the benefit formula determined according to the projected unit credit method and included in profit or loss or relevant asset costs. Costs arising from the Company's defined benefit plans contain the following components:

A. Service costs, including current service costs, past service costs and gain or loss on settlement Among them, current service cost refers to the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost refers to the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment.

B. Net interest on the net defined benefit liability (asset), including interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling

C. Re-measurements of the net defined benefit liability (asset)

Unless other accounting standards require or permit employee benefit costs to be recognized as asset costs, the Company includes the above items A and B in profit or loss and item C in other comprehensive income. Amounts recognized in other comprehensive income will not be reclassified to profit or loss in a subsequent period; however, amounts recognized in other comprehensive income may be transferred within equity.

(3) Accounting treatment method for termination benefits

Termination benefits refer to compensation given to employees for terminating the labor relations with the employee before the expiration of the labor contract or for encouraging employees to accept an offer of benefits in exchange for the termination of employment. The Company recognizes a liability for termination benefits at the earlier of the following dates, which is included in profit or loss: (a) when the company can no longer unilaterally withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that involves the payment of termination benefits.

(4) Accounting treatment method for other long-term employee benefits

Other long-term employee benefits refer to all other employee benefits than short-term benefits, post-employment benefits and termination benefits, including long-term paid absences, long-term disability benefits, and long-term profit sharing plans. For other long-term benefits offered by the Company to employees, if they meet the conditions of a defined contribution plan, they are accounted in accordance with relevant provisions of defined contribution plans; the remaining are accounted in accordance with defined benefit plans to recognize and measure their net liability or asset. At the end of the reporting period, obligations of other long-term benefit plans are attributed to accounting periods when employees provide service and included in profit or loss or relevant asset costs.

28. Lease liabilities

Except for short-term leases or low-value asset leases, the Company recognizes the right to use the leased asset during the lease term as a right-of-use asset and recognizes the present value of unpaid lease payments as a lease liability.

When calculating the present value of lease payments, the Company adopts the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate.

For lease liabilities, the Company calculates its interest expenses in each period of the lease term at a fixed periodic interest rate which is included in the profit and loss of the current period. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss when they are actually incurred.

After the commencement date of the lease term, when there is a change in the actual fixed payment amount, a change in the estimated payable amount of the guaranteed residual value, a change in the index or ratio used to determine the lease payment amount, or a change in the evaluation results or actual exercise of the purchase option, renewal option or termination option, the Company remeasures the lease liability according to the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly.

29. Provision

A provision is a liability of uncertain timing or amount, and is recognized when all the following are met: (1) it is present obligation of the Company; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is treated as a separate asset when it is virtually certain that reimbursement will be received; the amount recognized for the reimbursement shall not exceed the amount of the provision. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, while taking risks, uncertainties and time value relating to the matter into account. Where the effect of the time value of money is material, the best estimate is the determined by discounting the relevant future cash outflows.

The Company reviews provisions on each balance sheet date. If there is conclusive evidence that the book value of the provision can no longer truly reflect the current best estimate, the current best estimate is used to adjust the book value of the provision.

30. Share-based payment

1. Types of share-based payment

The Company's share-based payment transactions include equity-settled share-based payment and cash-settled share-based payment.

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments granted to the employees. If the granted equity instruments vest immediately, the vested equity instruments are recognized into relevant costs or expenses based on fair value at the grant date and capital reserve is increased accordingly. If the granted equity instruments vest conditional upon the completion of a specified period of service or upon the achievement of a performance condition, based on the best available estimate of the number of equity instruments expected to vest, services rendered in the period are recognized into relevant costs or expenses based on fair value of the vested equities on the grant date, and capital reserve is increased accordingly. No subsequent adjustment will be made to recognized relevant costs or expenses and total equity after vesting date.

For cash-settled share-based payment transactions, the Company measures the fair value of the liabilities to be assumed by the Company as determined based on the number of shares or other equity instruments. If the shares are vested immediately, the vested shares are recognized into relevant costs or expenses based on the fair value of the liabilities assumed by the Company, and liabilities are increased accordingly. If the cash-settled share-based payment transaction vests conditional upon the completion of a specified period of service or upon the achievement of a performance condition, services rendered in the period are recognized as the fair value of the liability assumed by the Company based on the best available estimates of the number of share options expected to vest at each balance sheet during the vesting period, and included in costs or expenses and corresponding liability. The Company remeasures the fair value of the liability at each balance sheet date prior to the settlement of the liability and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

2. Accounting of modifications to share-based payment transactions, including cancellations and settlements

The Company shall recognize, as s minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition). This applies irrespective of any modifications to the terms and conditions on which the equity instruments were granted, or a cancellation or settlement of that grant of equity instruments.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than a grant canceled by forfeiture when the vesting conditions are not satisfied), it will handle as follows:

(1) account for the cancellation or settlement as an acceleration of vesting and therefore recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period;

(2) any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognized as an expense.

(3) if new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the Company identifies the new equity instruments granted as replacement equity instruments for the canceled equity instruments, accounts for the granting of replacement equity instruments in the same way as a modification to the original grant of equity

instruments.

31. Other financial instruments such as preference shares and perpetual bonds

Financial instruments issued by the Company are initially recognized and measured in accordance with relevant accounting standards for financial instruments and distinction between financial liabilities and equity instruments. Afterwards, the Company accounts for the interest expense or dividend distribution of the instrument based on its classification. For financial instruments classified as equity instruments, interest expense or dividend distribution is recognized as profit distribution of the issuer, and their repurchase and redemption as changes in equity. For financial instruments classified as financial liability, interest expense or dividend distribution is allocated to borrowing costs in principle, and gains or losses from their repurchase or redemption are included in profit or loss.

Transaction costs arising from the issuance of the financial instruments, such as handling fees and commissions, are measured at amortized cost and included in their initial recognition amount if the instrument is classified as a debt instrument, and are deducted from equity if the instrument is classified as an equity instrument.

32. Revenue

Accounting policy for recognition and measurement of revenue

1. Accounting policy for recognition and measurement of revenue

Revenue is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants

The Company recognizes revenue when it satisfies a performance obligation, which is when the customer obtains control of the good. Obtaining control of the good means being able to direct the use of the good and obtain almost all economic benefits therefrom and to prevent others from directing the use of the good and obtaining almost all economic benefits therefrom.

The transaction price is the amount of consideration in a contract to which the Company expects to be entitled in exchange for transferring promised goods, excluding amounts collected on behalf of third parties or amounts expected to be refunded to the customer. If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration based on the expected value or the most likely amount of the variable consideration, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the Company recognizes transaction price at an amount that reflects the price that a customer would have paid for the promised goods if the customer has paid cash for those goods when they transfer to the customer (i.e. cash selling price). The difference between the amount of promised consideration and the cash selling price is amortized using the effective interest method during the contractual term. However, if the period between when the Company transfers of a promised good to a customer and when the customer pays for that good is one year or less, the Company does not consider the financing component. For contracts in which a customer promises consideration in a form other than cash, the Company measures the non-cash consideration at fair value at the contract commencement date. If the fair value of the non-cash consideration cannot be reasonably estimated, the Company measures the transaction price indirectly by reference to the stand-alone selling price of the goods promised to the customer. Amounts to be refunded to the customer are used to reduce the transaction price, unless the payment to the customer is in exchange for a distinct good that the customer transfers to the Company. If the amount of consideration payable to the customer exceeds fair value of the distinct good that the Company receives from the customer, then such an excess is accounted as reduction of the transaction price. If the Company cannot reasonable estimate the fair value of the good received from the customer, it accounts for all of the consideration payable to the customer as a reduction of the transaction price. If consideration payable to a customer is accounted for as a reduction of the transaction price, the Company recognizes the reduction of the revenue when the later of either of the two following events occurs: transfer of the related goods to the customer; and pay or promise to pay the consideration.

If the contract contains one or more performance obligations, the Company allocates the transaction price to each performance obligation on a relative stand-alone selling price basis at contract inception in proportion to stand-alone selling prices of the distinct good underlying each performance obligation. Where the transaction price changes after contract inception, the Company allocates these subsequent changes to the performance obligations in the contract on the same basis as at contract inception. For changes in stand-alone selling prices after contract inception, the transaction price is not re-allocated.

A performance obligation is one satisfied over time if one of the following criteria is met; otherwise, it is a performance obligations satisfied at a point in time:

(1) the customer simultaneously receives and consumes the benefits provided by the Company’s performance as the entity performs;

(2) the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

(3) the Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations satisfied over time, the Company recognizes revenue over the period based on performance progress, unless the performance progress cannot be reasonably determined. The Company measures the progress of service provision based on input methods. When the performance progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the Company recognizes revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

For performance obligations satisfied at a point in time, the Company recognizes revenue when the customer obtains control of the promised good. The Company considers the following indicators when judging whether the customer has obtained control of the good:

(1) the Company has a present right to payment for the good, i.e. the customer is presently to pay for the good;

(2) the Company has transferred the legal title to the customer, i.e. the customer has legal title of the good;

(3) the Company has transferred physical possession of the good, i.e. the customer physically possesses the good;

(4) the Company has transferred significant risks and rewards of ownership of the good to the customer, i.e. the customer has the obtained significant risks and rewards of ownership of the good;

(5) the customer has accepted the good.

2. Recognition methods for the Company's main activities of revenue generation

The Company's revenue primarily comes from clothing sales, which is divided into two models: direct operation (including joint operation and non-joint operation) model and franchise model. The recognition methods for revenue are as follows:

For the joint operation model, the Company signs an agreement with the joint operation party (such as shopping malls, airports and golf clubs), and the joint operation party collects all the money from the customer when delivering the goods to the customer. Under this model, the Company recognizes revenue based on the total consideration received or receivable from the customer.

Under the non-joint operation model, the Company recognizes sales revenue when the goods are delivered to the customer and payment is received.

Under the franchise model, the Company recognizes sales revenue when the goods are delivered to the customer and receives the confirmation receipt from the customer.

Different operation models are adopted for the same business, which may lead to the differences in the accounting policy for recognition of revenue.

Not applicable

33. Contract costs

Contract costs comprise incremental costs of obtaining a contract and costs to fulfill a contract.

The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that would not have incurred if the contract had not been obtained (for example, a sales commission). If the incremental cost incurred by the Company for obtaining a contract is expected to be recovered, the cost of obtaining the contract is recognized as an asset. Other costs for obtaining a contract than incremental costs that are expected to be recovered are recognized as profit or loss when they incur.

If the costs incurred in fulfilling a contract with a customer are not within the scope of standards for inventories, fixed assets or intangible assets, the Company regards them as costs to fulfill a contract and recognizes them as an asset when all of the following criteria are met:

(1) the costs relate directly to a contract or to an anticipated contract, including direct labor cost, direct material cost, manufacturing overhead (or similar expenses), costs specifically to be borne by the customer and other costs incurred solely as a result of the contract;

(2) the costs generate or enhance resources of the Company that will be used in satisfying performance obligation in the future;

(3) the costs are expected to be recovered.

An asset recognized in accordance with incremental costs of obtaining a contract and costs incurred to fulfill a contract shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

If the carrying amount of assets recognized in accordance with contract costs is higher than the difference of the following tow, the excess portion will be reserved for impairment and recognized as impairment:

(1) the remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates;

(2) the costs that relate directly to providing the goods.

The Company shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized in accordance the above (1) and (2) when the impairment conditions on longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognized previously.

34. Government grants

1. Types of government grants

Government grants refer to monetary and non-monetary assets received from the government free of charge, including grants related to assets and grants related to income.

Grants related to assets are government grants obtained by the Company from the government for purchasing, constructing or otherwise acquiring long-lived assets.

Grants related to income are government grants other than those related to assets.

2. Recognition principle and timing for government grants

Principle for recognizing government grants:

(1) the Company will comply with the conditions attaching to them; and

(2) the grants will be received.

Government grants are recognized when and only when the above two criteria are met.

3. Measurement of government grants

(1) Monetary government grants are measured at the amount received or receivable;

(2) Non-monetary government grants are measured at fair value; if the fair value cannot be obtained reliably, they are measured at a nominal amount (which is RMB1).

4. Accounting treatment methods of government grants

(1) Government grants related to assets are presented by deducting the grant in arriving at the carrying amount of the asset or setting up the grant as deferred income. If the grant is presented as deferred income, it is recognized as income on a systemic and rational basis over the useful life of the asset. The government grants measured at the nominal amount shall be directly accounted as profit or loss.

(2) Grants related to income are handled as follows:

A. Government grants related to income as compensation for expenses or losses incurred in future periods are recognized as deferred income when they are obtained, and are included in profit or loss or reduce income during the periods when the related expenses or losses are recognized.

B. Government grants related to income as compensation for expenses or losses incurred in a previous period are recognized as income of the period in which they are obtained or reduce relevant costs.

(3) Government grants related to both assets and income are accounted for by distinguishing different parts; if it is difficult to

distinguish, they shall be, as a whole, classified as income-related government grants.

(4) Government grants related to the Company's daily activities are recognized as other profit and loss or write down relevant costs according to the essence of economic business. Those unrelated to the Company's daily activities are recognized as non-operating revenue and expenditure. If the treasury directly allocates interest subsidies to the Company, the interest subsidies will be used to set off relevant borrowing costs.

(5) Repayment of recognized government grants is handled as follows:

A. If the grant was recognized by reducing the carrying amount of relevant asset, the carrying amount of the asset is adjusted;

B. If the grant was recognized as deferred income, the carrying amount of deferred income is adjusted and the excess is recognized as profit and loss of the current period.

C. For other situations, the repayment is directly included in profit or loss of the period.

35. Deferred income tax assets/deferred tax liabilities

The Company determines its tax base when obtaining an asset or liability. If there is a temporary difference between the carrying amount of the asset or liability and its tax base, a deferred tax asset or liability is recognized in accordance with relevant provisions.

1. Recognition of deferred tax assets

(1) The Company recognizes a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that: (a) is not a business combination; and (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

(2) The Company shall recognize a deferred tax liability for deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures to the extent that, and only to the extent that, it is probable that: (a) the temporary difference will reverse in the foreseeable future; and (b) taxable profit will be available against which the temporary difference can be utilized.

(3) A deferred tax asset shall be recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

2. Recognition of deferred tax liabilities

(1) A deferred tax liability shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit or taxable profit (tax loss).

(2) A deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures. However, circumstances if both of the following conditions are satisfied are excluded: (a) the investor is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

(3) Offsetting

When the Company has a legally enforceable right of set-off and an intention to settle net, it sets off a current tax asset against a current tax liability and presents it in a net amount.

When the Company has a legally enforceable right of set off current assets against current liabilities, it presents them on a net amount if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or removed.

36. Leases

(1) Accounting treatment method for operating lease

Effective from January 1, 2021

A contract is, or contains, a lease if the contract provides a customer with the right to control the use of an asset in exchange for consideration.

1. Identifying a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses:

(1) the contract involves the use of an identified asset An asset is typically identified by being explicitly specified in a contract or by being implicitly specified at the time that the asset is made available for use by the customer. A capacity portion of an asset is an identified asset if it is physically distinct. A capacity or other portion of an asset that is not physical distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout of use, the asset is not an identified asset.

(2) the right to obtain substantially all of the economic benefits from use of the identified asset;

(3) has the right to direct the use of an identified asset throughout the period of use.

2. Separating and combining components of a contract

If a contract contains multiple separate leases, the Company separates components of the contract and accounts for each separate lease individually.

The right to use an underlying asset is a separate lease component if both:

(1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee.

(2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3. The Company as the lessee

(1) Right-of-use assets

Recognition and accounting treatment methods for right-of-use assets are detailed in “Note V (22) Right-of-use assets”.

(2) Lease liabilities

Recognition and accounting treatment methods of lease liabilities are detailed in “Note V (28) Lease liabilities”.

(3) Lease term

Lease term refers to the non-cancellable period for which a lessee has the right to use an underlying asset.

The lease term includes periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The lease term includes periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

(4) Lease modifications

The Company accounts for a lease modification as a separate lease if both of the following criteria are met:

A. the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

B. the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price.

(5) Short-term leases and low-value asset leases

Short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. Low-value asset lease refers to leases whose underlying asset is of low value when new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

The Company elects not to recognize short-term leases or low-value asset leases as the right-of-use assets and lease liabilities, but recognizes the lease payments associated with those leases as an expense on a straight-lien basis over the lease term, which is included in the profit or loss or relevant asset costs.

4. The Company as the lessor

The Company classifies each of its leases as either an operating lease or a finance lease from the lease inception date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Title may or may not eventually be transferred. Other leases than the finance leases are classified as operating leases. If the Company is the intermediate lessor, the sublease is classified as a right-of-use asset arising from the head lease.

(1) Accounting treatment methods for operating lease

Lease payments from operating leases are recognized as income on a straight-line basis over the lease term. The Company capitalizes initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income. Variable lease payments related to operating leases that are not included in lease receipts are included in the current profit and loss when they are actually incurred.

(2) Accounting treatment methods for finance lease

The Company recognizes the finance lease receivable and derecognizes the finance lease asset on the commencement date of the lease term. The financial lease receivables are initially measured by the net investment in the lease. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the beginning of the lease term, discounted at the interest rate implicit in the lease.

Interest income is calculated and recognized according to the fixed periodic interest rate in each period of the lease term. For details on derecognition and impairment of finance lease receivables, please refer to “Note V (10) Financial instruments”.

Variable lease payments that are not included in the measurement of the net investment in the lease are included in the current profit and loss when they are actually incurred.

At the commencement date, a manufacturer or dealer lessor shall recognize revenue at the lower of the fair value of the underlying asset and the present value of the lease payments accruing to the lessor, discounted using a market rate of interest; it shall also recognize the cost of sale as the carrying amount of the underlying asset less the present value of the unguaranteed residual value. Costs arising from obtaining a finance lease are recognized as profit or loss of the period at the lease commencement date.

5. Leaseback transactions

The Company determines whether the transfer of an asset in the leaseback transaction is accounted for as a sale of that asset.

(1) The Company as the lessee

If the transfer of an asset arising from the leaseback is accounted for as a sale of that asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained, and recognizes only the amount of any gain or less that relates to the rights transferred.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company accounts any below-market terms as a prepayment of lease payments and any above-market terms as additional financing provided by the lessor to the Company. Meanwhile, fair value is used to adjust any sales gain or loss.

If the transfer of an asset in the leaseback transaction is not accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds.

(2) The Company as the lessor

If the transfer of an asset arising from the leaseback is accounted for as a sale of that asset, the Company accounts for the purchase of the asset in accordance with applicable standards.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company accounts any below-market terms as a prepayment of lease payments and any above-market terms as additional financing provided by the Company to the lessee. Meanwhile, market rates are used to adjust lease payments.

If the transfer of an asset in the leaseback transaction is not accounted for as a sale of the asset, the Company recognizes a financial asset equal to the transfer proceeds.

6. Rent concessions triggered by COVID-19

For any rent concessions such as rent reductions and deferred payments between by the Company and the lessor or lessee directly caused by COVID-19, if all of the following conditions are met, the Company adopts a simplified approach for leases of properties and buildings:

(1) the lease consideration after concession is reduced or basically unchanged from that before the concession, of which the lease consideration may be undiscounted or discounted at the same rate as before the concession;

(2) the concession is only for lease payments due before June 30, 2022;

(3) there are no significant changes to other lease terms and conditions after comprehensively considering qualitative and quantitative factors.

The Company does not assess whether there are lease modifications.

When the Company acts as the lessee, it continues to calculate the interest expenses of lease liabilities at the same discount rate as before the concession, and depreciate and subsequently measure right-of-use assets according to the same method as before the concession. In the event of any rent reduction or exemption, the Company treats the reduced amount as variable lease payment and writes down relevant asset costs or expenses at an undiscounted amount or a discounted amount using the same discount rate as before the rent reduction when the Company and the lessor reach a concession agreement for relieving the original rent payment obligation. In the event of deferred rent payment, the Company reduces recognized lease liabilities when the payment is actual made. For short-term leases and low-value asset leases that adopt simplified accounting methods, the Company continues to recognize the rents for the original contract as relevant asset cost or expense in the same way as before the concession. In the event of any rent reduction or exemption, the Company treats the reduced amount as variable lease payment and writes down relevant asset costs or expenses during the reduction and exemption period. In the event of deferred rent payment, the Company recognizes the rent payable as a payable during the original payment period and reduces the recognized payable when the payment is actual made.

When the Company acts as the lessor, for operating leases, the Company continues to recognize rents of the original contract as lease income in the same way as before the concession. In the event of any rent reduction or exemption, the Company treats the reduced amount as variable lease payment and writes down lease payments during the reduction and exemption period. In the event of deferred rent payment, the Company recognizes the rent receivable as a receivable during the original collection period and reduces the recognized receivable when the payment is actual made. For finance leases, the Company continues to calculate interest income and recognize as lease income in the same way as before the concession. In the event of any rent reduction or exemption, the Company treats the reduced amount as variable lease payment and writes down the recognized lease income at an undiscounted amount or a discounted amount using the same discount rate as before the rent reduction when the Company and the lessee reach a concession agreement for wavering the original rent collection obligation; if it is insufficient for offsetting, the gap is included in investment income and the finance lease receivables are adjusted at the same time. In the event of deferred rent payment, the Company reduces recognized lease receivables when the payment is actual made.

Effective before January 1, 2021

1. Accounting treatment methods for operating lease

For rents under an operating lease, the lessor and the lessee shall recognize them on a straight-line basis over the lease term and include them in profit and loss of the current period. Initial direct costs incurred to the lessor and the lessee shall be included in profit or loss. Contingent rentals are included in profit or loss when they are actually incurred.

(2) Accounting treatment methods for finance lease

(1) The Company as the lessee

At the lease commencement date, the Company takes the lower of the fair value of the rented asset and the present value of the minimum lease payments as the entry value of the rented asset, the minimum lease payments as the entry value of the long-term payable, and the difference as unrecognized financing cost. Initial direct costs (same for below) attributable to the lease project incurred during the lease negotiations and signing of the lease contract, such as handling fees, attorney fees and travel expenses, are included in the value of the leased asset. When calculating the present value of the minimum lease payments, if the interest rate implicit in the lease of the lessor can be readily determined, the interest rate implicit in the lease is used as the discount rate; if not, the interest rate stipulated in the lease contract is used as the discount rate. If the interest rate implicit in the lease of the lessor cannot be readily determined while the lease contract does not stipulate an interest rate, the bank loan interest rate of the same period is used as the discount rate. Unrecognized financing expenses are calculated and recognized as financing expense in the lease term using the effective interest method.

The leased-in fixed assets adopt the same depreciation policy as self-owned fixed assets. For leased assets, if it is reasonably ascertained that the ownership of the asset will be transferred to the lessee at the end of the lease term, then depreciation period runs to the end of the useful life of the asset. If it cannot be reasonably ascertained that the ownership of the leased asset will be transferred to the lessee at the end of the lease term, then depreciation period runs to the earlier of the end of the useful life of the asset or the end of the lease term. Contingent rentals are included in profit or loss when they are actually incurred.

(2) The Company as the lessor

At the lease commencement date, the Company takes the sum of the minimum lease payments and initial direct costs on the inception date as the entry value of the finance lease receivable, and records the unguaranteed residual value at the same time. Meanwhile, the difference between the sum of the minimum lease payments, initial direct costs and unguaranteed residual value and the sum of their present values is recognized as unrealized financing income.

The unrealized financing income is calculated and recognized as financing income during the lease term using the effective interest method.

Contingent rentals are included in profit or loss when they are actually incurred.

37. Other important accounting policies and accounting estimates

Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and meets any of the following: (1) represents either a separate major line of business or a geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; (3) is a subsidiary acquired exclusively with a view to resale.

38. Significant changes of accounting policies and accounting estimates

(1) Significant changes of accounting policies

√ Applicable □ Not applicable

Contents and reasons for changes to accounting policies	Approval procedure	Remarks
On December 07, 2018, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 21 -- Leases* (C.K. [2018] No. 35) (hereinafter referred to as the "New Lease Standards"), requiring that other enterprises that implement the Accounting Standards for Business Enterprises shall implement these revised Standards from January 1, 2021. The Company starts to implement them from the stipulated effective date.	Reviewed and approved at the 2nd meeting of the Fourth Board of Directors and 2nd meeting of the Fourth Board of Supervisors	For details, see "Other descriptions (1)".
In January 2021, the Ministry of Finance issued *the Interpretation No. 14 to Accounting Standards for Business Enterprises* (C.K. [2021] No. 01) (hereinafter referred to as the "Interpretation No. 14"), which came into force on January 1, 2021. The Company starts to implement them from the stipulated effective date.	Not applicable	For details, see "Other descriptions (2)".
In December 2021, the Ministry of Finance issued *the Interpretation No. 15 to Accounting Standards for Business Enterprises* (C.K. [2021] No. 35) (hereinafter referred to as the "Interpretation No. 15"), of which contents on "presentation concerning centralized management of funds" came into force as of the date of issuance. The Company starts to implement them from the	Not applicable	For details, see "Other descriptions (3)".

stipulated effective date.		

Other descriptions:

(1) For specific policies of the New Lease Standards, please refer to “Note V (36)”.

The Company started to implement the New Lease Standards from January 1, 2021. Under requirements of the New Lease Standards, the amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of the new standards (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted. For specific changes of corresponding financial statement items, please refer to “Note V (38) (3) Description on the adjustment of relevant items in the financial statements at the beginning of the year for the first time adoption of the New Leasing Standards since 2021”.

Pursuant to the New Lease Standards, for contracts that already exist prior to the enforcement of the new standards, the Company chooses not to re-evaluate whether they are a lease or contain a lease on the adoption date of the new standards. For lease contracts in which the Company is the lessee, the Company elects to only adjust the accumulative impact amount of lease contracts not yet completed as of January 1, 2021.

For operating leases whose leased assets belong to low-value assets prior to the adoption date or whose remaining lease term is less than 12 months, the Company adopts a simplified method and does not recognize them as right-of-use assets and lease liabilities. Moreover, the Company adopts the following simplified treatment methods for operating leases prior to the adoption date of the new standards:

A. When measuring lease liabilities, the same discount rate is used for leases with similar characteristics; the measurement of the right-of-use assets excludes initial direct costs;

B. If there is an extension option or termination option, the Company determines the lease term based on the actual exercise of the option before the adoption date and other latest conditions;

C. As an alternative to the impairment test for right-of-use assets, the Company assesses whether a contract that contains a lease is a loss contract before the adoption date, and adjusts the right-of-use asset based on the loss amount already recognized in the balance sheet prior to the adoption date;

D. For lease modifications before the adoption date, the Company accounts them according to the their final arrangements.

The unpaid minimum lease payments of major operating leases disclosed in 2020 financial statements are adjusted based on the difference between the present value discounted at the incremental borrowing rate on January 1, 2021 where the Company is the lessee and the lease liabilities included in the balance sheet on January 1, 2021. The adjustment process is as follows:

Unit: RMB

Item	Amount
Minimum lease payments of major operating leases on December 31, 2020	49,263,688.50
Plus: Minimum lease payments of other operating leases on December 31, 2020	472,137,522.60
Less: Minimum lease payments accounted with simplified treatment (short-term and low-value)	6,427,811.10
Undiscounted amount of operating lease commitments on January 1, 2021	514,973,400.00
Weighted average of incremental borrowing rates on January 1, 2021	4.75%

Present value of minimum lease payments under the New Lease Standards on January 1, 2021	476,151,493.32
Plus: Minimum lease payments of finance leases on December 31, 2020	239,296.50
Lease liabilities on January 1, 2021	476,390,789.82
Including: Non-current liabilities due within one year	177,712,848.98

(2) The Company starts to implement the Interpretation No. 14 from January 1, 2021. Under requirements of the Interpretation No. 14, the amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of this interpretation (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted. This interpretation has no impact on the Company.

(3) On December 30, 2021, the Ministry of Finance issued the Interpretation No. 15, of which contents on “presentation concerning centralized management of funds” came into force as of the date of issuance. The Company starts to implement this interpretation from December 30, 2021.

The Interpretation No. 15 stipulates that where funds of the parent company and member units are centrally managed through the internal settlement center, a financial company, etc., it shall distinguish funds of member units that are collected to accounts of the parent company and those that are directly deposited to the financial company; the interpretation also specifies items of member units, financial company and parent company that should be presented in the balance sheet. It also clarifies whether financial assets and financial liabilities under centralized management funds can be offset.

The Company has implemented this interpretation from the effective date. The interpretation has no impact on the Company.

(2) Significant changes of accounting estimates

□ Applicable √ Not applicable

(3) Description on the adjustment of relevant items in the financial statements at the beginning of the year for the first time adoption of the new leasing standards since 2021

√ Applicable □ Not applicable

Whether to adjust the subjects of the balance sheet at the beginning of the year

√ Yes □ No

Consolidated balance sheet

Unit: RMB

Item	December 31, 2020	January 01, 2021	Adjustment number
Current assets:			
Monetary funds	578,783,443.79	578,783,443.79	
Settlement reserve			
Lending funds			

Financial assets held for trading	100,425,333.33	100,425,333.33	
Derivative financial assets			
Notes receivable			
Accounts receivable	301,061,376.99	301,061,376.99	
Accounts receivable financing			
Prepayments	59,678,780.04	57,225,385.65	-2,453,394.39
Premium receivable			
Reinsurance payables			
Reinsurance contract reserves receivable			
Other receivables	53,587,328.86	53,587,328.86	
Including: Interest receivable			
Dividends receivable			
Financial assets held under resale agreements			
Inventory	607,679,776.22	607,679,776.22	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	1,377,984,359.67	1,377,984,359.67	
Total current assets	3,079,200,398.90	3,076,747,004.51	-2,453,394.39
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investment			
Investment in other equity instruments	92,785,368.67	92,785,368.67	

Other non-current financial assets			
Investment property			
Fixed assets	239,216,423.50	239,216,423.50	
Construction in progress	49,120,792.27	49,120,792.27	
Productive biological assets			
Oil & gas assets			
Right-of-use assets		478,604,887.71	478,604,887.71
Intangible assets	114,864,801.65	114,864,801.65	
Development expenses			
Goodwill			
Long-term prepaid expenses	104,972,941.26	104,972,941.26	
Deferred income tax assets	65,802,510.71	65,802,510.71	
Other non-current assets	2,635,461.01	2,635,461.01	
Total non-current assets	669,398,299.07	1,148,003,186.78	478,604,887.71
Total assets	3,748,598,697.97	4,224,750,191.29	476,151,493.32
Current liabilities:			
Short-term loans			
Borrowings from PBC			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	27,139,705.66	27,139,705.66	
Accounts payable	107,698,978.83	107,698,978.83	
Payments received in advance			
Contract liabilities	81,677,368.60	81,677,368.60	
Proceeds from financial assets sold under repo			

Deposits from customers and interbank			
Funds from securities trading agency			
Funds from securities underwriting agency			
Employee benefits payable	52,788,749.44	52,788,749.44	
Taxes payable	102,577,815.02	102,577,815.02	
Other payables	44,335,743.56	44,335,743.56	
Including: Interests payable			
Dividends payable			
Service charge and commission receivable			
Reinsurance payable			
Liabilities held for sale			
Non-current liabilities due within one year		177,712,848.98	177,712,848.98
Other current liabilities	251,166,311.70	251,166,311.70	
Total current liabilities	667,384,672.81	845,097,521.79	177,712,848.98
Non-current liabilities:			
Insurance contract reserves			
Long-term loans			
Bonds payable	630,982,939.14	630,982,939.14	
Including: Preference shares			
Perpetual bonds			
Lease liabilities		298,677,940.84	298,677,940.84
Long-term payable	239,296.50		-239,296.50
Long-term employee benefits payable			
Provision			
Deferred income	30,000,000.00	30,000,000.00	

Deferred income tax liabilities	2,253,279.00	2,253,279.00	
Other non-current liabilities			
Total non-current liabilities	663,475,514.64	961,914,158.98	298,438,644.34
Total liabilities	1,330,860,187.45	1,807,011,680.77	476,151,493.32
Owner's equity:			
Share capital	524,075,085.00	524,075,085.00	
Other equity instruments	63,661,135.54	63,661,135.54	
Including: Preference shares			
Perpetual bonds			
Capital reserve	226,927,846.51	226,927,846.51	
Less: Treasury shares			
Other comprehensive income	-6,249,160.64	-6,249,160.64	
Special reserves			
Surplus reserves	194,828,010.62	194,828,010.62	
General reserves			
Retained earnings	1,413,582,872.58	1,413,582,872.58	
Total equity attributable to owners of the parent company	2,416,825,789.61	2,416,825,789.61	
Equities of minority shareholders	912,720.91	912,720.91	
Total owner's equity	2,417,738,510.52	2,417,738,510.52	
Total liabilities and owners' equity	3,748,598,697.97	4,224,750,191.29	476,151,493.32

Explanation of adjustment

The impact of the New Lease Standards on the consolidated balance sheet on the adoption date is as follows: Unit: RMB

Item	In accordance with the Original Lease Standards	In accordance with the New Lease Standards	Impacted amount
			(January 1, 2021)
Prepayments	59,678,780.04	57,225,385.65	-2,453,394.39
Right-of-use assets		478,604,887.71	478,604,887.71
Non-current liabilities due within one year		177,712,848.98	177,712,848.98

Lease liabilities		298,677,940.84	298,677,940.84
Long-term payable	239,296.50		-239,296.50

Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2020	January 01, 2021	Adjustment number
Current assets:			
Monetary funds	540,424,839.01	540,424,839.01	
Financial assets held for trading	100,425,333.33	100,425,333.33	
Derivative financial assets			
Notes receivable			
Accounts receivable	301,061,376.99	301,061,376.99	
Accounts receivable financing			
Prepayments	32,532,816.93	30,079,422.54	-2,453,394.39
Other receivables	60,685,628.95	60,685,628.95	
Including: Interest receivable			
Dividends receivable			
Inventory	804,477,022.56	804,477,022.56	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	1,400,727,863.45	1,400,727,863.45	
Total current assets	3,240,334,881.22	3,237,881,486.83	-2,453,394.39
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investment	111,000,000.00	111,000,000.00	
Investment in other equity instruments			

Other non-current financial assets			
Investment property			
Fixed assets	239,216,423.50	239,216,423.50	
Construction in progress	49,120,792.27	49,120,792.27	
Productive biological assets			
Oil & gas assets			
Right-of-use assets		440,183,237.33	440,183,237.33
Intangible assets	114,864,801.65	114,864,801.65	
Development expenses			
Goodwill			
Long-term prepaid expenses	90,663,986.71	90,663,986.71	
Deferred income tax assets	35,049,787.12	35,049,787.12	
Other non-current assets	2,635,461.01	2,635,461.01	
Total non-current assets	642,551,252.26	1,082,734,489.59	440,183,237.33
Total assets	3,882,886,133.48	4,320,615,976.42	437,729,842.94
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	27,139,705.66	27,139,705.66	
Accounts payable	146,213,104.37	146,213,104.37	
Payments received in advance			
Contract liabilities	81,677,368.60	81,677,368.60	
Employee benefits payable	2,785,243.25	2,785,243.25	
Taxes payable	96,992,722.80	96,992,722.80	
Other payables	43,079,684.64	43,079,684.64	
Including: Interests payable			

Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		164,345,303.54	164,345,303.54
Other current liabilities	251,166,311.70	251,166,311.70	
Total current liabilities	649,054,141.02	813,399,444.56	164,345,303.54
Non-current liabilities:			
Long-term loans			
Bonds payable	630,982,939.14	630,982,939.14	
Including: Preference shares			
Perpetual bonds			
Lease liabilities		273,623,835.90	273,623,835.90
Long-term payable	239,296.50		-239,296.50
Long-term employee benefits payable			
Provision			
Deferred income	30,000,000.00	30,000,000.00	
Deferred income tax liabilities	2,253,279.00	2,253,279.00	
Other non-current liabilities			
Total non-current liabilities	663,475,514.64	936,860,054.04	273,384,539.40
Total liabilities	1,312,529,655.66	1,750,259,498.60	437,729,842.94
Owner’s equity:			
Share capital	524,075,085.00	524,075,085.00	
Other equity instruments	63,661,135.54	63,661,135.54	
Including: Preference shares			
Perpetual bonds			
Capital reserve	226,927,846.51	226,927,846.51	
Less: Treasury shares			
Other comprehensive			

income			
Special reserves			
Surplus reserves	194,828,010.62	194,828,010.62	
Retained earnings	1,560,864,400.15	1,560,864,400.15	
Total owner's equity	2,570,356,477.82	2,570,356,477.82	
Total liabilities and owners' equity	3,882,886,133.48	4,320,615,976.42	437,729,842.94

Explanation of adjustment

The impact of the New Lease Standards on the parent company's balance sheet on the adoption date is as follows:

Unit: RMB

Item	In accordance with the Original Lease Standards	In accordance with the New Lease Standards	Impacted amount (January 1, 2021)
Prepayments	32,532,816.93	30,079,422.54	-2,453,394.39
Right-of-use assets		440,183,237.33	440,183,237.33
Non-current liabilities due within one year		164,345,303.54	164,345,303.54
Lease liabilities		273,623,835.90	273,623,835.90
Long-term payable	239,296.50		-239,296.50

(4) Description on the retrospective adjustment of previous comparable data at the first time adoption of the new leasing standards in 2021

□ Applicable √ Not applicable

VI. Taxes

1. Main tax types and tax rates

Tax	Tax basis	Tax rate
Value-added tax	Value added during the sale of goods or provision of taxable services	13%, 6%
City construction and maintenance tax	Turnover tax payable	7%
Corporate income tax	Income tax payable	25%, 20%, 15%
Education surcharges	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%

Description of disclosure if different income tax rates apply to different corporate taxpayers

Name of taxpayer	Income tax rate

BIEM.L.FDLKK Garment Co., Ltd.	15%
Guangzhou BIEM.L.FDLKK Business Consulting Co., Ltd.	25%
Guangzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	20%
Ningbo BIEM.L.FDLKK Supply Chain Management Co., Ltd.	25%
Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)	5%- 35%
Xuzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	25%
Ningbo BIEM.L.FDLKK Smart Technology Co., Ltd.	25%

2. Tax incentive

(1) BIEM.L.FDLKK Garment Co., Ltd.

BIEM.L.FDLKK Garment Co., Ltd. was certified as a high-tech enterprise on December 20, 2021 and was awarded the *Certificate of High-tech Enterprise* (No. GR202144002604). In accordance with relevant provisions of the *Enterprise Income Tax Law of the People's Republic of China* promulgated in 2007 and the *Administrative Measures for the Certification of High-tech Enterprises*, the corporate income tax of the company is calculated at a tax rate of 15% in 2021.

(2) Guangzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.

Pursuant to relevant provisions of the *Announcement of the State Administration of Taxation on Matters Concerning the Implementation of Preferential Income Tax Policies for Small and Low-profit Enterprises and Individual Industrial and Commercial Households* (SAT Doc. No. 2021 [008]), if the annual taxable income of a small and low-profit enterprise does not exceed RMB1 million, the taxable income is calculated at a reduced rate of 12.5% with a corporate income tax rate of 20%. These standards are valid from January 1, 2021 to December 31, 2022. Guangzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd. meets the standard of small and low-profit enterprises, so the applicable corporate income tax rate is 20%.

VII. Notes to Items of the Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	142,548.00	135,833.35
Bank deposits	1,069,235,185.83	569,148,713.44
Other monetary funds	13,334,484.75	9,498,897.00
Total	1,082,712,218.58	578,783,443.79
Total amount of funds with use restrictions due to mortgage, pledge or	13,334,484.75	9,498,897.00

freezing		

Other description

— Balance of other monetary funds at the end of the reporting period is the security deposit for issuing bank acceptance bills.

— All bank deposits are in bank accounts opened in banks and other relevant financial institutions in the name of the Company and subsidiaries/second-tier subsidiaries included in the consolidated scope of financial statements.

— As of December 31, 2021, except for other monetary funds whose use is restricted with a total amount of RMB13,334,484.75, the Company had no funds whose use is restricted due to mortgage, pledge or freezing or which are deposited overseas or have the potential risk of recovery.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	634,763,818.96	100,425,333.33
Including:		
Wealth management products	633,424,832.00	100,425,333.33
Others	1,338,986.96	
Including:		
Total	634,763,818.96	100,425,333.33

Other description:

— The closing balance of the financial assets held for trading increased by RMB534,338,485.63 or 532.08% compared with the opening balance in 2021, mainly owing to the increase in the purchased wealth management products.

3. Accounts receivable

(1) Accounts receivable disclosure by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Accounts receivable for which bad debt reserve is set aside individually	618,282.56	0.21%	618,282.56	100.00%		3,026,981.81	0.94%	2,562,695.09	84.66%	464,286.72
Including:										
Accounts receivable	295,013,	99.79%	15,296,6	5.19%	279,717,0	318,875,6	99.06%	18,278,51	5.73%	300,597,09

for which bad debt reserve is set aside in portfolios	683.59		26.45		57.14	01.30		1.03		0.27
Including:										
Clothing sales business	295,013,683.59	99.79%	15,296,626.45	5.19%	279,717,057.14	318,875,601.30	99.06%	18,278,511.03	5.73%	300,597,090.27
Total	295,631,966.15	100.00%	15,914,909.01	5.38%	279,717,057.14	321,902,583.11	100.00%	20,841,206.12	6.47%	301,061,376.99

Bad debt reserve by item:

Unit: RMB

Name	Closing balance			
	Book balance	Bad debt reserve	Ratio of provision	Reason for provision
Institution 1	618,282.56	618,282.56	100.00%	It is expected that the amount cannot be recovered.
Total	618,282.56	618,282.56	--	--

Bad debt reserve by portfolio:

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt reserve	Ratio of provision
Within 1 year	294,480,218.78	14,763,161.64	5.01%
1-2 years	190,299.54	190,299.54	100.00%
Over 3 years	343,165.27	343,165.27	100.00%
Total	295,013,683.59	15,296,626.45	--

Description of reason for the portfolio:

If the bad debt reserve of accounts receivable is set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

□ Applicable √ Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	294,480,218.78
1 to 2 years	808,582.10
Over 3 years	343,165.27
3 to 4 years	2,173.75
4 to 5 years	132,467.43
Over 5 years	208,524.09

Total	295,631,966.15

(2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Bad debt reserve of the reporting period:

Unit: RMB

Category	Opening balance	Amount of change in the reporting period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt reserve for accounts receivable	20,841,206.12		2,224,051.58		2,702,245.53	15,914,909.01
Total	20,841,206.12		2,224,051.58		2,702,245.53	15,914,909.01

Due to debt restructuring, the Company wrote off bad debt reserve for accounts receivable at an amount of RMB2,702,245.53 in 2021.

(3) Accounts receivable actually written off in the reporting period

Unit: RMB

Item	Write-off amount

Write-offs of important accounts receivable:

Unit: RMB

Name of institution	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedures	Whether the amount is caused by related party transaction

Description on the write-offs of accounts receivables:

As of December 31, 2021, the Company did not write off any accounts receivable.

(4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable at the end of the period	Percentage in total balance of accounts receivable at the end of the period	Balance for bad debt reserve at the end of the period
Institution 1	17,159,920.18	5.80%	858,111.72
Institution 2	7,928,133.02	2.68%	400,747.57
Institution 3	7,847,238.43	2.65%	392,361.92
Institution 4	6,665,554.40	2.25%	333,423.95

Institution 5	5,171,664.81	1.75%	258,583.24
Total	44,772,510.84	15.13%	

(5) Amounts of assets and liabilities that are formed by the transfer of accounts receivable and the Company's continuing involvement

As of December 31, 2021, the Company had no assets and liabilities that were formed by the transfer of accounts receivable and its continuing involvement.

(6) Accounts receivable derecognized due to transfer of financial assets

As of December 31, 2021, no accounts receivable was derecognized due to transfer of financial assets.

4. Prepayments

(1) Prepayments presentation by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	66,490,875.59	99.20%	56,817,241.39	99.29%
1 to 2 years	426,940.68	0.64%	408,144.26	0.71%
2 to 3 years	110,538.82	0.16%		
Total	67,028,355.09	--	57,225,385.65	--

Explanation on the reason of untimely settlement of prepayments whose age exceeds one year with significant amount:

(2) Top five payees in closing balance of prepayment

Unit: RMB

Name of institution	Closing balance	Percentage in total balance of prepayments at the end of the period
Institution 1	17,737,138.98	26.46
Institution 2	7,029,494.67	10.49
Institution 3	4,175,089.92	6.23
Institution 4	3,361,681.45	5.02
Institution 5	2,311,555.65	3.45
Total	**34,614,960.67**	**51.65**

5. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	89,889,485.22	53,587,328.86
Total	89,889,485.22	53,587,328.86

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	88,691,812.02	52,061,952.75
Employee reserve fund	3,069,483.92	2,348,617.12
Other amounts	2,857,765.83	1,997,144.72
Total	94,619,061.77	56,407,714.59

2) Bad debt reserve

Unit: RMB

Bad debt reserve	Phase I	Phase II	Phase III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2021	2,820,385.73			2,820,385.73
Balance as at January 1, 2021 in the reporting period	——	——	——	——
Provision in the reporting period	1,909,190.82			1,909,190.82
Balance as at December 31, 2021	4,729,576.55			4,729,576.55

Description of changes in the book balance where there are significant changes in provision for the current period

□ Applicable √ Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance

Within 1 year (inclusive)	94,619,061.77
Total	94,619,061.77

3) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Bad debt reserve of the reporting period:

Unit: RMB

Category	Opening balance	Amount of change in the reporting period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt reserve by portfolio	2,820,385.73	1,909,190.82				4,729,576.55
Total	2,820,385.73	1,909,190.82				4,729,576.55

4) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of institution	Nature of the amount	Closing balance	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
Institution 1	Margins and deposits	29,000,000.00	Within 1 year	30.65%	1,450,000.00
Institution 2	Margins and deposits	7,441,978.00	Within 1 year	7.87%	372,098.90
Institution 3	Margins and deposits	5,560,610.00	Within 1 year	5.88%	278,030.50
Institution 4	Margins and deposits	4,288,619.00	Within 1 year	4.53%	214,430.95
Institution 5	Margins and deposits	3,150,000.00	Within 1 year	3.33%	157,500.00
Total	--	49,441,207.00	--	52.26%	2,472,060.35

5) Other receivables derecognized due to the transfer of financial assets

As of December 31, 2021, no other receivable was derecognized due to transfer of financial assets.

6) Amount of assets and liabilities that are formed by the transfer of other receivables and the Company’s continuing involvement

As of December 31, 2021, the Company had no assets and liabilities that were formed by the transfer of other receivables and its continuing involvement.

6. Inventory

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

No

(1) Classification of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment of inventories and contract performance cost	Book value	Book balance	Provision for impairment of inventories and contract performance cost	Book value
Raw materials	18,331,168.60		18,331,168.60	9,633,505.86		9,633,505.86
Commodity stocks	735,027,540.76	106,428,861.75	628,598,679.01	654,339,389.50	65,159,344.75	589,180,044.75
Materials for consigned processing	13,284,371.80		13,284,371.80	8,866,225.61		8,866,225.61
Total	766,643,081.16	106,428,861.75	660,214,219.41	672,839,120.97	65,159,344.75	607,679,776.22

(2) Provision for impairment of inventories and contract performance cost

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or written off	Others	
Commodity stocks	65,159,344.75	78,683,952.73		37,414,435.73		106,428,861.75
Total	65,159,344.75	78,683,952.73		37,414,435.73		106,428,861.75

7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Return cost receivable	99,103,788.91	66,756,179.30
Structured deposit	704,879,722.24	1,256,445,833.33
Large-denomination Certificate of Deposit	20,117,555.56	20,115,000.00
Input tax credits and input tax creditable	6,539,646.70	34,667,347.04

within subsequent periods		
Total	830,640,713.41	1,377,984,359.67

Other description:

Return cost receivable is the adjustment to the clothing selling costs of franchise stores made by the Company based on the return and exchange policies and estimated return and exchange rate.

— The closing balance of other current assets decreased by RMB547,343,646.26 or 39.72% compared with the opening balance in 2021, mainly owing to the decrease in the purchased structured deposits.

8. Investment in other equity instruments

Unit: RMB

Item	Closing balance	Opening balance
Shenzhen Youanmi Technology Co., Ltd.	8,999,300.47	3,685,368.67
Fast Fashion (Guangzhou) Co., Ltd.	89,100,000.00	89,100,000.00
Total	98,099,300.47	92,785,368.67

Disclosure of investments in equity instruments not held for trading in the reporting period item by item

Unit: RMB

Project	Recognized dividend income	Cumulative gain	Cumulative loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as measured at fair value through other comprehensive income	Reason for transferring from other comprehensive income to retained earnings
Shenzhen Youanmi Technology Co., Ltd.			1,000,699.53		Long-term holding for strategic purposes	Not applicable
Fast Fashion (Guangzhou) Co., Ltd.					Long-term holding for strategic purposes	Not applicable

9. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	244,337,754.20	239,216,423.50
Total	244,337,754.20	239,216,423.50

(1) Information on fixed assets

Unit: RMB

Item	Properties and buildings	Equipment	Motor vehicles	Office equipment	Total
I. Original Book Value					
1. Opening balance	228,574,129.51	5,983,488.04	4,777,800.08	34,086,740.34	273,422,157.97
2. Increase in the current period	19,194,513.66	77,679.61	1,110,796.46	8,771,910.01	29,154,899.74
(1) Procurement		77,679.61	1,110,796.46	8,771,910.01	9,960,386.08
(2) Transfer from construction in progress	19,194,513.66				19,194,513.66
(3) Increase in business combination					
3. Decrease in the current period		701,845.15	530,808.00	1,965,857.54	3,198,510.69
(1) Disposal or scrap		701,845.15	530,808.00	1,965,857.54	3,198,510.69
4. Closing balance	247,768,643.17	5,359,322.50	5,357,788.54	40,892,792.81	299,378,547.02
II. Accumulated Depreciation					
1. Opening balance	10,529,677.04	507,784.23	3,832,802.80	19,335,470.40	34,205,734.47
2. Increase in the current period	12,897,772.86	1,104,103.16	266,389.88	9,178,593.74	23,446,859.64
(1) Provision	12,897,772.86	1,104,103.16	266,389.88	9,178,593.74	23,446,859.64
3. Decrease in the current period		210,722.57	504,267.60	1,896,811.12	2,611,801.29
(1) Disposal or scrap		210,722.57	504,267.60	1,896,811.12	2,611,801.29

4. Closing balance	23,427,449.90	1,401,164.82	3,594,925.08	26,617,253.02	55,040,792.82
III. Impairment Provision					
1. Opening balance					
2. Increase in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or scrap					
4. Closing balance					
IV. Book Value					
1. Book value at the end of the period	224,341,193.27	3,958,157.68	1,762,863.46	14,275,539.79	244,337,754.20
2. Book value at the beginning of the period	218,044,452.47	5,475,703.81	944,997.28	14,751,269.94	239,216,423.50

(2) Fixed assets that the certificate of title has not been issued

Other description

--- The Company had no fixed assets whose certificate of title had not been issued at the end of the reporting period.

10. Construction in process

Unit: RMB

Item	Closing balance	Opening balance
Construction in process	148,165,548.36	49,120,792.27
Total	148,165,548.36	49,120,792.27

(1) Information on construction in progress

Unit: RMB

Item	Closing balance	Opening balance

	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Intelligent storage center	130,966,928.76		130,966,928.76	48,013,204.45		48,013,204.45
Supply chain park	17,198,619.60		17,198,619.60	1,107,587.82		1,107,587.82
Total	148,165,548.36		148,165,548.36	49,120,792.27		49,120,792.27

(2) Changes of significant construction in progress in the current period

Unit: RMB

Project	Budget number	Opening balance	Increase in the current period	Amount of fixed assets transferred in the current period	Decrease in the current period	Closing balance	Proportion of the cumulative construction input in budget	Construction progress	Accumulative amount of interest capitalization	Including: Amount of interest capitalization in the period	Interest capitalization rate in the current period	Source of fund
Intelligent storage center	224,120,000.00	48,013,204.45	82,953,724.31			130,966,928.76	58.44%	58.44%				Proceeds raised
Supply chain park	149,607,224.00	1,107,587.82	16,091,031.78			17,198,619.60	11.50%	11.50%				Proceeds raised
Others			19,194,513.66	19,194,513.66								Proceeds raised
Total	373,727,224.00	49,120,792.27	118,239,269.75	19,194,513.66		148,165,548.36	--	--				--

11. Right-of-use assets

Unit: RMB

Item	Properties and buildings	Total
I. Original Book Value		
1. Opening balance	478,604,887.71	478,604,887.71
2. Increase in the current period	123,036,592.73	123,036,592.73
(1) New lease	84,208,913.97	84,208,913.97
(2) Modification	38,827,678.76	38,827,678.76

3. Decrease in the current period	7,515,067.64	7,515,067.64
(1) Modification	7,515,067.64	7,515,067.64
(2) Termination		
4. Closing balance	594,126,412.80	594,126,412.80
II. Accumulated Depreciation		
1. Opening balance		
2. Increase in the current period	187,984,952.77	187,984,952.77
(1) Provision	187,984,952.77	187,984,952.77
(2) Modification		
3. Decrease in the current period	1,307,194.71	1,307,194.71
(1) Disposal		
(2) Modification	1,307,194.71	1,307,194.71
4. Closing balance	186,677,758.06	186,677,758.06
III. Impairment Provision		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
4. Closing balance		
IV. Book Value		
1. Book value at the end of the period	407,448,654.74	407,448,654.74
2. Book value at the beginning of the period	478,604,887.71	478,604,887.71

12. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Software	Trademark	Total
I. Original Book Value						

1. Opening balance	120,559,562.12			20,081,557.10	436,252.84	141,077,372.06
2. Increase in the current period				14,862,616.07		14,862,616.07
(1) Procurement				14,862,616.07		14,862,616.07
(2) Internal R&D						
(3) Increase in business combination						
3. Decrease in the current period				1,749,482.29		1,749,482.29
(1) Disposal				1,749,482.29		1,749,482.29
4. Closing balance	120,559,562.12			33,194,690.88	436,252.84	154,190,505.84
II. Accumulated Amortization						
1. Opening balance	14,588,830.46			11,408,433.05	215,306.90	26,212,570.41
2. Increase in the current period	2,645,340.68			7,492,542.47	40,805.28	10,178,688.43
(1) Provision	2,645,340.68			7,492,542.47	40,805.28	10,178,688.43
3. Decrease in the current period				1,749,482.29		1,749,482.29
(1) Disposal				1,749,482.29		1,749,482.29
4. Closing balance	17,234,171.14			17,151,493.23	256,112.18	34,641,776.55

III. Impairment Provision						
1. Opening balance						
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Book Value						
1. Book value at the end of the period	103,325,390.98			16,043,197.65	180,140.66	119,548,729.29
2. Book value at the beginning of the period	105,970,731.66			8,673,124.05	220,945.94	114,864,801.65

Percentage of the intangible assets generated through internal R&D of the Company in the balance of intangible assets at the end of the reporting period

13. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the current period	Amortized amount of the current period	Other decreases	Closing balance
Store decoration fee	83,645,692.08	64,616,297.07	52,092,090.97		96,169,898.18
Warehouse decoration fee	1,128,704.24		967,436.85		161,267.39
Advertising fee	15,807,555.11	7,341,352.16	16,190,069.45		6,958,837.82
Software rental fee	3,920,692.84	292,896.23	2,354,531.22		1,859,057.85
Others	470,296.99		376,237.68		94,059.31

Total	104,972,941.26	72,250,545.46	71,980,366.17		105,243,120.55

14. Deferred tax assets/deferred tax liabilities

(1) Deferred income tax assets that were not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	127,073,347.31	19,068,898.59	91,665,747.53	13,329,510.35
Deductible loss	3,819,736.80	954,934.20	4,868,848.00	1,217,212.00
Intangible asset amortization			623,224.29	93,483.64
Gross profits temporarily unrecognized due to expected goods exchange	215,096,618.75	32,264,492.81	144,284,785.12	21,642,717.77
Unrealized profit in internal transaction	261,303,351.88	39,195,502.78	196,797,246.34	29,519,586.95
Tax-accounting difference for right-of-use assets	10,806,767.10	1,681,921.28		
Changes in fair value of investments in other equity instruments	990,792.60	148,618.89		
Total	619,090,614.44	93,314,368.55	438,239,851.28	65,802,510.71

(2) Deferred income tax liabilities that were not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	15,603,604.41	2,340,540.66	14,596,526.68	2,189,479.00
Valuation of financial instruments and derivatives measured at fair value through profit	3,424,832.00	513,724.80	425,333.33	63,800.00

or loss				
Total	19,028,436.41	2,854,265.46	15,021,860.01	2,253,279.00

(3) Presentation of deferred tax assets or liabilities by the net amount after offset

Unit: RMB

Item	Offset amount of the deferred tax assets and liabilities at the end of the reporting period	Balance of the deferred tax assets or liabilities after offset at the end of the reporting period	Offset amount of the deferred tax assets and liabilities at the beginning of the reporting period	Balance of the deferred tax assets or liabilities after offset at the beginning of the reporting period
Deferred income tax assets		93,314,368.55		65,802,510.71
Deferred income tax liabilities		2,854,265.46		2,253,279.00

(4) Breakdown of unconfirmed deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance

15. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for construction work	1,130,640.00		1,130,640.00	2,635,461.01		2,635,461.01
Prepayment for acquisition of long-lived assets	702,868.45		702,868.45			
Total	1,833,508.45		1,833,508.45	2,635,461.01		2,635,461.01

Other description:

— The closing balance of other non-current assets decreased by RMB801,952.56 or 30.43% compared with the opening balance in 2021, mainly owing to the decrease in the prepayments for construction work.

16. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Banker’s acceptance	38,098,527.79	27,139,705.66

Total	38,098,527.79	27,139,705.66

17. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Accounts payable	126,522,502.78	107,698,978.83
Total	126,522,502.78	107,698,978.83

18. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Product sales	140,669,127.30	81,677,368.60
Total	140,669,127.30	81,677,368.60

Amount with significant changes in book value during the reporting period and reason

Unit: RMB

Item	Change amount	Reason of change

19. Employee benefits payable

(1) List of employee benefits payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term Benefits	52,788,749.44	399,443,448.13	388,204,736.30	64,027,461.27
II. Post-employment Benefits - Defined Contribution Plan		21,195,870.31	21,195,870.31	
III. Termination Benefits		593,908.00	593,908.00	
Total	52,788,749.44	421,233,226.44	409,994,514.61	64,027,461.27

(2) List of short-term benefits

Unit: RMB

Item	Opening balance	Increase in the current	Decrease in the current	Closing balance

		period	period	
1. Salary, bonus and subsidy	52,788,749.44	364,677,995.12	353,439,283.29	64,027,461.27
2. Employee welfare		10,704,713.61	10,704,713.61	
3. Social insurance premiums		14,571,967.86	14,571,967.86	
Including: Medical insurance		13,495,938.93	13,495,938.93	
Employment injury insurance		412,523.07	412,523.07	
Maternity insurance		663,505.86	663,505.86	
4. Housing provident fund		7,347,924.98	7,347,924.98	
5. Labor union fee and staff education fee		2,140,846.56	2,140,846.56	
Total	52,788,749.44	399,443,448.13	388,204,736.30	64,027,461.27

(3) List of defined contribution plans

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance		20,570,802.95	20,570,802.95	
2. Unemployment insurance		625,067.36	625,067.36	
Total		21,195,870.31	21,195,870.31	

Other description:

20. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value-added tax	36,201,763.85	30,271,977.65
Corporate income tax	91,276,509.31	70,175,903.75
City construction and maintenance tax	1,329,110.07	910,458.57
Education surcharges	949,697.81	651,088.07

Others	1,212,181.56	568,386.98
Total	130,969,262.60	102,577,815.02

Other description:

21. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	55,878,486.28	44,335,743.56
Total	55,878,486.28	44,335,743.56

(1) Other payables

1) Other payables based on amount nature

Unit: RMB

Item	Closing balance	Opening balance
Margins and deposits	34,064,534.19	27,387,628.54
Fees payable	21,016,130.22	16,410,510.42
Others	797,821.87	537,604.60
Total	55,878,486.28	44,335,743.56

22. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities due within one year	197,019,114.42	177,712,848.98
Total	197,019,114.42	177,712,848.98

Other description:

23. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Refunds payable	314,200,407.66	211,040,964.42
Output tax pending carryforward	14,430,445.68	40,125,347.28
Total	328,630,853.34	251,166,311.70

Changes in short-term bonds payable:

Unit: RMB

Name of bond	Par value	Date of issuance	Term of bond	Amount issued	Opening balance	Issuance in the period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in the period		Balance at the end of the period
Total	--	--	--								

Other description:

— Refunds payable is the adjustment to the clothing selling income of franchise stores made by the Company based on the return and exchange policies and estimated return and exchange rate.

— The closing balance of other current liabilities increased by RMB77,464,541.64 or 30.84% compared with the opening balance in 2021, mainly owing to the increase in expected payments for returns and exchanges of franchise stores.

24. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Convertible bonds	284,554,163.11	630,982,939.14
Total	284,554,163.11	630,982,939.14

(2) Changes in the increase and decrease of the bonds payable (excluding other financial instruments such as preference shares and perpetual bonds that are divided into financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issuance	Term of bond	Amount issued	Opening balance	Issuance in the period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in the period	Conversion to shares in the period	Closing balance
BYZZ	689,000,000.00	June 15, 2020	6	689,000,000.00	630,982,939.14		2,256,312.02	-43,798,288.75	1,430,176.80	391,053,200.00	284,554,163.11
Total	--	--	--	689,000,000.00	630,982,939.14		2,256,312.02	-43,798,288.75	1,430,176.80	391,053,200.00	284,554,163.11

(3) Conversion conditions and time

The China Securities Regulatory Commission issued the *Reply on Approving the Public Listing of Convertible Bonds by BIEM.L.FDLKK Garment Co., Ltd.* (CSRC Approval [2020] No. 638) in June 2020, according to which the Company issued 6.89

million convertible bonds to the general public ("BYZZ"). The par value of each bond is RMB100.00 and total offered amount is RMB689 million, with a term of six years.

In accordance with relevant provisions of the *Prospectus for the Public Offering of Convertible Bonds by BIEM.L.FDLKK Garment Co., Ltd.*, the convertible bonds may be converted into shares of the Company from the first trading day after six months upon the end date of bond issuance (June 19, 2020) to the maturity date of the bond, namely from December 21, 2020 to June 14, 2026. The initial conversion price was RMB14.90/share.

The Company implemented its 2020 profit distribution plan on July 7, 2021. Pursuant to relevant terms regarding share conversion price of the convertible bonds, the conversion price of "BYZZ" was adjusted from RMB14.90/share to RMB14.60/share.

25. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	217,323,756.45	298,677,940.84
Total	217,323,756.45	298,677,940.84

Other description

26. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government grants	30,000,000.00			30,000,000.00	Related to asset
Total	30,000,000.00			30,000,000.00	--

Projects involving government grants:

Unit: RMB

Liability item	Opening balance	Increased amount of grants in the current period	Amount included in non-operating revenue in the current period	Amount included in other income in the current period	Amount of offset costs in the current period	Other changes	Closing balance	Related to asset/income
Support funds for the construction of intelligent storage center	30,000,000.00						30,000,000.00	Related to asset

27. Share capital

Unit: RMB

	Opening balance	Increase and decrease of this change (+ and -)					Closing balance
		Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	
Total number of shares	524,075,085.00				26,251,627.00	26,251,627.00	550,326,712.00

Other description:

— The increase under "others": As stated in Note VII (24) of this financial report, the Company issued convertible bonds. As of December 31, 2021, 26,257,002.00 shares had been converted from "BYZZ" convertible bonds, of which 26,251,627.00 shares were converted in 2021.

28. Other equity instruments

(1) Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds

For basic information on other financial instruments in issue at the end of the reporting period such as the preference shares and perpetual bonds, please refer to Note VII (24) Bonds payable.

(2) Table of changes in other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds

Unit: RMB

Financial instruments in issue	Beginning of the period		Increase in the current period		Decrease in the current period		End of the period	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
BYZZ	6,889,198	63,661,135.54			3,910,532	36,136,681.38	2,978,666	27,524,454.16
Total	6,889,198	63,661,135.54			3,910,532	36,136,681.38	2,978,666	27,524,454.16

Description of increase/decrease of other equity instruments in the reporting period, reasons of change, and accounting basis:

— Other equity instruments decreased by RMB36,136,681.38 in the reporting period, owing to the conversion of convertible bonds into shares. For details, please refer to "Note VII (27) Share capital".

29. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share premium)	226,927,846.51	373,542,599.64		600,470,446.15
Total	226,927,846.51	373,542,599.64		600,470,446.15

Other descriptions, including increase/decrease in the reporting period and reasons of change:

Capital reserve increased by RMB373,542,599.64 in the reporting period, owing to the conversion of convertible bonds into shares.

30. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred in the current period						Closing balance
		Amount before income tax in the period	Less: Amount previously included in other comprehensive income and transferred to profit or loss in the period	Less: Amount previously included in other comprehensive income and transferred to retained earnings in the period	Less: Income tax expense	Amount attributable to the Parent Company after tax	Amount attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified into profit or loss	-6,249,160.64	5,313,931.80			-148,618.89	5,406,986.92	55,563.77	-842,173.72
Changes in fair value of investments in other equity instruments	-6,249,160.64	5,313,931.80			-148,618.89	5,406,986.92	55,563.77	-842,173.72
Total of other comprehensive income	-6,249,160.64	5,313,931.80			-148,618.89	5,406,986.92	55,563.77	-842,173.72

Other description, including adjustments arising from transferring the effective portion of gains and losses on cash flow hedges to the initial recognition amount of the hedged item:

31. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance

Statutory surplus reserve	194,828,010.62	63,282,325.31		258,110,335.93
Total	194,828,010.62	63,282,325.31		258,110,335.93

Explanation of surplus reserve, including increase/decrease in the reporting period and reasons of change:

— The increase in the Company's surplus reserve in the reporting period is due to the appropriation of the statutory surplus reserve at 10% of the Parent Company's net profit in the period.

32. Retained earnings

Unit: RMB

Item	Current period	Last period
Retained earnings before adjustment at the end of the last period	1,413,582,872.58	1,072,977,728.32
Total adjustment of retained earnings at the beginning of the period ("+" for increase and "-" for decrease)		51,814,315.93
Retained earnings at the beginning of the period after adjustment	1,413,582,872.58	1,124,792,044.25
Plus: Net profit attributable to owners of the parent company of the current period	624,541,483.00	498,822,424.55
Less: Appropriated statutory surplus reserve	63,282,325.31	55,893,446.22
Dividends on ordinary shares payable	164,990,208.30	154,138,150.00
Retained earnings at the end of the period	1,809,851,821.97	1,413,582,872.58

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

(1) Due to retrospective adjustments according to the Accounting Standards for Business Enterprises and its related new provisions, retained earnings at the beginning of the period was impacted by RMBXX.

(2) Due to the changes in accounting policies, retained earnings at the beginning of the period were impacted by RMBXX.

(3) Due to the correction of material accounting errors, retained earnings at the beginning of the period were impacted by RMBXX.

(4) Due to the changes in the consolidated scope arising from business combinations under same control, retained earnings at the beginning of the period was impacted by RMBXX.

(5) Other adjustments affected retained earnings at the beginning of the period by RMBXX.

33. Revenue and cost of revenue

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal business	2,719,943,987.32	634,160,601.71	2,303,301,051.46	601,546,395.40
Other businesses	45,269.82		25,160.38	

Total	2,719,989,257.14	634,160,601.71	2,303,326,211.84	601,546,395.40

Whether lower of the audited net profits before and after deducting the non-recurring profit and loss is negative

□ Yes √ No

34. Tax and surcharges

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
City construction and maintenance tax	12,273,316.92	6,854,156.18
Education surcharges	5,319,074.54	2,939,830.36
Local education surcharges	3,546,047.89	1,959,772.09
Other taxes and fees	2,824,038.23	2,229,573.44
Total	23,962,477.58	13,983,332.07

Other description:

35. Selling expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Store operating expenses	359,724,699.13	461,267,036.64
Employee benefits	292,614,931.34	245,331,238.57
Depreciation of right-of-use assets	175,539,936.53	
Decoration and renovation expenses	84,303,737.40	76,410,689.85
Advertising expenses	78,889,887.30	62,254,284.32
Office and business travel expenses	20,281,804.02	13,647,638.74
Transportation expenses	10,068,692.80	8,614,867.40
E-commerce service fees	8,659,135.65	6,549,205.73
Others	10,969,661.97	11,293,498.01
Total	1,041,052,486.14	885,368,459.26

36. Administrative expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee benefits	74,442,596.47	51,016,526.18
Depreciation and amortization	26,494,225.47	22,794,914.22
Agency fee	13,936,114.88	13,580,832.39

Depreciation of right-of-use assets	12,445,016.24	
Office and business travel expenses	11,700,066.13	12,814,603.95
Office premise usage fee	9,838,670.93	27,080,769.82
Others	7,410,884.14	5,345,784.02
Total	156,267,574.26	132,633,430.58

37. R&D expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee benefits	54,175,698.63	41,907,397.53
New product R&D	22,525,478.10	17,127,163.13
Depreciation and amortization	3,769,157.59	1,747,718.17
Office and business travel expenses	2,616,395.96	3,888,847.71
Others	301,398.39	133,732.82
Total	83,388,128.67	64,804,859.36

38. Finance expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Interest expense of convertible bonds	18,670,744.11	15,998,242.73
Interest expense of lease liabilities	21,058,743.02	
Less: Interest income	18,147,338.76	6,842,458.41
Others	223,387.32	543,475.05
Total	21,805,535.69	9,699,259.37

Other description:

— Interest income in 2021 increased by RMB11,304,880.35 or 165.22% compared with 2020, owing to interests accrued by the purchased large-denomination Certificate of Deposit.

— Interest expense on lease liabilities in 2021 increased by RMB21,058,743.02 compared with 2020, owing to the Company's adoption of the New Lease Standards.

39. Other income

Unit: RMB

Sources of other income	Incurred in the current period	Incurred in the prior period
Government grants	14,577,835.79	15,349,526.38

Others	203,782.61	147,175.44
Total	14,781,618.40	15,496,701.82

40. Return on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Gain from debt restructuring	104,009.33	
Income from wealth management products	38,711,860.90	24,501,459.48
Total	38,815,870.23	24,501,459.48

41. Income from changes in fair value

Unit: RMB

Source of income from changes in fair value	Incurred in the current period	Incurred in the prior period
Financial assets held for trading - wealth management products	3,424,832.00	425,333.33
Total	3,424,832.00	425,333.33

42. Credit impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Bad debt loss	314,860.76	-5,259,711.60
Total	314,860.76	-5,259,711.60

43. Asset impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
II. Impairment Loss of Inventories and Contract Performance Cost	-78,683,952.73	-48,457,945.87
Total	-78,683,952.73	-48,457,945.87

44. Return on disposal of assets

Unit: RMB

Source	Incurred in the current period	Incurred in the prior period

Profits/losses from the disposal of non-current asset	-253,775.79	-2,728.63
Total	-253,775.79	-2,728.63

45. Non-operating revenue

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss of the current period
Government grants		4,313,900.00	
Others	531,942.90	476,200.02	531,942.90
Total	531,942.90	4,790,100.02	531,942.90

Government grants recognized as profit and loss of the current period:

Unit: RMB

Grants	Issuer	Reason	Nature and type	Whether the grant affected the profit and loss of the year	Whether a special grant	Amount incurred in the current period	Amount incurred in the last period	Related to asset/income
Reward for local contributions of headquarter enterprises	Panyu District Bureau of Development and Reform, Guangzhou	Reward	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		4,313,900.00	Related to income

46. Non-operating expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss of the current period
External donations	5,175,531.18	253,840.00	5,175,531.18
Loss from retirement of non-current assets	157,289.86	51,998.80	157,289.86

Loss of deposit for early termination of lease	101,400.00	950,297.51	101,400.00
Others	179,121.61	399,830.63	179,121.61
Total	5,613,342.65	1,655,966.94	5,613,342.65

47. Income tax expenses

(1) Table of income tax expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Current income tax expense	134,891,825.25	108,367,291.57
Deferred income tax expense	-26,762,252.49	-22,041,946.64
Total	108,129,572.76	86,325,344.93

(2) Adjustment process of accounting profits and income tax expenses

Unit: RMB

Item	Incurred in the current period
Total profit	732,670,506.21
Income tax expenses calculated at the statutory/applicable tax rate	109,900,575.95
Impacts of different tax rates applied to subsidiaries	6,099,398.29
Impacts of adjustments to income taxes during the prior period	-197,758.56
Impacts of non-deductible costs, expenses and losses	1,512,686.15
Impact of above-rate deduction of R&D expenses	-9,185,329.07
Income tax expenses	108,129,572.76

Other description

48. Other comprehensive income

Please refer to Note VII (30) for details.

49. Items of the cash flow statement

(1) Cash received related to other operating activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period

Government grants	14,577,835.79	19,663,426.38
Deposits for bank acceptance bills		14,313,046.91
Interest income	6,788,310.98	7,092,258.43
Operation-related deposits	18,438,232.59	12,845,131.44
Others	735,725.51	298,586.68
Total	40,540,104.87	54,212,449.84

Description of cash received related to other operating activities:

(2) Cash payments related to other operating activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Margins and deposits	16,301,529.53	11,194,741.99
Period expense for cash payment	356,681,090.61	249,168,287.19
Deposits for bank acceptance bills	3,835,587.75	
External donations	5,175,531.18	253,840.00
Total	381,993,739.07	260,616,869.18

(3) Cash received related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Structured deposits and wealth management products	3,130,000,000.00	1,770,000,000.00
Total	3,130,000,000.00	1,770,000,000.00

(4) Cash payments related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Structured deposits, time deposits and wealth management products	3,110,000,000.00	2,740,000,000.00
Security deposits	29,000,000.00	695,324.10
Total	3,139,000,000.00	2,740,695,324.10

(5) Cash payments related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Rental fees	58,595,168.29	
Service charge for dividend distribution		275,573.01
Others		1,391,573.94
Total	58,595,168.29	1,667,146.95

Description of cash paid related to other financing activities:

50. Supplementary information to cash flow statement

(1) Supplementary information to cash flow statement

Unit: RMB

Supplementary information	Amount of the current period	Amount of last period
1 Reconciliation of net profit to cash flows from operating activities:	--	--
Net Profit	624,540,933.45	498,802,372.48
Plus: Provisions for asset impairment	78,369,091.97	53,717,657.47
Depreciation of fixed assets, oil and gas assets and productive biological assets	23,446,859.64	19,595,615.37
Depreciation of right-of-use assets	187,984,952.77	
Intangible asset amortization	10,178,688.43	8,488,245.63
Amortization of long-term prepaid expenses	71,980,366.17	65,468,237.02
Losses from disposal of fixed assets, intangible assets and other long-lived assets (“-” indicates income)	253,775.79	2,728.63
Losses from fixed assets write-off (“-” indicates income)	157,289.86	51,998.80
Losses from changes in fair value (“-” indicates income)	-3,424,832.00	-425,333.33
Finance expenses (“-” indicates income)	39,729,487.13	16,273,815.74
Investment losses (“-” indicates income)	-38,815,870.23	-24,501,459.48
Decrease in deferred tax assets (“-” indicates increase)	-27,363,238.95	-22,900,322.13
Increase in deferred tax liabilities	600,986.46	858,375.49

("-" indicates decrease)		
Decrease in inventories ("-" indicates increase)	-131,218,395.92	-15,618,773.41
Decrease in operating receivables ("-" indicates increase)	-17,729,808.30	-96,113,948.24
Increase in operating payables ("-" indicates decrease)	78,833,351.80	133,150,389.16
Others		
Net cash flow from operating activities	897,523,638.07	636,849,599.20
2 Significant investment and financing activities not involving cash:	--	--
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
Right-of-use assets added in the period	123,036,592.73	
3 Net changes in cash and cash equivalents:	--	--
Balance of cash at the end of the period	1,058,018,706.05	569,284,546.79
Less: Balance of cash at the beginning of the period	569,284,546.79	451,617,760.46
Plus: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	488,734,159.26	117,666,786.33

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,058,018,706.05	569,284,546.79
Including: Cash on hand	142,548.00	135,833.35
Bank deposits always available for payment	1,057,876,158.05	569,148,713.44
III. Balance of Cash and Cash Equivalents at	1,058,018,706.05	569,284,546.79

the End of the Period		

Other description:

—The balance of cash and cash equivalents at the end of the period has deducted interests receivable from bank deposits at RMB11,359,027.78 and security deposits for bank acceptance bills at RMB13,334,484.75.

51. Assets with restricted right to use or ownership

Unit: RMB

Item	Book value at the end of the period	Reason for restriction
Monetary funds	13,334,484.75	Deposits for bank acceptance bills
Total	13,334,484.75	--

52. Government grants

(1) Basic information on government grants

Unit: RMB

Category	Amount	Reporting items	Amount recognized as profit or loss for the current period
Award for innovation park	5,994,749.00	Other income	5,994,749.00
Financial support fund	3,217,416.00	Other income	3,217,416.00
Tax subsidy	1,834,000.00	Other income	1,834,000.00
Subsidy for industrial innovation capacity building (industrial design capacity improvement)	987,300.00	Other income	987,300.00
Subsidy for office space rental	909,784.00	Other income	909,784.00
Award for leading innovation team	500,000.00	Other income	500,000.00
Special fund for the development of medium, small and micro enterprises	409,000.00	Other income	409,000.00
Award for high-tech enterprise certification	400,000.00	Other income	400,000.00
Award for high-tech enterprise	200,000.00	Other income	200,000.00
Subsidy for job stabilization	65,586.79	Other income	65,586.79
Award for headquarter enterprises (award for mid-level and senior managers)	60,000.00	Other income	60,000.00

Total	14,577,835.79	-	14,577,835.79

VIII. Changes in the Consolidated Scope

1. Disposal of subsidiaries

Whether there is situation that one disposal of investment in a subsidiary leads to a loss of control

□ Yes √ No

Whether there is situation that the disposal of investment in a subsidiary is achieved in stages through multiple transactions while the control is lost in the reporting period

□ Yes √ No

2. Changes in the scope of consolidation due to other reasons

Newly established subsidiaries

During the reporting period, one new subsidiary was added to the Company's consolidation scope, i.e. Ningbo BIEM.L.FDLKK Smart Technology Co., Ltd., which is a wholly-owned subsidiary of the Company established in April 21, 2021.

IX. Equities in Other Entities

1. Equities in subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Main business address	Registered address	Principal businesses	Shareholding percentage		Obtaining method
				Direct	Indirect	
Guangzhou BIEM.L.FDLKK Business Consulting Co., Ltd.	Guangzhou	Guangzhou	Rental and business services	100.00%		Investment and establishment
Guangzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	Guangzhou	Guangzhou	Rental and business services	100.00%		Investment and establishment
Ningbo BIEM.L.FDLKK Supply Chain Management Co., Ltd.	Ningbo	Ningbo	Supply chain management and business services		100.00%	Investment and establishment

Xuzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	Xuzhou	Xuzhou	Supply chain management and business services	100.00%		Investment and establishment
Ningbo BIEM.L.FDLKK Smart Technology Co., Ltd.	Ningbo	Ningbo	Supply chain management and business services	100.00%		Investment and establishment
Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Finance industry	99.01%		Investment and establishment

Description of the difference between the percentage of shares held in a subsidiary and the percentage of voting rights

Basis for holding 50% or less than of the voting rights but controlling the investee, or holding 50% or more of the voting rights but not controlling the investee:

(2) Important non-wholly-owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding percentage of minority shareholders	Profit and loss attributable to minority shareholders in the period	Dividends declared to minority shareholders in the period	Closing balance of equity of minority shareholders
Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)	0.99%	-549.55		967,735.13

(3) Main financial information of important non-wholly-owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)	822,722.25	98,099,300.47	98,922,022.72	1,181,101.00		1,181,101.00	876,232.68	92,785,368.67	93,661,601.35	1,179,101.00		1,179,101.00

Unit: RMB

Name of subsidiary	Incurred in the current period				Incurred in the prior period			
	Revenue	Net Profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net Profit	Total comprehensive income	Cash flows from operating activities
Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)		-55,510.43	5,258,421.37	-53,510.43		-2,025,461.62	-8,638,663.32	-6,461.62

Other description:

X. Risks Associated with Financial Instruments

The Company may face various risks related to financial instruments in the course of operations, mainly including credit risks, market risks and liquidity risks. The management of the Company is fully responsible for determining risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. The overall goal of risk management is to develop risk management policies that minimize risks without unduly affecting the Company’s competitiveness and resilience. The goal and policies of the Company’s risk management is to strike a proper balance between risks and gains and to minimize the negative impact of risks on the business performance of the Company while maximizing the interests of shareholders and other equity investors. Based on this risk management goal, the basic strategy of the Company’s risk management is to determine and analyze all kinds of risks faced by the Company, clarify the minimum of risk acceptance and conduct risk management, and monitor risks of all kinds in a timely and reliable manner to control risks within the limits.

(I) Credit risk

Credit risk refers to the risk of financial losses of one party caused by the failure of the other party to perform its obligations. To reduce credit risk, the Company has established relevant internal control policies responsible for determining credit limits, conducting credit approvals, including external credit ratings and, in some cases, bank credit certificates (when such information is available), and performing other monitoring procedures to ensure that necessary action is taken to recover overdue claims. Therefore, the management of the Company believes that the credit risk assumed by the Company has been greatly reduced.

The Company's credit risk mainly arises from bank deposits, financial assets held for trading, accounts receivable, other receivables, etc. The credit risk of these financial assets originates from the default of the counterparty, and the maximum risk exposure is equal to the book value of these instruments.

1. Liquid funds of the Company are deposited in banks with high credit ratings, so the credit risk of liquid funds is low.

2. The Company has set aside bad debt reserves according to accounting policies on the balance sheet date.

(II) Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle accounts by delivering cash or other financial assets. The Company has formulated an internal control system related to cash management, regularly prepares rolling fund budgets, and monitors short-term and long-term liquidity needs in real time. The goal is to use bank loans, commercial credits and other means to maintain a balance between financing continuity and flexibility.

XI. Disclosure of Fair Value

1. Closing fair values of assets and liabilities measured at fair value

Unit: RMB

Item	Closing fair value			
	Fair value measurement with Level 1 inputs	Fair value measurement with Level 2 inputs	Fair value measurement with Level 3 inputs	Total
I. Recurring Fair Value Measurement	--	--	--	--
(I) Financial assets held for trading	1,338,986.96	633,424,832.00		634,763,818.96
1. Financial assets measured at fair value through profit or loss	1,338,986.96	633,424,832.00		634,763,818.96
(III) Investment in other equity instruments			98,099,300.47	98,099,300.47
Total recurring assets measured at fair value	1,338,986.96	633,424,832.00	98,099,300.47	732,863,119.43
II. Non-recurring Fair	--	--	--	--

Value Measurement				

2. Basis for determining the market price of recurring and non-recurring fair value measurements with Level 1 inputs

If there is an active market for a financial instrument, the Company establishes its fair value by using quoted price in the active market.

3. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurements with Level 2 inputs

The fair value of wealth management products of banks with recurring and non-recurring measurements is determined based on the expected rate of return of the product.

4. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurements with Level 3 inputs

If there is no active market, the Company establishes fair value by using valuation techniques. Valuation models mainly include the discounted cash flow model and market comparable company model. Important parameters of valuation techniques mainly include risk-free interest rate, benchmark interest rate, exchange rate, credit spread, liquidity premium, EBIDA multiplier, etc.

The fair value of equity investments in Shenzhen Youanmi Technology Co., Ltd.is measured using the latest financing price method. For equity investments in Fast Fashion (Guangzhou) Co., Ltd., considering that there have been no significant changes in its assets, liabilities and operations, the cost method is used to reasonably estimate the fair value.

5. Adjustment information and sensitivity analysis of unobservable parameters between the opening and closing values of recurring fair value measurements with Level 3 inputs

None

6. For recurring fair value measurements with change of levels in the period, reasons for such change and policies for determining the time of change

There was no change of levels for recurring fair value measurements during the reporting period.

7. Changes in valuation techniques within the reporting period and reasons for such changes

None

8. Fair values of financial assets and financial liabilities not measured at fair value

Financial assets and financial liabilities of the Company not measured at fair value mainly comprise monetary funds, accounts receivable, other receivables, notes payable, accounts payable, other payables, etc. For such assets and liabilities, their carrying amount is very close to their fair value.

XII. Related Parties and Related Party Transactions

1. Information on the Parent Company of the Company

(I) Actual controller of the Company

Name	Relationship with related party	Shareholding percentage in the Company (%)	Percentage of voting right in the Company (%)
Xie Bingzheng	Shareholder	39.28	39.28
Feng Lingling	Shareholder	3.57	3.57

Xie Bingzheng and Feng Lingling, who are a couple, directly hold 42.85% of the Company's shares, and Xie Bingzheng indirectly holds 0.04% through Guangzhou Jinan Investment Co., Ltd.; Xie Bingzheng and Feng Lingling are the actual controllers of the Company.

2. Information on subsidiaries of the Company

See "Note IX. 1. Equities in Other Entities" for detailed information on the subsidiaries of the Company.

3. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
Hongzhou Xindu Trading Co., Ltd.	A company controlled by the relative of the Company's actual controller
Hongzhou Gejiu Xuecheng Garment Co., Ltd.	A company controlled by the relative of the Company's actual controller
Guangzhou Yixiang Garment Co., Ltd.	A company controlled by the relative of the Company's actual controller

4. Information on related party transactions

(1) Related party transactions for procurement and sale of goods, and provision and acceptance of labor services

Procurement of goods/acceptance of labor services

Unit: RMB

Related party	Content of related party transaction	Incurred in the current period	Approved transaction limit	Whether to outstrip the transaction limit	Incurred in the prior period
Guangzhou Yixiang Garment Co., Ltd.	Procurement of goods	34,420,367.36	46,000,000.00	No	18,973,179.55

Table of sale of goods/provision of labor services

Unit: RMB

Related party	Content of related party	Incurred in the current period	Incurred in the prior period

	transaction		
Hongzhou Xindu Trading Co., Ltd.	Garment	1,287,126.22	9,780,908.58
Hongzhou Gejiu Xuecheng Garment Co., Ltd.	Garment	7,258,812.08	

Explanation of the related party transactions for purchase and sale of goods, and provision and acceptance of labor services

(2) Remuneration for key managers

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Remuneration for key managers	5,447,666.46	4,724,160.13

5. Receivables from and payables to related parties

(1) Receivables

Unit: RMB

Project	Related party	Closing balance		Opening balance	
		Book balance	Impairment provision	Book balance	Impairment provision
Prepayments	Guangzhou Yixiang Garment Co., Ltd.	642,690.33		2,307,459.87	

(2) Payables

Unit: RMB

Project	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payable	Guangzhou Yixiang Garment Co., Ltd.	908,712.66	
Contract liabilities	Hongzhou Xindu Trading Co., Ltd.		1,288,607.60
Contract liabilities	Hongzhou Gejiu Xuecheng Garment Co., Ltd.	1,568,366.50	
Other payables	Hongzhou Xindu Trading Co., Ltd.		554,909.00
Other payables	Hongzhou Gejiu Xuecheng Garment Co., Ltd.	206,668.66	

XIII. Share-based Payment

1. Overall information on share-based payment

□ Applicable √ Not applicable

2. Equity-settled share-based payment

□ Applicable √ Not applicable

3. Cash-settled share-based payment

□ Applicable √ Not applicable

4. Revision and termination of share-based payment

Not applicable

5. Others

Not applicable

XIV. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

As of December 31, 2021, significant capital expenditure commitments that the Company has signed but do not need to present on the balance sheet are as follows:

Unit: RMB

Item	December 31, 2021
Properties and buildings	123,245,923.28
Total	123,245,923.28

2. Contingencies

(1) Significant contingent matters on the balance sheet date

The Company had no significant contingent matters that need to be disclosed as at December 31, 2021.

(2) Explanations are also necessary if the Company has no significant contingent matters to be disclosed

There are no significant contingent matters to be disclosed in the Company.

XV. Events after Balance Sheet Date

1. Profit distribution

Unit: RMB

Profits or dividends proposed to be distributed	171,212,125.20
Profits or dividends distributed after deliberation, approval and announcement	171,212,125.20

2. Explanation on other events after the balance sheet date

(I) Profit distribution

The Company convened a Board meeting on April 15, 2022, which deliberated and approve the *Proposal on 2020 Profit Distribution Plan*. According to the proposal, the Company plans to distribute a cash dividend of RMB3.0 (tax inclusive) for every 10 shares to all shareholders based on a total share capital of 570,707,084 shares as at March 31, 2022, with a total amount of RMB171,212,125.20; no bonus shares will be issued and no capital reserve will be converted into share capital; the remaining undistributed profits will be carried forward to the next year. Where there are any changes to the Company's total share capital after the announcement of the profit distribution proposal and before the equity registration date for actual implementation, the Company will maintain the same distribution ratio per share and adjusts the total distribution amount accordingly. The profit distribution proposal can be implemented only after being approved by the general meeting of shareholders.

(II) Explanation on other events after the balance sheet date

The Company convened the 9th meeting of the Fourth Board of Directors on January 24, 2022, which deliberated and approved the *Proposal on Early Call of "BYZZ"*. The Company decided to exercise the conditional call option and redeem all "BYZZ" that are registered in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and not converted into shares after the closing of the market on the redemption registration date at a price of bond par value plus accrued interest of the current period. As at the market closing on February 22, 2022, still 3,058 "BIEM convertible bonds" were not converted to shares, so the Company redeemed 3,058 bonds. At a call price of RMB100.42 per bond (face value plus current accrued interest; the interest rate of the period was 0.6% and the accrued interest included tax; the call price after tax deduction was subject to the price approved by China Securities Depository and Clearing Corporation Limited), the Company paid totally RMB307,084.36 for the redemption. The total face value of the redeemed "BIEM convertible bonds" is RMB305,800.00, accounting for 0.04% of the total bonds issued. Upon completion, all the convertible bonds have been redeemed and the BIEM convertible bonds were delisted as they were no longer qualified for listing.

XVI. Other Significant Matters

1. Corrections to previous accounting errors

The Company convened the 10th meeting of the Fourth Board of Directors and the 7th meeting of the Fourth Board of Supervisors on March 9, 2022, which deliberated and approved the Proposal on Corrections to Previous Accounting Errors. The proposal agreed to make corrections to relevant account errors in accordance with relevant provisions of the *Accounting Standards for Business Enterprises No. 28 - Changes in accounting policies and estimates*, and correction of errors and the *Rules No. 19 on the Preparation of Information Disclosure Documents by Companies That Offer Securities to the Public - Correction of Financial Information and Relevant Disclosure*, which involves the 2020 consolidated financial statements and financial statements of the parent company.
Huaxing Certified Public Accountants LLP engaged by the Company has issued a special explanation on the corrections to the 2002 financial statements. For details, please refer to the *Audit Report of the Special Explanation on Correction of Accounting Errors in Previous Accounting Periods of BIEM.L.FDLKK Garment Co., Ltd.* (HX Special Doc. [2022] No.22000460028), which was published on www.cninfo.com.cn on March 9, 2022.

2. Segment information

(1) Other descriptions

The Company has no distinguishable business segment or regional segment that independently assumes risks and awards different from other segments.

3. Leases

Information disclosure of the Lessee
(1) Information of the lessee

Unit: RMB

Item	Amount
Interest expense of lease liabilities	21,058,743.02
Expenses of short-term leases included in relevant asset cost or profit or loss through the simplified treatment method	1,933,629.00
Expenses of low-value asset leases included in relevant asset cost or profit or loss through the simplified treatment method (except for the short-term lease expenses of low-value assets)	2,645,168.54
Variable lease payments that are not included in the measurement of lease liabilities but profit or loss	282,671,218.34
Including: Proportion from leaseback transactions	
Income from sublease of right-of-use assets	
Total cash outflow related to leases	62,889,025.21

Gain or loss from leaseback transactions	
Cash inflow from leaseback transactions	
Cash outflow from leaseback transactions	
Others	

4. Others

The Company had no other significant matters that need to be disclosed during the reporting period.

XVII. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts receivable

(1) Accounts receivable disclosure by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Accounts receivable for which bad debt reserve is set aside individually	618,282.56	0.21%	618,282.56	100.00%		3,026,981.81	0.94%	2,562,695.09	84.66%	464,286.72
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	295,013,683.59	99.79%	15,296,626.45	5.19%	279,717,057.14	318,875,601.30	99.06%	18,278,511.03	5.73%	300,597,090.27
Including:										
Clothing sales business	295,013,683.59	99.79%	15,296,626.45	5.19%	279,717,057.14	318,875,601.30	99.06%	18,278,511.03	5.73%	300,597,090.27
Total	295,631,966.15	100.00%	15,914,909.01	5.38%	279,717,057.14	321,902,583.11	100.00%	20,841,206.12	6.47%	301,061,376.99

Bad debt reserve by item:

Unit: RMB

Name	Closing balance			
	Book balance	Impairment provision	Ratio of provision	Reason for provision

Institution 1	618,282.56	618,282.56	100.00%	It is expected that the amount cannot be recovered.
Total	618,282.56	618,282.56	--	--

Bad debt reserve by portfolio:

Unit: RMB

Name	Closing balance		
	Book balance	Impairment provision	Ratio of provision
Within 1 year	294,480,218.78	14,763,161.64	5.01%
1-2 years	190,299.54	190,299.54	100.00%
2-3 years			
Over 3 years	343,165.27	343,165.27	100.00%
Total	295,013,683.59	15,296,626.45	--

Description of reason for the portfolio:

If the bad debt reserve of accounts receivable is set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

□ Applicable √ Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	294,480,218.78
1 to 2 years	808,582.10
Over 3 years	343,165.27
3 to 4 years	2,173.75
4 to 5 years	132,467.43
Over 5 years	208,524.09
Total	295,631,966.15

(2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Bad debt reserve of the reporting period:

Unit: RMB

Category	Opening balance	Amount of change in the reporting period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt reserve for accounts	20,841,206.12		2,224,051.58		2,702,245.53	15,914,909.01

receivable						
Total	20,841,206.12		2,224,051.58		2,702,245.53	15,914,909.01

— Due to debt restructuring, the Company wrote off bad debt reserve for accounts receivable at an amount of RMB2,702,245.53 in 2021.

(3) Accounts receivable actually written off in the reporting period

Unit: RMB

Item	Write-off amount

Write-offs of important accounts receivable:

Unit: RMB

Name of institution	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedures	Whether the amount is caused by related party transaction

Description on the write-offs of accounts receivables:

As of December 31, 2021, the Company did not write off any accounts receivable.

(4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable at the end of the period	Percentage in total balance of accounts receivable at the end of the period	Balance for bad debt reserve at the end of the period
Institution 1	17,159,920.18	5.80%	858,111.72
Institution 2	7,928,133.02	2.68%	400,747.57
Institution 3	7,847,238.43	2.65%	392,361.92
Institution 4	6,665,554.40	2.25%	333,423.95
Institution 5	5,171,664.81	1.75%	258,583.24
Total	44,772,510.84	15.13%	--

(5) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

As of December 31, 2021, the Company had no assets and liabilities that were formed by the transfer of accounts receivable and its continuing involvement.

(6) Accounts receivable derecognized due to transfer of financial assets

As of December 31, 2021, no accounts receivable was derecognized due to transfer of financial assets.

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	93,306,779.94	60,685,628.95
Total	93,306,779.94	60,685,628.95

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	88,690,812.02	52,061,452.75
Related-party amount within the consolidated scope	4,945,158.86	8,308,572.82
Employee reserve fund	3,069,483.92	2,348,617.12
Others	1,251,936.78	723,673.43
Total	97,957,391.58	63,442,316.12

2) Bad debt reserve

Unit: RMB

Bad debt reserve	Phase I	Phase II	Phase III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as at January 1, 2021	2,756,687.17			2,756,687.17
Balance as at January 1, 2021 in the reporting period	——	——	——	——
Provision in the reporting period	1,893,924.47			1,893,924.47
Balance as at December 31, 2021	4,650,611.64			4,650,611.64

Description of changes in the book balance where there are significant changes in provision for the current period

□ Applicable √ Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	97,957,391.58
Total	97,957,391.58

3) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Bad debt reserve of the reporting period:

Unit: RMB

Category	Opening balance	Amount of change in the reporting period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt reserve by portfolio	2,756,687.17	1,893,924.47				4,650,611.64
Total	2,756,687.17	1,893,924.47				4,650,611.64

4) Other receivables actually written off in the reporting period

Unit: RMB

Item	Write-off amount

Description of write-offs of important other receivables:

Unit: RMB

Name of institution	Nature of other receivables	Write-off amount	Write-off reason	Write-off procedures	Whether the amount is caused by related party transaction

Description on the write-offs of other receivables:

No other receivables were written off during the reporting period.

5) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of institution	Nature of the amount	Closing balance	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
Institution 1	Margins and deposits	29,000,000.00	Within 1 year	29.60%	1,450,000.00
Institution 2	Margins and deposits	7,441,978.00	Within 1 year	7.60%	372,098.90

Institution 3	Margins and deposits	5,560,610.00	Within 1 year	5.68%	278,030.50
Institution 4	Margins and deposits	4,288,619.00	Within 1 year	4.38%	214,430.95
Wholly-owned subsidiary	Related-party amount within the consolidated scope	3,936,779.90	Within 1 year	4.02%	
Total	--	50,227,986.90	--	51.28%	2,314,560.35

6) Receivables involving government grants

As of December 31, 2021, the Company had no receivables involving government grants.

7) Other receivables derecognized due to the transfer of financial assets

As of December 31, 2021, no other receivable was derecognized due to transfer of financial assets.

8) Amount of assets and liabilities that are formed by the transfer of other receivables and the Company's continuing involvement

As of December 31, 2021, the Company had no assets and liabilities that were formed by the transfer of other receivables and its continuing involvement.

3. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	111,000,000.00		111,000,000.00	111,000,000.00		111,000,000.00
Total	111,000,000.00		111,000,000.00	111,000,000.00		111,000,000.00

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Increase/decrease in the period				Closing balance (book value)	Closing balance of impairment provision
		Increase in investment	Decrease in investment	Impairment Provision	Others		
Guangzhou BIEM.L.FDLK	1,000,000.00					1,000,000.00	

K Business Consulting Co., Ltd.							
Guangzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	5,000,000.00					5,000,000.00	
Guangzhou BIEM.L.FDLKK Ejam Equity Investment Partnership (Limited Partnership)	100,000,000.00					100,000,000.00	
Xuzhou BIEM.L.FDLKK Supply Chain Management Co., Ltd.	5,000,000.00					5,000,000.00	
Total	111,000,000.00					111,000,000.00	

4. Revenue and cost of revenue

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal business	2,719,943,987.32	908,931,832.35	2,303,301,051.46	750,466,115.63
Other businesses	45,269.82		25,160.38	
Total	2,719,989,257.14	908,931,832.35	2,303,326,211.84	750,466,115.63

5. Return on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Income from wealth management products	38,711,860.90	24,501,459.48
Gain from debt restructuring	104,009.33	
Total	38,815,870.23	24,501,459.48

XVIII. Supplementary Information

1.List of non-recurring profits and losses of the reporting period

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Description
Profits/losses from the disposal of non-current asset	-411,065.65	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	14,577,835.79	
Gain or loss from debt restructuring	104,009.33	
Gain or loss from changes in fair value of financial assets and financial liabilities held for trading, and investment income from the disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets, excluding the effective hedging business related to the normal operation of the Company	3,424,832.00	
Reversal of write-down for receivables whose impairment was tested individually	1,944,412.53	
Other non-operating revenue and expenses except for the aforementioned items	-4,924,109.89	
Other profit and loss items that meet the definition of non-recurring profit and loss	38,711,860.90	
Less: Influence of income tax	9,169,558.51	
Total	44,258,216.50	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

□ Applicable √ Not applicable

The Company has no other profit and loss items that qualified the definition of non-recurring profit and loss.

Descriptions where the Company defines any non-recurring profit and loss items listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period

□ Applicable √ Not applicable

2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to the ordinary shareholders of the Company	21.73%	1.15	1.15
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	20.19%	1.07	1.07

3. Difference in accounting data under domestic and international accounting standards

(1) Net profit and net asset differences under International Financial Reporting Standards (IFRS) and Chinese Accounting Standards (CAS)

□ Applicable √ Not applicable

(2) Net profit and net asset differences under foreign accounting standards and Chinese Accounting Standards (CAS)

□ Applicable √ Not applicable

(3) Explanation of reasons for the differences between accounting data disclosed under domestic and overseas accounting standards. If differences are adjusted based on data audited by overseas audit institutions, the name of the institution should be noted.

4. Others

BIEM.L.FDLKK Garment Co., Ltd.

Chairman: Xie Bingzheng

April 15, 2022